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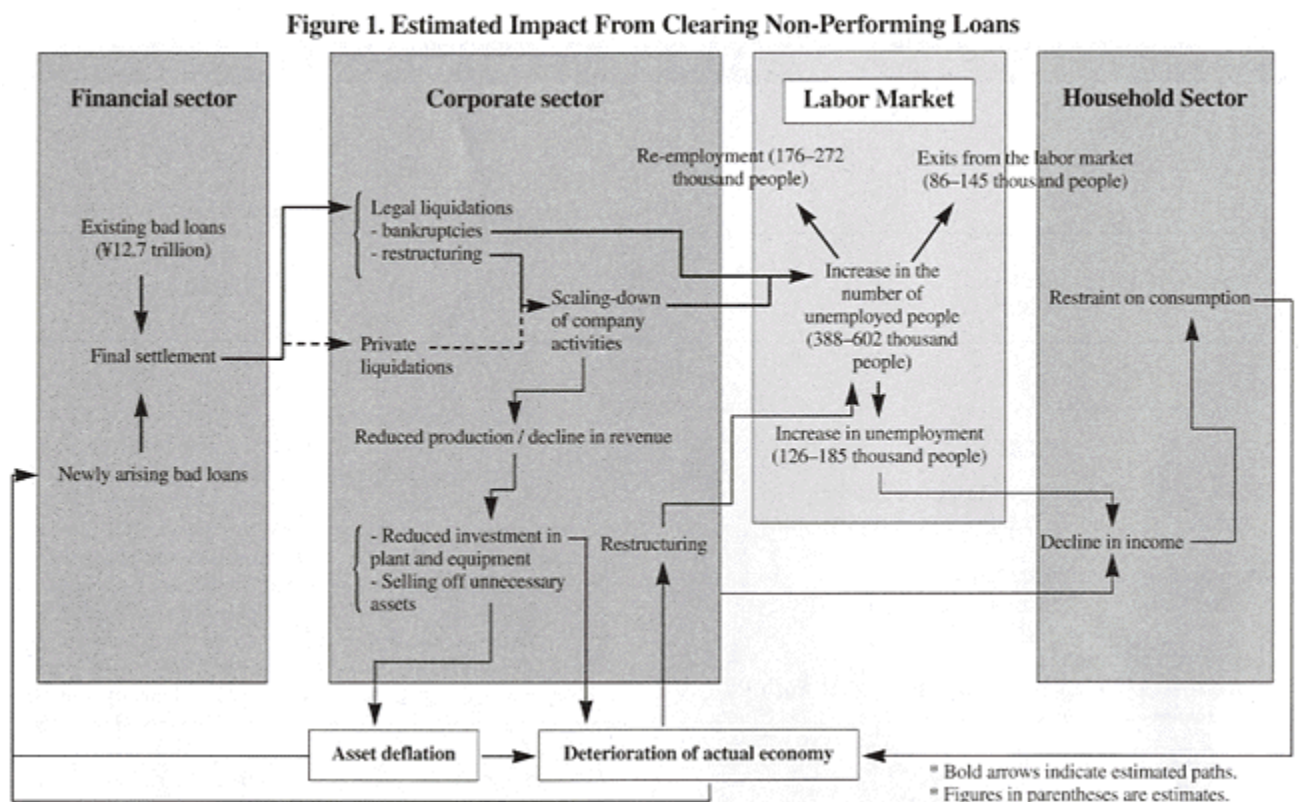
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## Working Conditions and the Labor Market

### Effects of Loan Write-Offs on Employment

The most important task now facing those responsible for structural reform concerns the writing off of the bad loans which came to light following the bursting of the economic bubble. The Japanese government is planning to write-off all outstanding non-performing loans over the next two to three years. However, many expect that massive unemployment will be produced in the process. In June 2001, the Cabinet Office published the report *The Disposal of Non-Performing Loans and Its Potential Influence*.<sup>\*</sup> The report provides estimates of the number of workers who are likely to be quitting their jobs, switching jobs, or otherwise left unemployed as a result of steps to clean up the bad loans. It estimated the number at 130,000 to 190,000. (See Figure 1 for a breakdown of the estimates.)



The report first considers the impact of writing off ¥12.7 trillion in bad debts at major banks at the end of September 2000. In doing so it estimates the impact on firms, including the flow-on from chain-reaction bankruptcies. It then provides an estimate of the number of workers who may lose their current jobs, an estimate of the ratio of the total debt of bankrupted firms to the number of employees involved, and an estimate of the gap in estimated debt between legal and private liquidations. The estimates of employees at bankrupted firms were further broken down in terms of the number of (i) those who would find a different job, (ii) those who would leave the labor market, and (iii) those who would

become unemployed.

The report concludes that the writing off of bad loans held by Japan's major banks over the next two years will affect some 390,000 to 600,000 workers. Of those affected, it indicates that some 180,000 to 270,000 may find new jobs, that 90,000 to 150,000 may leave the labor market altogether, and that some 130,000 to 190,000 may be left unemployed (see Figure 1).

In making those predictions, the report suggests that five conditions be kept in mind. First, it is very likely that regional and other banks will be pressed to clear their bad loans. Second, the estimates did not take into account the effects of newly arising bad loans. Third, the likelihood that the deflationary effect from settling the bad loans will depress the real economy still further has not been taken into account. Fourth, the analysis, being based on past performance, thus reflects only the effects of the same kind of adjustments that have occurred in the past. Fifth, the figures are global estimates, and the impact on individual regions was not estimated due to the limited nature of the data.

The report points also to the fact that in cases where the clearing of bad loans involves bankruptcy, the employees involved who lose their jobs will be suddenly left in the labor market without preparation, and will therefore require a well-prepared safety net.

In order to deal with various situations in the labor market that will result from bad loans being written off, the Headquarters for Industrial Structural Reform and Employment Measures is planning to decide on a comprehensive employment policy in September at the latest.

Note:

\*The English version of this report is available in executive summary at:  
<http://www5.cao.go.jp/keizai3/2001/0628furyousaiken.pdf>

## Human Resources Management

### Best Use of General Clerical Workers

In Japanese firms one type of job is known as “general track employment” (*ippanshoku*). Those in this employment track are usually engaged in routine office jobs such as sorting and filing and various other types of paperwork. This employment track was once attractive to many female university students who wished to work at major trading companies after graduation. Recently, many firms have been replacing general track employees with dispatched workers and the general track is beginning to disappear.

However, companies such as Sumitomo Corporation have resumed the hiring of new graduates as general track employees. In the case of Sumitomo it is first time in three years to hire such employees. For the last three years, the firm has made more use of dispatched workers instead of hiring general track employees. However, firms are not legally permitted to employ such people for more than one year, except for certain types of job. The range of duties permitted to dispatched workers is limited, too. Thus it has become increasingly difficult to cover the full range of such duties with only dispatched workers. Moreover, the extended use of dispatched workers has made management more aware of the important contribution general track employment makes to the running of business. While the work done by those in the general track had in the past been regarded as “supplementary,” there now seems to be a growing appreciation of the know-how involved, and more attention is now being given to the retention and transmission of such know-how within the firm.

