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## Working Conditions and the Labor Market

### 1999 Annual Unemployment Rate Hits Record High

The Management and Coordination Agency has released the results of the December Labour Force Survey and its summary for the monthly 1999 surveys. The monthly unemployment rate gradually declined after marking a record high of 4.9 percent in June and July. However, the December survey shows that it increased by 0.1 percent over the previous month to 4.6 percent. The annual average unemployment rate for 1999 was a record high, 4.7 percent.

The labor force in 1999 consisted of 67.79 million people (40.24 million males and 27.55 million females). The labor force participation rate for the population aged 15 and over in 1999 was 62.9 percent, a drop of 0.4 percentage points from the previous year. The proportion of the labor force that was male was 76.9 percent, a drop of 0.7 percentage points over the previous year. For females, the figure was 49.6 percent, a decline of 0.5 percentage points.

The number of people actually working declined by 520,000 from the previous year to 64.62 million, the largest decline ever. The number of employed people stood at 53.37 million, a decline of 20,000, the second largest decline since the current labor force survey was first instigated in 1953, the largest having been in 1998. The number of male workers decreased by 270,000 to 38.31 million between 1998 and 1999; that for female workers decreased by 240,000 to 26.32 million. The average unemployment rate for 1999 was 4.7 percent, a rise from 4.1 percent in the previous year. The rate for male workers rose 0.6 percentage points from 4.2 percent in 1998 to 4.8 percent; for females the increase was from 4.0 percent to 4.5 percent.

The annual average number of unemployed people in 1999 was 3.17 million. About 1.02 million of those seeking jobs had left their previous jobs involuntarily owing to managerial prerogatives related to the need for personnel adjustments, poor business performance, reaching a mandatory retirement age, etc.; another 1.09 million quit voluntarily for personal reasons or reasons related to requirements. A further 170,000 failed to get a job following graduation. The increases in these figures over the previous year were 170,000, 80,000 and 20,000 respectively. Among the unemployed aged 15-34 the number of voluntary separations (650,000) was greater than the number of involuntary separations (300,000). Among those aged 35-54, involuntary separations (340,000) outnumbered voluntary separations (330,000).

The Ministry of Labour recently released its report with the 1999 averages which are

drawn from its Monthly Labour Survey during the year. Its findings provide further evidence as to how tight the employment situation actually is. The annual average number of regular employees fell in 1999 by 0.3 percent from the previous year to 43.534 million, the first drop since the current statistics which monitor enterprises with five or more regular employees became available in 1991. Among these employees, the number of general workers fell to 35.038 million, a decline of 1.0 percent compared with the previous year. On the other hand, the number of part-time workers\* increased 3.3 percent to 8.495 million.

Average monthly cash earnings in 1999 totalled ¥353,357, 1.4 percent down from the previous year. The average monthly salary paid to general workers was ¥416,416 (a decline of 0.7%); for part-time workers the figure was ¥92,858 (a decline of 1.4%).

Monthly average working hours decreased 1.1 percent from the previous year to 153.3 hours, the third successive annual decline. Of the total, scheduled working hours decreased 1.0 percent to 143.8 hours. Non-scheduled working hours decreased 1.9 percent to 9.5 hours; however, non-scheduled working hours in manufacturing increased 0.9 percent to 12.3 hours, the first increase in two years.

Notes: \*Part-time workers are (i) regular employees whose scheduled working hours per day are shorter than those of general employees within the same enterprise or (ii) regular employees whose working days per week are fewer than those of general employees within the same enterprises (even though scheduled working hours per day are the same).

## Human Resources Management

### Employment Situation for Disabled People

The Ministry of Labour has released the results of its Survey on the Actual Employment Situation of Disabled Persons, etc. carried out in November 1998. The Ministry conducts the survey every five years to grasp the employment outlook for the disabled. One survey is sent nationally to private enterprises with five or more employees; another is distributed to physically disabled people and mentally challenged people who are employed as regular employees by these enterprises. Valid replies were returned by 5,482 private businesses (80.0%), 13,935 physically disabled individuals (64.3%) and 928 mentally challenged individuals (73.3%). The February issue of the *Japan Labor Bulletin* discussed the legal designation given to such people and provides data on the actual rates of employment for the disabled.

According to estimates based on the results from the enterprise survey, the physically disabled employed at private firms with five or more employees numbered 396,000, an

increase of 15.1 percent from the previous survey in 1993. Those with disabled limbs accounted for 54.0 percent of that total; those with auditory or speech impediments, 15.2 percent; those with internal problems, 15.0 percent; and those visually handicapped, 10.9 percent. People with serious disabilities accounted for 33.3 percent (up from 30.0% in the 1993 survey); people with a moderate degree of disability, 38.2 percent; and those with slight disabilities, 24.5 percent. The highest proportion of the disabled (36.8%) were employed in manufacturing. This sector also had the highest ratio of disabled employees to regular employees. By age, there was a higher frequency of disabled employees among middle-aged and older people.

The number of mentally challenged employees was 69,000 (15.0% above the level reported in the 1993 survey). Those with serious handicaps accounted for 28.5 percent. The highest proportion (59.2%) were employed in the manufacturing sector. A higher percentage of the younger generations were employed as mentally challenged workers. The number of psychologically handicapped employees was 51,000.

