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Announcement

Professor Emeritus Dr. Tadashi Hanami, former Research Director General of the Japan Institute of Labour was appointed as the new Chairman of the Institute as of April 1, 2001. He was born on February 15, 1930. He graduated with a Bachelor of Law in 1953 and a Doctor of Law in 1962, from the University of Tokyo. From 1959 to 1962 he was a Humboldt Research Fellow at the University of Cologne in Germany, and from 1964 to 1965 a Fulbright Research Scholar at Cornell University in the U.S.



From 1966 to 1999 he was Professor of Law, and from 1979 to 1982 the Dean of the Law School at Sophia University in Tokyo. In 1985 he was awarded the Doctor *honoris causa* from Catholic University Leuven, Belgium where he taught in 1977 and 1992. Also he was a visiting professor at the Harvard Law School from 1984 to 1985 and again in 1990. He served as President of the International Industrial Relations Association from 1998 to 2000. In Japan he has held government posts as Chairman of the Central Council on Labor Standards and Chairman of the Central Labour Relations Commission. He is the author of many books in Japanese and English on labor law and industrial relations.

The new Research Director General, Prof. Dr. Akira Ono was born on January 2, 1934. He took his Bachelor of Commerce in 1957, Master of Economics in 1959 and Doctor of Economics in 1964 at Hitotsubashi University. From 1966 to 1970 he was an Associate Professor of Economics at Chuo University and from 1972 to 1979 Professor of Economics at Seikei University. He was a Professor of Economics from 1979 to 1997 and Dean of Economics from 1989 to 1991 at Hitotsubashi University. Since 1997 he has been Professor Emeritus of Hitotsubashi University and Professor of Economics at Tokyo Keizai University.



He has held government posts as a member of the Employment Council from 1996 to 2000, a member of the Central Employment Security Council from 1991 to 1999 and as a Public Commissioner of the Central Labour Relations Commission since 1996. His special field is labor economics and he is the author of a number of books in Japanese on labor economy, employment and the labor market. He has received a number of prestigious Japanese awards for his academic writing.

Working Conditions and the Labor Market

Student Internships Gain in Popularity

In Europe and America internship programs are widespread. Companies provide opportunities for newly graduating university students to gain work experience. This also allows companies to evaluate the skills and attitudes of potential employees before hiring

them

Such programs for students about to graduate have not been common in Japan. However, in recent years more major Japanese companies are taking advantage of such schemes to enhance their own business. Matsushita Electric Industrial Co. has decided to adopt a new recruitment scheme whereby it hires university students and others as trainees, then only later decides who to hire as regular employees based on those who received high evaluations during their traineeship. NEC has opened up research and development in its Internet section to university students, and has already marketed some products based on the ideas of the students. This spring Hitachi is planning to provide 20 students who will graduate early in 2002 with a two-week internship in several departments, including sales and personnel management. Sony has offered three-week intern positions to 20 students in its personnel management and accounting sections. Mazda has provided a similar four-week program to 16 students in its planning and research sections. Japan IBM has done so for 62 students for four weeks in accounting and manufacturing. Microsoft Japan now has a two to three-month program for 60 students in network management and some of its other operations.

Until recently Japanese firms had accepted science students as short-time employees, but many of those schemes served mostly as a “factory tour” to provide information on the workplace, and thus few firms expected such students to actually work together with regular employees during their involvement in such programs. Behind the interest in intern programs is a recognition that the number of students is falling as the youth population contracts, and concern over a deterioration in the academic performance of university graduates. Moreover, it is becoming more difficult for firms to employ new graduates *en masse* and then allocate them to an appropriate section in accordance with character assessments made after they have been hired. Reflecting these factors, Japanese firms are now striving to hire new graduates who are as much as possible already competent to slot into one of the reduced number of positions available. This shift in economic climate in part accounts for the recent popularity of internship programs in Japan. At the moment, only a few of the internship programs are clearly publicized as being a means of recruitment. However, a good number of firms are still hoping to recruit outstanding students through these kinds of programs.

Human Resources Management

Reorganization of Businesses and Employment Adjustment Aimed at Middle-aged and Older Workers

Employment levels are generally adjusted downwards during a recession as production levels are cut back. In recent years, it is becoming more common to focus on white-collar workers when making such adjustments. Middle-aged and older white-collar workers in particular have become the target. This is attributable to the fact that the labor costs associated with middle-aged and older employee are seen as an increasing burden for a business in recession. As competition among firms (both domestically and foreign owned) within individual industries gets tougher, firms face the need to slim down their businesses.

According to the preliminary findings of the February *Survey on Labour Economy Trend* conducted by the Ministry of Health, Labour and Welfare, employment levels were adjusted during the October—December 2000 quarter by restricting overtime work (in 11% of the firms surveyed), by reassigning employees to other parts of the business (7%), by *shukkō* (temporary transfer) (5%), by reducing (or stopping altogether) mid-year intakes of new employees (4%), by increasing holiday leave and days-off (2%), by dismissing or otherwise making redundant temporary workers (2%), and by calling for the voluntary retirement of regular employees (2%).* Since the preference for these various methods of employment adjustment is more-or-less the same as that which emerged during the oil crisis some time ago, it would seem that the termination of employment contracts with regular employees is still regarded as a last resort for Japanese firms. Even when the need to terminate employment contracts becomes obvious, they still tend to avoid dismissal and instead will call for voluntary retirement for which various incentives are offered.