Some firms, too, are beginning to make use of general track female employees as valuable staff members who possess a good understanding of female consumers. For example, Wacoal Corp., a major underwear manufacturer, now requires its general track female employees, who account for 15 percent of its female employees, to attend meetings concerning shop management and sales planning. The aim is to reflect more fully the opinions of female employees in the business. Sumitomo Forestry and Mitsui Home Co., Ltd. are major housing companies that have hired new female graduates in their sales departments. While some in the industry say that housing sales require the physical stamina associated with male employees, these firms have come to understand that sales departments need to access the feeling which women have for everyday life (including, for example, their knowledge about kitchen facilities).

So far, female office workers, especially those in the general track, have had only limited opportunities for promotion. However, the Asahi Bank, a major banking institution, is planning to make more effective use of personnel by promoting to managerial posts female staff members originally hired as general track employees. Selected female employees from among those who wish to be promoted will be assigned to duties such as financing and negotiations outside the bank, and, at a later stage, to the management of clerical work as, for example, section chiefs at branch offices.

While there is a tendency in many Japanese firms in general to avoid hiring general track employees for supplementary work, there also seems to be a movement at some firms to re-evaluate that category of employee, with various schemes being conceived in order to encourage such employees to make better use of their potential abilities.

## Labor-Management Relations

### Retrospective and Perspective of 2001 Spring Offensive Negotiations

According to a survey by the Ministry of Health, Labour and Welfare, the wage increases agreed to during the 2001 spring wage offensive averaged ¥6,328 (an increase of 2.01%). This was more or less the same level that was achieved last year (when the average increase was 2.06%). Despite being the beginning of a new century, the negotiations were characterized by “requests” and “answers” that differed little from those of the preceding year.

However, although the outcomes may have resembled those of last year, the implications which flow from this year's round of negotiations seem to be very different. Although some firms had achieved a consolidated operating surplus in March 2001 for the first time in four years, their managements did not wish to distribute the surplus in the form of wage increases. What, then, made them hold back from pay hikes?

Recently, the Japan Institute of Labour (JIL) surveyed private firms concerning this year's spring wage offensive. The survey revealed that many firms did not return all of the gains to their employees through higher wages. Rather, they were more likely to distribute such gains through lump sum payments.

More than 80 percent of firms that increased their payments to employees did so primarily through or only through the payment of bonuses. In so doing the firms were behaving differently than they did in the previous year. The payment of summer bonuses, which had remained more or less the same for years, increased by ¥15,000 (1.96%) compared to the level of bonuses paid the previous year, according to a survey by Nikkeiren (Japan Federation of Employers' Associations).

With the spread of a performance-based wage system, wage increases are now more associated with each individual's ability and achievement. The payment of bonuses has thus come to replace or offset an approach which in the past had focused more on across-the-board wage increases or changes to the basic wage. When a firm's business performance improves, any surplus which is generated tends now to be paid to employees in the form of lump sum allowances.

This year the unions argued strongly that the improved performance of many firms in this fiscal term could be attributable to the cooperation of employees in the firm's efforts to “restructure” in ways that resulted in labor shedding and restraints on wage increases during

the past few years. And management in many firms agreed to some extent. The JIL survey asked about the reasons for the improvement in business. While the largest proportion (55.1%) indicated that it was “because the performance of existing businesses had turned around,” 44.2 percent answered that their improved performance was owing to their ability to get rid of unprofitable business sections, reduce labor costs, and to carry out various other restructuring measures. Restructuring was undoubtedly a factor contributing to the improved performance of many firms.

The major argument made by firms insisting on a “zero increase in the basic wages rate” was focused on the danger that Japanese firms were losing their competitive advantage vis-a-vis the firms in other Asian countries. It was argued that Asian competitors were catching up with them not only in terms of cost performance, but also in terms of production skills and quality control, which were once regarded as the hallmarks of Japan's manufacturing industries.

Even the president of Toyota Motor Corporation, Mr. Fujio Cho, head of a corporation which showed ¥1 trillion in operating profits, expressed his concern about these matters at the labor-management negotiation table. Mr. Cho claimed that “rigid insistence on wage increases will have a serious impact on the ability of Toyota Motors to regain its competitiveness.” From this perspective, the pressures of “international competitiveness” seemed to have become a major parameter shaping this year's wage negotiations.

## Public Policy

### **Future of Labor-Related Cases: Recommendations from the JRC**

In June 2001, the Judicial Reform Council (JRC) submitted its recommendations to the Cabinet after two years of deliberations. The Council had been established in recognition of the increasingly significant role played by the judicial system in an increasingly complicated and diversified society. Its mission was to investigate one of the areas requiring reform in Japan and to indicate the general direction in which the judicial system should be headed in the future. The recommendations are of great significance for labor issues in that they provide guidance for the reform of labor-related issues in the domain of the judiciary.

Reflecting rapid changes in the situation affecting firms and workers, the number of individual disputes between an employee and management has been increasing. In recent years various efforts have been made to deal with this issue. On the administrative side, there is a Dispute Resolution Support System. (See the October 2000 issue of the *Japan Labor*

*Bulletin* concerning the System and considered arguments and recent trends affecting the resolution of labor-management disputes.) The Law to Facilitate the Resolution of Individual Labor-related Disputes will come into effect in October of this year, enabling local Labour Bureaus to handle individual disputes by providing advice, guidance and conciliation. However, legal procedure is also necessary (in defining the rights-and-duties relationship) for the final resolution of such disputes. In practice, the current judicial system does not provide for a simple and swift procedure, and it has become progressively more difficult for the system to cope with the increasing number of cases. (The June 1996 issue of the *Japan Labor Bulletin* reported on resolution procedures for individual labor-management disputes, and the June 2001 issue reported on the increase in the number of such labor disputes.)

One section of the report of the JRC deals with “Strengthening of Comprehensive Response to Labor-Related Cases” and recommends certain reforms. It made three points. First, to cut roughly in half the duration of trials in labor-related cases, measures to reinforce and speed up civil justice were suggested, and the increased use of legal experts was recommended. Second, a labor arbitration system was proposed as a special type of civil arbitration in which experienced experts with knowledge of employment and labor-management relations would participate. Third, the report urged that consideration should be given to (i) the legal treatment of remedial orders given by the labor commissions (getting rid of the virtual “five stage process” through which employers now go when they institute action to annul a remedial order given by a labor commission concerning an unfair labor practice), (ii) to the introduction of a court system in which experts with specialized knowledge and experience of employment and labor-management relations would participate, and (iii) to the establishment of legal proceedings peculiar to labor-related cases. (The English version of this report is available at <http://www.kantei.go.jp/jp/sihouseido/eng-dex.html>)

Following receipt of this report, the government promised that within three years it would draft a series of bills related to the issues mentioned in the report. The recommendations of the report cover a wide range of issues and arguments involving the judicial system as a whole, touching not just on labor law but even mentioning the revision of laws which are at the heart of the entire judicial system and the training of the personnel concerned with its operation. The issues concerning how best to improve the judicial system for resolving labor-management disputes cannot be settled within three years, but will require the enactment and implementation of appropriate policies on a mid- to long-term basis, with frequent fine tuning as the new legislation is implemented.

## **Infants on the Waiting List for Licensed Nurseries**

The government is making every effort, as part of a series of measures to support parents who need to meet both work and child-care responsibilities, to reduce the number of infants who are on waiting lists to enter licensed nurseries. However, the efforts to create additional places is not able to keep up with the increasing demand for places in such nurseries, and the number of infants on such waiting lists has not fallen.

