JAPAN LABOR BULLETIN

ISSUED BY THE JAPAN INSTITUTE OF LABOUR

Vol.39 No.05 *May 2000*

CONTENTS

General Survey

The 1999 National Survey on Lifestyle Preferences

The Economic Planning Agency of Japan recently released findings from its 1999 National Survey on Lifestyle Preferences. The 1999 survey was the 19th since this survey series commenced in 1972. There is a time-series surveys component of the survey which has been conducted every three years since fiscal 1978. There is also a component of the survey which addresses a particular theme. The 1999 survey used the former type. It was designed to provide an understanding of lifestyles to help in drawing up and implementing related policies. Information was gathered on people's views on what they needed in their lives, the degree of satisfaction with life, on social inequality, on personnel management which emphasizes ability, and on advanced information and communications technology. Across the country, 5,500 people aged between 15 and 74 were surveyed, with 4,179 valid replies representing a 76.0 percent response rate.

The survey found with regard to policies directly related to people's daily lives that most people would like the government to place top priority on "medical care and health services" (34.9%), followed by 22.0 percent who felt that "incomes and prices" need attention. These two items have consistently ranked high ever since the commencement of the survey. The third ranking concern was "working lives" (13.7%). This compares with 6.7 percent of respondents who gave it top priority in the 1993 survey and 10.1 percent in the 1996 survey. The deteriorating employment situation has been accompanied by an increase in this figure over time.

In contrast to the emphasis on "working lives," the degree of satisfaction with respect to income and employment has been decreasing. The degree of satisfaction with life in general has been declining since the 1984 survey. The combined ratio of respondents who answered "satisfied" and "more or less satisfied" in the 1999 survey hit a record low of 44.2 percent. The survey's history since the 1980s shows that people have been consistently unsatisfied with policies concerning incomes; since the 1990s the ratio of respondents not satisfied with the rate of increase in incomes every year has been rising. In general, questions concerning working life have revealed a decreasing satisfaction with related policies since the 1990s. The fiscal 1999 survey has also shown that the percentage of respondents who were "not very satisfied" or "unsatisfied" with regard to being able to work without worrying about losing their jobs, and being able to engage in work which makes them feel useful or work which is suitable for them stood at 49.8 percent and 45.6 percent, respectively. Thus, about half of the respondents felt dissatisfaction in these regards. As for the former question in particular, the

ratio of unsatisfied people is high even among those in their teens and 20s, and is higher among females in their 30s and 40s than among males in the same age group.

The questions in the 1999 survey on income differentials and the shift to personnel management based on ability revealed that 37.6 percent of respondents felt income differentials had widened or widened compared to 10 years earlier. Another 34.1 percent answered that they had narrowed.

As for the shift from the wage system whereby salaries and status at work rise in accordance with tenure and age to a wage system emphasizing individual ability and performance, 39.1 percent were in favor, and 12.6 percent were opposed.

Specialized Graduate Schools Launched in April 2000

In April 2000 specialized graduate schools offering two-year master programs opened. The aim of these schools is to provide practical training for advanced vocational specialists. Traditionally, Japan's graduate schools were designed primarily to produce academics, particularly in the social sciences. However, the need to train or retrain specialists in terms of international standards, in highly advanced specialized knowledge and practices has been increasingly recognized in various fields. The setting up of specialized graduate schools with different standards from those found in existing master courses is a response to this need by the Ministry of Education, Science, Sports and Culture (MESSC).

Areas being considered for this type of MA include business management, legal affairs, finance, international development and cooperation, public policies, and public health. To obtain approval to establish such a specialized graduate school, universities must satisfy certain criteria. One is to plan for a staff-student ratio twice that found in a conventional program. Moreover, a considerable number of the staff must be “semi-academic” with practical experience in their specialized fields. Third, practical educational methods, such as case studies, debate, fieldwork and so on, need to be adopted. Fourth, weight will be given to a degree candidate's research achievements around a particular theme rather than requiring a master thesis in the traditional mode. In April 2000 Kyoto University's Graduate School of Medicine and Faculty of Medicine, Department of Public Health launched a specialized MA program in Social Medicine. At the same time, Hitotsubashi University's Graduate School of International Corporate Strategy launched its specialized MA in Management and Finance. The Hitotsubashi course is open exclusively to those with two or more years' work experience.

Apart from this scheme, MESSC has made various revisions to the educational system in order to promote the education of working people at universities and in graduate schools. In 1989, more day and evening master courses became available, and master courses open mainly in the evening were approved. In 1993 evening schools and daytime-evening schools were allowed to offer doctoral courses. In 1999 both one-year master courses and MA courses exceeding two years were established.

The efforts of the ministry seem to be bearing fruit. The number of working students at universities and post-graduate schools, and the number of business schools for working students has already increased to some extent. According to MESSC, in fiscal 1998 newly enrolled undergraduate students selected by a special examination for working people numbered 5,228, the number of new post-graduate master students totaled 5,177. The total number of newly enrolled PhD students stood at 2,027.

In 1999 the Ministry of Labour's Study and Training Benefits System (see the March 1999 issue of the *Japan Labor Bulletin*) was extended so that subsidies (which had been previously mainly aimed at courses in vocational schools) could be given for night and correspondence master courses at graduate schools.

