

JAPAN LABOR BULLETIN

ISSUED BY THE JAPAN INSTITUTE OF LABOUR

Vol.39 - No.12

December 2000

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Working Conditions and the Labor Market

Salaries in Private Firms Decrease for the Second Consecutive Year

On September 26, 2000, the National Tax Administration released the results of its 1999 *Survey of Salaries in the Private Sector*. The results showed that employee salaries in the private sector decreased 1.7 percent from 1998 to 1999. Salaries in 1999 totaled ¥207.5188 trillion. This was the second consecutive year that the total amount of salaries decreased. Salaries paid to male employees declined 2.1 percent from the previous year to ¥161.671 trillion. For female employees, the decline was 0.6 percent to ¥46.4516 trillion.

As a result of restructuring carried out by private companies, the number of salaried employees in the private sector totaled 44.98 million in 1999. Although the drop from the previous year was only one percent, it was nevertheless the first drop since the survey was conducted in 1949. There were 28.39 million male employees (down 1.3% from 1998) and 16.6 million female employees (down 0.6%).

The average salary per employee in 1999 decreased 0.8 percent from 1998 to ¥4.61 million. The figure for male employees was ¥5.67 million (a drop of 0.8%); for female employees it was ¥2.8 million (unchanged from the previous year). The average age of salaried employees was 42.8 (43.0 for males and 42.5 for females), and the average length of employment with the same employer was 12 years (13.5 years for males and 9.4 for females).

The average salary of ¥4.61 million consisted of an average ¥3.8 million (¥4.65 million for males and ¥2.34 million for females) in “regular payments and allowances” and ¥0.82 million (¥1.03 million for males and ¥0.46 million for females) in “bonuses.” Regular payments and allowances increased 0.8 percent over the previous year, but bonuses dropped an average 7.4 percent compared with 1998. This was the second consecutive year that bonuses dropped.

By industry, the average salary was the highest in the chemical industry (¥5.59 million), followed by the finance, insurance and real estate sectors (¥5.57 million); the metal and machinery industry (¥5.37 million); transportation, telecommunications, and public works (¥5.35 million); and agriculture, forestry and fishery, and mining industry (¥3.31 million).

In terms of firm size, employee salaries averaged ¥3.61 million for firms with less than 10 employees, ¥4.33 million for those with 10 to 29 employees, and ¥4.98 million for those with 30 or more employees.

Human Resources Management

Survey Results on Fixed-term Employment Contracts

An increasing number of lawsuits involving the termination of fixed-term employment contracts have come before the courts as a result of restructuring in the private sector. To deal with this matter, a study group was established within the Ministry of Labour to survey the situation. A questionnaire administered in September yielded the following results*.

About 70 percent of all firms surveyed employed workers on a fixed-term contract. Among these firms, “part-timers” and “contract workers” accounted for some 60 percent of all fixed-term employees, and “temporary workers” and “workers under other types of fixed-term employment contract” accounted for another 14-15 percent. About 40 percent of all workers hired under fixed-term labor contracts were engaged in “clerical jobs,” and women accounted for about two-thirds of these employees.

A relatively high proportion of firms cited “reduction in labor costs” as the reason for hiring employees with fixed-term contracts. About 70 percent of firms indicated that as the reason for hiring part-timers; about 40 percent for temporary workers, about 30 percent for “contract workers,” and about 30 percent for other types of fixed-term employees. However, there was some difference according to the contract type: some 40 percent of firms hiring part-timers and about 60 percent of those hiring temporary workers replied that they did so “to cope with changes in the amount of duties.” About 50 percent of firms hiring contracted workers said they did so “to make use of their specialized abilities and experience.”

Many fixed-term employees cited the reasons for working on a fixed-term contract basis as “convenience of workplace” (about 40%), or “the desire to earn extra income to support their families” (about 30%). However, the highest proportion (40%) of “contract workers” surveyed indicated that they chose their current work status and job “to make use of their experience.” About 40 percent of part-timers who actually work long hours claimed that they had been “unable to find regular employment.”

Concerning contract periods, the majority of employees on all types of fixed-term contracts had been hired for “more than six months but less than one year.” A high proportion (about 77%) of “contract workers” are employed for such periods. In addition, about 66 percent of workers wished that their contracts would be renewed after termination of their current contract.

Concerning the renewal of contracts, firms conclude all types of fixed-term contracts with the understanding that there is a possibility most of the contracts would be renewed. However, the survey found that in about 10 percent of the establishments surveyed, the firm's explanation differed from the workers' actual situations. The survey also found that some 10 percent of workers did not receive an explicit explanation about renewal when agreeing to their labor contract. Also, nearly 10 percent of the establishments did not give employees with fixed-term contracts 30 days' advance notice when they terminated employment. In this regard, some 60 percent of workers who have in the past failed to have their contracts renewed felt dissatisfied with the termination of their contracts. This seems to reflect the fact that firms and workers have a different set of assumptions or understandings with regard to the termination of employment. About half the firms which had terminated a labor contract gave as the reason "poor performance or an inappropriate attitude on the part of the worker involved." By way of contrast, 50 percent of workers who had experienced termination of employment said that the reason they were given was simply "termination of contract period," while another 30 percent had been told that the termination was due to the "deterioration of the company's business performance." It seems likely that dissatisfaction among workers arises from a situation where workers expected their contract normally to be renewed whereas companies did not necessarily consider the relationship to be so lasting.

Together with these results, the survey pointed to the importance of preventing in advance trouble concerning fixed-term labor contracts. The report stressed the need to provide both workers and employers with information, including court case studies, regarding matters on employment relations as they relate to fixed-term contracts, and to give advice and guidance when trouble arises.

Note:*The survey consists of two parts. First the survey was administered to 12,600 companies (with 7,193 effective replies). In the second stage, surveys were administered to 6,000 business establishments (with 1,788 effective replies) and to 24,000 workers who were employed under a fixed-term employment contract (with 5,106 effective replies).

Labor-Management Relations

Rengo Starts Job-placement and Worker-dispatching Businesses

Rengo (Japanese Trade Union Confederation), at its Central Committee Meeting in October 2000, decided to establish its own organization to handle fee-charging job placements and the dispatching of workers. In November, it invested ¥100 million to set up a joint-stock company called "Rengo Hello Work" and hired expert staff from outside. "Hello Work" is also the name by which the Public Employment Security Offices are commonly known.

The revisions to the Worker Dispatching Law and Employment Security Law came into effect in December 1999. These laws relaxed restrictions on providing worker dispatching services and fee-charging job placements whereby employees are supplied to private firms. Since the relaxation of regulations concerning these aspects of the labor market, an increasing number of private firms have become involved in human resource allocation. Although a series of debates concerning relaxation of restrictions occurred in the mid-90s, Rengo had consistently opposed the Committee on Administrative Reform and employers' associations which had called for the involvement of private companies in the provision of such services. Instead, Rengo argued for the maintenance of the state-guided job placement system, claiming it protected workers better than private providers could. The entry of Rengo into this activity can thus be seen as a reflection of how quickly the labor market is evolving in Japan owing to the increased level of unemployment which has resulted from the extensive restructuring undertaken by firms in the face of the bleak economic situation. Rengo can be seen as taking the initiative in putting its mind to the immediate task of finding work for unemployed workers rather than simply engaging in a protracted discussion of the system.

Rengo's business plan will begin with the setting up of a job placement business in the Tokyo metropolitan area. In cooperation with Zensen-domei (Japanese Federation of Textile, Garment, Chemical, Commercial, Food and Allied Industries Workers' Unions), a Rengo affiliate which already operates a similar business, Rengo will share information about vacancy lists while also asking some 5,000 private firms with enterprise unions affiliated to Rengo to provide information on job openings. Rengo's new organization will maintain a register itself, and will accept registrations from job-seekers from January 2001. Its plans currently call for its registrations to be open both to union and to non-union workers. Rengo also announced its intention to expand its business in two years' time to other parts of Japan, including the Kinki and Hokkaido areas. The fee for job introduction is currently "under consideration." The plan is to charge a fee below that being charged by other private job placement companies.

Rengo remained undecided as to when it would launch its worker dispatching and vocational training businesses. Its initial plans were to deal only with specialized occupations which were allowed before revision of the Worker Dispatching Law, and to increase the wages of their dispatched workers. As for the vocational training business, it is anticipated that it would not have its own training facilities but that it would take advantage of unused facilities in firms that had gone out of business and other such venues. Rengo is also planning to commit itself to supporting activities on behalf of student job-seekers by helping students and pupils gain experience in actual workplaces through an internship program which could be

run as a business.

Public Policy

Rulings of the Supreme Court concerning Disadvantageous Changes in Working Conditions

In September 2000 the Supreme Court handed down decisions in several cases concerning changes in work rules which were seen as being disadvantageous to employees.

When working conditions are modified to the detriment of employees by changing provisions in work rules, legal questions arise as to whether the changed work rule can have a binding effect as reasonable. Legal opinion in these cases is based on a comprehensive assessment of a number of factors which might affect the balance between (i) the necessity for firms to change their work rules (the highest degree of necessity is required in the case of changes involving important working conditions such as wages and working hours) and (ii) the disadvantage imposed on employees. The social appropriateness of the changed work rule is also considered, along with discussions which may have occurred between the labor union(s) involved and the employer and the processes which were followed in reaching the decision to change the working conditions. This approach to such matters has been established by and modeled on Supreme Court precedents in similar cases in the past.

All three of the recent cases involved financial firms which had found it necessary to reorganize their personnel management systems so they could remain competitive in their sector. The proposed changes involved wages, working hours and the adoption of the complete five-day workweek system required by recent revisions to the banking laws.

In the cases involving the Ugo Bank and the Hakodate Credit Bank the Supreme Court's decisions concerned changes to working hours. In both cases, the employees lost their cases in the District Court, won on an appeal in the High Court, then ended up losing in the Supreme Court. In the Ugo Bank case, the issue concerned whether it was reasonable to change work rules by adding on a 60-minute extension to working hours from the 25th to the end of every month. In the Hakodate Credit Bank case, the dispute was over a 25-minute extension to working hours every weekday. The Supreme Court ruled that the changes in work rules may have been unfavorable to the employees but that they were reasonable enough for several reasons.

First, although the extension of working hours would disadvantage employees, actual

scheduled working hours per week, or per year, either decreased (in the Ugo Bank case) or remained roughly the same (in the Hakodate Credit Bank case). Moreover, employees benefited from an increase in holidays, so that all in all the actual disadvantage to employees was not seen as being unnecessarily large. Second, unless wages are adjusted, it is basically understandable that a company would seek an extension to working hours to make up for a reduction in total working hours due to the introduction of the complete five-day week system. Since both banks offered relatively shorter working hours, they needed to change work rules to maintain their competitiveness in the market. Third, the extensions to working hours were not seen as long by Japanese standards, or as compared with the situation in other banks. In other words, the extended working hours were considered to fall within a socially acceptable range. Fourth, although the minority labor unions, including the plaintiffs, strongly opposed the changed work rules, and there was insufficient discussion between labor and management, the court found that the changes in rules were reasonable enough.