The proportion of firms which felt that there were still tasks to tackle with regard to employment of the physically disabled was 74.3 percent; with respect to the employment of the mentally challenged, 72.7 percent saw room for improvement. Among the firms which were open to change, many felt the highest need was to find suitable jobs for the disabled (68.8% concerning the physically handicapped and 68.1% concerning the mentally challenged). Many firms also pointed to the need to pay attention to workplace safety (42.5% and 38.7%, respectively).

The survey also revealed that many of the surveyed enterprises make special arrangements for the physically disabled (69.5%) and for mentally challenged employees (88.4%). Some had reorganized work tasks such as in simplifying work assignments (49.9% for the physically handicapped and 65.8% for the mentally challenged); a number of firms had allocated supervisors or colleagues to guide and support them in carrying out their duties (34.5% and 50.6%). A high proportion of enterprises attached importance to assigning someone to help mentally challenged employees. One-third (33.8%) of the surveyed firms had improved or otherwise altered facilities, equipment and machinery to better accommodate their physically disabled employees.

Among the individuals with disabilities who were surveyed, 28.7 percent of the physically disabled had experienced job-switching; on average they had changed jobs 2.2 times. Thirty percent of those surveyed with physical disabilities felt it was necessary for their firms to make some adjustment to their equipment or way of doing things in order for them to

continue working. Among them, 30.0 percent pointed to the need for evaluations, promotions, and up-grading to be carried out in accordance with their abilities; 27.0 percent of the respondents requested improved means of communication and administrative arrangements. Nearly two-thirds (61.5%) felt anxiety about their future, worrying about whether they would be able to maintain their livelihood in old age (57.0%), and whether they would be able to continue working (56.3%).

As for mentally challenged employees, 59.4 percent wished to continue with the same work with their current employer. Nearly half (48.6%) expressed anxiety about their future. Typical concerns were the need for support in their old age (43.0%), and their ability to keep their present job (22.0%). Twenty-two percent did not know exactly why, but still felt somehow anxious about their future.

The Ministry of Labour has plans to implement a new two-year provisional scheme in fiscal 2000. Under the scheme specialists called “job coaches” will be dispatched to workplaces where mentally challenged or psychologically handicapped people have started to work. The coaches will accompany handicapped employees until they get used to the work environment. As specific encouragement to people with serious mental or emotional handicaps, job coaches will support those who have difficulty in communicating by accompanying and helping them to learn and to work on the spot, and to coordinate their relationships with other workers. Provided the provisional scheme is positively evaluated, the ministry aims to launch a full-scale version in fiscal 2002, after carefully assessing the trial.

## Labor-Management Relations

### 2000 Spring Offensive and the Employment Crisis

The 2000 spring wage negotiations (*shunto*) are taking place in the midst of a deteriorating employment situation, and labor unions are finding it difficult to press forward with their demands.

Real GDP declined in fiscal 1997 and again in 1998. Although massive fiscal stimuli achieved a turn-around in the Japanese economy in fiscal 1999, household spending (which accounts for more than 60% of the GDP) is still depressed along with investment in plant and equipment in the private sector.

Rengo (Japanese Trade Union Confederation) sees Japan's current economic situation at a “critical turning point.” It has argued that wage increases are necessary if household

spending is to recover. Accordingly, it has demanded a one percent basic wage raise (which will result in a 3% rise when the fixed annual increment is included). However, Nikkeiren (Japan Federation of Employers' Associations) raises an objection, claiming that "it is employment security, rather than wage increases, that has the stronger correlation with consumer demand." Nikkeiren insists that for the recovery of household consumption it is more important to dispel the sense of employment insecurity. It argues that the safeguarding of workers' jobs and the raising of corporate profits should be given top priority.

The annual average unemployment rate for 1999 was 4.7 percent, above the record of 4.1 percent recorded in 1998. It is the worst figure since the current statistics were first gathered in 1953. The monthly unemployment rate peaked at 4.9 percent in June and July 1999, then fell moderately, but this was largely attributable to an increase in temporary workers such as part-time workers, and the dismal situation affecting regular employment remains unchanged. Private firms are still adjusting their employment levels.

Taking into account this deterioration in the employment situation, industrial federations in the pace-setting industries such as automobiles and electronics have toned down their demand for wage increases compared to last year (when the average pay hike in percentage terms among Japan's major firms was 2.21%, a record low). The unions are thus finding this year's negotiations as tough as or even tougher than those conducted last year.

As a possible approach to employment issues, the idea of work-sharing has been discussed by labor and management. However, Rengo has rejected a proposal from Nikkeiren that working hours be shortened in conjunction with wage cuts.

Another important point for discussion is the extension of employment up to age 65. The age at which the basic pension under the Employees' Pension Plan (a public pension for salaried employees) commences is currently 60. In fiscal 2001 that will be raised to 61. Thereafter it will be raised by one year of age every three years, thereby becoming 65 in fiscal 2013. Because the mandatory retirement age in Japan is currently 60 in most firms, there will be a gap between the compulsory retirement age and the age at which one's pension can be drawn. Thus, many unions are calling for lifting the "retirement age" as one item to negotiate in the spring offensive. To achieve a smooth transition from employment to the pension, however, they are not pushing for the "mandatory retirement age" to be altered. Rather they are calling for "reemployment schemes" which will enable all those who wish to continue working at the company to do so. Quite a few employees seem to be flexible on this issue, and labor and management at a number of firms are expected to reach a settlement in this regard.