MESSC's goal has been to follow up the achievements already made in the education of working people by providing a separate system of specialist post-graduate schools at a higher standard than had previously been available.

Working Conditions and the Labor Market

Worker Dispatching Businesses: Results of Enterprise Report in FY98

On February 18, the Ministry of Labour released the findings of the fiscal 1998 report on worker dispatching undertakings. The report concerns the business management of 10,011 establishments during the fiscal 1998 business year ending as detailed in business reports to the Minister of Labour. There are two types of dispatching businesses. Regular-employment-type worker dispatching (specified worker dispatching), where a dispatch worker is hired on a permanent basis, is required to notify the Minister of Labour. The second type is registration-type worker dispatching (general worker dispatching [precisely, an agency that deals with both regular-employment-type and registration-type dispatching is regarded as general worker dispatching]), in which the agency has workers register with it in advance and concludes an employment contract with the worker when he/she is dispatched to a client company. The second type of worker dispatching is required to

obtain a permit from the Minister of Labour.

According to the report, 72,885 workers were placed as regular employees by general worker-dispatching businesses, down 22.4 percent from the previous year. The number of other workers dispatched by such businesses was 161,275, down 10.3 percent over the same period. (The number of other workers is calculated by dividing the total number of annual working hours of workers other than regular employees by the average number of annual working hours worked by regular employees.) This was the first time in five years that both these figures dropped.

On the other hand, 72,754 workers were placed as regular employees by specified worker-dispatching businesses, an increase of 9.7 percent over the previous year. This was the first increase in four years.

The largest number of regular employees dispatched via general worker-dispatching firms were engaged in operating office equipment. Among regular employees dispatched by specific worker-dispatching firms, software developers were in highest demand. The number of general worker-dispatching businesses fell by 6.4 percent over the previous year to 240,186 firms. On the other hand, the number of specific worker-dispatching firms increased substantially by 97.8 percent to 44,860. Consequently, the number of dispatching establishments as a whole increased 2.1 percent to 285,046.

The annual bill for those dispatched workers as a whole has grown in each of the last five years. This year it reached ¥1.5707 trillion, 17.8 percent up from the previous year.

The commission charged for job placement by general worker-dispatching firms is roughly the equivalent of the dispatched worker's pay for eight hours. For placing general workers, the highest fees (¥26,772) were charged for interpreters, translators and stenographers, followed by ¥24,192 for business and corporate planners working with organization systems. Firms offering specified workers, interpreters, translators, and stenographers, and software developers brought in fees of ¥30,281 and ¥29,101, respectively.

Labor-Management Relations

Organizing Care Workers

With the public nursing-care insurance system established in April 2000, labor unions now aim to organize care workers, such as home-helpers. Many care workers have unstable

employment conditions, such as limited contracts. Many are part-timers and their working conditions are poor. Major unions seeking to unionize care workers include Zensen-domei (Japanese Federation of Textile, Garment, Chemical, Commercial, Food and Allied Industries Workers' Unions), an organization of company unions in the textile, transportation, service and other sectors, and the Jichiro (All Japan Prefectural and Municipal Workers' Union), a union representing prefectural and municipal government employees, and those employed by enterprises that provide public services associated with local public bodies. It is expected that competition between these two large unions will accelerate the organization of care workers.

On February 27, Zensen-domei established the Nippon Care-service Craft Union of Zensen-domei, a labor union of workers involved in nursing-care services. The union takes the form of a craft union, which is unique in Japan, where enterprise unions are common. At present, it has a membership of 700 care workers from 15 companies and is aiming to increase the figure to 50,000 by the end of 2000.

The other party involved is the Japan Association of Home Nursing-Care Service Providers to which large service providers such as Nichii-Gakkan and Comson belong. The union's aim is to improve the working conditions of care workers at affiliated enterprises.

Zensen-domei's position is that it is necessary to organize care workers across the country and to establish fair labor standards to make nursing care a reliable job which will enable such workers to earn a steady livelihood.

At its annual conference in 1999, Jichiro initiated a campaign to organize 300,000 care workers within two years. On March 18, the Tokyo Metropolitan Headquarters of Jichiro set up the Tokyo Care Union, whose membership is open to individual care workers. Membership totaled some 400. The union plans initially to organize 1,000 nurses and other care workers employed on fixed-term contracts at local public and private enterprises. The Tokyo Metropolitan Headquarters is the first Jichiro affiliate to implement one of Jichiro's goals of setting up a labor union which individuals can join.

The Tokyo Care Union works to improve the working conditions of nursing-care workers and to provide union members with up-to-date information on nursing care − information to which members working at private enterprises have little access. Moreover, it gathers feedback from its members who are on the floor, making use of the feedback in coming up with ideas for the improvement of the public nursing-care insurance system. It also holds lectures and study sessions aimed at helping members obtain official certification as second-grade helpers.

Mikio Endo, vice president of the Tokyo Metropolitan Headquarters, says "We want to give support to nursing-care workers whose status is insecure and, by doing so, to increase union membership."

International Relations

Entry for Foreigners Smoothed in Response to Globalization and Social Needs

On March 24, the Ministry of Justice published a Second Basic Plan for Immigration Control in the official bulletin. The plan provides new guidelines for immigration control. Among other things, it concerns the acceptance of foreign workers into Japan. It is seen as providing a basis for revising the immigration control and refugee recognition laws.