The Supreme Court also ruled on the Michinoku Bank case concerning modifications to the bank's personnel system (which resulted in the transfer of employees aged 55 and over to "special" posts under a system of mandatory retirement at age 60 and subsequently in a large reduction in the wages and retirement allowances paid to such employees). In this case, the employees partially won in the District Court, lost in the High Court, then gained a favorable decision from the Supreme Court which returned the case to the High Court based on the following reasoning.

First, it ruled that, owing to the aging of its employees, its weak business management, and the need to compete with other banks, the appellee (who was the bank), had a strong need to change its work rules in order to reform its organization and to reduce wage costs. However, the reduction in the wage of the appellant and other employees involved would bring their wage level down to only 40-50 percent of the standard wage level they ought to receive. The bank's alternative offer to its employees was not enough to make up for the reduction in wages which was seen as most seriously disadvantaging the appellant. The wages of the appellant and others after the changes to work rules were implemented would not be considered to be exceptionally high if the age of the employees, the size of the company, and its overall wage system were taken into account. The change in the wage system would improve the working conditions of many employees, but it would also shift all of the burden for curbing wage costs to the elderly employees whose wages would be reduced. This shifted burden was seen as creating a substantial disadvantage for the employees in question. Although the firm may have taken measures to ease some of the disadvantage those workers faced, the effect was not seen as being sufficient. Accordingly, the court ruled that the alteration to work rules was not reasonable. Finally, although the labor union organizing

some 73 percent of the bank's employees had agreed to the changes in work rules, the court ruled that it is not appropriate to regard the opinion of labor unions as a major factor when judging the reasonableness of changes in wage systems.

It would seem that the circumstances behind the changes in work rules in the Ugo Bank and the Hakodate Credit Bank cases made them relatively easy to justify. On the other hand, the Michinoku Bank case pointed to the need to consider carefully how changes might affect all employees before the change can be judged to be reasonable. The court's judgement in this case will draw wide attention, and will result in a more careful consideration of how elderly workers should be utilized and treated. For that reason it will be a significant ruling in terms of future employment policies and labor-management relations. In this sense, the Supreme Court's decision in the Michinoku Bank case can be expected to have a considerable effect on employers' decision-making and on government policies.

Nikkeiren's Employment Stabilization Scheme for Disabled People Bears Fruit

Since February 1999 Nikkeiren (Japan Federation of Employers' Associations) has, in cooperation with the Ministry of Labour, been involved in the Employment Stabilization Scheme for Disabled People. The scheme encourages disabled people to find employment by providing a period of workplace training before actual employment. Nikkeiren recently announced that the scheme has produced fairly good results.

The scheme, entrusted to Nikkeiren by the Ministry of Labour, was launched to give disabled people temporary and short-term job opportunities which could lead to full-time employment. Under the scheme, firms, chiefly large business establishments, accept disabled workers for a month to give them on-the-job training. The firms also employ those who have completed the training on a trial basis over a three-month period.

The scheme is intended for disabled people who have registered as job-seekers at the Public Employment Security Offices. Coordinators at the Nikkeiren Emergency Support Center for the Employment Promotion of the Disabled and at other institutes look for business employers who wish to join the scheme. Subsidies for on-the-job training are given: ¥23,900 per trainee per month to business establishments and ¥116,700 per month to the trainees. In addition, companies which have accepted disabled workers on a trial basis are subsidized up to ¥59,000 per worker per month.

As of September 18, 2000, 3,631 business establishments throughout the 47

administrative districts of the country have asked that 5,167 places be filled by trainees, and 4,025 workers have participated in on-the-job training; 3,622 trainees have completed their program. Of those completing the program, 2,896 have been taken up as employees on a trial basis, and 1,990 have already completed this trial employment. Disabled workers who have obtained actual employment contracts totalled 1,679. The figures show that 80 percent of participants in the trainee scheme have actually gone on to trial employment, while 84.4 percent of those who completed their trial employment have actually been employed. These figures indicate the extent to which the scheme has achieved the goals set.

Special Topic

Special Employment Measures in Japan*

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1.0 Introduction

After reaching a high of four percent in 1998, Japan's unemployment rate has remained at that level up to October 2000. During this period, the government has launched five employment packages. In Japan, where unemployment had previously been low except for a brief period immediately after World War II, little attention was paid to active employment policies until the mid-1990s. Even so, measures to attack unemployment became major issues in government policy several times in postwar Japan: firstly, during the period of high unemployment right after the war; secondly, when there was unemployment amongst coal miners who lost their jobs due to the industry's decline; thirdly, when unemployment followed the first oil crisis; and fourthly, since 1998 with the onset of rapidly increasing unemployment.

This article begins with a brief review of Japan's principal postwar employment policies and then discusses the contents and effects of recently adopted policies. It also attempts to present a quantitative picture of employment adjustment subsidies, which have formed a major part of employment policies since 1975. The article is organized as follows. Section 2 summarizes the employment policies of the postwar period. Section 3 describes the main features of five packages implemented since 1998. Section 4 is devoted to a critical analysis of the employment adjustment subsidies that have performed a vital role since 1975 and, finally,

conclusions are drawn and future actions are suggested in Section 5.

2.0 Employment Policies after the War ⁽¹⁾

2.1 Summary of Employment Policies after the War

Employment policies adopted during the era of high unemployment, in the years immediately following World War II, were based on the Emergency Unemployment Countermeasures Law (1949) and, essentially, constituted a demand management policy that made use of public works. While policies to curb unemployment consisted of both direct job creation measures for the unemployed and indirect job creation via public works, they were actually dominated by the expansion of the latter. At the same time, an unemployment policy that was adopted at the end of the 1950s and was based on the Temporary Law for Dealing with the Redundant Coal Miners, aimed at adjusting the job market structure, that is, encouraging labor turnover. This policy, which coincided with high economic growth, prompted many workers to move to the manufacturing sector.

Subsequently, the unemployment rate remained low and no substantial active employment policies were carried out. This trend changed considerably, however, during the period of employment adjustment that followed the first oil crisis. In 1975, the unemployment insurance system was drastically revised and, concurrently with the existing unemployment benefit system, a new employment insurance system was established. This involved a scheme that provided subsidies with the aim of positively maintaining employment.

Since 1998, employment policies have followed three principal courses of action. The first course is an expansion of the traditional policy of maintaining employment. A typical measure is to raise the rate of subsidies for employment adjustment, such as subsidies for dealing with the suspension of business operations, for the education and training of employees, and for the transfer of employees to an affiliated or related firm. The second course is also based on the traditional policy, and involves absorption of the unemployed by public works and similar measures to keep them employed. The third course involves new types of employment policies and includes subsidies for job creation, which aim to raise the demand for labor. The subsidies cover, for example, the cost of lump-sum wage subsidies for firms newly hiring middle-aged and elderly workers, and for setting up new subsidies or raising the rates of existing ones for small and medium-sized enterprises (SMEs) that require human resources for new business conversions.

2.2 Unemployment Policies Immediately after the War

The basic framework for the current labor policies was established when Japan was under U.S. occupation following World War II. In 1947, the Employment Security Law and

the Unemployment Insurance Law were put into effect to attack high postwar unemployment and poverty. However, the enforcement of such laws did not bear fruit, in that employment opportunities were extremely limited and most unemployed people were from the agricultural and self-employed sectors and were not eligible for unemployment benefits (Takanashi, 1999).

The Emergency Countermeasures Law (1949) was a comprehensive law comprising nationwide measures against unemployment. Its initial purpose was to secure temporary jobs for unemployed people, until they obtained a permanent position once again. In the national budget of 1949, public works started to be treated as a separate category from those projects that were undertaken as unemployment measures, and the Ministry of Labour took responsibility for such projects.

In principle, projects that were undertaken as an unemployment measure were carried out in large cities, and the selection of workers was restricted to those people who were introduced via the Public Employment Security Offices, had no regular job, and would make their living from such projects. Unemployed people who did not satisfy these conditions were supposed to be absorbed in jobs created via public works.

Actual projects that were intended to serve as unemployment measures commenced in the second quarter of 1949. However, because of the measures taken to stabilize private firms in accordance with the Dodge Line, the number of registered unemployed sharply increased from 104,000 workers in May 1949 to 410,000 workers in May 1950. The projects, on the other hand, were only able to provide jobs for 41,000 workers per day. Thus, in January 1950, stricter conditions for workers' eligibility were laid down, limiting it to people who were unemployed for a month or longer, and excluding those who received welfare benefits. Despite all of this, the number of applicants for jobs in the projects did not fall.

2.3 Responses to Structural Unemployment

In the 1950s, the Japanese economy did an about-turn because of the Korean War. At the same time, however, a serious problem – structural unemployment – emerged. This involved the issue of unemployment amongst both miners and those workers employed by the Occupation Forces. To solve the unemployment problem of such workers, two special laws were enacted: the Temporary Law for Dealing with Redundant Workers in the U.S. Military Bases in Japan (1958) and the Temporary Law for Dealing with Redundant Coal Miners (1959). Under these laws, workers who had been obliged to leave either of those two sectors of employment, and move elsewhere, were given generous allowances for such activities as re-employment and transfer, as well as having housing provided at their new locations (on the basis of “housing encouraging employment”). In addition to these measures, new public works

(the Emergency Measures to Promote Displaced Coal Miners, 1959) were instituted in those areas with mining industries, thereby expanding the government's attempt to absorb the unemployed directly into public works. By the latter half of the 1960s, as the coal mining industry shrank further, more and more miners flowed into such public works. The policy of absorption of unemployment by public works was revised substantially in 1971, when the Law concerning Special Measures for the Promotion of Employment of Middle-aged and Older Persons came into force.

In 1966, the Employment Measures Law was enacted, systematizing and extending to the whole of industry the series of measures that emerged in the process of transformation of the industrial structure, to tackle structural unemployment. The Employment Measures Law also regulated the procedures for mass reductions in jobs, including dismissals, and was to lead later to policies strengthening employment security.

2.4 Employment Measures during the First Oil Crisis

The mass unemployment that resulted from employment adjustment on a large scale during the first oil crisis brought a major shift in employment policy in Japan, towards support of policies to actively prevent unemployment. It is noteworthy that, at that time, the unemployment rate had soared from the one percent level that had been usual until 1974, to two percent from 1975 onwards.