## Public Policy

### Psychological Disorders and Workers' Accident Compensation Insurance

According to a survey by the Ministry of Labour on January 20, 2000, the number of applications and approvals for workers' accident compensation insurance involving psychological disorders due to work-related fatigue has more than doubled since the relaxation of the qualifications for such insurance in September 1999 when the scope of workers' compensation was expanded to cover all types of psychological disorder. Moreover, where the old standards concerning suicides due to overwork provided only for cases where workers committed suicide while of unsound mind caused by depression, the new standards allow for compensation to be paid where the suicide is committed in a state of mind where the worker's normal judgement and control have been impaired as a result of his duties at work (see the November 1999 issue of the *Japan Labor Bulletin* for details).

From September to November 1999, a monthly average of 10 applications were lodged for insurance related to a psychological disorder. That figure rose to 21 in December. The figure for the nine months between April and December 1999 totalled 96, more than twice as many as in the whole of fiscal 1998 (42 cases). Among the applications, 60 were related to suicide (including attempted suicide), substantially above the 29 cases handled during the previous fiscal year.

The number of cases qualifying for compensation between fiscal 1983 and 1998 totalled 15 (with nine involving suicide). Since last September, five cases have qualified (of which four are due to suicide). In all the cases recognized as work-related deaths, the people in question killed themselves as a result of psychological disorders closely related to their long hours of work. In both cases, the recognition given to the applications seems to have been one outcome of having relaxed guidelines in respect of psychological disorders covered by the workers' accident compensation insurance.

In one case, a computer programmer aged 26 committed suicide on a long business trip for his software developing company. He had engaged in tasks which were increasingly complicated and difficult, stayed at work until late at night every day, and suffered an acute transient mental disorder before killing himself. In another case, a surveyor aged 44 committed suicide as a consequence of mental depression which had been triggered by protracted negotiations over land boundaries between developers and a landowner, together with survey work and long hours in a spell of very hot weather.

In a comment on the issue, the Vice-Minister of Labour stated that some of the cases raised doubts about managerial responsibility for taking psychological safety measures with regard, for example, to long working hours. The Ministry of Labour intends to enhance its role in providing guidance to employers on such matters.

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### **Drawbacks in the Employment Insurance System and Government Measures**

In order to cope with the deteriorating finances of the employment insurance system, the Ministry of Labour is to submit a proposal to revise the Employment Insurance Law to this year's ordinary session of the Diet.

Japan's employment insurance system consists of three services which are in the first instance designed to prevent unemployment. The unemployment insurance premiums are borne by workers and employers on a fifty-fifty basis. The contribution rate is, in principle, set at 1.1 percent of the total annual wage bill. The insurance premium for the three services comes to 0.35 percent of the total annual wage bill, and is borne wholly by the employers. However, the actual rate of contribution to these schemes was lowered to 0.9 percent in fiscal 1992, and has been at 0.8 percent since fiscal 1993. Moreover, 14 percent of the cost for unemployment insurance and the other services is covered directly out of the national treasury account.

The deterioration of the employment situation in recent years has resulted in a growing burden, and the payment of unemployment benefits has undermined the financial integrity of the employment insurance system. Since fiscal 1994 the system has run a deficit every year, running up a substantial deficit of over ¥1,300 billion in fiscal 1999. In line with this, reserves, which peaked at ¥4,752.7 billion in fiscal 1993, have been shrinking and are expected to run out in fiscal 2000. Thus, to prevent the breakdown of the employment insurance system, reforms are urgently needed.

The proposed revisions incorporate a raise in the rate of the insurance premiums, as well as differentiating among recipients of unemployment benefits in terms of the period for which they will receive benefits, depending on their reasons for giving up their jobs.

Concerning the rate of insurance premiums, the lower rate which was provisionally set in fiscal 1992 will be done away with and the rate raised to 1.2 percent of the total annual wage bill. This will increase the burden of workers and employers by 0.2 percent each.



Unemployment benefits are currently 60 percent to 80 percent of the wage before becoming unemployed for a period of 90 to 300 days. Conditions vary depending on age and length of time contributing to the system. Under the system, it is possible for people in their early 60s to receive the largest amount of unemployment benefits for the maximum length of time, and, in fact, more than 30 percent of the total payment of benefits is allotted people in their early 60s.

However, the system has been criticized for allowing people in their early 60s who have retired at the mandatory retirement age to enjoy generous unemployment benefits. Under the proposed new system, the duration of benefits will be shortened to 90-180 days for those who have left their jobs at the mandatory retirement age and have had a chance to arrange a new job before leaving their present job. It will be extended to 90-330 days for those who are obliged to give up their jobs due to the bankruptcy of their company, to dismissal, or other such uncontrollable events. Consequently, many retired people in their early 60s will experience a cut of 40 to 60 percent in the period for which they can receive benefits, while involuntary unemployed people aged 45 to 59 will receive benefits for a longer period. The method of calculating the amount of benefits will remain unchanged.