The plan, a revised version of the First Basic Plan of 1992, lays down guidelines and administrative measures concerning the control of entry and residence of foreigners in Japan. It incorporates a vision for the coming five years based on its assessment of how internationalization is occurring. It recommends an approach to immigration control suitable for "a new era." It is the first time such a plan refers to the mutually beneficial existence of Japanese and foreigners as a goal for Japan's immigration policy.

Under the plan, job categories in the Technical Internship Program, which have gradually been widened over time, will be considered to respond more adequately to requests for more advanced skills from foreign trainees and organizations in charge of accepting trainees. Also, now that the program is already well established, thought will be given to further legislation which might bolster the system, including the creation of an independent residential status. The Technical Internship Program is a scheme which allows foreigners to acquire further technical knowledge and skills by working at a Japanese firm on an employment contract if they satisfy certain conditions and achieve set levels in their training after spending a certain period of time in training.

Revisions will also be considered concerning foreign workers with higher technical knowledge and skills in respect of the criteria (such as years of work experience required, eligible job categories) which have to be met in order to work in Japan. As a result, new residential statuses for workers at new types of businesses in which there is a high demand for skills that were not forecast will be considered.

The plan also points to the necessity to create a society in which Japanese people can live in a mutually beneficial manner alongside foreign residents. To enable foreigners to function

as essential members of Japanese society, to stay in Japan with more secure status, giving residential statuses such as "long-term residents" (*teiju-sha*) and "permanent residents" (*eiju-sha*) will be considered.

The general course proposed by the plan is that foreigners who contribute to globalization and respond to the needs of Japanese society be accepted more smoothly into Japan in keeping with trends toward globalization and in responding to social needs.

Special Topic

Are Japan's Small Firms 'Ageless'?

Atsushi Sato
Senior Researcher
The Japan Institute of Labour

1.0 Introduction

As Japan's population rapidly ages, the role of small firms, including businesses of the self-employed, is gaining in importance in the field of the employment of older people.

Why should small firms attract such attention? Table 1 contains two relevant points. Firstly, a large number of older people are employed in smaller firms(1). The proportion of older workers employed in firms with less than 10 employees increases with age, with 26 percent of workers aged in their early 60s and as many as 34 percent aged 65 or over. This is one reason why small firms should be spotlighted when considering employment of older people.

On the other hand, although not shown in the table, a higher ratio of larger firms have mandatory retirement age systems: nearly 100 percent of firms with 300 or more employees, dropping to 71.1 percent for firms with 10 to 29 employees, and 31.1 percent for firms with one to nine employees (Ministry of Labour, *Survey on Employment Management*, 1997; and National Federation of Small Business Associations, *Survey on the Labour Situation in Small- and Medium-sized Companies*, 1993). In short, it is apparent that smaller firms, in which mandatory retirement age systems are less common, make better use of older workers. The presence or absence of a mandatory retirement age system which, on the one hand,

terminates employment of workers who reach the prescribed age, while on the other hand safeguarding jobs until that age, cannot itself be taken as a benchmark of job security. Either way, the results of these surveys strongly imply that the role of small firms in employment of older people cannot be ignored.

The second point inferred from Table 1, is that a high proportion of older workers are self-employed or family workers. It is a well-known fact that, partly due to the high ratio of self-employed older males in Japan, a substantially higher proportion of Japanese appear to continue working into old age compared to their Western counterparts (OECD, 1992)(2). In fact, the general pattern of a higher ratio of non-workers aged 55 and over, is due to a decrease in employed workers and an increase in the ratio of self-employed and family workers. As shown in Table 1, the ratio of self-employed and family workers to workers as a whole stood at 22.5 percent for people aged 55 to 59, and 35.3 percent for those 60-64, increasing to 56.5 percent for those aged 65 or over. Where male workers alone are concerned, about one-half of those in their early 60s are either self-employed or family workers. This seems to reflect the fact that self-employment is a flexible working style in terms of working hours, making it possible for individuals to continue working while taking care of their own health.

Table 1. Age Distribution of Older Employees, by Size of Company and Status of Employees
(Total: Sectors Other than Agriculture and Forestry; Unit 10,000 people)

	55-59 years	60-64 years	65 years or over
(Number of employees)			
Total	473(100.0)	258(100.0)	197(100.0)
1 _ 4	39(8.2)	31(12.0)	34(17.3)
5 _ 9	49(10.4)	36(14.0)	35(17.8)
10 _ 29	77(16.3)	54(20.9)	44(22.3)
30 _ 99	88(18.6)	51(19.8)	34(17.3)
100 _ 499	78(16.5)	39(15.1)	23(11.7)
500 _ 999	25(5.3)	9(3.5)	5(2.5)
1,000 or more	70(14.8)	19(7.4)	10(5.1)
Public services	45(9.5)	18(7.0)	10(5.1)

(Status)			
Total	617(100.0)	408(100.0)	469(100.0)
Self-employed	98(15.9)	102(25.0)	185(39.4)
Family workers	41(6.6)	42(10.3)	80(17.1)
Employed	477(77.3)	262(64.2)	202(43.1)

Source: Management and Coordination Agency, Labour Force Survey, 1997.