An employment insurance system was established at the height of this large-scale employment adjustment. The most outstanding innovation of that system was the addition – to the existing unemployment benefit schemes – of a series of measures to prevent unemployment. Specifically, three new types of measures were established: measures to stabilize employment⁽²⁾, measures for human resource development, and measures related to workers' welfare. Out of these, the scheme that was put to most use in forestalling unemployment was the system of subsidizing employment adjustment that formed part of the employment stabilization measures. This scheme aimed to prevent a drop in those production and employment levels that were due to economic fluctuations. This was done by providing those business owners who were obliged to suspend business operations with assistance in areas such as allowances for business interruptions, subsidies for training and the other costs involved in transferring employees to related firms. More precisely, the Minister of Labour identified particular industries that were facing a fall in production and jobs, and subsidized a part of such allowances to firms in such industries upon request. As discussed in more detail in Section 4, the scheme to provide subsidies for employment adjustment later played a central role in employment measures that were undertaken.

2.5 The Second Oil Crisis and Two Strong-Yen Recessions

In 1978, when the economy was suffering from a recession due to the first strong-yen shock, a Temporary Law for Dealing with Redundant Workers in Specified Areas in Recession was enacted, thereby launching a subsidy scheme for workers who had lost their jobs in specified areas that were badly affected. In December of that year, the Ministry of Labour embodied its ideas on emergency employment measures in a New Employment Policy Program. The focus of this program was the creation of “employment development works,” with the aim of creating some 100,000 jobs.

More specifically, the plan involved “subsidies for developing the employment of middle-aged and elderly workers.” Through this strategy, if employers increased the proportion of such workers among their newly employed staff, or increased the number of such workers during periods specified by the Minister of Labour and in accordance with economic fluctuations, then the employers were subsidized for part of the wages paid to these newly-hired employees. The period of eligibility for the subsidy was one year for employees between 45 and 54 years of age, and one-and-a-half years for those between 55 and 64 years. The proportion of wages subsidized was high, at three-fifths (or, in the case of SMEs, four-fifths) of the total salary. The employment measures taken during the recessions caused by the second oil crisis and by the second strong-yen shock were extended and revised versions of the existing measures. As indicated below, a similar system was also adopted as part of a series of employment measures after 1998.

3.0 Five Employment Packages from 1998 and 2000

3.1 The First Employment Package (Emergency Employment Development Program of April 1998)

A financial upset in autumn 1997 set off a sudden economic recession. As the unemployment rate began to soar at the beginning of 1998, the government incorporated measures concerning employment into its comprehensive economic measures of April 1998. These were in the form of an emergency employment development program, which had a budget of ¥49.5 billion.

Broadly speaking, the program consisted of two parts: an extension of existing measures and a series of new measures. The former included a rise in the ratio of subsidies for employment adjustment, and a relaxation, in terms of the employees' age, of the conditions for employers hiring middle-aged and elderly workers who would receive subsidies. The new measures included an Education and Training Benefits System, commencing in December 1998, and – as a new job creation measure – an increase in the amount of money as subsidies to SMEs, to enable them to secure human resources. The subsidy scheme for

training costs was epoch-making in that it directly subsidized individual workers, in contrast to the labor market training measures so far, which had been executed mainly through subsidies to organizations in charge of the training. Where the expansion of subsidies to SMEs was concerned, similar measures up until then had aimed at preventing employment. The expansion, however, was a positive approach to creating new jobs.

The Education and Training Benefits System that was introduced in December 1998 takes the form of a direct subsidy, with a maximum of ¥200,000, to individuals belonging to the employment insurance scheme, to help pay for various vocational training programs conducted by private firms. This can also be seen as a kind of voucher system. Because the subsidies are paid after completion of vocational training, actual payments started in March 1999. From March 1999 to August 2000, the number of recipients totaled 262,213, with males accounting for 144,605 and females for 117,608. Overall expenditure totaled ¥24.6 billion. If the utilization of the scheme by such a large number of workers resulted in an increase in the incentive to undertake vocational training, this would mean that the scheme had the desirable effect of increasing the level of human capital.

However, some drawbacks to the scheme have been identified:

First, the amount of subsidy is small: ¥200,000 is not enough to receive proper vocational training. Compared with public training programs, which are free, the cost that individuals have to bear is too large.

Second, because the scheme is carried out under the employment insurance scheme, it applies exclusively to those who join the insurance scheme. This means that the self-employed, the long-term unemployed, and the jobless new graduates are not eligible for the subsidy. This, in turn, means that it will be necessary to modify the scheme, by measures such as tax benefits or scholarship systems, to make it available to workers who do not belong to the employment insurance scheme. In addition, it will be necessary to find out the extent to which the payment of the subsidy has increased the employability of the recipients.

3.2 The Second Employment Package (Emergency Economic Package, November 1998)

In 1998, an emergency package was drafted, with a total budget of ¥17 trillion, with the goal of creating one million new jobs and of stabilizing employment prospects. (The package, incorporating over ¥6 trillion of permanent tax deductions, was well over ¥20 trillion in total.)

Of the one million jobs, more than 370,000 were expected to be due to the job creation effect. The figure was seen as a combination of the number of new jobs created through expansion of the GDP due to economic measures (as estimated by the Economic Planning Agency), plus 58,000 jobs resulting from job creation subsidies such as the Subsidy for Creating Employment and Securing Human Resources in Small and Medium-sized Enterprises. At the same time, the effect of employment stabilization measures was set at approximately 640,000 jobs.

About 700,000 out of the one million jobs were expected to be achieved via a Comprehensive Plan to Vitalize Employment, which has a budget of ¥1 trillion. The plan included, for example, undertakings to back up the creation of jobs and improve the business environment among SMEs; an extended duration of payments for unemployment benefits, while the unemployed in question were receiving vocational training; the extension of the period for which the Emergency Employment Development Program was effective; the reinforcement of measures to help middle-aged and elderly workers switch jobs, without an interval of unemployment, and become reemployed; and the extension of, and inclusion of, private vocational training institutes in public training programs for those white-collar workers who are unemployed and therefore obliged to change jobs.

At the same time, in order to respond flexibly to the employment situation and provide necessary employment opportunities for middle-aged and elderly involuntarily unemployed people, a Special Fund for Emergency Job Creation was established.

3.3 The Third Employment Package (Emergency Package of Employment Measures, June 1999)

In contrast to the previous two packages, the third one was an emergency package of employment measures that emphasized the potential effect of an increase in employment opportunities. This series of measures was designed to create some 700,000 new jobs. Key aspects of each of these measures for new jobs follow:

- *Special Grants for Creating Employment in the New and Growth Sectors (150,000 jobs)*

It has been specified that these grants should be awarded to enterprises if they bring forward their plans to hire certain types of workers, such as middle-aged and elderly involuntarily unemployed, or if they conduct on-the-job or other practical vocational training.

- *Special Emergency Fund for Job Creation (200,000 jobs)*

Regarding the subsidies financed by this special fund for assisting enterprises that plan to hire middle-aged and elderly involuntarily unemployed workers, the requirements for the

scheme to come into effect in each local block have been relaxed so as to make it more effective.

· *Emergency Special Subsidies for Creating Local Employment (300,000 jobs)*

A fund is to be set up in each prefecture and financed by special grants, with the amount of each to be determined by the level of unemployment and the population in the particular prefecture. With this, it is intended that local governments at prefectural or lower administrative levels should aim at creating employment opportunities, mainly via undertakings entrusted to private firms, non-profit organizations (NPOs) and others.

· *Special Subsidies for the Transfer of Human Resources (70,000 jobs)*

The special subsidies are intended to contribute a portion of the wages for enterprises planning to hire workers who have been transferred from related firms or who wish to find reemployment, as well as a portion of the training costs for enterprises which transfer employees to – or accept employees from – related or affiliated enterprises. (At the same time, similar existing measures were modified. Eligibility for the Special Subsidies to Aid Middle-aged and Elderly Workers in Transferring was now, for example, extended to workers less than 45 years old.)

In addition, the number of workers covered by the Project to Aid Middle-aged and Elderly Workers Finding Employment was increased by another 100,000.

3.4 The Fourth Employment Package (The Second Supplementary Budget for Fiscal 1999, November 1999)

As the fourth package, the implementation of employment measures with a commitment of ¥273.9 billion was incorporated in the fiscal 1999 supplementary budget. The contents of the package are outlined below. It is important, however, to note first of all that most of the money went to making-up deficiencies in the employment insurance fund, and that this was followed by measures to support business start-ups among SMEs. In this sense, Japan's employment policy at this stage can be said to have shifted from employment maintenance to employment creation. At the same time, this series of employment measures included a newly allocated component of the budget to measures affecting young people, though the amount of money committed to this was small. The package included:

· job creation and stability measures via assistance in business start-ups among SMEs and the reinforcement of their basic business standing: ¥65.7 billion. They include:

(1) the creation of employment opportunities by supporting business start-ups of SMEs: ¥51.4 billion (the Special Grant for the Creation of Local Employment in SMEs)

This refers to measures to financially support SMEs with regard to the costs of human

resource development, personnel management and related issues, when they hire new employees. The amount of the grant would vary, in accordance with the number of workers to be hired, and within a range of ¥7.5 million (four to nine workers) to ¥15 million (20 or more workers).

(2) the expansion and stabilization of employment opportunities by reinforcing the basic business standing of SMEs: ¥14.3 billion

· measures to create employment opportunities and assist workers in finding employment: ¥33.7 billion. They include:

(1) job creation measures targeting specific regions: ¥32.1 billion (Grant to Encourage Reemployment for Workers Leaving Jobs in Specified Areas and Subcontracting Firms)

This refers to measures to give grants to enterprises that employ – on a temporary or regular basis – workers who have given up jobs in designated areas, or in firms that are engaged in subcontract work. The amount of the grant can range from ¥100,000 to a maximum ¥600,000 per month.