On the other hand, with older employees the mandatory retirement system is the major means of termination. Although this system was originally conceived as a means of checking the flow of skilled workers out of public service in the years immediately after World War I, it subsequently spread to the private sector. It is sometimes said that the system's aim was to get rid of older long-term employees from companies. At present, there is a view that this mandatory retirement system causes age discrimination and should be constrained by legal measures, but, according to the findings of the *2000 Survey on Employment Management*, 91.3 percent of Japanese firms still retain it.

This mandatory retirement system gives firms a slow but sure way to cut back employment levels through attrition, whereas the call for voluntary retirement is seen as a more proactive way to move ahead with the reorganization of a firm.

In February 2001 Mazda, the auto manufacturer, announced “Early Retirement Special Program” packages. The packages targeted 1,800 employees engaged in duties not directly related to production who were aged 40 or older, and had been with the firm for 10 years or more. Of these, 350 packages were available to employees aged from 30 up to 40 with a minimum of five years' tenure. In the end 2,213 employees applied for the plan. The company has not revealed how it handled the excessive number of applications or the nature of the incentives it actually offered to those applying for early retirement.

In the communications industry, both NTT East and NTT West called for voluntary retirement. Both firms aimed their packages at employees aged 40 or older but younger than 57 who had been at the firm for 10 years or more. They expect a total of 6,500 applicants in fiscal 2000 and 2001. As incentives, they have proposed special retirement payments equivalent to 12 months' basic pay for those who retire in fiscal 2000, and nine months' basic payments for those who retire in fiscal 2001. NTT West announced that it already had 4,000 applicants from two rounds in fiscal 2000 which exceeded the 3,500 initially planned for the two fiscal years together.

While the call for voluntary retirement is seen as an unaggressive way of reducing employment levels which can result in solutions acceptable both to the employee and to management, there is concern that firms and the government pay adequate attention to the career development of employees and to their smooth movement through the labor market after taking such retirement.

* It should be noted that these percentages are from a multiple-choice question in which firms were able to tick more than one response.

Labor and Management Lay Down Voluntary Guidelines for Night Work

Labor unions and employers' associations in the automobile, electric and chemical industries have settled on guidelines concerning late night work. The guidelines list matters which labor unions and management should take into consideration concerning the work environment and health of workers engaged in late night work. The preparation of such guidelines was financially supported by the Ministry of Health, Labour and Welfare.

Guidelines for the automobile industry were drawn up in December 2000 by Jidosha Soren (Confederation of Japan Automobile Workers' Unions) and Jidosha Sangyo Keieisha Renmei (Japan Automobile Industry Employers' Association). Many workers in this industry who work at night wish to see limitations on overtime and holiday work introduced. In

response to this, the guidelines call on unions and management to consider ways of minimizing the overtime worked by employees on the night shift. The guidelines call for those involved to set an upper limit on overtime for such employees and to avoid scheduling work late at night during holidays because of its serious effect on the physical well-being of workers. The guidelines also call for management to create a workplace environment in which workers can take paid holidays more easily. The guidelines open the way for unions, management and employees to engage in more discussion on steps that can be taken to implement such changes.

In the electronics industry, *Denki Rengo* (Japanese Electrical, Electronic and Information Unions), *Nihon Denki Kogyo Kai* (Japan Electrical Manufacturers Association), and *Tsushin Kogyo Kai* (Communications Industry Association) drew up similar guidelines. The guidelines for the electronics industry emphasize (1) providing adequate lighting in each workplace and (2) providing separate nap rooms for men and for women when shift work occurs.

The guidelines also stipulate that the unions and management should endeavor to have workers with childcare responsibilities exempted from the night shift. Currently more than half of all workers engaged in late night work have children, many of whom are aged under six.

In the chemical industry, *Kagaku Rengo* (Japanese Federation of Chemical Workers' Unions, a confederation of several industrial unions) and *Nihon Kagaku Kogyo Kyokai* (Japan Chemical Industry Association) set up guidelines in January 2001. The guidelines in this industry concern the setting of wages which are seen as being fair in relation to the wages of workers who only have to work during the daytime. The guidelines contain 15 recommendations, including the suggestion that consideration also be given to what the scheduled working hours should be and how to reduce them. The recommendations also point to measures for workers who need to take care of children and family members, providing for a scheme that would allow night-time workers to shift to a day-time shift.

International Relations

Opinion Polls Concerning Foreign Workers in Japan

In February 2001 the Cabinet Office released the findings of its *Opinion Survey Concerning Foreign Workers in Japan*. Administered in November 2000, this interview-style survey was distributed to 3,000 people aged 20 and older around the country. Effective replies were received from 2,070 individuals for a response rate of 69 percent. The government last

conducted a similar survey, entitled an *Opinion Survey Concerning the Entry and Residence of Foreigners in Japan*, in November 1988.