It is clear from the foregoing discussion that small companies, including businesses owned by the self-employed, are indeed strongly related to employment of older people; indeed, it is not an exaggeration to say that employment of older people in Japan cannot be discussed separately from the role of these small businesses.

2.0 Careers of Small Business Entrepreneurs in Large Cities and Employment Management of Older Workers

The following discussion makes use of the results of a survey conducted by the Japan Institute of Labour, which aimed to clarify the conditions influencing how small business entrepreneurs managed middle-aged and older employees (about 10 employees on average) in large cities (Tokyo, Chiba, Saitama and Kanagawa)(3).

2.1 Characteristics and Lifestyles of Small Business Entrepreneurs

Of the entrepreneurs surveyed, about 90 percent were male. Their average age was 56, and about one-third were over 60. Among the reasons given by members of this group for becoming an owner, 48.8 percent "did so by setting up an independent business," 34.6 percent "succeeded to a business established by relatives," 4.7 percent "were designated president of the company they initially joined as an employee," and 4.8 percent "were designated president of an affiliated or related company by a larger company they had worked for." Such entrepreneurs were in general, highly satisfied with their working lives. Compared to white-collar workers in large companies, they were less satisfied with income, working hours, and job security, but more satisfied with their job in terms of its intrinsic significance and room for exercising personal discretion. It seems that satisfaction with the job itself makes up for dissatisfaction with working conditions and employment stability.

Concerning entrepreneurs' ideas about the future of the business, more than 60 percent (65.6%) indicated they would like to have a successor, whereas 16.4 percent had no such intention. One-third (33.4%) specified their wish to remain involved in management as long as physically able. As these findings show, many owner-presidents of small businesses have a desire to independently maintain their businesses for as long as they can.

It should be noted that owner-presidents of small businesses with less than 10 employees, and those with low incomes, most strongly indicated their intention to continue working; a finding which implies that the continued desire to work among small business owners is closely correlated with financial necessity.

2.2 Vocational Careers of Small Business Owners

Only a few number of small business owners established or succeeded to their present business immediately after completing school education; the majority have experience working as an employee. In other words, the most common career path is: school education; first job; subsequent jobs; joining or setting up the present company; and president. The average age at which owners had become president varied slightly according to previous employment. The average age of presidents who had never changed jobs was 39.8 years; those who had one job change, 39.3; those with two, 40.0; those with three, 38.3; and those with four, 41.3. The majority were around 40 years old, with only minor differences. Many small business owners, including the self-employed, had started to take charge of their present business before entering middle age(4). It might be added that even those with a history of three or four job switches experienced these changes in their 20s or, at latest, early 30s, with very few in their late 30s or later. Even those who changed jobs when they are young tend to settle down in particular companies by the time they reach middle age.

The majority of these small business owners had also worked for very small, small- or medium-sized firms immediately before setting up or joining their present company. On the other hand, the employment history of small business owners who had job-switching experience showed a "downsizing" − a tendency to move towards progressively smaller companies with each job change. Further, the size of the companies they had worked for was related to their educational levels: those with a higher level tend to have worked for larger companies.

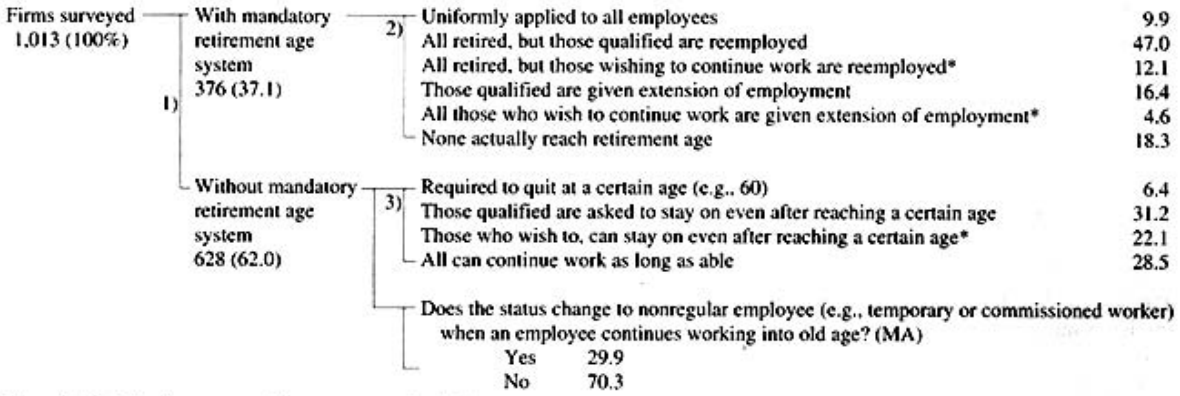
Where job switching between different industries occurred, the ratio of those who moved within the same industry stood at 40 to 60 percent, although this ratio varied according to when the switch took place. Approximately 50 to 70 percent of workers who changed jobs did so within the same type of job.

2.3 Employment Management of Older Workers

How do small companies manage the employment of older workers? The ratio of the middle-aged, those aged 45 to 59, to the overall number of employees stood at 39.3 percent, and of older people, those aged 60 or over, 12.3 percent. There are two tendencies observable in terms of company size: both ratios tend to increase in smaller companies; and smaller companies tend to depend more on older people for their manpower. In fact, the oldest

employees in nearly 60 percent of the surveyed companies were in their late 60s, with more than one-half of them working vigorously as regular employees or in essential jobs.