The proposed revisions are also designed to provide incentives which will encourage the unemployed to find a new job quickly; they include ensuring fairness by changing the methods of calculating reemployment allowances to the unemployed who have gotten a job quickly; raising the maximum amount of subsidies for educational training from ¥200,000 to ¥300,000; and so on. (For a summary of the scheme of subsidies for educational training, see the March 1999 issue of the *Japan Labor Bulletin*.) Finally, the revisions will abolish the minimum annual salary of ¥900,000 currently required to join the employment insurance scheme in order to encourage part-time and dispatched workers to participate in the system. A raise in the rate of subsidies for child-care and for family-care leavers from 25 to 40 percent of their wages is another measure being proposed.

The increase in the subsidies related to educational training and to child- and family-care leave are planned to come into effect in January 2001; changes in the rate of insurance premiums, in the duration of unemployment benefits, in re-employment allowances, in the minimum salary required to join the insurance system, and in conditions related to part-time and dispatched workers will come into effect from April 2001.

## Special Topic

### Employment Extension for Workers in Their Early 60s at Japanese Firms

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#### 1. Background

The most prominent issue during this year's spring wage offensive was job security for workers in their early 60s. Although performance in the business sector seems to be turning around, the Japanese economy as a whole has not made a full-scale recovery. Firms have therefore been determined to reject demands by labor unions for wage increases. The effectiveness of such union demands has also been diminished through the absence of any rise in consumer prices in the previous year. The central theme of this year's spring offensive was, therefore, not wage increases, but extension of employment up to age 65. Leading Japanese industrial unions, including *Denki Rengo* (Japanese Electrical, Electronic and Information Unions), *Jidosha-soren* (Confederation of Japan Automobile Workers' Union), and *Tekko-roren* (Japan Federation of Steel Workers' Unions), have called for the extension of employment up to age 65. The issue has been discussed in most companies, and resulted in basic agreements between labor and management. *Matsushita Electric Industrial Co.* and *Sanyo Electric Co.* had already reached agreement with management in 1999, and have launched concrete schemes. Labor and management in many other firms are beginning to establish agreements similar to those established during the spring offensive.

The lively argument over the issue concerning employment of workers in their early 60s is closely related to the raising of the minimum eligible age for the basic pension payment under the Employees' Pension Scheme. The rapid aging of Japan's population has had a detrimental effect on the financing of pension schemes. The Employees' Pension Plan, a public pension for salaried employees, provides for two parts: a basic, fixed portion (¥67,000 in 1999) and a salary-linked portion (about ¥130,000 for the average retired person who has recently started to receive a pension). The commencement of the pension payment was for many years fixed at age 60, but the age for payment of the basic portion is to be raised to 61 in April 2001. Thereafter, it will gradually rise until in 2013 it will not be payable until the worker reaches age 65. Although the salary-linked portion is still paid at age 60, there are plans for it to be

paid at age 65 in the future.

According to the 1999 Survey on Employment Management conducted by the Ministry of Labour, 90.2 percent of Japanese firms have a mandatory retirement age limit, with 80.7 percent setting it at age 60. In particular, the mandatory retirement age is 60 in nearly 100 percent of large firms with 5,000 or more employees. Workers who reach age 60 and retire by March 2001 will be immediately eligible for the whole payment under the Employees' Pension Plan, whereas those who retire during or after April 2001 will not be eligible for the basic part of the Pension Plan, until they reach the age of 61. Thus, there will be a gap between retirement and entitlement to receive the pension. Because of such circumstances, at the negotiation table this year, labor unions have called for companies to continue employing workers in their early 60s.

## 2. Japanese Views on the Employment of People in Their Early 60s

The participation rate of workers in their 60s in the Japanese labor force is high: statistics show that in 1996, 74.5 percent of males and 39.0 percent of females aged 60-64 were still working. This was also the case for 53.1 percent of males aged 65-69 and 27.0 percent of females in the same age bracket. Even in the United States where the ratio of older people in the labor force as a whole is relatively high, the corresponding figures are 54.3 percent, 38.2 percent, 27.5 percent, and 17.2 percent, respectively. Among males, the difference between Japan and the U.S. is over 20 points. The difference exceeds 50 points when compared to Germany or France, where the labor force participation rate among people aged 60 or over is low. Why, then, do older Japanese continue to work, when by international standards they would seem to have worked long enough?

An understanding of Japanese views on work is necessary in order to answer this question. In autumn 1998, the Association of Employment Development for Senior Citizens, an organization related to the Ministry of Labour, conducted a survey of views on employment of people in their early 60s. The aim was to survey people employed at enterprises with 100 or more employees across the country. The survey sample was 108,125 people in their 40s or 50s. Valid replies numbered 74,253 (68.7%). Males accounted for 77.6 percent of all the respondents, females for 21.6 percent, and the gender was unknown for 0.8 percent of those who responded. Respondents were asked to state the age they wished to retire. The results are shown in Table 1.