Asked whether or not they are interested in the issue of foreign workers, 48.8 percent answered that they were “interested,” while 50.4 percent responded that they were not. The strongest interest was observed among males in their 40s and 50s living in large cities. By type of job, the self-employed, managers and specialized engineers, and clerical workers were the most interested. Where work by undocumented workers was concerned, 49.2 percent believed that illegal work was not desirable. However, 40.4 percent felt that it was not desirable but also that it could not be helped. Comparing this result with that of the 1988 survey, those seeing such employment as undesirable increased from 32.1 percent in 1988, whereas the latter response (not desirable but cannot be helped) decreased from 55.0 percent in 1988. Many disapproved of illegal entrants being employed simply because it is against Japanese law (56.1%) while others felt it was detrimental to public security, morals and so on (52.4%).

Japan's immigration control system does not in principle allow foreign nationals to engage in unskilled work. Asked about this, 21.2 percent replied that the government should continue to have the same policy; 51.4 percent indicated their support for allowing foreign nationals to engage in unskilled work with certain conditions and restrictions. Another 16.3 percent were for them engaging in unskilled work without any conditions (on par with Japanese). The 1988 survey revealed that 14.1 percent felt the current policy was satisfactory. In 1988, 56.5 percent felt that foreign nationals should be allowed to engage in unskilled work with certain conditions and restrictions. Major reasons given in the 2000 survey for not wanting unskilled workers to be allowed into Japan to work included the concern that they might undermine security (62.9%) and that their presence might increase unemployment among Japanese citizens during recession (59.0%).

The 2000 survey also asked questions about prospects for the future. In connection with the shrinking population, 26.4 percent felt that “the shortage in the labor force will be a serious problem everywhere;” 41.6 percent, that “the shortage in the labor force will be a serious problem in some job categories;” and 31.6 percent, that “the shortage in the labor force will not necessarily be a serious problem.” In line with these views, 33.8 percent felt that the government should “aggressively enforce whatever policies for foreign nationals it had in place,” while 37.9 percent felt that the government should be “moderately serious in enforcing such policies.”

Public Policy

Draft of Law to Facilitate Reemployment

Several factors making it difficult to match supply and demand in the labor market have become serious social problems. These include the adverse effects of high unemployment, prolonged periods of unemployment, and special difficulties experienced by middle-aged and older workers in finding reemployment due to age limits associated with many job vacancies. In order to deal with these, the Ministry of Health, Labour and Welfare has submitted to the Diet draft legislation designed to facilitate reemployment. Several laws will be affected by the proposed changes. The main features are as follows:

The first law which relates to the reemployment of individuals is the Employment Measures Law (which is an offshoot of the law of the labor market). The drafted revisions to this law first make it clear that the government is to take measures to facilitate the reemployment of workers. They also stipulate that employers should provide support for job-seekers and should strive to give workers equal opportunities regardless of age when recruiting or hiring. It also requires employers to plan in conjunction with company labor unions to facilitate reemployment of workers who are to be dismissed. The resultant plan is to be submitted to the Public Employment Security Office for approval. In this regard, the draft of the revisions drafted for the Employment Insurance Law includes measures to give subsidies and financial support to business owners to help them in making temporary layoffs of employees when they are forced by circumstances to reduce the level of their business activity. There are also provisions for companies which give paid holidays to employees who need to seek new jobs before leaving the company.

The Vocational Ability Development Promotion Law also requires revision so that a scheme can be established to facilitate the smooth reallocation of human resources. There is a particular need in this regard for a fair and objective system for evaluating the vocational skills and abilities of workers, especially white-collar workers. The draft revisions here are designed to assist workers in deciding upon their own long-term career path. The aims of this legislation refer to the employee's "career blueprint." The draft emphasizes the need to safeguard a worker's opportunities to receive necessary training with consideration for his individual career blueprint. This also involves an appropriate evaluation of the vocational skills and knowledge the worker possesses. It thus calls on individual employers to provide a position description with information on the skills and knowledge required for employees to carry out their duties in accordance with their career blueprints, and to pay attention to these blueprints in employment management. The evaluation system must be objective enough for non-profit organizations such as employers' associations and labor unions to implement a set

of examinations so that vocational skills can be certified in some way.

The effectiveness of the measures proposed in these drafts cannot yet be foreseen. The government will still have to retain a certain amount of discretion so it can move quickly as new trends emerge in the labor market.

Special Topic

The Unhappiness of Middle-aged and Older Workers

Genda Yuji
Professor
Faculty of Economics
Gakushuin University



We are no longer utterly surprised when the news, “the employment situation was the worst ever recorded,” is reported at the end of every month. With the economic situation showing no sign of recovery, one views with suspicion the government's emergency packages of employment measures to halt the upward trend in the unemployment rate. However, the serious problems facing the labor market include not only the worst-ever unemployment rate, but above all the difficulty of middle-aged and older workers in obtaining or switching jobs. What makes it so difficult for workers in those age groups to do this?