Figure 1. Outline of Employment Management of Older People



Notes: 1) Includes those responding "no answer" (=0.9%)
2) Multiple answers were possible
3) Includes single answers and those responding "no answer" (=11.8%)

As a general rule, as companies decreased in size, so too did the frequency of a formal company retirement age, with 62.0 percent of the surveyed companies having no mandatory retirement age system. Since quite a few workers aged 60 or over worked as regular employees in essential jobs, it is correct to say small firms in practice hire workers regardless of their age.

Figure 1 summarizes the policies of small firms for employing older workers. It shows that the proportion of companies where workers are able to stay working as long as they wish – one of the most crucial issues in employment policies concerning older workers – was 37.5 percent (the number of firms marked with an asterisk over the total number of firms in Figure 1). Incidentally, the *Survey on Employment Management* carried out in 1996 by the Ministry of Labour indicated that in 20.4 percent of firms "workers can continue working up to age 65 if they wish" compared to those with a fixed age limit under the mandatory retirement age system. The ratio can therefore be seen as particularly high among small firms.

In sum, many small firms do not have a mandatory retirement age system and seem to conduct employment of older people without any actual age limit, thus constituting a large demand for older workers. Needless to say, the smaller the firm, the stronger is this tendency.

This fact, however, raises the question of the qualitative aspects of the employment of older people. What kinds of labor conditions do small firms offer older workers?

Table 2 shows characteristics and work aspects of the oldest workers at firms with

workers aged 60 or over, in terms of the size of company. The following points are clear from the table:

Firstly, in smaller firms, the ratio of older female workers increases. Secondly, the ratio of regular employees also increases in smaller firms. Thirdly, by contrast, the level of monthly salary positively correlates with the size of the company, being higher in the larger firms. However, the standard deviations suggest substantial differences even among firms of the same size. Fourthly, although there is no significant correlation, there is a slight tendency for older workers to have longer tenure at smaller firms.

Table 2. Characteristics of the Oldest Workers in Small Firms, by Size of Company1

Number of employees	Ratio of females	Ratio of regular employees	Average monthly salary2	Average tenure
1 _ 4	38.5	76.0	18.3 (9.66)	23.8
5 _ 9	29.3	71.2	26.8(17.84)	19.7
10 _ 29	18.4	71.4	33.6(20.59)	21.9
30 _ 49	11.8	59.1	33.5(28.65)	18.7
50 or more	7.1	50.0	35.3(20.08)	11.5

Notes: [1]Firms in which the oldest workers are aged 60-64, 65-69, and 70 or over account for 39.0%, 32.0%, 29.0%, respectively, of the total.
[2]Unit: ¥10,000. The figures in brackets are standard deviations.

Table 3. Percentage of Firms Providing Welfare Programs (MA)

	Employment regulations	Retirement allowances	Bonuses	Employees' Pension Plan	Employees' Pension Fund	Corporate pension scheme
1 _ 4 (n = 383)	30.7	31.7	55.9	37.3	8.7	1.9
5 _ 9 (n = 212)	59.1	48.2	85.0	76.7	19.7	6.2
Firms with mandatory retirement age system (n = 376)	87.4	86.6	93.6	91.6	34.1	18.7

Firms without system (n = 628)	35.7	29.3	64.0	53.9	12.0	2.9
Firms where workers can continue working as long as able1 (n = 178)	26.5	21.8	54.4	29.9	11.6	4.1
Total	56.9	52.8	64.7	65.6	21.2	9.6

Note: [1]A scheme whereby all workers, as official policy towards older employees, can continue working as long as possible.

As seen so far, in small firms there is a high ratio of workers aged 60 or over. The findings in Table 3 imply that in many cases much smaller firms (those with one to four employees, in fact, family-run firms) make use of older female workers, and of older people in general, those who receive relatively low wages as regular employees. In short, small companies broadly accept the practice of hiring older people, but their working conditions are below average.

On the other hand, the same basic pattern can be observed in the personnel management and welfare program aspects of small firms. Table 3 shows that firms that are relatively small and do not set a mandatory retirement age, or actually have the practice of keeping on all workers as long as possible, are inferior in terms of a whole range of personnel management and welfare provisions.

What of the labor turnover in small firms? Figures for employment and separations in the last three years show that the average number of workers hired was 5.3, and the number of separations 4.4. Because a mere 20 percent of those hired had joined small firms immediately after graduation and 80 percent had joined after working at other places, it is therefore safe to consider the latter as the main labor supply for small firms. However, only 14.8 percent of firms actually recruit middle-aged or older people. The majority of these recruits are males in their early 50s and white-collar workers with specialized or technical skills. Further, in determining the wages of such newly hired middle-aged and older workers, importance is attached in the following order to: years of job experience in the required field; the balance between the salaries of existing employees and those of new workers; and the range of previous job experiences. Most crucial for actual recruitment are (1) specialized knowledge, (2) personal character, and (3) state of health.

Incidentally, employees of only 6.8 percent of the firms had left to set up a new business in the previous three years. A typical new business starter in the higher age group is one who has worked as an employee for 10 years or so, and launches his own new business in the same industry at around 41.