(2) measures to secure employment opportunities for care workers: ¥0.5 billion

(3) measures to assist new graduates and other young people in finding jobs: ¥0.5 billion

(4) measures to assist disabled people in finding jobs: ¥0.3 billion

(5) reinforcement of the information systems at Silver Human Resource Centers: ¥0.3 billion

· measures to shorten unemployment periods and establish safety nets: ¥172.8 billion. They include:

(1) measures to secure safety nets for unemployment: ¥170.9 billion, in order to:

(a) compensate for the deficiency in employment insurance funds for paying unemployment benefits

(b) make up for the deficiency in funds for paying allowances to encourage job taking

(2) measures to encourage prompt and smooth job finding via the introduction of computers: ¥1.9 billion (1,000 personal computers)

3.5 The Fifth Employment Package (Emergency Package of Employment Measures with Primary Emphasis on Eliminating Mismatches in the Labor Market, May 16, 2000)

In May 2000, in response to persistently high unemployment rates and an increase in the number of unemployed among new university graduates, the government announced a fifth package of employment measures. A summary of key factors follows:

· skills development: in stronger cooperation with technical and other schools, measures have been included to expand vocational training for young people who have quit jobs, to help

them to become reemployed (targeting over 140,000 workers)

· job creation (totaling 350,000):

(1) Measures have been included to help SMEs recruit workers when they plan to start a new business or enter a new business field (targeting 100,000 workers, and with half of the wages of up to six workers to be subsidized)

(2) Measures have been included to help enterprises in the health care service sector recruit workers (targeting 30,000 workers, and with half of the wages of up to six workers to be subsidized)

(3) Measures have been included to help in the compliance of undertakings which have been delegated by local public bodies to private firms or the like, to create and fill temporary or emergency job openings (with undertakings taking advantage of funds created with subsidies totaling ¥200 billion to the prefectures, and targeting 150,000 workers)

(4) Measures have been taken to give grants to employers in 15 recently established or growing sectors that accelerate their plans to hire workers (targeting 70,000 workers and with subsidies of ¥700,000 per worker). Workers who are receiving vocational training, as well as jobless new graduates, have been added to the scheme, and the age limit has been relaxed to 59

· safety nets to become effective across the country when the unemployment rate exceeds five percent: measures to support employers who take on new workers when the unemployment situation worsens (the expected number of workers targeted by the measure is 90,000 at an unemployment rate of five percent or above, with subsidies of ¥300,000 per worker).

There are a number of significant aspects to the employment package of May 2000. It includes measures for jobless new graduates, and ensures that this kind of measure – which had previously been disproportionately targeted at middle-aged and elderly people – is now aimed more evenly at a wider age range. Such modifications reflect the seriousness of unemployment amongst young people. There is also a significant shift in emphasis from employment maintenance policies to employment creation and the improvement of employability. This includes such attributes as an increase in subsidies to firms that hire workers, and the expansion of vocational training programs.

3.6 Progress with the Emergency Package of Employment Measures which Came into Effect in Spring 1998

It is important to ensure an ongoing and rigorous examination of the effectiveness of these five packages of employment measures, since their inception in 1998. At this stage, and as a prelude to any strict evaluation and analysis of the policies, we can examine the extent to which the government's emergency package of employment measures (initiated in the spring

of 1998) has in fact been put into practice. Table 1 shows the situation regarding each measure.

Table 1: Progress of the Implementation of the Governmental Emergency Package of Employment Measures (as of September 2000)

Measures	Budget and targeted increase in jobs	Actual results	Ratio of target achieved
Special Grants for Creating Employment in the New and Growth Sectors (August 1999 – August 2000)	Approx. ¥90 billion, 150,000 jobs	4,463 people (as of September 14, 2000. Subsidies applied for: 8,633)	Ratio of jobs actually achieved: 2.9%; Ratio of applicants to targeted numbers: 5.75%
Special Emergency Grants for Job Creation (January 1999 – March 2002)	Approx. ¥60 billion, 200,000 jobs	2,806 people (as of September 14, 2000. Subsidies applied for: 4,019)	Ratio of jobs actually achieved: 1.4%; Ratio of applicants to targeted numbers: 2.0%
Special Subsidies for the Transfer of Human Resources (January 1999 – March 2001)	Approx. ¥40 billion, 70,000 jobs	6,077 people (as of August, 2000. Subsidies applied for: 10,316)	Ratio of jobs actually achieved: 8.7%; Ratio of applicants to targeted numbers: 14.7%
Emergency Special Subsidies for Creating Local Employment (August 1999 – August 2002)	Approx. ¥2 trillion, 300,000 jobs	1999: ¥38.7 billion, 73,164 people, 2000 (expected): ¥1.024 trillion, 155,000 people	

Table 1 shows that the ratio of targets achieved out of the 1999 emergency package of employment measures, which was intended to increase jobs by 700,000, turned out to be fairly low. The Special Grants for Creating Employment in the New and Growth Sectors, the Special

Emergency Grants for Job Creation, and the Special Subsidies for the Transfer of Human Resources were all central features of the special grants to create jobs, which were promoted as a new direction for employment policies.

The Special Grants for Creating Employment in the New and Growth Sectors were established to provide for those employers in new and growing industries who sped up their plans to hire – as regular employees via the Public Employment Security Offices – workers qualified to be covered by this grant, with ¥700,000 to be granted per worker. The scheme initially confined eligibility for workers aged 30 to 59 years, and who had lost their previous jobs involuntarily. In May 2000, however, the lower age limit of 30 years was removed, and eligibility was extended to cover those who were receiving vocational training and who had failed to get a regular job after graduation.

Under the Special Emergency Grants for Job Creation scheme the employer is to be granted ¥300,000 per worker, under the following conditions: when (on a quarterly basis) a particular regional unemployment rate exceeds 5.4 percent for two successive periods, or when the nationwide unemployment rate exceeds 5.0 percent, if an employer hires as regular employees – via the Public Employment Security Offices – workers between 45 and 59 years old who had lost previous jobs involuntarily. Employers are not eligible, however, if they have recently dismissed employees. By September 2000, the scheme had been put into effect in Okinawa Prefecture, the Kinki district, and Hokkaido.

The Special Subsidies for the Transfer of Human Resources are designed to facilitate smooth transfer and to prevent dismissal of workers by defraying the training costs for firms, which are then obliged to transfer their employees to non-affiliated firms.

In actual fact, the scheme of the Special Grants for Creating Employment in the New and Growth Sectors had achieved a mere three percent of the targeted number of workers by the time one-third of the planned period of execution had passed. The Special Emergency Grants for Job Creation had achieved only 1.4 percent of the total aim and the Special Subsidies for the Transfer of Human Resources had achieved approximately eight percent of the target. The subsidy for direct employment by local governments has, however, been spent approximately as planned, and will create some 230,000 new jobs over two years.

The net outcome, therefore, is that the employment measures planned to create 700,000 jobs have produced few results, apart from the 300,000 jobs created by the public works projects of local governments.

It should be mentioned that the problems affecting the Special Grants for Creating Employment in the New and Growth Sectors and the Special Emergency Grants for Job Creation lie partly in the restriction that eligible workers must be found jobs by the Public Employment Security Offices. If the proportion of jobs in new and growth industries among jobs available at the Public Employment Security Offices is small, then it is a logical consequence that the efficiency rate of the scheme would remain low, even though those industries have been creating many jobs.

On the other hand, the subsidy for public works projects executed by local governments has a steady effect in increasing employment. Even so, it is necessary to consider whether such projects are actually useful to society.

4.0 The Employment Adjustment Subsidy

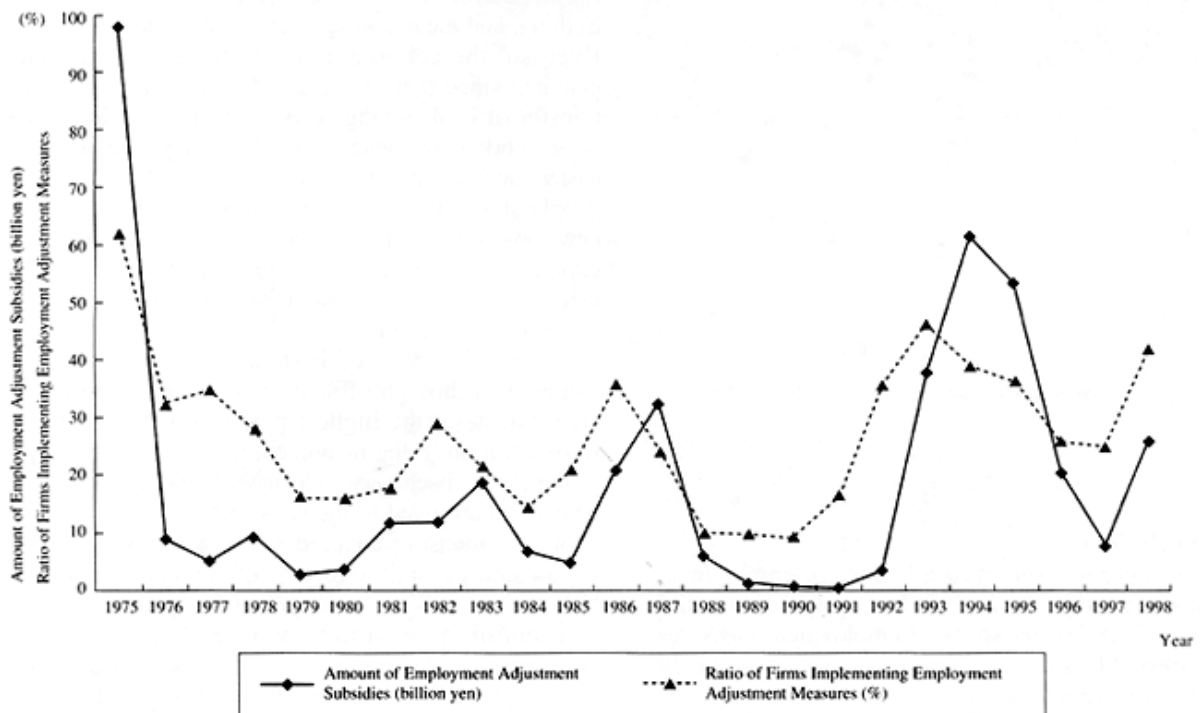
Since 1975, the employment adjustment subsidy has played a central role in Japan's employment policies. Unfortunately, however, there is as yet no academic study that has examined the contribution of the subsidy to increasing employment and reducing unemployment in Japan. This section, therefore, presents quantitative features of the subsidy with the data currently available.

4.1 Changes in the Amount of Payments

Figure 1 shows trends in the amount of allowance (in actual terms) in the case of business interruptions, which constitutes a part of the employment adjustment subsidy scheme. Presented alongside this is the ratio of those enterprises that benefit from the subsidy to all manufacturing enterprises covered by the Survey on Labour Economy Trend. These data show that the trends in the amount of subsidy and the ratio of enterprises receiving the subsidy are closely correlated. It seems possible that the employment adjustment measure has become an incentive for firms to choose business interruption rather than dismissal of their employees. Under circumstances where employment adjustment is exercised due to a temporary business recession, employment maintenance relying on subsidies will prevent the human capital from depreciating, bring an upward shift in productivity when the economy turns around, and contribute to new job creation.

On the other hand, if allowance for business interruptions is allocated to firms in industries which are in recession due to economic structural reasons and are thus experiencing a decrease in labor demand, then the subsidy may actually slow down the process of structural adjustment, and hinder an appropriate distribution of workers among industries. These two possibilities suggest a trade-off relationship between preventive measures for unemployment in the short term, and job creation measures in the long term.