1.0 Doubt over Raising the Mandatory Retirement Age

In present-day Japan, for people just under 60 years of age there is an obstacle in the labor market that does not exist for younger people: the mandatory retirement system. In the U.S., where age discrimination by employers is legally prohibited, there is no such system. Even in Japan, more and more people are beginning to feel that the system has a discriminatory effect.

In economic terms, “discrimination” is defined as the practice of applying unequal treatment to individuals of equal ability due to differences in characteristics over which one has no control, such as gender, background, nationality, age. When there exists conspicuous differences (in job opportunities, income and the like) among people of different genders, races, nationalities and so on, then concern over discrimination inevitably arises.

These increasing doubts about the mandatory retirement system are attributable to the need to make full use of older people's abilities. With society expected to age still further,

more people will wish to continue working after age 60. The recent decision to raise the pensionable age will also make it difficult for more older people to maintain stable income sources while they are in their early 60s. The government has been considering the establishment of a work environment where people can continue working until age 65 to remove this cause of financial insecurity. In a few years' time, however, when the labor force in Japan has stopped growing and started to diminish, older people will be encouraged to continue working, to ensure that sufficient labor is available.

One characteristic of the Japanese labor market that is not observable in other advanced countries is a high unemployment rate among the old (more precisely, among people aged 60). Naturally, there are strong calls for reliable employment opportunities for older people. Such calls come not only from labor unions, which represent and protect workers' rights, but also in recent years from researchers who take public benefits into consideration (Seike, 2000).

From around 2007, the first “baby-boomers,” who were born in the years 1947–9, will reach the retirement age set under the current system. As the time draws nearer, demands for the prohibition of age discrimination, or the abolition of the mandatory retirement system as a whole, will become more prominent. Calls for the abolition of the system or the raising of the retirement age can be justified on the grounds that treating workers in different ways because of age differences should be regarded as discriminatory. Some people even believe that the system violates the right of older people to work.

At the same time, however, one should bear in mind that officially changing the retirement age from 60 to 65 as a matter of public policy is highly likely to involve problems. At present, a majority of firms have no intention of revising the mandatory retirement systems that are currently enforced. In fact, the 2000 *Survey on Employment Management* carried out by the Ministry of Labour (currently, the Ministry of Health, Labour and Welfare) has revealed that 93 percent of firms adopting a uniform mandatory retirement system replied “We have no plan to revise the system.” Calling for revision of the current mandatory retirement system, which is supported by the majority, is fundamentally different from the legal enforcement of equal employment opportunity for men and women, which was required because some firms allegedly discriminated against female workers.

A serious concern raised by the relaxation or abolition of the mandatory retirement system is the fact that, while such revisions might safeguard the positions of workers who already have jobs, they might deprive workers who are about to enter the labor market of job opportunities. Until the early 1990s, when Japan was still in an expanding economic bubble, it was strongly claimed that jobs would always be available for young people because of an

ongoing shortage of labor; but now that the unemployment rate among young people is unprecedentedly high and has become a serious problem, such opinions are rarely expressed.

As a counter-argument against this concern about employment for the younger generation, there is the fact that, when asked, quite a few firms that had already raised their mandatory retirement age or were currently considering revising it answered, “Revision of the mandatory retirement system does not necessarily reduce the hiring of young people.” Yet at the same time, one should bear in mind the fact that there are sharp differences between two types of firms that are enforcing the raising of the mandatory retirement age.

There are at least two types of firms among those that have raised their mandatory retirement age to 61 or older. One group of firms is extending the employment of employees who are due to retire, while also increasing the hiring of new graduates. Even during the recession at the end of the 1990s, their business performances were relatively sound, and accordingly they are keen to expand their workforces regardless of employees' ages. Such firms can afford to extend the employment of older employees in response to the raising of the public pensionable age and to social demands. Some of them do so partly because of a lack of experienced managers and leaders able to handle these growing organizations. The majority of such firms are small and medium-sized firms, and it is rare for them to reply “will hold back on” when asked whether their decision to raise their mandatory retirement age will bring about a reduction in new hiring.

On the other hand, there are some firms that have raised their mandatory retirement age to 61 or older because they find the aging of their employees a serious problem. Despite the problems that increasing numbers of older workers creates for firms, some proceed with extension of the retirement age because of concerns for the interests of individual workers. Since such firms spend a considerable amount of money on making use of older workers, they tend to cut back the hiring of new graduates — and having made such efforts to retain their older employees, priority is naturally given to older workers rather than to young workers.

To sum up, there are some firms that raise the age limit of their mandatory retirement system because their business performance is improving steadily despite the recession, and they wish to increase their labor force regardless of their employees' ages, because of a chronic shortage of labor. On the other hand, there are other firms that are obliged to raise the age limit of their system because, although they suffer from the aging of their employees, they cannot dismiss surplus labor. The former kind of firm presents no cause for worrying about the effect that extending employment for the old will have on job opportunities for younger generations. However, officially raising the mandatory retirement age will cause difficulties

for firms carrying surplus labor.