Public and private nurseries authorized by Japan's local governments play a significant role in supporting working women with infants and children. Data for April 2000 shows that 1,788,000 infants are taken care of at licensed nurseries across the country. This is one-fourth of all infants and children under school age (see Statistics 1). However, caring for infants in younger age groups requires a relatively large number of staff members and there continues to be insufficient vacancies for such infants. Accordingly, it is still difficult for many women with children to continue working.

Under its "Angel Plan" drawn up in 1994, the government called for the improvement of child-care services and for an additional 450,000 to 600,000 openings in nurseries for infants up to 2 years old. With its "Five Year Emergency Measures for Child-Care," the original plan was to be achieved during the period from fiscal 1995 to fiscal 1999. Although the plan was more or less realized with 564,000 places being made available in fiscal 1999, the demand for such places also grew, leaving the number of infants on the waiting list unchanged (see Statistics 2). The result was that in April 2000, 33,000 infants were waiting for vacancies at nurseries; two-thirds of them were 2 years old or younger (see Statistics 1). The proportion of all infants on waiting lists is particularly high in large cities: 62 percent of infants unable to get into a nursery are concentrated in Tokyo, Kanagawa and Saitama prefectures, Osaka and Hyogo Prefecture.

Under these circumstances, the "Special Office for Research on the Support for Reconciling Work and Child-Care Responsibilities" of the Council for Gender Equality established within the Cabinet Office proposed further action to remove the waiting lists. Its recommendation is in a final report submitted to the prime minister in June 2001. The report aims to solve the problem of current and future needs for child care by increasing the number of places available for infants by 150,000; 50,000 in fiscal 2002, and 100,000 by the end of fiscal 2004. The plan calls for the use of currently unused rooms in schools and other existing public and private facilities to set up new nurseries at a minimum cost. It also envisages the private sector managing the facilities as far as possible.

However, the "Study Group on Gender Equality" of the Ministry of the Economy, Trade



and Industry estimates that an additional capacity for 840,000 infants and children will be required in order to increase the labor force participation ratio for women in their 20's and 30's. It also projects that an extra 150,000 places for children will likely bring further demand for such services to the surface. This study group also proposes as a practical means to speedily reduce waiting lists, a "child-care voucher system" whereby the vouchers could be used only at nurseries without a license but satisfying certain standards. The group emphasizes that private firms are able to offer child-care service more flexibly than public bodies, and that a voucher system and direct contract between nursery users and service suppliers will lead to greater efficiencies and an improvement in the services provided.

## Special Topic

### Aging Society and the Labor Market in Japan: Should the Fertility Rate be Raised Now? – No!

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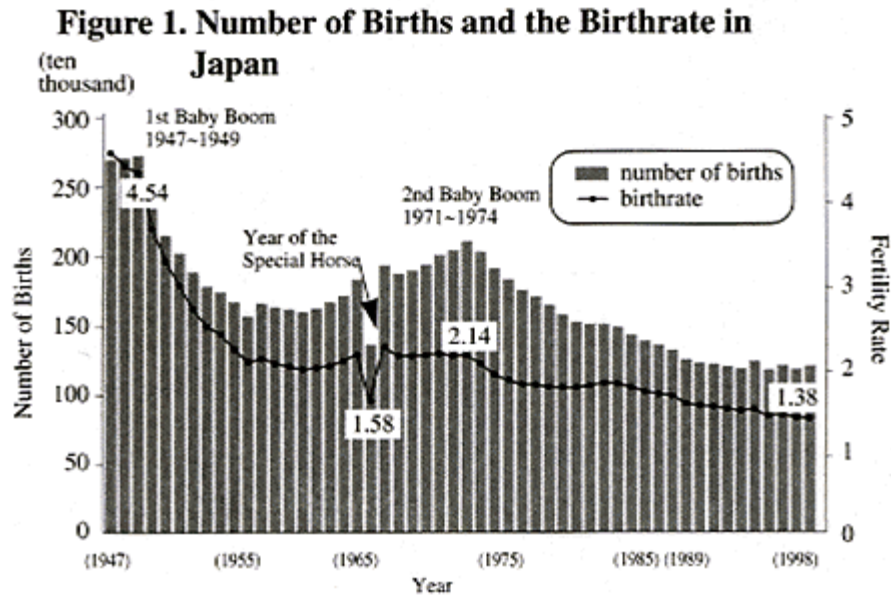


#### 1.0 Introduction

Recently, the impact of the aging society has become one of the most seriously discussed topics in Japan. The Japanese population is rapidly aging and the fertility rate is steadily declining. Figure 1 shows the number of births and the total fertility rate after World War II. The bar graph shows the number of births with the left scale (in terms of 10 thousand) and the total fertility rate is shown with the right scale (in percent). Several trends are revealed by the graph: the first baby boom after the war, the sharp decline in the 1950s, the sudden drop of births in 1966 due to the superstition associated with the Year of the Special Horse (*hinoe uma*), and the second baby boom.

The ratio of the aged to the total population (the aged population ratio) has been steadily increasing and is expected to continue to increase dramatically in the next 20 years or so. Faced with the imminent arrival of an aging society, it is widely argued that the most important response should be to raise the fertility rate in Japan, which has been steadily declining, as shown in Figure 1. However, there are very few, if any, formal studies on whether raising the fertility rate is a desirable measure to cope with the aging society. In view of this, the main purpose of this paper is twofold: (i) to present a formal framework to analyze the

impact of the changes in the fertility rate on aging; and (ii) to determine what should be done to mitigate the social burden associated with the aging society in the 21st century.



As will be discussed in detail below, because the rapid aging will continue only for 20 years or so in the early 21st century, and because it takes 20 years or so before the newborn enter the workforce, we believe that to increase the fertility rate now will increase, rather than decrease, the burden on the working population.

## 2.0 The Aging Population and the Social Burden: Contrasting the Aged Population Ratio and the Dependency Ratio

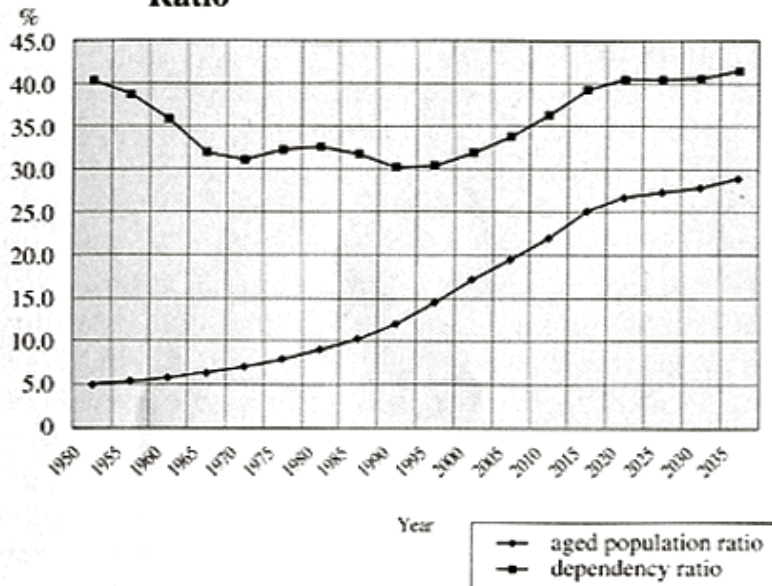
We believe that the present fear of the rapidly aging population is misplaced. The economic burden should properly be judged by the dependency ratio, or the ratio of the dependent population (i.e., aged persons and young children) to the total population, rather than by the ratio of the aged population to the total population (the aged population ratio). Obviously, newborns cannot work, and must be raised by their parents and by society. We do not examine whether raising children is a greater burden than caring for aged persons.