Figure 1. Trends in Employment Adjustment Subsidies (Allowance for Business Interruptions)

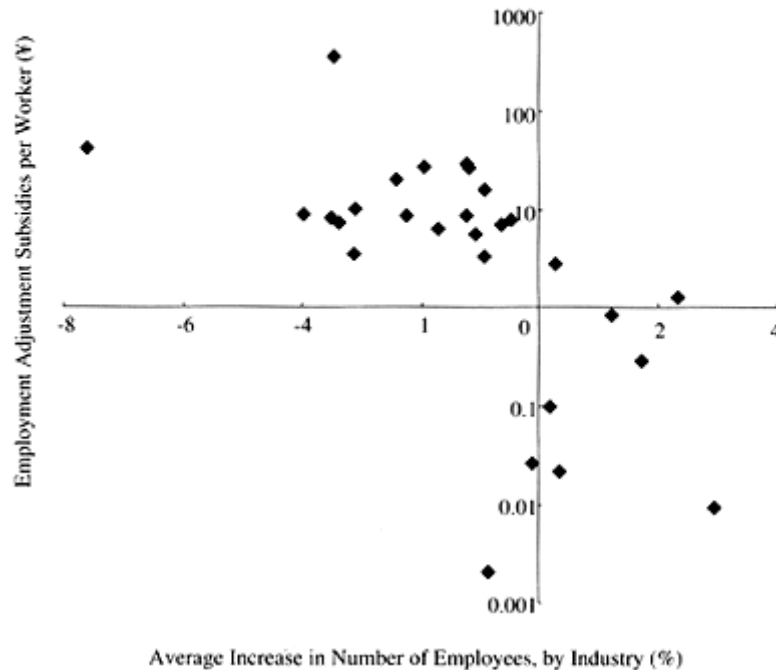


4.2 The Employment Adjustment Subsidy and Job Creation

Whether or not the employment adjustment subsidy has contributed to stable job creation has not as yet been empirically studied, and this is partly because— until recently — data related to the issue have remained inaccessible. However, Shinozuka (1999) has made use of internal Ministry of Labour sources, and carried out a statistical regression analysis examining the relationship between the amount of subsidy payments in industries and the number of regular employees in such industries.

Her conclusion from her study was that there is no correlation between the two factors. However, a true investigation of the correlation between the amount of subsidy payments and job creation would require an analysis of the relation between the former and the growth rate of employees by industry. In line with this, Figure 2 shows a scattergram across industries for the amount of employment subsidy per worker (in real terms according to consumer price index) and the annual average growth in the number of employees⁽³⁾. In the scattergram, there is a marked negative correlation between the two factors. During the period surveyed, the industry with the highest amount of payments per worker was the textile industry, followed by the metal industry. This implies that the employment adjustment subsidy does not necessarily result in either a reduction in dismissals due to temporary economic recessions, or to job creation in industries benefiting from the subsidy. Rather, it can be said that the subsidy serves to financially support industries where jobs are disappearing⁽⁴⁾.

Figure 2. Employment Adjustment Subsidies by Industry, and Growth Rate of Employment



A strict policy evaluation will be required to examine the extent to which the employment adjustment subsidy has prevented unemployment and how much it has contributed to job creation, in comparison with other, alternative employment policies. Unfortunately, this paper only demonstrates the fact that, in the last nine years, it has worked as a measure to subsidize industries with waning job capacities rather than those creating more jobs. Such policy evaluations should be conducted by means of a comparison with trends in employment and unemployment in the economy as a whole, assuming there were no such subsidies. For this purpose, it is to be hoped that precise data concerning the employment adjustment subsidy will be disclosed.

5.0 Conclusions

This paper has surveyed a history of employment policies in postwar Japan, and has analyzed the chief features of the five packages of employment measures since 1998. Measures for unemployment immediately after the war relied largely on public works projects. Basically, such measures have been maintained ever since, and the emergency package of economic measures that was launched in November 1998 followed in the same direction.

Following the revision of the employment insurance system in 1975, Japan's employment policy began to aim at the maintenance and stabilization of employment, principally through

an employment adjustment subsidy. This policy curbed a rise in unemployment in the short term, but - in the longer term - there is a possibility that it may hinder job creation if the subsidy goes to industries suffering from structural recessions.

After 1998, the policy initially took the form of employment maintenance measures and demand management policy, but in 1999 it began to include, also, measures aimed at job creation and at structural reforms such as the revision of labor laws.

Meanwhile, measures for dealing with structural unemployment that results from changes in industrial structures have been carried out for many years, although they have been limited to certain areas. In the initial stages, such measures targeted workers who had lost their jobs in the coal mining industry or at U.S. military bases. The measures taken then to encourage job switching from the waning coal mining industry will be helpful in exploring solutions to the current structural unemployment. Particularly useful aspects of the measures include their emphasis on vocational training, and the encouragement of shifts to other areas. Even so, the economic situation has substantially changed since then. First of all, at the time when the transfer of coal mining workers became an important issue, workers in Japan were relatively young; and it is easier for younger people to switch jobs than for older people, in that the return from investment in training for new jobs is higher for the former. Secondly, Japan was experiencing high economic growth at that time, and there was a pressing demand for labor, primarily in the manufacturing sector.

In fiscal 1959, for instance, 351 people were reemployed through official reallocations over a wide area. Of these, the highest proportion, 51.2 percent, were taken on in the manufacturing sector, particularly in the metal-machinery industry⁽⁵⁾. Next came the 32.9 percent who moved to the construction sector. In fiscal 1960, the measure covered 4,808 workers who were reallocated to similar sectors in similar proportions. Nonetheless, it is said that quite a few people persisted in remaining in mining workers' housing near abandoned mines and relied on social welfare, thus causing problems concerning the qualification for social security handouts.

With a population that is now aging, with low economic growth, and with a changing industrial structure due to technological innovation, it should be clear that launching employment measures in response to structural changes is no easy task.

Mention should be also made of the measures taken since the 1970s and aimed at job security for middle-aged and elderly workers. Employment subsidies confined to particular age groups have a substantial biasing effect on labor demand. In the past, unemployment

among young people was not seen as a serious problem, but nowadays this age group shows the highest rate of unemployment. It is true that unemployment among middle-aged and elderly workers is an important issue in so far as loss of jobs directly affects their lives where such factors as the cost of educating their children and repaying housing loans are concerned. However, the issue of educational costs should be handled by expanding scholarships, and the difficulty in repaying home loans and similar questions should be dealt with by flexible measures such as providing more and better public housing, and a system for fixed-term rental housing. Such issues should be considered separately from employment policies. The creation of a social environment may, however, provide a context within which middle-aged and elderly unemployed people will willingly accept jobs at the wage levels currently offered by the actual labor market. It can also be concluded that the 2000 package of employment measures, which was basically prompted by increased unemployment among young people and now covers a wider range of age groups, is a desirable trend.

Future tasks should include a strict empirical analysis examining the effects of the policies outlined in this article. This series of employment policies have provided various types of subsidies. However, it can hardly be said that a thorough investigation has been made of the effectiveness of such subsidy measures. There is an urgent need to disclose related data and to carry out a scientific investigation on that basis.

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Notes:

- * I am most grateful for data and other material provided by the Employment Policy Division of the Ministry of Labour. This paper is based on Ohtake (2000), with substantial additions and revisions.
- (1)The accounts in this section are much indebted to Takanashi (1995, 1999).
- (2)Known as "Employment Improvement Undertakings" when first established.
- (3)Drawn up on the basis of Ministry of Labour sources concerning employment adjustment subsidies by industry between 1990 and 1998, and data concerning regular employees in business establishments with five or more regular employees, by industry, (given in the Monthly Labour Survey). Notice that the scale on the vertical axis is logarithmic.

- (4)Of course, there is a possibility that cyclical shock has not been completely eliminated in a sample of a relatively short term of nine years.
(5)With regard to measures for coal miners who lost their jobs, I have referred to Koshiro and the Research Institute for Advancement of Living Standards, ed. (1995, pp. 313-315).

Opinion

A View on the 2000 White Paper on Labour

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The employment and unemployment situation in Japan in the latter half of 1999 and the beginning of 2000 was the worst on record. The economy itself, however, has begun to show some signs of recovery since the beginning of 2000. Taking into account that employment statistics lag behind economic trends, a comparison of the current employment and unemployment situation with the 1998-1999 period gives the impression that the situation is showing some signs of improvement. This impression stems from two positive factors. One, the ratio of new job openings to job applicants – an indicator sensitive to economic trends – hit a record low of 0.46 in May 1999 and has shown a slow but steady recovery since then. Two, firms' sense of excess labor is diminishing and employment adjustment seemed to be levelling out. Reflecting such a situation, the tone of the *2000 White Paper on Labour* is somewhat brighter than the previous year's white paper, though it concludes that the labor market situation is still bleak. The difference between the two white papers is observable in their respective focuses. While the 1999 white paper focused on the immediate question of “new job creation and smooth labor turnover,” the 2000 white paper focuses on the medium-term issue of the “nature of employment for middle-aged and older age groups and the young in an increasingly aging society.”

This year's white paper, with the theme of “ever decreasing numbers of young people and ever increasing numbers of middle-aged and old people,” focuses on the increase in voluntary unemployment among the young and the effective utilization of middle-aged and older workers. Detailed analysis is made of these two aspects, so as to throw the actual situation into relief. Unfortunately, the implications of this analysis for future policy development do not seem to have been sufficiently pursued.

Concerning the increase in voluntary unemployment among young people, while the white paper seems to take the view that it is a matter of the individual's sense of values, at the same time, it seems to regard the “*freeter*” generation as presenting a problem in relation to future pressure on the youth labor market and occupational skill formation. From the employer's point of view, although firms have been reducing the recruitment of new graduates to deal with excess labor, securing high-quality young labor and inducing it to stay in the middle- to long-run can be seen as one of the major issues they face. As the white paper points out, the formation of a sound work ethic among young people, involving as it does issues of the education system will be a difficult task to achieve. It will be necessary for society as a whole, including schools and firms, to tackle the issue.

As for middle-aged and older workers, the employment situation is extremely harsh. Again as the white paper states, in a society which is entering on a period of fewer children and more elderly people it will be necessary to create an environment which facilitates the participation of older people. As things are in firms at present, the high wage level of middle-aged and older workers is said to be a factor heightening the sense of excess labor. A fundamental reappraisal of the system of age-based conditions and wages will be required. However, statements in the white paper hinting at making the raising of the mandatory retirement age to 65 compulsory or obligatory are controversial. Firms have already begun to make every possible effort to safeguard employment over the age of 60 in response to the raising of the pensionable age. Any measure to lift the mandatory retirement age to a uniform 65 would ignore such efforts on the part of firms.

Note:

For details on the *2000 White Paper on Labour*, see “The 2000 White Paper on Labour: A Summary of the Analysis” in the September 2000 issue of the *Japan Labor Bulletin*.