3.0 Implications

We have analyzed the vocational careers and employment policies towards older workers of small business owners. The following aspects will be noted from the analysis.

Firstly, the career of small business owners or self-employed people as owner-presidents, starts around the age of 40, with very few taking up small businesses later than this. Thus, new business start-ups are recognized as an effective measure for older employment, but its promotion should be aimed at younger people.

Secondly, a number of these firms do not have a mandatory retirement age scheme, being very flexible in their employment of older people. In this sense, the practice of "ageless employment" (5) is observed in these firms. However, it is an undeniable fact that these small companies are inferior to large ones in respect to personnel management, welfare programs, and labor conditions such as wage payments. It is necessary to recognize that although small business firms offer job opportunities for older workers, the working conditions are not necessarily good.

Thirdly, although the two previously mentioned aspects strongly suggest that the realities of employment of older workers differ significantly between small and large companies, there is the danger of misunderstanding the actual situation of older people in small firms by generalizing from the known situation in large firms.

Japan's policies for promoting employment in small- and medium-sized firms have been carried out on the assumption that small- and medium-sized firms fall behind large firms, and hence should be helped to catch up. However, the findings of this analysis show that "ageless employment" practiced by small firms may possibly suggest ways of dealing with older workers in larger companies.

Notes:
(1)A similar trend is also observed in the *Survey on Employment Situation of the Elderly* conducted by the Ministry of Labour in 1996. The ratio of regular employees aged 55 years old or over is 8.9 percent at large firms with 5,000 or more employees; 9.4 percent at firms with 1,000 to 4,999 employees; 12.1 percent at firms with 300 to 999 employees; 14.8 percent at firms with 100 to 299 employees; 17.5 percent at firms with 30 to 99 employees; and 19.1 percent at firms with five to 29 employees. In other words, the larger firms have a lower proportion of older employees, with the figure increasing with smaller firms.
(2)For example, the ratio of males aged 65 years or older at work to people in the same age group

as a whole is 7.6 percent in the U.K.; 4.2 percent in Germany; 2.6 percent in France; 16.9 percent in the U.S.; and 36.7 percent in Japan (OECD, 1997). The age structure of self-employed people is shown in the following table (OECD, 1992). A distinguishing feature seen in Japan is the low proportion of people aged 25-44 years old, and the high proportion of people aged 60 and over.

Appendix Table:

Age Structure of the Self-employed (Total)

	Total (unit: 1,000)	Age group			
		15-24	25-44	45-59	60 and over
UK	3,209	9.1	53.3	29.3	8.4
Germany	2,116	2.3	44.9	40.9	11.8
France	1,844	2.4	53.8	35.8	8.1
U.S.	8,760	9.1	53.3	29.3	8.4
Japan	6,830	2.0	35.9	40.6	21.5

Source: OECD (1992).

(3)The findings of the survey used here are available in "Employment Situations of Middle-aged and Older Workers at Small Firms in Large Cities" (Research report of JIL, No. 120, 1999) in which the author took part. The survey was directed at companies with one to 99 employees located in Tokyo, Chiba, Saitama and Kanagawa prefectures. The survey samples totaled 3,000, selected with consideration for the balance among industrial sectors. The industries covered in the survey were seven large industries in the Standard Industrial Classification for Japan, with the exception of agriculture, forestry, fishery, and public services (construction; manufacturing; transport and communications; wholesale, retail, food and drink establishments; finance and insurance; real estate; and services). The balance among industries is in accordance with that used in censuses, such as the *Labour Force Survey*. The areas selected for the survey were municipalities and wards in large cities. Administrative areas selected were Itabashi, Ota, Shibuya, Sumida, Bunkyo and Hachioji in Tokyo; Urawa City in Saitama Prefecture; Naka-ku (Yokohama City) in Kanagawa Prefecture; and Chuo-ku (Chiba City) in Chiba Prefecture. The survey method was field interviews, and the survey was carried out in March 1997. Valid replies from business owners numbered 1,024 (of which 1,013 were actually used for the analysis). The distribution of the surveyed businesses in terms of the number of employees, including owners themselves, was 43.8 percent with one to four employees; 20.9 percent with five to nine; 20.1 percent with 10-29; and 15.1 percent with 30-100. Thus, more than 40 percent of the surveyed firms as a whole were small self-employed businesses, and 64.7 percent were small firms with less than 10 employees.

(4)Similar results are found by Mitani (1997).

(5)Realization of an "ageless society," a society where "the elderly are able to continue working, regardless of age as long as they wish to and have the ability" is promoted in the Ninth Basic Plan for Employment Policies of the Ministry of Labour.

References:

OE CD. 1992, Recent Development in Self-Employment, *Employment Outlook*.

OE CD. 1997, Labour Force Statistics.

Mitani, Naonori. "K-oreisha Sh-ur-o to Jieigy-o" (Employment of the Elderly and Self-employment) *Kigy-onai Chingin K-oz-o to R-od-oshij-o* (Wage Structure within Enterprises and Labour Market), Keiso-Shobo, 1997.

Japan Institute of Labour. *Daitoshiken Sh-okibo Kigy-o no Ch-uk-o-nensha no Sh-ugyo Jittai* (Employment Situations of Middle-aged and Older Workers at Small Firms in Large Cities), 1999.