When we carefully look at the dependency ratio and the aged population ratio, the two ratios give very different impressions. First, as widely argued, the aged population ratio in Japan is among the highest in the world. According to the United Nations, in the international ranking of the aged population ratio, Japan is fourth out of 153 countries, following Italy, Greece and Sweden. However, when we look at the international ranking of dependency ratios, Japan places 131 out of 153 countries. Very poor developing countries, such as Uganda, Congo and Yemen, are ranked high in terms of the dependency ratio, as their high fertility rates mean many children are suffering disease and malnutrition. In other words, contrary to the popular belief, the burden on the Japanese working population is light

in comparison to other countries.

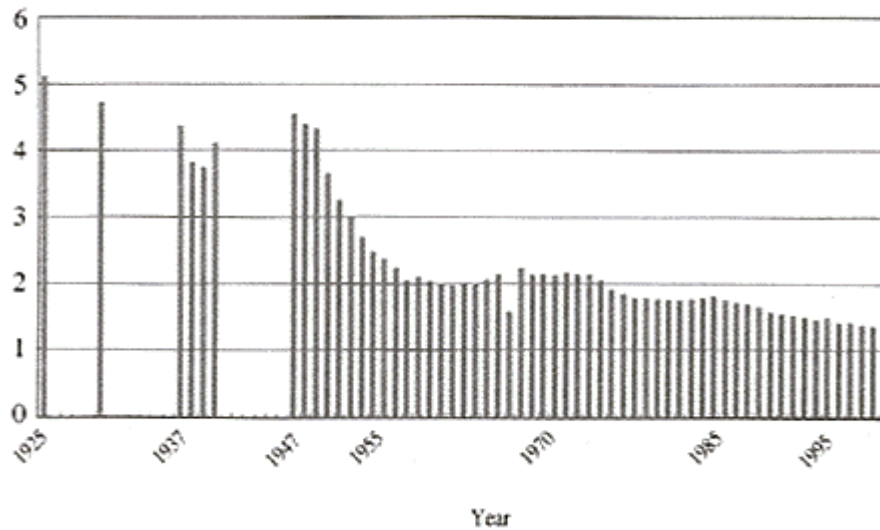
Second, in Japan, the time trend of dependency ratio shows a very different picture to the trend of the aged population ratio. Figure 2 plots the aged population ratio and the dependency ratio since 1950. It shows that the aged population ratio in Japan has been steadily increasing from 4.9 percent in 1950 to 17.2 percent in 2000. The aged population ratio is expected to increase to 25.2 percent in 2020. In other words, one in every four Japanese will be over 65 years old in 2020. However, the dependency ratio, which represents the burden of the working population better than the aged population ratio, as discussed above, shows a very different trend.

**Figure 2. Aged Population Ratio vs. Dependency Ratio**



Due to the dramatic decline in the fertility rate in the 1950s (see Figure 3), the dependency ratio in Japan sharply declined from 40.3 percent in 1950 to 31.0 percent in 1970. In other words, while in 1950 six people had to support four people, in 1970 seven people had to support three people. Thus, the burden on the Japanese working population was greatly reduced during this period. This dependency ratio remained constant at around 30 percent for many years. Likewise, the dependency ratio in 2000 is still 31.9 percent, which is about the same as that in 1970 (31.0%). The dependency ratio is expected to rise rapidly in the early 21st century to reach 40.5 percent in 2020, and to remain constant after that. It should be noted that the dependency ratio in 2020 (40.5%) is about the same as that in 1950 (40.3%). In other words, more than 50 years ago Japan experienced the peak-level dependency ratio expected in the 21st century. Further, as discussed above, we should note that if the fertility rate were raised now, the dependency ratio in Japan in the early 21st century would become higher than otherwise.

**Figure 3. Long-term Trend of Total Fertility Rate**



### 3.0 A Model of the Aging Population and the Social Burden

In order to examine the relationship between aging and the fertility rate in Japan, we set up a simple overlapping generation model, which is an extended version of Weil (1999). While Weil used a three-generation model, we will use a four-generation model to capture reality better. In this model, it is assumed that everyone's life is composed of four periods. In Stage I (young), people only consume without producing. In Stage II (early middle) and Stage III (later middle), everyone produces one unit of goods. In Stage II, people also give birth. In Stage IV (old), people only consume because they have retired from the labor market. At the end of Stage IV, all people die, and there are no deaths before that. If we assume that the length of each period is 20 years, the model corresponds roughly to the actual life of a person in Japan.

Using the four-period model, we examine the impact of a change in the birthrate on the dependent population ratio, the aged population ratio, and social welfare. The number of people in stages I, II, III, and IV are denoted respectively as  $Y_t$ ,  $M_t$ ,  $N_t$  and  $O_t$ .

First, we examine the impact of the change in the birthrate on the aged population ratio ( $OR_t$ ). Using the above notations, the aged population ratio is shown as follows:

$$(1) OR_t = O_t / (Y_t + M_t + N_t + O_t)$$

Dividing (1) by  $M_t$ , we obtain,

$$(2) (O_t / M_t) / \{(Y_t / M_t) + 1 + (N_t / M_t) + (O_t / M_t)\}.$$

Note that  $Y_t / M_t$  is the birthrate (or reproduction rate) at time  $t$ . Let us denote this as  $b_t$ , and we obtain:

$$(3) b_t = Y_t / M_t$$

$$(4) b_{t-1} = M_t / N_t$$

$$(5) b_{t-2} = N_t / O_t.$$

From (2), (3), (4), and (5) we obtain (6):

$$(6) OR_t = \{(O_t/N_t)(N_t/M_t)\} / \{(Y_t/M_t)+1+(N_t/M_t)+(O_t/N_t)(N_t/M_t)\} = \{(1/b_{t-1})(1/b_{t-2})\} / \{b_t+(1/b_{t-1})+(1/b_{t-1})(1/b_{t-2})\}$$

Differentiating (6) with respect to  $b_t$ , we obtain (7):

$$(7) \partial(OR_t) / \partial b_t < 0$$

Equation (7) shows that an increase in the birthrate reduces the aged population ratio by increasing the young population.

Second, we examine the impact of a change in the birthrate on the dependent population ratio ( $DR_t$ ). The dependent population is the sum of the young population and aged population. The dependent population ratio is:

$$(8) DR_t = (Y_t + O_t) / (Y_t + M_t + N_t + O_t).$$

Dividing (8) by  $M_t$ , we obtain,

$$(9) DR_t = \{(Y_t/M_t)+(O_t/M_t)\} / \{(Y_t/M_t)+1+(N_t/M_t)+(O_t/N_t)(N_t/M_t)\}$$

From (3), (4), (5), and (9) we obtain (10).

$$(10) DR_t = \{b_t + (1/b_{t-1})(1/b_{t-2})\} / \{b_t+1+(1/b_{t-1})+(1/b_{t-1})(1/b_{t-2})\}$$

Differentiating (10) with respect to  $b_t$ , we obtain (11).

$$(11) \partial(DR_t) / \partial b_t > 0$$

Equation (11) shows that an increase in the birthrate increases the dependent population rate by increasing the young population.