The ‘Best Mix’ Approach of the *2000 White Paper on Labour*

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At present, the employment situation is said to be looking up, but the unemployment

rate still remains high, in the high four percent range. The employment problem can be approached from two points of view. The first is the problem of the quantity of employment from a macroeconomic point of view; that is, how to create employment opportunities. The second concerns the quality of the labor force; that is, how to eliminate the mismatch between job-seekers and job vacancies.

According to this year's *White Paper on Labour*, one-fourth of unemployment is due to insufficient demand, and the remaining three-fourths is to frictional unemployment due to such factors as mismatch between the demand and supply of labor. The white paper concentrates on the second approach and does not give sufficient attention to the relationship between these two approaches.

Citing structural problems in the labor market, such as changes in the views of young people about work and the situation of middle-aged and elderly employees within enterprises, the white paper stresses the need for measures to facilitate the smooth transition from school to work, and to secure employment opportunities for people aged 65 and over. It is of course necessary to take action on these issues, but placing an emphasis on the difference of the situation between the young and the middle and older aged groups, and pursuing separate policies for each, is likely to lead to segmentation of the labor market. The elimination of the qualitative mismatch between supply and demand will require not only dealing with the problems of the young, middle and older age groups, but also a comprehensive reassessment of the Japanese employment system as a whole.

It is also necessary to explore what the white paper means by "best mix." It is not sufficient to regard this simply as the best combination in the sense of preventing unemployment for the respective age groups, young, middle and older, and allowing them to realize their full abilities. This should be obvious if one thinks about the life-cycles of male and female workers. What are the white paper's proposals about the nature and future direction of a "best mix" labor market?

There seems to be two possible directions for the labor market in the immediate future. The first is the internal labor market approach, which corresponds more or less to the conventional Japanese employment system; each worker, as a long-term regular worker, would be placed in a job according to his/her skill level and then would be promoted to a higher position according to his or her skill advancement. In this approach, "best mix" would be completed among regular workers as a principle.

The second approach, minimizing the labor force in the internal labor market, would

divide a job into some narrowly defined tasks, and unskilled workers would be hired and fired as needed. In this approach, “best mix” would be composed of a team with a few regular employees and many atypical workers.

There is an increasingly common view that the labor market should move from the former to the latter system. However, although the latter seems to be more flexible system, it also has rigidities such as segmentation of the labor market. This means that, for example, unskilled workers while repeatedly changing jobs remain trapped in unskilled work. Moreover, the system which focuses on qualified and experienced workers is likely to result in the burden of skill acquisition being increasingly placed on the individual. It should be remembered, human resource development internalized to the firm as seen in the former system is essential in terms of the career development of workers and the accumulation of expertise and skills by the company.

The direction advocated by the white paper is by no means clear but it is highly likely that the “best mix” interpretation supports the second of the two approaches outlined above. At this stage, what is probably more important is something rather different – namely, to approach “best mix” from the perspective of the life-cycle of workers and to work towards establishing a system which goes beyond the framework of the individual firm and which does not disadvantage workers even in cases of changing jobs.

IIRA 12th World Congress Report

Rapporteur's Report

Track 3: Changing Patterns of Employee and Union Participation: Toward New Systems of Industrial Relations?

Tokyo, May 31, 2000

Changing Patterns of Employee and Union Participation: Toward New Systems of Industrial Relations?

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This track focuses on the changing role of trade unions and industrial relations with a special focus on analysis of evolving patterns in employee and union participation. Particular attention in the various sessions and workshops is given to: participation processes and the evolving role of trade unions in such processes; the future of the labor movement and the success of recent union organizing efforts; recent changes in trade union structure and roles induced by globalization; and analysis of how these developments play out in Asia, Oceania, and Africa.

Plenary Session: Employee Involvement and Participation

The plenary session sets the stage by examining the recent evolution of employee and union participation processes in a variety of countries. Here the key question is whether there is evidence of a movement towards a “new industrial relations system” and how unions are adapting their roles in the face of these developments. Papers by **Bhattacharya, Lapointe and Kalliola** provide case analysis of evolving participation processes, by respectively analyzing events in an Indian steel plant, paper plants in Quebec, and in Finland's municipal services. The latter combines a case study and “action research” perspective.

Interestingly, all the cases illustrate the complex dynamics associated with participation processes and the difficulties unions have, especially in the early phases of these processes, in clarifying their role. In the Indian case the choices and ambiguities facing the trade unions were compounded by the difficulties that resulted from the presence of multiple unions and a history of chaotic industrial relations. While participation produced positive effects on economic performance in the Indian steel plant, to a large extent the effects of positive industrial relations change were overwhelmed by the effects of trade liberalization. The key issue facing the plant is whether there will be sufficient investments to meet the demands of globalization.

Lapointe examines the potential links between participation and workplace democracy. He finds that for democracy to emerge, union action is essential. The varying experiences in the Quebec pulp and paper plants were shaped by a number of contextual factors (employment and employer strategies) and characteristics linked to the nature of the union and its strategies (distinctive agenda, internal and external resources and union democracy). **Lapointe** observes that the establishment of participatory mechanisms opened a space for the possible democratization of work, but this only occurred in the context of specific social dynamics and strategies on the part of labor and management actors.

Kalliola, in turn, identifies the interesting emergence of a “municipal quality network.” While successfully overcoming the initial difficulties in establishing their role and assuring

active employee participation in union activities, the key issue according to **Kalliola** is the extent to which the parties are able to forge links between the integrative and distributive nature of their evolving relationship.

Do employees directly benefit from these participation schemes? Using matched employer-employee data from the 1998 British Workplace Employee Relations Survey, **Whitfield and Delbridge** examine whether workers in establishments operating employee participation schemes feel that they have greater influence over their jobs. In general, they find that this does occur, though not in all types of participation schemes. They find different effects in those schemes which involve broad participation, such as representative participation and briefing groups, and those which are more focused, such as quality circles and team-working. The broad participation schemes are positively associated with perceived influence whereas the latter are not.

Verma and Weber analyze differences in employee participation across union and non-union Canadian establishments. Their research draws from an extensive novel survey. **Verma and Weber** do not find as extensive differences in union and non-union experience as a number of hypotheses prevalent in the research literature would suggest. Their survey findings are consistent with the case evidence provided in other papers in this session reporting that it is specific factors related to the detailed nature of participant strategies and motives that drive the breadth and success of participation processes.

Workshop 1: The Future of the Labor Movement

Perhaps no question is more critical to the future of industrial relations than whether labor movements are able to rejuvenate in the years ahead. This workshop analyzes recent revitalization efforts within various trade union movements and provides informed speculation regarding the future of those movements. Assisted by the ongoing analysis of these issues being carried out at the ILO, Jose points out that unions face a unique situation marked by a universal trend towards greater liberalization of economic and political regimes. He suggests that the changing environment requires new approaches and strategies on the part of trade unions if they are to remain major social actors contributing to dynamic and equitable growth. **Jose** argues that while the current thrust of liberalization/globalization brings formidable challenges to unions, it also provides them with opportunities for playing a far more effective and politically important role in society.

Kuwahara argues that the problems confronting Japanese unions include: the downsizing of core (regular) employees, the increasing of numbers of various contingent (non-regular) workers, and a growing apathy amongst young people towards unions. And

despite a decrease in industrial disputes, he also claims that discontent and anxiety are spreading quietly among workers who were unemployed, or those who are now at risk of losing their jobs. He observes that a new unionism is emerging to absorb the demands of new workers, including white-collar workers, part-timers and dispatched workers. In addition, various new means, including consulting services via the Internet and telephone, assistance at negotiations and share holding by unions, are being utilized to attract new members.

Pisani and Brighi note the strong continuing role played by retirees within the Italian labor movement. They also highlight the fact that, contrary to trends in a number of other countries, in Italy high level concertation (i.e., social dialogue) in 1993 and 1998 assured conformance in subsequent wage bargaining to national wage and price objectives and also promoted economic development policies targeted on the southern region in Italy. Other innovative policies include recent efforts to unionize so-called atypical workers through new organizations that are territorial in focus and are linked to the existing key labor confederations.

In contrast, **Rojot** describes a rather bleak picture of a French labor movement that is weak and divided, although not yet on the brink of distinction. He attributes this weakness to the importance of statutory protections and the resulting weak incentives individuals have to become union members. Unions are especially weak at the plant level as is the role of collective bargaining. Problems also follow from the flawed “all-political” strategies pursued by the CFT and CFDT. The solution, according to **Rojot**, is for the labor movement to rethink its purpose and develop a more “marketing” approach that responds to the reality that unions are “many things to many different people.”

Wheeler, analyzing the U.S. case, focuses on a labor movement that has been struggling to find ways to reverse a severe decline in union density and strength. **Wheeler** reviews the variety of strategic directions and tactical maneuvers that have been attempted and proposed, including the recasting of the general form of the movement to specific tactics such as pressuring an employer's financiers in a “corporate campaign.” **Wheeler** reviews the principal strategies and tactics that have been considered and used, and evaluates them with respect to their value to American labor in building its numbers and strength for the future. His analysis reveals a diverse menu of choices, many of which are promising and therefore likely to be pursued to at least some degree in the new century.

According to **Kim**, the labor movement's problem in Korea has less to do with membership declines and more to do with finding ways to adapt to the challenges posed by an economic and financial crisis. Kim traces the key role played by the Tripartite Committee of

Labor, Management and Government that was instrumental in regenerating international confidence vitally needed for dealing with the national crisis. He argues that it is urgent that the parties find a way to make a “single channel bargaining system,” like an exclusive bargaining representation procedure, to avoid inter-union rivalry and stabilize industrial relations.

Workshop 2: Union Structures and Roles

Union structures and roles are particularly stressed by the pressures discussed in this track and elsewhere in this meeting. The papers in this workshop trace a number of interesting adaptations unions are making to respond to these pressures. Many analysts, including me, in previous research identified the shift underway in a number of countries to more decentralized collective bargaining structures. This research notes the difficulty trade unions have faced in efforts to create multi-national bargaining structures through which they could affect the ever-expanding influence of multi-national corporations.

Koch-Baumgarten analyzes an interesting exception to these trends through an account of the multi-national collective bargaining system that has emerged in flag-of-convenience shipping. As he shows the system combines national and multi-national bargaining and in the process, unions have met with some success. At the same time, **Koch-Baumgarten** identifies the ongoing conflicts between unions of capital exporting countries and unions of labor supplying countries; the latter oppose the multinational governance and accuse the international trade federation's policy as being protectionist and pricing cheap sailors of low-standard regions out of their jobs.

Salmon et al. also find signs of union success in their analysis of union efforts to stimulate organizing activities in Britain and Japan. They report on the contrasting initiatives launched by the Trades Union Congress (TUC) in Britain and the Japanese Trade Union Confederation (Rengo) in Japan, with a particular focus on the response of affiliated unions to confederation policy. Their findings indicate that affiliated unions in both countries have often reacted with suspicion to the attempt by confederations to develop concerted organizing activity, but that a more positive response is found in Britain. An important difference that is identified is that the TUC has been more effective in transferring international organizing experience to its affiliates and has thus played a key role in promoting innovation.