Japanese researchers are at present investigating how far the extension of employment for workers in their early 60s will in fact curb the hiring of new workers. However, no answer based on scientific investigation is yet forthcoming. This is due above all to the insufficiency of data for statistical analysis, only a small number of firms having actually adopted measures to extend employment for such older workers. In the circumstances, is it not rather hasty to insist on relaxation or abolition of the mandatory retirement system simply out of a sense of justice or to safeguard human rights?

2.0 Is it Possible to Revise the Right of Dismissal?

Both proponents and opponents of revision of the mandatory retirement system agree that for smooth implementation of the revision, establishing rules for employment adjustment, in particular for dismissal, will be unavoidable. In Japan, there have so far been strong constraints on employers against dismissing their employees. Even if poor business performance makes them feel that they have surplus labor, they try to avoid dismissals as much as possible, adjusting employment levels by establishing a uniform mandatory retirement system, and by reduction of hiring instead. This is the method that Japanese firms — especially large ones — have adopted for adjustment of their employment level.

Legal enforcement of relaxation or abolition of the mandatory retirement age will force firms to give up such means of employment adjustment. Unless new rules concerning the right of dismissal are established so that firms can resort more easily, under particular circumstances, to dismissal of their employees, the single measure of raising the retirement age to 61 or older will in itself reduce employment opportunities for younger and new workers.

However, revision of the right of dismissal is not so simple a task as it may seem. This is because restraining the right of dismissal is not explicitly mentioned in the legal code, but is controlled by principles established over a long period by case law. By law, just as employees have a right to leave their firms, employers also have a freedom of dismissal at their own discretion. In order to dismiss employees hired under contracts without a fixed period, employers are legally required to give at least 30 days advance notice to the employees in question, or to pay notice allowances, which are equivalent to the average wage for a period of not less than 30 days. However, since the 1970s, legal principles against unjustified dismissal have been established, based on case law concerning abusive dismissal. In particular, in cases of mass dismissal they strictly stipulate conditions: whether there is in fact surplus labor; whether the employer has made every effort to avoid dismissals; whether there are

reasonable grounds for the dismissal of particular workers; whether the procedures involved are fair, and so on. Thus, such dismissals have, in practice, been restricted for most firms.

It would be possible to reconsider the right of dismissal and to legislate new rules if the conditions restraining dismissal were explicitly laid down. Since the legal principles concerning abusive dismissal are based on case law, however, it is difficult to change the situation concerning dismissal. Judges' decisions on the issue rely on justifications being socially acceptable, so that unless the social climate clearly changes, it is impossible for judges to reach decisions in favor of such dismissals.

More intensive, nationwide discussion is needed concerning the practical conditions required for acceptable termination of employment, so that both firms and workers can make a fresh start. This is far from implying, however, that dismissal should immediately be made easier. In order to facilitate administrative guidance to prevent unjustified dismissals, the government might, for example, take action to specify the current consensus as established through case law. Even so, such governmental measures would enable no more than the prevention of unjustified dismissals; the law would not be altered to make dismissal any easier than it is at present. Basically, cases involving dismissal would be treated individually and flexibly, as they have been so far, in the light of case law.

For such reasons, any trade-off between the raising of the mandatory retirement age to 61 or older and easier dismissal would seem to be more-or-less impossible under the current situation. It would be dangerous to go ahead with employment extensions on the premise that it will be easier to dismiss employees in the future, because such a premise is hardly realistic. One should bear in mind the fact that while hasty adoption of employment extension might in itself help workers already employed to stay employed, it is also likely to reduce new job opportunities, particularly for young workers.

In line with this, to safeguard employment opportunities for older workers who are eager to continue working, it seems more desirable to explore the possibility of treating individual workers flexibly — for example, through reemployment schemes — than to raise uniformly the age limit of the existing mandatory retirement system. In the present circumstances, it seems that reemployment schemes whereby employees enter into a new contract in accordance with their wishes and abilities would have less effect than extension of mandatory retirement systems with regard to reducing new employment opportunities.

With the business performances and career patterns of individuals becoming more diversified, it hardly makes sense to treat working people uniformly, regardless of the forms

that dismissal or employment extension should take. As for the employment of older workers, the only thing possible is for individuals to pursue their own solutions patiently.

3.0 Reasons Why Middle-aged and Older Workers are Unhappy over Job-switching

Discussion concerning the prohibition of age discrimination is not always associated with the relaxation of the mandatory retirement system. Another issue is whether there should be an age limit for hiring new employees. One of the biggest problems for middle-aged and older workers is that “their ages are above the age limits for the job vacancies posted.” According to the *Special Survey of the Labour Force Survey* carried out by the Statistics Bureau of the Ministry of Public Management, Home Affairs, Posts and Telecommunications, some 40 percent of unemployed people aged 45-54, and half of those aged 55-64 attributed their difficulty in finding jobs to such age limits. Whereas legislation of employment extension for older workers would presumably require considerable caution, it seems that the removal of age limits for new recruitment could be reconsidered more quickly.