Third, let us examine the impact of a change in the birthrate on social welfare. If we assume that social welfare is a monotonically increasing function of consumption per capita (at least in the reasonable range of consumption amount), we can evaluate the impact on social welfare ( $V_t$ ) by looking at the consumption per capita ( $C_t$ ). Consumption per capita is expressed as follows:

$$(12) C_t = (M_t + N_t) / (Y_t + M_t + N_t + O_t)$$

Substituting (3), (4), and (5) into (12), we obtain

$$(13) C_t = \{1+(1/b_{t-1})\} / \{b_t+1+(1/b_{t-1})+(1/b_{t-1})(1/b_{t-2})\}$$

Differentiating (13) with respect to  $b_t$ , we obtain (14):

$$(14) \partial(C_t) / \partial b_t < 0$$

Since social welfare ( $V_t$ ) is assumed to be a monotonically increasing function of consumption per capita ( $C_t$ ), (14) implies (15):

$$(15) \partial(V_t) / \partial b_t < 0$$

Equation (15) shows that the increase in the birthrate reduces social welfare by increasing the dependent population ratio.

In summary, the above theoretical analysis of the effect of a change in the fertility rate upon the aging society in Japan yields two insights:

- (i) When the fertility rate is increased, the aged population ratio becomes smaller. Consequently, if the aging problem refers to just the increase in the proportion of older people in the total population, the rapid aging problem will be mitigated;
- (ii) However, an increase in the fertility rate will increase the dependency ratio, and consequently the burden on the working population will be larger than otherwise.

#### **4.0 The Birthrate and the Social Burden: A Simulation**

In the following discussion, the above model will be applied to the actual situation in Japan in order to evaluate the validity of the popular argument that Japan must increase its fertility rate now to reduce the burden on its working population. Figure 3 shows the long-term trend of the total fertility rate in Japan.

As shown in the figure, until 1950 the total fertility rate in Japan was very high, at around four to five. After 1950 it declined sharply to around two percent, and after 1970 it declined modestly. Thus, the trends in the fertility rate can be divided into three periods: Period I: high birthrate; Period II: sharp decline in the birthrate; and Period III: modest decline in the birthrate. Although there is concern over the modest decline in the fertility rate in recent years, a much more dramatic decline occurred more than 40 years ago. At this time, the pattern of the Japanese fertility rate showed a structural change from a developing country type to a developed country type.

Based on the above figures for the fertility rate in Periods I, II, and III, we evaluate the impact of the policy measures designed to influence the fertility rate in the future period (Period IV). In Period IV (the next period), we examine three alternative policy measures as follows:

Case A: to maintain the current fertility rate (at 1.4)

Case B: to raise the fertility rate in the next period to 2.0

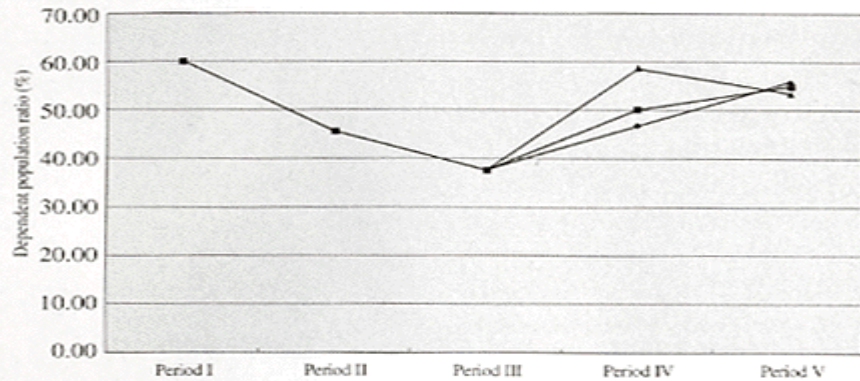
Case C: to dramatically increase the fertility rate in the next period to that of Period I (4.0).

In all cases, the fertility rate in Period V is assumed to be 2.0, which is compatible with a stable population.

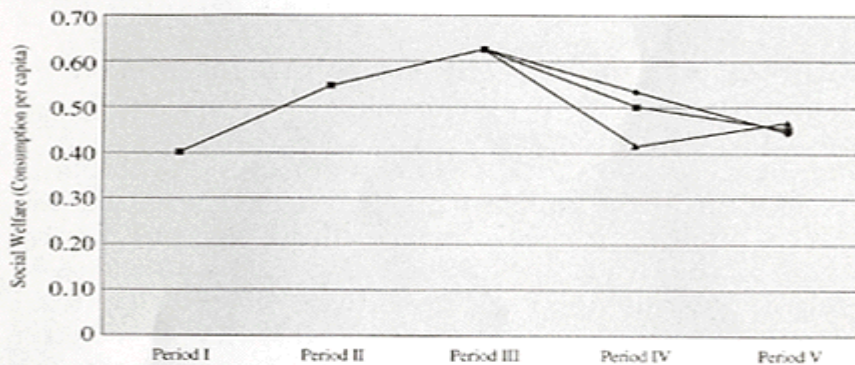
Figures 4, 5, and 6 are the results of the simulation. The most significant figure is Figure

5, which shows that social welfare in Period IV is highest in Case A and lowest in Case C. It also shows that the impact on social welfare in Period V in each of the three cases is similar. In other words, the above simulation results suggest that, contrary to the popular belief, the policy measures to raise the birthrate in Japan now may not be wise, as they increase the number of children that the working population must support.

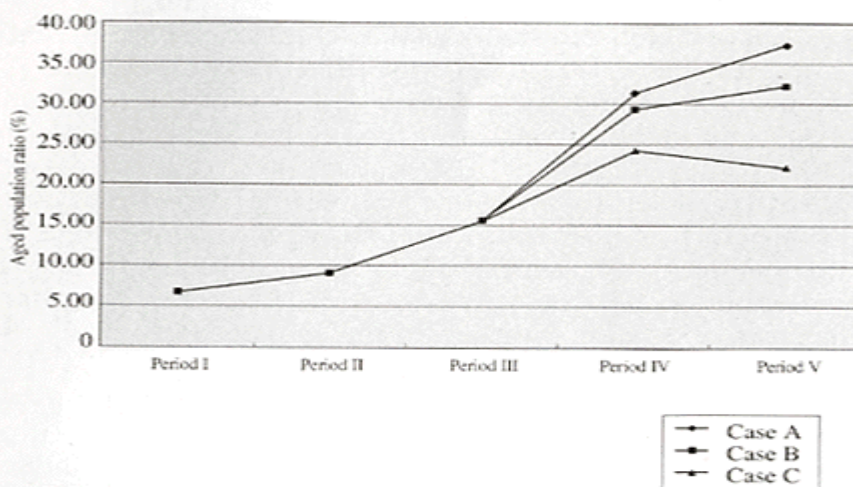
**Figure 4. Birthrate and Dependent Population Ratio**



**Figure 5. Birthrate and Social Welfare**



**Figure 6. Birthrate and Aged Population Ratio**



## 5.0 The Aging Population and Population Policy

In the previous sections, we have discussed the burden on the working population based on the age structure of the future population of Japan. In this section, we shift our attention to the labor market and examine the demand and supply of labor in Japan in the early 21st century. The actual burden of an aging society on the working population is determined not only by the dependency ratio, but also by labor productivity (i.e., how many goods are produced by one worker) and by the labor participation ratio (i.e., the percentage of the working-age population that is actually working).