JIL News and Information

Personnel and Labor Management Seminar for Foreign Affiliated Companies in Japan Focuses: "Wage Systems in Japan" (2): Introduction of Actual Cases

The Japan Institute of Labour (JIL) convened a seminar on the theme of "Wage Systems in Japan" on November 1, 1999 in Tokyo, and November 4, 1999 in Yokohama. A summary of the lecture was presented in the last issue of the *Japan Labor Bulletin*. This issue introduces the wage system and related management structures at Toyota Motor Corp., Canon Inc., and Fuji Xerox Co. Ltd., as described by a senior manager in charge of human resources at each firm.

Since revising its organization and job structure in 1990, Toyota has sought to make the best use of its human resources on the basis of a job-grading system. In the 1980s, Toyota, like many other Japanese firms, was caught between the need to keep morale high by promoting its employees to successively higher posts, and the shortage of such posts. To overcome this dilemma, the company sought to separate an employee's job-grade from the actual post he filled. To accomplish this, it revised its wage system.

In 1990 Toyota introduced job-grade and performance pay to differentiate wage levels in accordance with job-grades from an age-based pay component to safeguard a certain minimal wage level. A further revision was carried out in 1993 when Toyota adopted a wage system under which only 40 percent of total wages is the basic wage. For employees in managerial posts, job skill was weighed at 60 percent; for those in non-managerial positions, job skill was weighed at 40 percent and age at 20 percent.

The 1990s were accompanied by a slowdown in the expansion of the domestic market and increasing competition in markets abroad, and a diversification of labor markets. Toyota responded by further revising its human resource management. Toyota put into effect a reform program known as "PRO21." Its aim is "to train and to make full use of individuals who are independent and competitive." Accordingly, it introduced changes to its wage system in 1997 and in 1999. These changes meant that employees in managerial posts would be regarded as more or less complete professionals, and they should give up their basic wage portion. For them a full-scale job-grade pay system was to be adopted. Under the new system, employees in the same job-grade would receive the same pay. At the same time, the wage

system for employees in non-managerial posts was also changed. As these employees were considered to be on their way to higher levels, (i.e., professionals), their wage system was weighted more towards the development of human resources. The number of job-grades was reduced, and a job-grade pay system was introduced.

Canon has maintained the same job-grade and performance wage system for 32 years. Under that system, a once-attained grade is not taken away, and basic pay would thus not decrease. Since it is a manufacturer with many technical staff members with ever-advancing technological innovation, the greatest concern at Canon is the increasing gap between job-grade and job performance. The aging of its employees has been another issue for the firm to tackle. Accordingly, Canon established a scheme to encourage human resource mobility within the company. There had previously been little mobility of employees across the firm's six business divisions, but the scheme provides employees with opportunities to apply for jobs to which they can devote themselves. This is done by referring to job vacancy notices posted within the company. Under the scheme, staff members of the department posting a vacancy notice and the applicant come together at a meeting arranged by the personnel management department. If the two parties agree to the job description and other aspects of the proposed job, an application to transfer is submitted to the applicant's current department. In 1996, 69 out of 306 applicants changed their positions; 78 out of 363 in 1997; and 94 out of 534 in 1998. The majority of the successful employees are relatively young engineers in their early 30s.

In 1997, Canon also set up a career counseling room within the headquarters of its personnel management department. The aim is to keep its employees as active as possible, to form more competitive individuals by positively utilizing and training them, and thereby eventually to strengthen the organization itself. Four section chiefs in their mid-50s are in charge of counseling, and meet employees who wish to talk about their future career development within the firm. In 1998, 141 people visited the counseling room; many were engineers in their mid-30s. Another scheme called “career-up interviews” was established in 1998 for young employees with about four year's tenure. Counselors meet such workers on a systematic basis and assist in the matching of the duties and abilities of these employees.

In addition to these programs, Canon also helps individual employees enhance their careers in other ways. It deploys various personnel management schemes, including a regular interview scheme and a self-evaluation scheme.

In January 1999 Fuji Xerox implemented a new human resource management system for its 3,700 employees in managerial posts. Labor and management are now negotiating whether ordinary employees who are union members should also be covered by the system.

The new system moves away from job rankings based on abilities in performing general tasks in a vague sense toward a typology of specific tasks in which the scope of authority and responsibility is clearly spelled out. The new system incorporates the concept of competency management as the focus of human resource development. This system indicates the level of a job's function in terms of "role grades" and the level of the individual's ability to do his job in terms of "competency." The knowledge and skills required for individual tasks are made explicit and laid down in a document known as the "competency dictionary." This information is made available to employees in managerial posts so they can assess themselves and find out what they need to know and study to advance their own careers at Fuji Xerox. In short, the system enables employees to form targets for their own career development. The company, on its side, is able to get a picture of the expertise, capabilities and behavioral characteristics required to perform specific duties, and to gauge how it can best make use of those traits as it formulates its business strategies.

As for the wage system, Fuji Xerox relies on a "role pay" scheme which closely links the nature of the work and performance to wage payments. Jobs are ranked in 10 grades according to such factors as degree of impact on management, degree of difficulty in execution, and supply and demand characteristics of internal and external labor markets. Monthly payments consist of "role pay" determined by the role grade of the job and the basic pay which is determined by individual employees; bonus payments similarly reflect individual performance and company performance, with a certain amount fixed by the individual role grade. Evaluations of performance are basically absolute, the distribution of payments relative.