However, even if the setting of age limits in job advertisements were banned as a form of age discrimination, it would not, unfortunately, immediately make it easier for middle-aged and older workers to switch jobs. Enforcement of the Equal Employment Opportunity Law has eliminated the specification of gender in job advertisements, but in a job market for new university graduates that is in a serious recession, female students have still found it much more difficult to obtain a job than male students. If firms refused to invite female students for interviews, then things would be completely different. However, even though they do not specify gender or age in their job advertisements, they continue to opt principally for young male workers unless other workers have some conspicuous attributes or skills. In other words, without any conspicuous criteria apart from age to demonstrate an individual's ability, the job market will continue to be harsh on middle-aged and older workers who wish to change jobs.

Is it important for them, then, to possess some qualifications certified by the authorities? In fact, such certified qualifications do serve, to some extent, to demonstrate ability. It is also true, however, that workers who have nothing but such qualifications to prove their ability struggle hard to find a job. At the same time, a majority of experts in recruitment and personnel management in private firms state that such certification is certainly advantageous, but never crucial, except for certain types of jobs.

What, then, is important for middle-aged and older workers in switching jobs? The answer is “the kind of job they have done in their previous firm.” People say that without some speciality that will be useful in any firm, job-switching will be a difficult task. While

some people bravely claim that the age of professionals has come, a current joke tells how a businessman turns up at an interview for a new job. Asked what kind of job he can manage, he answers, "section chief."

In fact, there is a strong element of truth in the joke: some people whose title is "section chief" have nothing else to recommend them. Quite a few other "section chiefs" have done excellent work and have undoubted ability, but simply cannot express themselves in a convincing way to new firms and communities. This is because the detailed information on how one works and the kinds of jobs that one has done is available within the firm that one belongs to, but one has neither openly talked about such things outside the firm nor been asked about them. The punch line "section chief" in the joke is the tragic result of such a climate. Nowadays, people are required to be able to explain their own specialities, with some pride and dignity, to other people, whether for the purpose of getting a new job, or simply within their own firms.

Even if job-switching becomes more common, it will not necessarily lead to greater satisfaction for everybody. In any circumstances, job-switching involves uncertainty: it makes some people more happy, others less so. What is the special ingredient that distinguishes people who have improved their situation by switching jobs, from other people?

The key to success in job-switching and achieving a happier life is, oddly enough, having friends and acquaintances outside one's workplace. An empirical analysis has revealed that one is more likely to get a higher degree of satisfaction at a new firm than at a previous one when one has "friends and acquaintances outside the firm" who gave useful advice about job-switching. When such advice is given solely by public or private job placement agencies, relatives, or colleagues at the previous firm, one does not gain satisfaction at one's new firm. Moreover, in the former case, there is a tendency to gain not only greater spiritual satisfaction from the job-switch, but also a higher income and more private time. In the latter case, on the other hand, one is more likely to get less satisfaction and worse working conditions at the new firm.

Why does having trustworthy friends and acquaintances outside the firm lead to happy job-switching? One can easily imagine a case where a friend or acquaintance actually works for the firm that one is about to join. If one knows somebody at a new firm that one wishes to join, and can talk frankly and thoroughly about working conditions there and about one's own worries, then one is more likely to be content on actually joining the firm. If one has the opportunity to speak to a friend who works for the firm that one wishes to join, then one will be highly unlikely to feel afterwards that "this is not what I expected." Thorough

conversations with such friends can avoid job-switching that turns out to be unsatisfactory. As a result, having a friend or acquaintance at the firm that one is interested in will prevent an avoidable mismatch.

Even if one does not have any friends or acquaintances at the firm that one has in mind, other friends and acquaintances play an important role when one has to make a decision about whether or not to switch one's job, and how to interpret information on the firm concerned. Such information is of two kinds: quantitative information open to anyone and available anywhere; and qualitative information conveyed via face-to-face communication. The latter tends to be passed on in implicit form, or privately in confidence. The former type of information, such as the salary of a certain job and the number of paid holidays, is available at public and private job placement agencies; yet it is essential to have trustworthy friends to help in obtaining and judging the quantitative information. When considering job-switching, one can come by the qualitative information, such as how to evaluate the work environment at the firm in question, through discussion with close friends.

Observing a friend working at the firm that one wishes to join, and considering the nature of the friend's job, one envisages oneself in the friend's shoes, evaluating the possibility of success in the contemplated job-switch. Looking at the working style of a friend one knows well in terms of character and ability, one asks oneself, for example, whether and how one could manage it. A friend who can serve as a model also provides grounds for a sensible guess about oneself in the new workplace. The presence of such friends and acquaintances helps one to evaluate comparatively one's own ability, and also facilitates good decision-making because of their objective, unsentimental sympathy and spiritual support. Without accessible friends and acquaintances who can give good advice, one cannot see objectively the uncertainties involved in job-switching, and thus one is likely to hesitate to take action or, even if one does act, to end up with an unsatisfactory outcome.