Firstly, it is unrealistic to attempt to prevent the sharp increase in the dependency ratio in early 21st century using population policies. This includes policies to change the size of the young population (e.g., through changing the fertility rate), the working population (e.g., through the admission of foreign workers), or the aged population (e.g., through the emigration of retired persons). As Table 1 shows, the dependency ratio in Japan is expected to rise from 31.9 percent in 2000 to 39.4 percent in 2015, and the working-age population is expected to decline by 9.8 million in the same period. The right column of Table 1 shows the magnitude of the necessary adjustment required to keep the dependency ratio constant between 2000 and 2015. It demonstrates that population policy would have to be unrealistically drastic to prevent a sharp rise of dependency ratio.

**Table 1. Necessary Adjustment to Keep Dependency Ratio Constant**

	Young population (thousand)	Working population (thousand)	Aged population (thousand)	Total population (thousand)	Dependency ratio (%)	Adjustment needed (thousand)
Y2000	18,602	86,419	21,870	126,891	31.90	
Y2015	17,939	76,622	31,883	126,444	39.40	
<b>Adjustment by the number of young population</b> (e.g., to discourage birth)						
	4,002	76,622	31,883	112,507	31.90	-13,937
<b>Adjustment by the number of working age population</b> (e.g., migration inflow)						
	17,939	106,380	31,883	156,202	31.90	29,758
<b>Adjustment by the number of aged population</b> (e.g., <i>Uba-sute yama</i> or fancy retirement home in Sebu)						
	17,939	76,622	17,946	112,507	31.90	-13,937

For example, to prevent a rise in the dependency ratio by discouraging births, the size of the young population would have to be decreased by 14 million, from the expected 18 million to 4 million. To make the necessary adjustment by increasing the working population, for example by admitting migrant workers, 30 million workers would have to be admitted. Obviously, these figures seem too large to achieve. In other words, the rapidly aging society in Japan in the early 21st century is the natural outcome of the structural change in the Japanese fertility rate in the 1950s. Consequently, to avoid the increase in the dependency



ratio in the early 21st century, the necessary population policy should have been undertaken more than 40 years ago.

## **6.0 The Aging Population and Labor Market Policy**

Although population policy may be powerless to prevent the dependency ratio (and the aged population ratio) from rapidly rising in the next 20 years or so, labor market policy appears promising. It can diminish the actual burden on the working population by keeping a balance between labor demand and labor supply. Firstly, it should be noted that a labor shortage or the burden on the working population is not necessarily caused by a decline in the size of the working-age population. The labor market balance is also determined by demand-side factors (how much labor is demanded by the national economy) and by supply-side factors (the percentage of the working-age population actually working). Therefore, if the Japanese economy makes a structural change to a labor-saving economy, and if the labor participation rate is increased by rising numbers of female workers, a decline in the working-age population will not necessarily result in a labor shortage.

One of the most important measures to avoid a labor shortage, or an increased burden on the working population, is, needless to say, to increase labor productivity. Even if the number of workers declines in the future, a productivity increase can compensate for the decline. As discussed above, the working-age population in Japan is expected to decline by 9.8 million in 15 years, or an annual decline of 0.7 percent. On the other hand, the labor productivity in Japan (at least until the recent recession) has been increasing by about three percent a year, mainly due to active investment by Japanese firms. Consequently, if the Japanese economy is put back on track, and if advances in information technology continue, a 0.7 percent annual decline in the working-age population can be easily offset by an increase in labor productivity.

In addition to increasing labor productivity, various measures can be taken to prevent labor shortages in the future. We discuss two types of measures: (i) measures to utilize Japanese labor effectively (e.g., female participation and rationalization of agriculture); and (2) measures to indirectly utilize foreign labor (e.g., trade liberalization and outflows of foreign direct investment).

First, female participation seems very promising. Although more and more women have entered the labor market in recent years, there are still many women who want to work but cannot do so because of family responsibilities, such as housework, small children, or a sick parent. Consequently, if a better working environment for women is achieved, for example, adequate numbers of quality daycare centers, the supply of female labor will be increased. This will mitigate the expected labor shortage in Japan.

Second, the rationalization of inefficient industries, such as the agricultural and distribution sectors, is important. While the number of agricultural workers has been steadily declining, labor productivity in the agricultural sector is still much lower than in many countries, if Japanese agricultural products are evaluated at international prices. Consequently, if further rationalization of Japanese agriculture makes it possible to reallocate agricultural workers to other sectors, the labor shortage in the Japanese economy as a whole will be relieved.

Third, trade liberalization is also a promising policy measure. If, rather than producing in Japan using Japanese workers, Japan imports more foreign-made products, which are produced by foreign labor in foreign countries, it can save domestic labor. The importation of labor-intensive products, such as textiles and clothing, seems to be an especially hopeful area where this policy could be effectively applied.

Fourth, closely related to the third point, curbing the export drive should be an effective policy for reducing the labor shortage. Since the Meiji Restoration Japan has been encouraging exports of Japanese-made goods, and in recent years the accumulation of a trade surplus has brought about trade conflicts with many countries. If Japan curbs its strong export drive and reduces the export of at least labor-intensive products, the labor demand by the Japanese economy will be substantially decreased.

Fifth, foreign direct investment (FDI) is also important. Instead of building factories in Japan and hiring Japanese workers, Japanese firms can move production sites to foreign countries, where they can produce goods by hiring foreign workers. The outflow of Japanese FDI will create jobs in foreign countries, and, at the same time, save labor in Japan.

To examine the impact of the above five measures on labor-creation and labor-saving, we undertook a simple simulation (Goto, 1994). Table 2 shows the results of this simulation. The total size of the labor-saving and labor-creating effect ranges from 10 million to 17 million, depending on the underlining assumptions. These figures are larger than the expected decline in the working-age population in the early 21st century (9.8 million). Thus, at least in aggregate, the decline in the working-age population and the resulting increase in the burden on the working population can be compensated if these measures are undertaken effectively.

**Table 2. Labor Saving and Labor Creation  
(A Simulation)**

(ten thousands)

	normal	high speed
Female participation	379	783
Efficient agriculture	223	325
Trade liberalization	153	304
Curb on the export drive	96	96
FDI	158	158
Total of the above	1,009	1,666

**Note:** The number of expected decline in working age population in 2000-2015 is 9.8 million.

**Source:** Goto, 1994.

## 7.0 Concluding Remarks

So far, we have examined the aging population in Japan and various measures to cope with the expected rapid aging in the 21st century. In conclusion, we summarize the main points of the discussion.

First, the rapid increases in the dependency ratio (and in the aged population ratio) in the next 20 years or so is inevitable due to the dramatic decline in the fertility rate that occurred in the 1950s.

Second, the popular argument that the fertility rate should be raised now to cope with the aging population in Japan is misleading. The rapid aging will continue only for 20 years or so in the early 21st century. Since newborns would not enter the workforce for approximately 20 years, we believe that the increase in fertility rate now will increase, rather than decrease, the burden on the working population.

Third, the sharp rise in the dependency ratio due to the decline in the working-age population will not necessarily cause a labor-shortage or an increased burden on the Japanese economy. Various measures, such as increases in labor productivity and female participation, can mitigate, or even offset, the adverse impact upon the aging society.

### References:

- Goto, Junichi. *Gaikokujin Rōdōsha to Nihon Keizai* (Migrant Workers and the Japanese Economy). Tokyo: Yuhikaku Ltd., 1994.
- Weil, David. "Population, Growth, Dependency, and Consumption." *American Economic Review* (1999): 251-255.