Table 1. Desirable Retirement Age, by Gender and Present Age (%)

	Age Group	Age 60	Age 65	As long as able
Males	40-44	14.4	27.6	41.8

	45-49	14.9	30.2	38.5
	50-54	14.1	28.3	34.4
	55-59	13.5	31.9	33.2
	Total	14.2	29.4	37.2
Females	40-44	13.5	10.8	46.5
	45-49	17.7	12.1	42.6
	50-54	23.8	15.9	37.3
	55-59	22.8	24.5	35.0
	Total	19.1	15.4	40.7

Note:

The answer rates in each age group do not total 100 percent since the table, for simplicity, does not show the ratio of respondents who gave ages other than 60 or 65, nor those who answered “unknown” or did not respond.

The ratio of people who wish to retire at age 60 stands at around 14 percent for males and around 20 percent for females. On the other hand, the ratio of those who wish to work as long as they can stands at 37.2 percent for males and 40.7 percent for females. This ratio tends to be higher among younger respondents. About one-third of males in their late 50s, that is, those who are just reaching retirement age, wish to work as long as they can, whereas another one-third regard age 65 as retirement age, with a mere 13.5 percent wishing to retire at age 60. For females, more or less the same proportion wish to continue working as long as possible, but the ratio of those who wish to retire at age 60 is higher than that for males by about 10 percentage points. Regardless of gender, a minority of older workers wished to retire at the retirement age of 60.

Then, why do most people wish to continue working even at age 60 or over? It is widely believed that the social security system in Japan is still inadequate and that pensioners are obliged to work because pensions are insufficient. However, this view is not correct. In 1994, the amount for retirement pensions in Japan averaged ¥159,500, or 43 percent of the average wage in the same year. The ratio of the average amount of pension to the average wage is 31 percent in Germany, and 43 percent in the U.K., which suggests that Japan's 43 percent is not necessarily low; if anything Japan would seem to be equal to or higher than the standard international level. It is true that people with a shorter term of participation in the pension scheme receive a smaller pension when they retire; because Japan's pension scheme was effectively established in 1961, people who started to live on a pension in the early 1990s receive a relatively smaller amount. However, now that the scheme has matured, as of April 1999, pensioners who have paid premiums for 35 years or more are eligible for a monthly

average amount of ¥238,150; a figure that amounts to about 60 percent of the average wage for workers in the manufacturing industry. This shows that people wish to continue working after 60, the retirement age, not only for financial reasons.

For the survey, respondents were also asked to give reasons for continuing work after the retirement age. Table 2 shows the five reasons with the highest percentage points. The most frequent answer was, “I want to work as long as I am able,” chosen by 54.3 percent of male respondents and 60.8 percent of their female counterparts. The second to fourth most frequent reasons were financial, but were not necessarily related to economic hardship. This is clearly observed in Table 3, where the most important factor influencing decisions to continue working after retirement age was not the wage, but the nature of the work. Those who saw wages as the most important accounted for only about one-third of all the respondents, fewer by around 20 percentage points than those who value working hours and holidays. It is perhaps typical of Japanese workers that they should choose as the fifth most frequent reason: “It is good for the health to work” (see Table 2).

**Table 2. Reasons for Wishing to Work after Retirement Age (multiple replies, %)**

	Total	Males	Females
1. Want to work as long as able	55.3	54.3	60.8
2. Unable to make a living without working	50.6	50.9	48.8
3. Want the extra affluence	41.8	42.4	38.8
4. Because of insecurity concerning future	40.3	39.8	43.0
5. Good for health	34.9	35.1	33.5

**Table 3. Important Factors when Working after Retirement Age (multiple replies, %)**

	Total	Males	Females
1. Nature of job	65.8	67.2	59.1

2. Working hours, holidays, etc.	54.1	53.6	56.4
3. Wages	34.3	35.1	30.1
4. Access to workplace	32.0	30.4	40.2

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Then, where do people wish to work after retirement age? A survey conducted by the Association of Employment Development for Senior Citizens put the question to 45,769 respondents who had indicated their intention to work after the retirement age. The highest proportion, 44.3 percent, wished to continue working at their present firm, 29.2 percent at a workplace with no relation to the present firm, and a much smaller proportion, 7.9 percent, at an affiliated firm or a company related to the present firm. Finally, 7.8 percent indicated they wished to work on a short-term basis in some way that would make them feel useful, such as doing voluntary work or a job provided by the Silver Human Resources Centers.

In terms of gender, more females than males wished to stay working at their present firms (58.2% for females and 41.5% for males), and a larger proportion of males than females tended to prefer working at a workplace with no relation to the present firm (31.2% for males and 19.5% of females). Another distinctive difference between males and females was the relatively higher proportion of females who wish to work in order to feel useful (11.6% for females and 7.0% for males.)

Table 4 shows the proportion of those who wish to stay and work at the firm they are currently working for, by size of firm. For both males and females, the proportion that wished to continue working at their present firm is higher for the larger firms. It should also be mentioned that the proportion is similarly higher among older age groups.