The importance of the presence of friends and acquaintances has been cited on the basis of empirical analysis carried out in the U.S. Sociologist Mark Granovetter stresses in his book, *Getting a Job*, that when workers change their job, they gain more useful job information from people with whom they have weak ties (those they meet infrequently) than from people with whom they have strong ties (those they meet often), and that making use of personal connections eliminates "noise" arising in the process of job-switching, and serves as the most efficient means of collecting useful, trustworthy information. The emphasis on the role of weak ties is attributable to the fact that one only learns what one already knows from those one meets frequently, but gains new information from those one meets only occasionally. According to Granovetter, friends who work for the same firm and frequently go out for a

drink together are, thus, regarded as “strong ties.” The presence of “weak ties” plays a significant role in successful job-switching in Japan, too.

4.0 Motivation for Independence

Another important employment option for middle-aged and older people, apart from moving to a different firm, is to become independent and set up their own business. However, this choice is becoming less possible for people in these age groups in Japan. According to the *Employment Outlook* published in 2000 by the OECD, in Japan and France, unlike other developed countries, the number of self-employed business people in non-agricultural sectors fell substantially throughout the 1980s and the 1990s. In Japan, there has been a conspicuous decrease in the number of self-employed business people in their 30s and 40s since the 1980s. The decrease is largely attributable to the downward trend among young people in starting their own businesses, as well as the Large-scale Retail Stores Law, and difficulty in raising funds. According to the *Employment Status Survey* of the Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications, those who wished to set up their own businesses accounted for 25 percent of all those who wish to change jobs in 1979, but this fell to 17 percent in 1997.

The active establishment of independent businesses tends to stimulate the economy as a whole, and also creates many job opportunities while the new firms are in the process of expansion. The creation of such independent businesses will be increasingly important, but at the moment workers have insufficient incentive to launch their own businesses. In such circumstances, whether or not many more people will be encouraged to do so depends largely on the presence of networks of friends and acquaintances. In fact, if one investigates the backgrounds of those who are inclined to launch their own businesses — although such people are rare — it can be proved statistically that the presence of friends and acquaintances to whom they can talk is influential when people are thinking of setting up their own businesses. These conclusions concerning the importance of friends and acquaintances in making decisions on switching jobs and setting up new firms are based on the findings of the empirical study *Survey of Diversified Working Lifestyles and Changes in Life Planning* carried out by the Japan Institute of Life Insurance.

In order for individuals to succeed in switching jobs, or in establishing their own firms, it is important for them to form a personal network extending beyond their own workplace or family network. For this purpose, they need to take part actively in the community outside their own workplace. When people reach their 30s and 40s, they take for granted a lifestyle restricted to the workplace and family, which makes it difficult to establish or develop new

human relationships. Such an outlook will be an obstacle when they begin to think of switching jobs or establishing their own businesses. In the future, more frequent opportunities to take part in voluntary, non-profit organizations, and local activities will be a key factor not only in the improvement of social welfare and related activities, but also in the individual's appropriate choice of career.

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JIL News and Information

Seminars in Los Angeles and Silicon Valley on Labor in Japan

The Japan Institute of Labour (JIL) held seminars on “Japan's Economy and Labor” in Los Angeles on February 21 and in San Jose on February 22, 2001. In response to the recent increase in investment in the Japanese market by foreign firms, the seminars were designed as a means of further encouraging U.S. firms to invest in Japan. A series of seminars focusing exclusively on foreign investment in Japan were conducted abroad in fiscal 2000. Seminars were held in London and Leeds in November 2000, followed by these in Los Angeles and San Jose.

Foreign investment in Japan by U.S. companies increased sharply in fiscal 1998 to total US\$807.8 billion. This was five times that for fiscal 1997. By the first half of fiscal 2000 (from April to September), the amount of foreign investment was US\$659.9 billion, some four times that in fiscal 1997. By industry, American investments in Japan were overwhelmingly concentrated in the non-manufacturing sectors, with more than 90 percent of the total being

in communications, finance and insurance, and other services (figures based on “Inward Direct Investment” which is prepared by Japan's Ministry of Finance). Reflecting this increased interest in investing in Japan, the recent seminars were more animated than expected.

In California, Japan is of particular interest, and is seen at the moment as a most desirable destination for foreign investment. There seems to be various reasons for this. First, California is geographically close to Japan. Second, its GSP (gross state product) totalled US\$1.1 trillion, the highest among the 50 states of the U.S. Third, many advanced industries are located in California. Moreover, despite the overall slowing-down of the national economy, “California is doing well.” Fourth, there are many citizens of Asian descent, who now account for about 13 percent of the state's population, with some 130,000 being of Japanese origin, a further 800,000 of Chinese origin, and many others of Indian, Korean or Vietnamese origin.

The seminars both in Los Angeles and in Silicon Valley were conducted in cooperation with the California Chamber of Commerce (CCC), together with local chambers of commerce. The seminars attracted some 100 participants, mainly business people from member-industries of these chambers of commerce.