## Feature

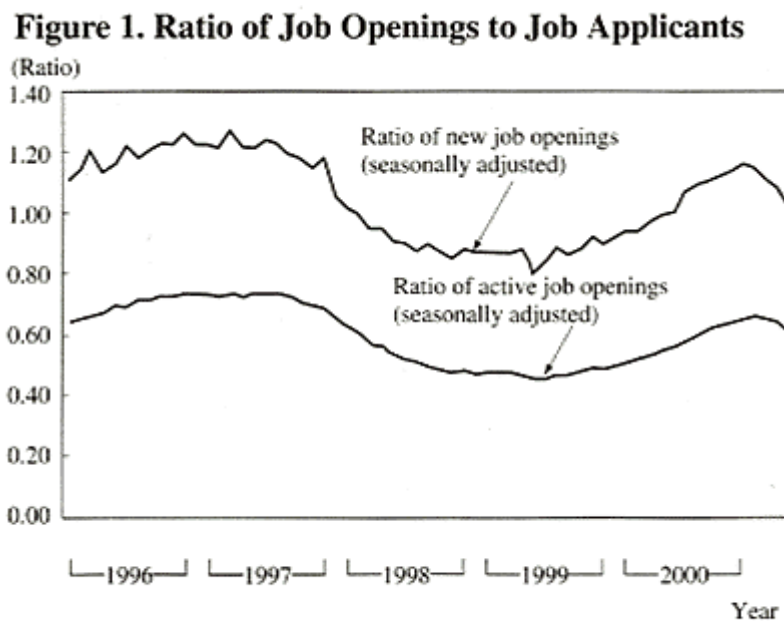
### *The 2001 White Paper on the Labour Economy: A Summary of the Analysis*

On July 6, 2001, the Ministry of Health, Labour and Welfare submitted its *2001 White Paper on the Labour Economy* to the Cabinet and released it to the public. The White Paper presents an analysis of recent trends and changes in the labor market, with particular focus on the year 2000. In addition, it presents an analysis of the impact of the rapidly developing information technology (IT) revolution on employment and ways of working, with reference to the situation in the U.S.

#### 1.0 Chapter 1: The Current Situation of the Labor Economy

The employment situation in 2000 remained serious. The unemployment rate was 4.7 percent, which is equivalent to the record high of the previous year. However, reflecting a moderate improvement in economic conditions, there were signs of improvement in the number of job openings and the number of employees. Special features of the labor economy in 2000 were as follows:

- (1) The number of new job openings since summer 1999 increased compared with the previous year. In addition, both the ratio of new job openings to new job applicants, and the ratio of active job openings to active job applicants improved (Figure 1). The sense of excess employment eased, and the proportion of establishments carrying out employment adjustment was reduced.



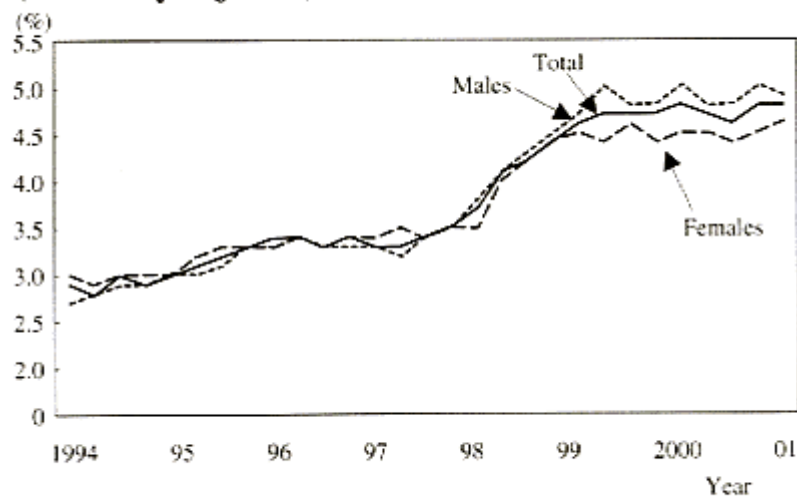
Source: Ministry of Health, Labour and Welfare, *Shokugyō Antei Gyōmu Tōkei* (Report on Employment Service).

- (2) The number of employees continued to increase from May onwards, on a year-on-year

basis. The number of employed people began to increase in October. However, most of the increase was due to an increase in temporary jobs such as part-time work. As a whole, the improvement was weak.

- (3) Under these circumstances, the unemployment rate remained high, reaching a record high of 4.9 percent for two consecutive months, in December 1999 and January 2000 (Figure 2). This is attributable to a substantial decrease in self-employed workers and their family workers; mismatching in the labor market; and an increase in new job seekers who were attracted by signs of improvement in the employment situation, entered the labor market as unemployed persons.

**Figure 2. Trends in the Unemployment Rate (seasonally adjusted)**



Source: Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications, *Rōdōryoku Chōsa* (Labour Force Survey).

- (4) With the business recovery coming to a standstill from late 2000 into early 2001, the tendency towards improvement in the employment situation also halted. In the near future, the write-off of non-performing loans prodded by the government's emergency economic measures may affect the employment level. Steps to minimize such negative effects were accordingly incorporated in those emergency measures.

The total cash earnings by workers increased for the first time in three years, although the improvement in wage levels lagged that in companies' profits. Scheduled cash earnings increased. Non-scheduled cash earnings increased substantially, because of an increase in non-scheduled working hours. However, special payments decreased.

The total number of hours worked in 2000 increased for the first time in four years. This reflected increases in scheduled and non-scheduled working hours, largely due to the moderate recovery of the economy.

Actual consumption expenditure in workers' households declined for the third consecutive year in both nominal and actual terms compared with the previous year. This reflected the sluggish growth in real incomes. The desire to consume was recovering, though at a very slow speed, leaving the average propensity to consume at a low level.

## **2.0 Chapter 2: The IT Revolution and Employment**

### **2.1 Features of the IT Revolution**

The rapid development of information technologies, referred to as the IT revolution, is expected to propel Japan's economy forward to a new stage of development, and bring considerable changes to our lifestyles. In line with this, the government is beginning to actively promote development of the IT revolution, and has set up an IT Strategy Headquarters within the Cabinet.

The IT revolution is often compared with similar episodes in the past such as the Industrial Revolution. However, past technological revolutions mainly impacted on labor and employment in the manufacturing sector, whereas the present revolution affects labor and employment for white-collar workers.

### **2.2 The IT Revolution and Employment in the U.S.**

The United States has been a leader in the IT revolution. It has continued to increase its GDP since 1992, substantially increasing the number of employees in the process. It has successfully achieved both economic growth and employment expansion. At the same time, however, the rate of dismissals has increased, particularly among white-collar workers, including workers in managerial posts. This reveals, if anything, a decline in employment stability.

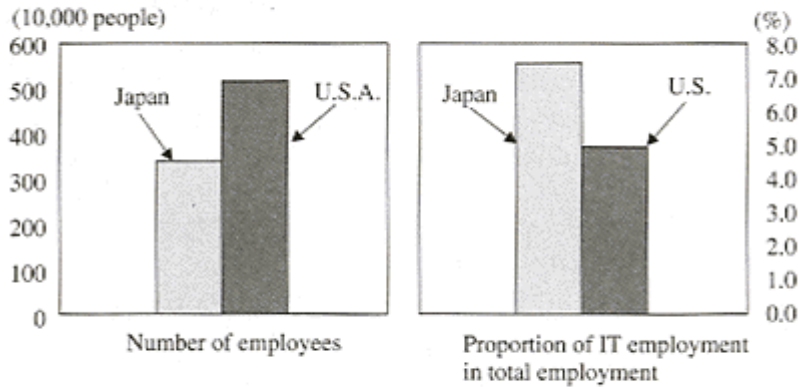
The gap in annual average incomes among different educational levels (for males) has been widening, with the tendency corresponding with the varying proportions of people who own personal computers among people at different educational levels. This gap, which is probably attributable to different speeds of adapting to the new information technologies, has caused the serious problem referred to as the "digital divide."