**Table 4. Proportion of People Who Wish to Stay at the Present Firm by Size of Firm (%)**

		Firm Size			
		100-299	300-999	1,000-4,999	5,000 +
Age Group					
Males	40-44	38.1	35.3	28.4	23.6
	45-49	43.9	38.8	31.5	24.1
	50-54	49.6	47.1	36.9	31.3
	55-59	58.8	56.7	49.4	37.4
	Total	48.3	44.6	36.2	28.5
Females	40-44	45.3	39.6	39.4	37.9

	45-49	55.4	50.1	51.0	35.0
	50-54	63.1	62.7	57.6	62.5
	55-59	73.3	72.5	76.5	44.0
	Total	60.4	57.8	56.6	44.0

### 3. Response from Employers

What kind of measures do firms take concerning the 44.3 percent of employees (41.5% of males and 58.2% of females) wishing to stay on after retirement age? Answers to this question can be found in the 1999 Survey on Employment Management, which describes company measures for the employment of retired employees. There are two ways for employers to have retiring employees stay on at their firms: an employment extension scheme and a reemployment scheme. Under the former, a firm keeps on employees who have reached the mandatory retirement age, although the firm itself determines this age. Under the latter scheme, employees retiring due to the age limit retire provisionally, but are then rehired. As seen in Table 4, 67.8 percent of all firms surveyed and 61.1 percent of large firms with 5,000 or more employees adopt an employment extension scheme. Why then, despite this, did labor unions bring up “employment extension” for discussion in this year's spring offensive?

Table 5 gives an answer to the question. It presents the results of a survey defining the range of employees eligible for such employment extension or reemployment schemes. The table shows that even though a firm may have an employment extension scheme after the mandatory retirement age, many such schemes are not actually intended for all those who wish to continue work, but only for “those whom the firms consider to be required.” A mere 30 percent or so of small firms apply the scheme to all employees wishing to continue work, with the proportion being still smaller for larger firms. The fact is that although there is such a scheme, limited eligibility makes it difficult for employees to avail themselves of it.

There are three main reasons why firms do not make employment extension schemes available to all: wage costs, shortage of suitable posts, and employees' resistance to change. The first reason, wage costs, is related to the current wage system whereby wages tend to increase as the age of employees goes up. Firms recognize that they would not retain their business competitiveness if they adopted employment extension schemes without altering the wage system. Adoption of a wage system, whereby wages are reduced when employees reach a certain age might solve this problem, but such a system would cause other problems such as declining employee morale.

The second problem, shortage of suitable posts, means there is no suitable work that can

be assigned to older workers. For example, many older people have difficulty in reading fine print, moving briskly, and so on. Many of them have slower reactions than younger people. Even if they want to, firms cannot keep on older employees unless they have suitable jobs.

The last problem is that employees have a strong tendency to unconsciously rely on their firms in respect of responsibility for solving issues. In order to acquire and retain abilities that will attract firms, regardless of age, it is necessary for employees themselves to look after their own physical condition and develop their abilities. In fact, in many cases they lack the outlook to positively attract employers, tending to wait passively for firms to offer something. In other words, a majority of employees have failed to reform their own outlook.

#### 4. Realizing Employment of the Elderly

These three problems bothering firms cannot be solved solely by employees' efforts. Any reform of the employees' outlook, for example, should involve a reform of managements' outlook as well, because the dependency of employees on firms stems from a traditionally established relationship. Mutual trust between employees and management has made it possible for the former to accept personnel shifts conducted entirely at the latter's convenience. They have been willing to transfer, involving a regional move, at their firm's insistence, since they believe that if they obey they will benefit in the end. It is natural that such employees should be at a loss when they are suddenly told: "From now on, the choice and responsibility are all yours. You decide!"

What is required is serious discussion between Japanese labor unions and management on how to create an arrangement by which people in their early 60s can go on working in firms. There are many problems to solve, some of which are the responsibility of firms, others of individual employees. How should the unions relate to these? What is the role of the government? What ought Japanese society as a whole do? There is not much time left: within 15 years, one-fourth of Japan's population will be 65 years of age or over. This year's labor and management negotiations can be seen as a significant step towards realization of an aging society in which each individual is able to live in security.

**Table 5. Ratio of Firms with Employment Extension and Reemployment Schemes, by Size of Firm and Level of Applicability (%)**

		Applicable to all employees who wish to apply for a	Applicable to all employees who satisfy certain	Applicable only to those "whom the firms consider	Others	No reply
	Firms with schemes					



			scheme	standards	to be		
					required"		
Employment extension scheme							
Total	(30.1)	100	29.5	12.1	55.1	2.6	0.7
5,000 or more employees	(6.9)	100	—	16.7	83.3	—	—
1,000 - 4,999	(10.3)	100	9.5	7.4	80.6	—	2.5
300 - 999	(19.9)	100	14.1	13.3	69.3	3.3	—
100 - 299	(28.0)	100	21.6	14.1	63	1.3	—
30 - 99	(32.8)	100	33	11.5	51.5	3	0.9
Reemployment scheme							
Total	(54.4)	100	24.2	12.6	59.9	2.8	0.5
5,000 or more employees	(60.5)	100	10	8.1	79.5	2.4	—
1,000 - 4,999	(55.0)	100	6.3	13	78.4	1.8	0.5
300 - 999	(58.4)	100	11.9	11.3	74.3	2.2	0.2
100 - 299	(58.1)	100	19.9	15.5	62.9	1.2	0.5
30 - 99	(52.6)	100	28	11.7	56.4	3.5	0.5

Note: (1) "Employment extension scheme" and "Re-employment scheme" include firms with both schemes.