Following the three company reports, Mr. Kusuda, Head of the Employment System Research Center, summarized the features of personnel management systems in the three companies.

Question-and-answer sessions gave rise to lively discussion both in Tokyo and in Yokohama. Particular interest was shown in the criteria for evaluating individual performance, retirement schemes which incorporate reference to performance, and other related matters.

by Akira Takanashi et. al. (A-5 size, 55 pages; price: ¥1,165, exc. tax and p&p)	by Akira Takanashi et al. (A-5 size, 104 pages; price: ¥1,500, exc. tax and p&p)
Human Resource Development (No. 2) by Kazuo Koike (A-5 size, 143 pages; price: ¥1,500, exc. tax and p&p)	Japanese Industrial Relations (No. 5) by Taishiro Shirai (A-5 size, 160 pages; price: ¥1,500, exc. tax and p&p)
Employment Insurance Law (No. 3) by Akira Takanashi et al. (A-5 size, 181 pages; price: ¥1,500, exc. tax and p&p)	A Fifty Year History of Industry and Labor in Postwar Japan (No. 6) by Kazutoshi Koshiro (A-5 size, 270 pages; price: ¥1,500, exc. tax and p&p)

To order these, please contact:

Domestic orders:
Publication Section
The Japan Institute of Labour
TEL: 03-5321-3074
FAX: 03-5321-3015

Overseas orders:
OCS (Overseas Courier Service)
TEL: 81-3-5476-8127
(Int'l country code)+(Tokyo area code)+(phone no.)
FAX: 81-3-3453-8329

Statistical Aspects

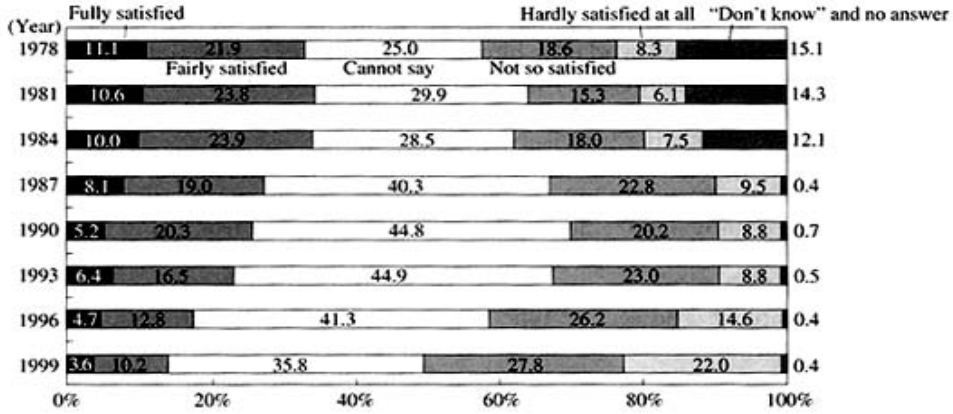
Recent Labor Economy Indices

	February 2000	January 2000	Change from previous year
Labor force	6,638 (10 thousand)	6,664 (10 thousand)	-10 (10 thousand)
Employed	6,311	6,355	-23
Employees	5,277	5,305	-6
Unemployed	327	309	14
Unemployment rate	4.9%	4.6%	0.2
Active opening rate	0.52	0.52	0.00
Total hours worked	153.1 (hours)	141.2 (hours)	1.3
Total wages of regular employees	(¥ thousand) 264.4	(¥ thousand) 262.3	1.1

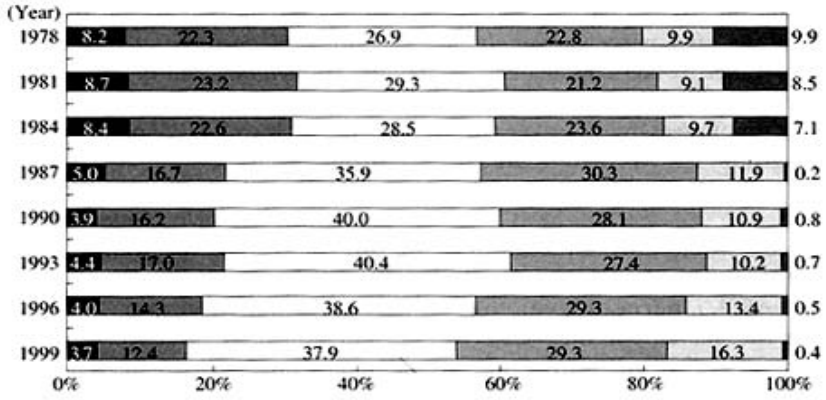
Note: * Denotes annual percent change.
Source: Management and Coordination Agency, *Rōdōryoku Chōsa* (Labour Force Survey); Ministry of Labour, *Shokugyō Antei Gyōmu Tōkei* (Report on Employment Service), *Maitsuki Kinrō Tōkei* (Monthly Labour Survey).

Increasing Rates of "Dissatisfaction" with Working Lives

(1) "Able to work without fear of loosing job"



(2) "Able to do work in jobs which are suited to one's needs and to making one feel useful"



Note: The respondents include unemployed people and students.