While **Koch-Baumgarten** and **Salmon et al.** provide examples of success, **Frege and Tóth** report a more familiar case of union weakness. Relying on new data from Hungary, **Frege and Tóth** provide a novel explanation for the post-communist union weakness

that contrasts with previous explanations for such weakness in central Europe. They argue that a major reason for labor quiescence is the incapability of unions to mobilize their membership that is partly hindered by unions' failure to transform their communist role identity. With evidence from two surveys of local union leaders and union members in the Hungarian clothing industry they show that unions are weak even in economically prosperous conditions. These unions have not yet managed to transform their former identities (“we-feelings” rather than “them-and-us feelings”) and face extremely alienated and uncommitted members.

Sako and Sato analyze the structure and function of enterprise union networks known as roren organized around corporate groupings in Japan. Evidence is based on a survey of enterprise unions conducted by the authors in 1997/8 and case study interviews in the automotive and electrical machinery industries. Their paper examines the structure of roren according to the criterion used to draw its organizational boundary and classifies roren into those based on capital affiliation and those based on trading links. **Sako and Sato** argue that while differences between auto and electrical machinery are evident, there are considerable variations within each sector in the structure of roren, for example between Toyota Roren and Nissan Roren. The **Sako and Sato** paper also analyzes the role each type of roren plays in the determination of wages and other conditions, employment adjustment and worker participation.

Workshop 3: IR Developments in Asia, Oceania and Africa

With the presence of this meeting in Tokyo, it is only fitting that we pay special attention to industrial relations in Asia as well as in neighboring Oceania and in Africa, recognizing that the important developments in the latter are understudied in our field. Although particular national contexts and institutions clearly influence how industrial relations function in these respective regions, the same global pressures prevail in these regions. Consequently, it is likely that many of the same issues and reorganizations discussed elsewhere in this track and in this conference are also relevant in these three regions. The papers reviewed below validate this conclusion.

Fleming and Peetz examine how an Australian police union boasting over 99 percent density has resisted the trend of union decline. The union historically eschewed arbitration and instead used political connections to achieve its goals. The environment radically changed with a major corruption report and the introduction of new managerialist techniques. Yet, the union reconfigured relationships with management and government, but still made use of political action to secure instrumental gains. It has structures and practices that promote perceptions of responsiveness. The union's support base is built on the foundation of a

well-administered insurance scheme. Membership propensity is also a function of the union's general protective functions, its ability to secure benefits for members and a perception that they have some say in how the union operates.

Note that like **Salmon et al.** discussed above, **Fleming and Peetz** find that it is internal structures and traditions that promote leader-member interaction, and in particular, it is leader responsiveness to member needs that is critical to effective methods to sustain union membership. **Fleming and Peetz** conclude that the implications of their research for understanding essential service unionism relate to the political sensitivity of essential services, the scope to offer protective insurance services, cultural issues and other factors common to all unions.

While **Fleming and Peetz** describe a union that has used its political influence to its advantage, in their analysis of developments in South Africa, **Harcourt and Wood** see more lost opportunities. **Harcourt and Wood** note that foreign experience suggests that strong unions with close connections to the state can use political exchanges to mold social and economic policies to more readily reflect the needs of labor. They find that South African unions could conceivably form a similar pact with the ANC by agreeing to moderate their demands for wage increases and to cooperate in the restructuring of the economy in exchange for pro-labor policies. Yet, neither labor nor government may be either able or willing to strike a comprehensive deal. Problems include: a strong legacy of adversarialism inherited from the struggle to end apartheid, which is reflected in endemic workplace violence and unusually protracted collective bargaining; the lack of a state commitment to the high-wage/high-skill scenario, making the low-wage/low-skill alternative increasingly likely by default; and the inability of the union federations to deliver the labor peace and wage constraint that would help convince the ANC to consider a labor-oriented development strategy.

Van Wyk and Pienaar's analysis of workplace change in the South African plastics industry reveal both a set of special South African problems and the importance of generic participation problems. The special problems include the fact that the racism most frequently cited as a problem in participant surveys made internal communication in the participation process extremely difficult. Generic problems include the ebb and flow of conflict and cooperation characteristic of the participation processes in India, Canada and Finland described elsewhere in this track and the difficulties unions had in clarifying their new role.

The research of **Wei** reminds us that in Taiwan and in other countries the ongoing process of privatization also creates difficult roles for unions. In the Taiwanese aerospace case, as in other countries, unions need to find a way to coordinate the influence they exert through

political and collective bargaining forums. **Wei** recommends that the unions go even further and promote the financial participation of employees in the privatized company in order to insure their involvement in decisions that will critically shape employment conditions.

Xu traces the even more extreme transformations facing employees in mainland China associated with the movement towards a market economy. He points out the risks of this transition, the possibility of layoffs and an end to the “iron rice bowl” guarantee of wage increases linked to seniority. At the same time, **Xu** argues that the market economy, if properly regulated, holds open the possibility of improved economic efficiency and increased employee involvement in the determination of employment conditions. Clearly there is much that is new for unions and other industrial relations actors in the current environment of increased globalization. At the same time, traditional trade-offs between distributive and integrative issues and the tension between centralized versus decentralized control persist as key issues. The papers in this track provide a number of new insights and illustrations, yet also show that there remains much to be addressed on these matters in future meetings of the International Industrial Relations Association.

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JIL News and Information

Technical Meeting on ILO/JIL Networking of National Institutes for Labour Studies

On May 29, 2000, the International Labour Organization (ILO)/Japan Institute of Labour (JIL)-sponsored Network of National Institutes for Labour Studies held a technical meeting at the Keio Plaza Inter-Continental Hotel in Tokyo.

In attendance from member institutes were Richard Hall (Australian Centre for Industrial Relations Research and Training), Genghua Liu (Chinese Academy of Labour Science), S.K. Sasikumar (V.V. Giri National Labour Institute, India), Tara B. Soeprobo (University of Indonesia), Shuichi Hirata (Japan Institute of Labour), Joohee Lee (Korea Labour Institute), Gunanidhi Sharma (Nepal Foundation for Advanced Studies), Pat Walsh (Victoria University of Wellington, New Zealand), Mohammad Azam (Pakistan Manpower Institute), Merle Cabaero (Institute for Labour Studies, the Philippines), Evelyn S. Wong (Singapore Institute of Labour Studies), Chandra Rodrigo (University of Colombo, Sri Lanka), Kusol Soonthorndhada (Mahidol University, Thailand), and Dzung Nguyen Huu (Institute of Labour Science and Social Affairs, Vietnam).

Attending from the ILO were Mitsuko Horiuchi, Regional Director, ILO ROAP; Tayo Fashoyin, ILO Headquarters; Duncan Campbell, ILO Headquarters; Alagandram Sivananthiran, ILO SAAT; and Nobuhiro Hayasaka, ILO TBO. Present from JIL were Akira Takanashi, Chairman; Tadashi Hanami, Research Director General; Naoyuki Kameyama, Vice Research Director General; Hideo Sugawara; and Tadashi Nakamura.

Proceedings

The program began with a Welcome Address by Prof. Takanashi. After thanking those who had prepared reports and arranged this meeting, Prof. Takanashi noted that this Networking project was launched in 1995 with the intent of constructing a network of labor studies under the main theme of globalization. The Network has been pursuing three studies under this rubric, he said, and is now in its third round of joint investigations. Today's meeting would be a “wrap-up session” of studies on the social aspects of globalization. “We

welcome your frank views on how to proceed from here," he concluded.

His remarks were followed by an Opening Address by Ms. Horiuchi. Globalization is on the top of almost everyone's agenda, she noted, "but when your work began, it was still an emerging issue. It is most appropriate that an intensive research project has been done here."

Today is an appropriate time for analysis and criticism and to take this message to policymakers, Ms. Horiuchi continued. "This is perhaps the biggest challenge this network now faces. Providing policy advice is one of our essential missions."

Country Presentations on the Role of Social Actors

Next came country presentations on the role of social actors with regard to globalization in each locality.

Following is a brief condensation of each presentation.

Australia: Richard Hall noted four distinct changes in his country due to globalization: de-industrialization, with attendant loss of blue-collar jobs and growth in white-collar jobs; the growth of temporary and part-time work thanks to



contracting and outsourcing of labor linked to corporate downsizing; the supplanting of the traditional central government-sponsored system by enterprise collective bargaining, which requires that wage hikes be justified by productivity increases; and a decisive increase in the power of management over labor. Australian unions thus feel in a position of crisis, with membership plunging from almost 50 percent of the workforce in the early 1980s to 26 percent today.

China: Genghua Liu reported that employment now is regulated by the market and that workers are much more free to select their own jobs. But the government is seeking to promote employment by reforming the ownership structure of enterprises, encouraging small- and medium-sized companies to create jobs, intensifying the development of a labor market and promoting employment for women. More attention is being placed on vocational training – incorporating pre-job training, on-the-job training and apprenticeships – and on enforcing a 40-hour work week. Efforts should be made to establish a social security system, Mr. Liu commented.

India: Mr. Sasikumar said he was very happy to report that the National Labour

Institute of India has established a similar network. After decades of strong government involvement in labor relations, subcontracting has increased dramatically and the role of the public sector and unions is declining. The five national labor federations are moving toward consolidation into two. The state's role should be as a facilitator and provider of a social safety net, Mr. Sasikumar said. Meanwhile, everyone agrees to creating space for unions in the informal sector, which is growing with the increase in rural-urban migration. But India still has not ratified ILO standards on collective bargaining.

Indonesia: Ms. Soeprbo observed that globalization means that Indonesian workers must prepare themselves for competition with foreign workers and that the government must create a safety net and promote employment through such measures as giving the jobless work in cleaning public facilities, fixing schools, and the like. Indonesia now has 20 unions, over which the government has considerable influence. But Indonesia, she noted, is now going through a transformation process under which unions are gaining more freedom to express themselves.

Japan: Noting that his country is still in economic difficulty, Mr. Hirata noted that as in Australia, de-industrialization is a very important issue as the number of employees in the manufacturing sector declines. These factors are bringing change to such employment practices as lifetime employment, the seniority system and enterprise unions. One result is that there are now many job seekers in their 30s and 40s. This is very new to Japan, Mr. Hirata said, so policymakers must come to grips with supplying appropriate jobs. Meanwhile, the slow demise of lifetime employment could erode harmony between management and unions, whose biggest role now is to secure employment.