(2) The figures in brackets are the ratios of firms that have both schemes, to all firms with a mandatory retirement age system.

## JIL News and Information

### Personnel and Labor Management Seminar for Foreign Affiliated Companies in Japan Focuses "Wage Systems in Japan" (1) : Lecture on "Trends in Wage Systems in Japan"

The Japan Institute of Labour (JIL) provides a series of seminars for foreign companies in

Japan. The seminars are designed to impart information on the management of employment relations in Japan. On November 1, 1999 a Personnel and Labor Management Seminar was organized in Tokyo for foreign firms. On November 4 the seminar was repeated in Yokohama. The theme for the seminars was “Wage Systems in Japan.” The two seminars were attended by a total of about 140 people.

The seminar began with a lecture on “Trends in Wage Systems in Japan” by Mr. Kyu Kusuda, Head of the Employment System Research Center. He was followed by people in charge of personnel affairs and labor management at Toyota Motor Corporation, at Canon, Inc., and at Fuji Xerox Co., Ltd. Each spoke about cases affecting their own companies.

This issue of the *Japan Labor Bulletin* introduces Mr. Kusuda's lecture on trends and the present situation affecting Japanese wage systems. A brief summary of his lecture is provided below.

In general there are two types of wage systems. One type is “work-oriented.” Utilized in many Western companies, it is an approach which places weight on each worker's performance. The other type is “ability-oriented.” It allows for wages to be determined according to workers' abilities. It represents the ability-based emphasis which is traditionally found in many Japanese companies. The ability-based wage system differs from the wage system which is based on a notion of competency as actually reflected in each worker's performance. It incorporates the expectation that a worker will improve his potential as he accumulates skills after joining the company.

After World War II the wage system in Japan was structured to guarantee each worker's livelihood, and tended to vary with life-cycle needs. In the 1960s, when the overall standard of living was improving, educational level, gender and tenure were taken into greater account in the personnel evaluation system, and the seniority wage system was introduced. The seniority-centered wage system was predominant until around 1975.

Around 1975 many Japanese firms began to introduce ability-centered personnel management systems. These lasted until around 1995. During those years 90 percent of Japan's large companies and 50 percent of its small- and medium-sized companies adopted ability-grading as part of their personnel management systems. Under this system, a worker acquired the skills and abilities required for his job within the company. As the worker acquired more ability and experience in his work, his grade goes up with it. Wages come to consist of two parts – one based on the employee's age and one based on his ability. The ability-based portion was in principle equal for any two individuals with identical abilities

regardless of other factors. Moreover, the portion based on age introduced at the majority of Japanese companies was based not on notions of seniority, but with the idea of providing some guarantee with regard to each employee's standard of living and life-cycle needs.

Since 1995 the trend has been away from ability-based wages to performance-based wages. Three considerations have driven this change.

The first is the aging of the labor force. Under the previous wage system, a worker's wage and productivity were seen as roughly being balanced by the time the worker reached his or her mandatory retirement age and had received their retirement allowance. In practice, this meant that workers were paid below their productivity before their mid-30s and then above their productivity from age 45 to 60. However, as the aging of the labor force has progressed, the system has begun to increase the burden of paying wages above productivity. Accordingly, enterprises began to review their payment of retirement allowances, and to replace the ability-based wage system for workers aged 45 or older with a performance-based wage system. This was done to curb the wage increases which middle-aged or older workers were receiving. Behind this was the aim of employing workers until age 65.

A second reason for the shift in the wage system has been the mismatch between ability and actual performance. The skills and knowledge acquired and accumulated by workers during their tenure with a company are constantly increasing, but can rapidly become outdated as technology advances. The result is skilled workers with levels of actual performance below what would otherwise be expected. In addition, the physical strength and mental drive of many workers start to decline as workers enter their 50s, making it still more difficult to take full advantage of what abilities a worker may have. As the competencies of older workers become more mismatched in terms of the needs of a fast-moving company, it is easy for dissatisfaction to spread among younger workers within the company. To avoid this, many firms have begun to incorporate actual performance into their assessment of middle-aged and older workers. Hence, while grading schemes continue to reflect each worker's ability as before, promotion has started to reflect the overall performance of each employee.

A third consideration is the diversification of personal values. Generally speaking, more employees are beginning to give more weight to individualized sets of values than to collective goals. This is leading to changes in human resource management whereby firms assess each employee individuality so as to draw out more fully his or her abilities and to provide a climate within the firm which is more likely to incorporate a broader range of those values.

The personnel management system in contemporary Japan is changing. While maintaining the conventional emphasis on abilities, companies are responding to a new business environment by adopting performance-based approaches and are more positively assessing the differing qualities of many individuals they employ.

(The next issue of the Bulletin will introduce case studies from the three companies mentioned above.)

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**Last call for the IIRA 12TH World Congress  
May 29 – June 2, 2000, Tokyo**

The IIRA 12th World Congress will be held in Tokyo very soon, from May 29-June 2, 2000. Anyone wishing to participate is encouraged to register as soon as possible!