The seminars began with lectures on “The Current Investment Environment in Japan and the Need to Disseminate Information about Labor Conditions” (by Katsura Oikawa, Director, International Affairs Department, JIL); “The Investment Environment in Japan from a Labor Point of View — Recent Trends and the Characteristics of the Labor Market” (by Kunihiko Saito, President, JIL); “What Employers Operating Businesses in Japan Need to Know about Personnel and Labor Management Systems, Issues and Concerns” (by Sadamitsu Kamiichi, Planning Director of the Employment Development Division, Employment Security Bureau, Ministry of Health, Labour and Welfare); and case studies of various U.S. firms in Japan (by Mr. Robert Brash, President of Pacific Partners [in the L.A. seminar] and by Mr. Ken Leonard, Former Vice President of Amdaru Inc. [in the Silicon Valley seminar]). The seminars were followed by debate and question-and-answer sessions.

Participants in the seminars not only had a strong interest in Japan, but also seemed to be quite well informed about the labor situation. This was apparent from the depth of the various questions raised by the participants. There seemed to be a particular interest in how far the stock option system has been accepted in Japan; how much progress had been made in fund-raising through the stock option system; whether the transition in labor policy in Japan will result in traditional employment practices being retained or in a system more responsive to stock prices and the demands for profit-making; and whether age discrimination is likely to

be a consideration in employment.

JIL is planning to hold similar seminars of a still more useful nature in the U.S. and in EU countries in fiscal 2001.

Publications

Highlights in Japanese Labor Issues Volume V

(modified A-4 size, price: ¥2,000) (Forthcoming)

This book contains all the Special Topic section articles in the Bulletin from January 1997 to December 2000

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LIST OF CONTRIBUTORS

The author's title on the list indicates the author's present position (as of March 2001).

ARAKI, Takashi

Associate Professor
Faculty of Law
University of Tokyo

FUJIMURA, Hiroyuki

Professor
Faculty of Business Administration
Hosei University
Visiting Senior Researcher
The Japan Institute of Labour

GENDA, Yuji

Professor
Faculty of Economics
Gakushuin University
Visiting Senior Researcher
The Japan Institute of Labour

HANAMI, Tadashi

Research Director General
The Japan Institute of Labour
Professor Emeritus of Law
Sophia University

IGUCHI, Yasushi

Professor
Faculty of Economics
Kwansei Gakuin University

IMADA, Sachiko

Research Director
The Japan Institute of Labour

KAWAKITA, Takashi

Professor

NAKAMURA, Keisuke

Professor
Institute of Social Science
University of Tokyo
Visiting Senior Researcher
The Japan Institute of Labour

OBATA, Fumiko

Associate Professor
Faculty of Economics
Toyama University

OHTAKE, Fumio

Associate Professor
Institute of Social and Economic Research
Osaka University
Visiting Senior Researcher
The Japan Institute of Labour

OUCHI, Shinya

Associate Professor
Faculty of Law
Kobe University
Visiting Senior Researcher
The Japan Institute of Labour

SATO, Atsushi

Senior Researcher
The Japan Institute of Labour

SATO, Hiroki

Professor
Institute of Social Science
University of Tokyo
Visiting Senior Researcher
The Japan Institute of Labour

Faculty of Business Administration

Hosei University

KAYANO, Jun

Researcher

The Japan Institute of Labour

KEZUKA, Katsutoshi

Professor

School of Law

Senshu University

KOSUGI, Reiko

Senior Researcher

The Japan Institute of Labour

MATSUI, Nobuo

Senior Researcher

The National Institute of Vocational Rehabilitation

MORISHIMA, Motohiro

Professor of Human Resource Management

Graduate School of Business Administration

Keio University

Visiting Senior Researcher

The Japan Institute of Labour

NAGANAWA, Hisao

Senior Researcher

The Japan Institute of Labour

SEIKE, Atsushi

Ph. D., Professor

Faculty of Business and Commerce

Keio University

WATANABE, Hiroaki

Researcher

The Japan Institute of Labour

WATANABE, Noriyasu

Professor

Faculty of Social Welfare

Rissho University

YAHATA, Shigemi

Research Director

The Japan Institute of Labour

YAMAKAWA, Ryuichi

Professor of Law

University of Tsukuba

Visiting Senior Researcher

The Japan Institute of Labour

YOSHIMOTO, Keiichi

Associate Professor

Faculty of Education

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Statistical Aspects

Recent Labor Economy Indices

	March 2001	February 2001	Change from previous year (March)
Labor force	6,722 (10 thousand)	6,670 (10 thousand)	28 (10 thousand)
Employed	6,379	6,352	34
Employees	5,338	5,349	68
Unemployed	343	318	-6
Unemployment rate	5.1%	4.8%	-0.1
Active opening rate	0.61	0.64	-0.03
Total hours worked	152.4 (hours)	151.3 (hours)	-3.1
Total wages of regular employees	(¥ thousand) 264.4	(¥ thousand) 262.8	-0.6

Note: * Denotes annual percent change.

Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications, *Rōdōryoku Chōsa* (Labour Force Survey); Ministry of Health, Labour and Welfare, *Shokugyō Antei Gyōmu Tōkei* (Report on Employment Service), *Maittsuki Kinrō Tōkei* (Monthly Labour Survey).

Trends in the Number of Unemployed People with Work Experience, According to Reason for Leaving Their Previous Employer

(Unit: 10,000 people)