Korea: Ms. Lee reported that her country has been a leader in promoting globalization but was a victim of the Asian economic crisis. The IMF's recipe for structural adjustment brought recovery but the reconstruction has had a serious social impact. Koreans are used to nearly full employment, but in 1998 the jobless rate rose to 6.8 percent and last year was still at 6.3 percent. Corporate restructuring is breaking down the lifetime employment system and bringing a rise in temporary-worker agencies. Union membership declined by 50,000 in 1998. Enterprise unions are finding it harder to bargain equally with management so the two major labor federations are trying to introduce industry-wide unions. But nothing will change fast, Ms. Lee said. Her government's crucial policy dilemma is deregulating the labor market while protecting workers. It should promote labor-management communication at the macro and micro levels, she recommended.

Nepal: Mr. Sharma reported that his country has initiated a process of economic reforms

to raise the efficiency of the economy and boost growth. This is now moving at high speed and includes liberalizing various sectors and attracting foreign investment and technology through new laws and policies. Industrial employment is less than 10 percent but the service sector, including finance, transportation and health, is surging. Still, GDP is growing by only about 3.2 percent and unemployment has soared to 14 percent from 5 percent five years ago. Poverty is growing. This is all due mainly to privatization and globalization. Workers are suffering greatly, unions are associated with political parties and are unprofessional and immature. “We are trying to improve the situation through research and bringing issues into the limelight,” Mr. Sharma said. The government has a very positive attitude, he said, but isn't strong enough to impose various laws. Know-how is the basic problem. Workers are unskilled and technical education is lagging severely.

New Zealand: Mr. Walsh explained that globalization has had an enormous impact on his country. Since 1984, New Zealand has moved from a highly regulated economy to a highly deregulated, laissez faire one. In the process, the opportunity for social partners to participate in discussions has declined. Union membership and collective bargaining has declined as the employment of workers on individual contracts has soared. But unemployment has declined to 6 percent from 12 percent in the early 1990s. The Labor government elected in 1999 shows no signs of reversing liberalization but is giving unions an opportunity to regain influence despite tremendous opposition from employers. A pending bill would encourage multi-employer contracts, legalize strikes and require good-faith bargaining. “Whether that will actually happen is very much an open question,” Mr. Walsh concluded.

The Philippines: Ms. Cabaero noted that while unemployment remains high, the informal sector is growing and expansion of services, mainly at the low end, has been faster than industry. But given the financial crisis, unions now are in a more cooperative mode. The country's many tripartite mechanisms, once in consultation fatigue, have brought such major results as a medium-term growth plan, a job preservation strategy and social accords that traditionally were initiated by the government but recently by employer groups. “Employer and worker groups saw the need for mutual sacrifices and adjustments,” Ms. Cabaero observed. The labor side now is pushing the strengthening of educational programs and safety-net measures while employers are focusing on multi-skilling and retraining.

Singapore: Ms. Wong reported that her institute looked at the impact of regionalization, which was her government's strategy for further growth. The key concern was to enable Singapore's 2 million workers to move into higher-value-added jobs. “From the outset, the challenge has been to look outward and attract and retain foreign investment while integrating the social process with economic development,” Ms. Wong said. The regional

economic crisis crystallized issues of social adjustment, focusing minds on the strengthening of competitiveness, preserving employability in an aging and under skilled workforce and revisiting the issue of social security. There currently is lots of tripartite collaboration in skills training, including 75 percent subsidization of self-sponsored training for certificates. Unions have been very active in asking for a look at portability of benefits, employment support, and creation of a unit trust that employees can draw on if retrenched. The future challenge is to induce greater initiatives at the company level.

Sri Lanka: Ms. Rodrigo noted that in Sri Lanka a broad tripartite consultative framework for national policy deliberations hardly exists. There is no central trade union organization to facilitate consultations at the national level. The working-class movement remains divided and presents diverging views on fundamental issues. Employer organizations are restricted in coverage and embrace only some of the bigger employers. Non-recognition of unions causes a number of industrial disputes every year. Consensus-building between the social partners has strong roadblocks to navigate. Consultations on drawing up a Workers Charter illustrate the difficulty in reaching consensus. Although legislation was drafted by the Labour Ministry and submitted to the Cabinet, conflicting interests are stalling action to give legal effect to the Charter even after five years.

Thailand: Ms. Soonthorndhada reported that globalization has forced many adjustments by social actors in many ways. These include a host of programs and projects to alleviate unemployment, enforcement of laws to protect labor, adjustment of social security schemes such as extending them to elders and dependents, and moving toward the introduction of a bipartite dialogue. Cooperation among the government, employers and employees seems to be improving. Major challenges are to sustain employment creation, strengthen employer and employee organizations, invest more in education and training, and provide a better safety net at lower cost. The government is encouraging workers to be careful about organizations so union membership is not rising.

Vietnam: Mr. Nguyen Huu explained that together with the transition to a market economy, the Vietnamese economy includes not only state and collective ownership but the rapid rise of foreign and private enterprises and enterprises with mixed types of ownership. The development of this multi-sectoral economy creates a socio-economic basis for policy makers to consult social actors. These include the Vietnam Fatherland's Front, Vietnam General Federation of Labour, Vietnam Chamber of Commerce and Industry, the Union of Associations of Science and Technology and the Vietnam Unions of Youth and Women. Mobilizing participation of different actors in policy-making is aimed at broadly encouraging

their intellectual contributions and at avoiding policy bias. Their participation is shown in the process of state legislation development.

Summary Reports on First and Second Round Studies

After lunch, Mr. Walsh presented his report "Globalization: The Impact on the World of Work and Equity in the Asian/Pacific Region."

Summarizing his 33-page paper, Mr. Walsh reported that globalization brings with it both gains and costs. It is closely associated with economic and trade liberalization, and with structural changes in production and employment. This may include the extensive deregulation of imports and exports, a freeing of money markets and increased foreign investment. Changes in production see a shift from agriculture to manufacturing, from low-skill manufacturing to high-skill and technology-intensive manufacturing and from the production of goods to the provisioning of services.

These changes have a major impact on the wages and conditions of workers and raise issues of equity. As the country studies indicate, Mr. Walsh continued, some workers have benefited from these changes. Within the Asia region, those with higher levels of education and technical knowledge have been well placed to take advantage of the changes. However, for some groups of workers, globalization has been associated with migration to other regions or countries, and with poor wages and working conditions. Growing regional and sectoral income disparities have been reported.

In many of the countries the growth in manufacturing, especially of goods for export, has encouraged women into paid employment. They are generally employed in low-skill low-wage areas and earn less than their male counterparts.

In most cases workers in the public sector fare better than those in the private sector. They have, traditionally, enjoyed greater job security and better wages and conditions of work. More recently, moves toward privatization and smaller government, generally associated with the process of globalization, mean that a number of public sector workers are being retrenched.

Governments attempting to be internationally competitive through greater labor market flexibility have encouraged part-time, casual and sub-contracting work. A number of the workers in this informal sector are vulnerable to job insecurity and poor wages and conditions. In many cases they do not receive the protection offered by labor legislation. Foreign workers, especially those who are illegal immigrants, are particularly vulnerable to exploitation by

unscrupulous employers.

The country reports, he continued, also indicate that child labor is still an issue in a number of areas. In most cases, governments have legislated against the employment of minors. Despite this, Mr. Walsh concluded, the problem appears to persist and is closely associated with poverty.

This report sparked considerable discussion, ranging from financial deregulation increasing the power of shareholders to questions about how to achieve a balance between flexibility and protection of workers. As governments promote exports, others noted, the position of unions and workers in export-processing zones can be weakened. Also mentioned was the dichotomy between macro and micro issues in discussions of globalization. Welfare of workers gets overlooked. Nepal, for example, faces the problem of delinking its rural economy from the urban economy. “The issue isn't macro policy but how to reach people at the grass-roots level,” said Mr. Sharma.

Future Direction

This session was followed by a presentation by Mr. Campbell, who proposed that “Implications of Information and Communications Technologies (ICT) for the Labor Market” should be the Network's next potential research topic. Using a succession of charts, he suggested that such a project should be aimed at ensuring “Decent Work in the Information Society.”

After this, delegates split into three groups to discuss Mr. Campbell's proposal.

Concluding the session, Mr. Campbell said he was very pleased that the groups had found a common thread and that everyone agreed that his proposed subject is an important topic for all their countries. “We must determine if ICT is as powerful a tool as many think,” he said. “You seem to be saying we should get on the bandwagon. We will take these ideas back to the ILO.”

In the day's final formal session, Mr. Sivananthiran introduced the importance of linkage between studies and policy formulation, including the organization of consultation meetings in each country with employers, workers and governments at the initial stage of the next study. He also referred to information dissemination through the Network's website as a means to strengthen its activities. Several delegates responded by citing efforts in their own countries to strengthen the linkages between research and policy formulation.

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OPINIONS REQUESTED

The editor invites readers to send their views and comments on the contents of JLB via e-mail to ebisui@jil.go.jp or via fax to +81-3-5991-5710.

Statistical Aspects

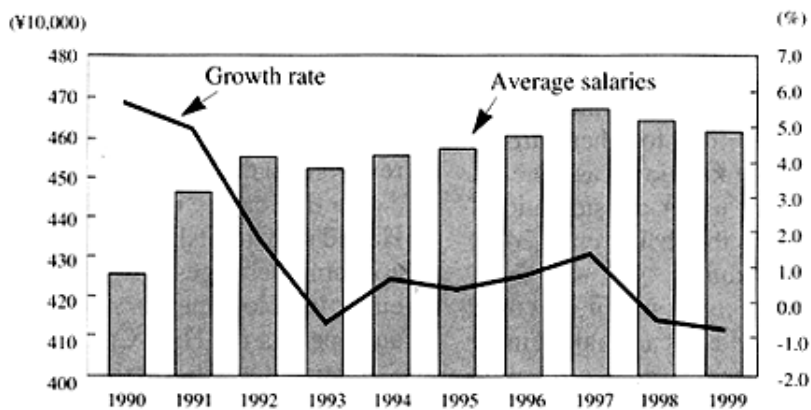
Recent Labor Economy Indices

	October 2000	September 2000	Change from previous year
Labor force	6,822 (10 thousand)	6,800 (10 thousand)	11 (10 thousand)
Employed	6,508	6,480	8
Employees	5,425	5,397	52
Unemployed	314	330	8
Unemployment rate	4.6%	4.7%	0.0
Active opening rate	0.64	0.62	0.02
Total hours worked	156.8 (hours)	155.3 (hours)	1.3
Total wages of regular employees	(¥ thousand) 265.8	(¥ thousand) 265.5	0.8

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), *Maittsuki Kinrō Tōkei* (Monthly Labour Survey).

Trends in Average Salaries and Comparisons with the Previous Year



Source: National Tax Administration, *Minkan Kyūyo Jittai Tōkei Chōsa* (Survey of Salaries in the Private Sector).