**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

The Congress will comprise Pre-Congress activities (symposium and visit to a production site) focusing on “The present situation and future problems of Japanese practices in industrial relations and employment,” a number of Special Seminars, IIRA Study Group Meetings and various other events. In addition to a Welcome Reception, the social program will include a special Japan Night, featuring traditional Noh drama, to be held at the National Noh Theatre. Early booking is recommended for this. A sightseeing tour of Tokyo and a Japanese Culture Afternoon are also being organized for accompanying persons.

In addition to the Plenary Sessions and Workshops where subjects under the five sub-themes shown above will be discussed, 15 SPECIAL SEMINARS will take place, focusing on topics as

follows.

- Private Dispute Settlement
- Labour Unions and Development Cooperation — Formation of Asian Social Safety Net and Japan's Role in the Twenty First Century
- The Link between International Finance, Employment and Industrial Relations
- Measures Taken by Small and Medium Scale Companies in the Area of Human Resource Development and Management in the Context of Globalization — Cases in Japan
- New Directions in Industrial Relations in Japan
- The Role of Social Dialogue in Dealing with Economic and Social Development Issues
- Labor Law Reform for the 21st Century: Responding to Globalization and Social Changes — Japan/U.S./E.U. Joint Research
- Organizing Small Businesses in Japan — A Cyber Union in Japan
- Research in Gender meets the Industrial Relations Tradition — Consequences of Diversity
- Social Adjustment in Globalization in Asian Countries
- Transition from Higher Education to Work
- Corporate Governance and Industrial Democracy
- Fair Labour Standards in Asia
- The Individualisation of the Employment Contract: Comparing National Experiences
- The Unemployment Crises in Industrialized Countries

Venue                      Keio Plaza Inter-Continental Tokyo & JIL Shinjuku Office

Languages                English, Spanish and Japanese

Registration              The registration and hotel booking forms are included in the Final Announcement brochure, which will be mailed by the IIRA 12th World Congress Secretariat upon request. On-line registration will also be available at the following web site: <http://www.jil.go.jp/jil/iira12th>

Registration Fee	Categories	Member	Non-Member	Students (up to 32 years old)	Accompanying Person
	Late/On Site	¥50,000	¥55,000	¥5,000	¥10,000

Contact:                    IIRA 12th World Congress Secretariat c/o The Japan Institute of Labour  
4-8-23, Kamishakujii Nerima-ku, Tokyo 177-8502, Japan  
Tel: +81-3-5991-5195    Fax: +81-3-3594-1115    E-mail: [iira12th@jil.go.jp](mailto:iira12th@jil.go.jp)

Congress Web Site <http://www.jil.go.jp/jil/iira12th>

## Statistical Aspects

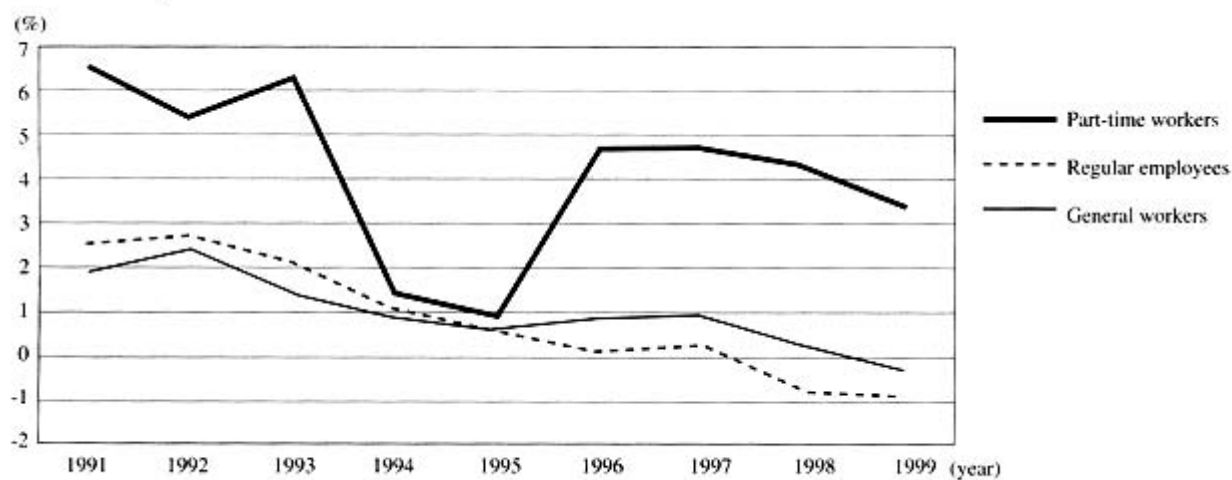
### Recent Labor Economy Indices

	January 2000	December 1999	Change from previous year
Labor force	6,664 (10 thousand)	6,715 (10 thousand)	-13(10 thousand)
Employed	6,427	6,355	-25
Employees	5,305	5,337	-40
Unemployed	309	288	11
Unemployment rate	4.6%	4.3%	0.1
Active opening rate	0.52	0.50	0.02
Total hours worked	141.2 (hours)	155.1 (hours)	0.5
Total wages of regular employees	(¥ thousand)	(¥ thousand)	
	262.3	264.9	0.8

Note: \* Denotes annual percent change.

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

### Annual Increase and Decrease in the Number of Regular Employees



Source: Monthly Labour Survey, Ministry of Labour; Labour Force Survey, Management and Coordination Agency.