Consequently, in the U.S., importance is attached to providing learning opportunities for people of all age groups as an employment measure to match the IT revolution. In addition, the new information technologies are being put to use to build networks to deal with job introduction and vocational training.

### 2.3 The Impact of the IT Revolution on Employment

Following the definitions set forth in *Digital Economy 2000*, a report by the U.S. Department of Commerce, the number of workers in the IT industry in Japan in 1999 was estimated to be 3.64 million, or 6.8 percent of the total number of workers. The percentage exceeds that in the U.S. (5.1%), where 3.28 million are employed in the IT industry (Figure 3).

**Figure 3. Comparison of Employment in the Information Technology Industries in the U.S. and Japan**



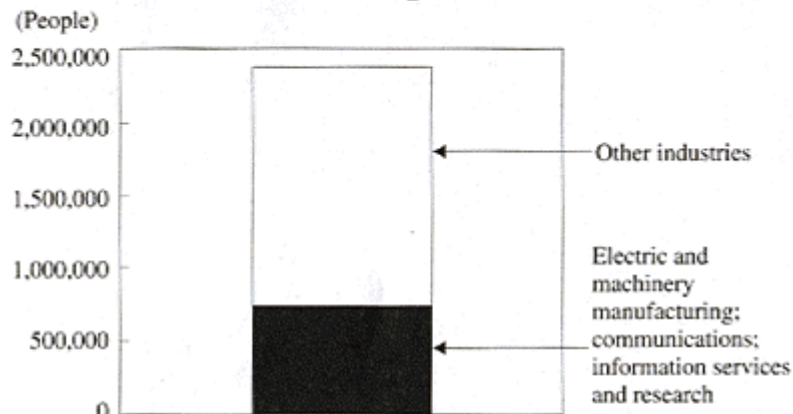
**Sources:** Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications, *Jigyōsho, Kigyō Tokei Chōsa* (Establishment and Enterprise Census) and U.S. Department of Commerce, *Digital Economy 2000*.

**Note:** Figures are for 1999 for Japan, and 1998 for the U.S.

In Japan, the manufacturing sector accounts for most of the employment in the IT industry. However, the rate of employment growth has been conspicuous in the service sector, and in specialized and technical work, which provides evidence of the increasing importance of software and sophisticated technology.

The estimated impact of the IT revolution on the quantity of employment throughout the 1990s, including secondary effects, was the creation of more than two million jobs. The service sector, in particular, saw a growth in job places. The growth in this industry is not confined to jobs related to the IT industry, but occurred in the sector as a whole (Figure 4).

**Figure 4. Estimated Increase in Workers in the IT Industry and in Workers in IT Occupations in Other Industries (Accumulated figures from 1990 to 1999)**



**Sources:** Estimates by Counselor Office, Labour Policy Planning, Ministry of Health, Labour and Welfare, based on: *National Accounts, Annual Reports on Capital Stock in the Private Sector by Industry*, and *Annual Reports on Orders Received for Machinery*, Cabinet Office; *1985-1990-1995 Time-Series Input-Output Tables for Japan*, *Family Income and Expenditure Survey*, *Survey of Outlook for Telecommunications Industry*, Ministry of Public Management, Home Affairs, Posts and Telecommunications; *Indices of Industrial Production, Survey of Selected Service Industries, Survey of Outlook for Information Service Sector*, Ministry of Economy, Trade and Industry; *Monthly Labour Survey*, Ministry of Health, Labour and Welfare; and *Annual Reports on Price Indices*, Bank of Japan.

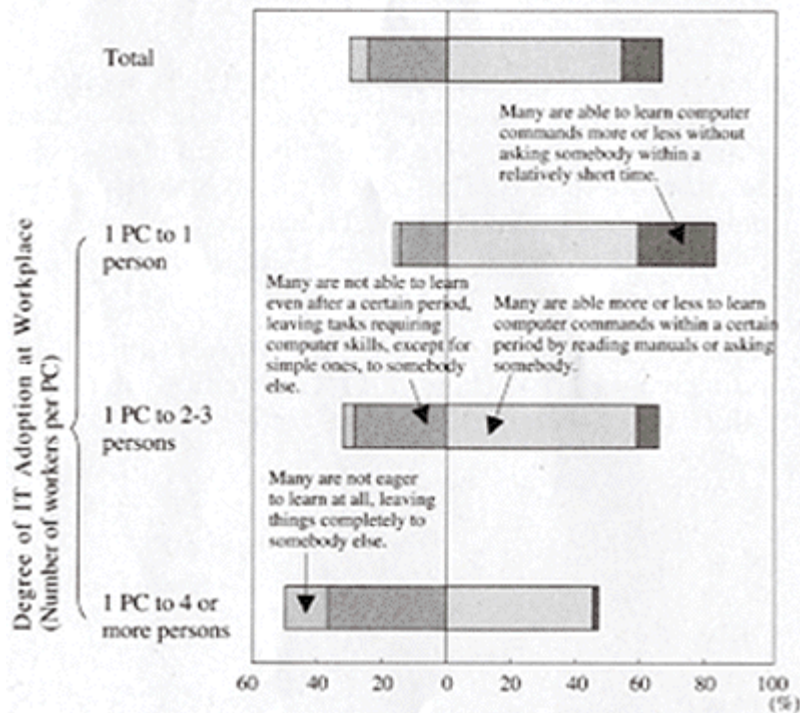
#### 2.4 Changes in the Nature of Jobs Due to the IT Revolution

The IT revolution has an impact on the individual workplace and the nature of jobs. It has reduced routine office work and increased creative and specialized work. At the same time, performance-based evaluation of employees is progressing. So far, the skills and abilities related to information technology have not produced substantial gaps in wages and promotions among workers, but they are likely to do so in the future.

While many firms consider that workers, particularly the middle-aged and older, have insufficient command of personal computers, the skills that most firms require are actually basic knowledge. Therefore, many firms believe that even workers in the older age groups are able to acquire such knowledge if they spend a certain amount of time on learning. As more firms have adopted information technologies, recognition of this fact has become stronger (Figure 5).



**Figure 5. Progress in Learning IT Skills by Middle-aged and Older Workers, According to Availability of Computers at the Workplace**



Source: Sanwa Research Institute and Consulting Corporation (2000, Research Project entrusted by the Ministry of Health, Labour and Welfare), "IT Kakumei" ga Rōdō ni Ataeru Eikyō ni Tsuite no Anketto Chōsa (A Questionnaire Survey concerning the Impact of the IT Revolution on Labor).

There is concern that advances in information technologies may accelerate the crumbling of the hierarchical personnel system within firms, flattening it so that mid-ranking managerial posts are no longer needed. In fact, firms adopting a higher level of information technology are more likely to have a "flat" organization. This suggests that information technologies can serve as an effective means for reforming organizations. However, there is no correlation between the evolution of information technologies and a decline in the number of mid-ranking managerial posts. Rather, such workers are increasingly being required to exercise more creativity and to play more competent roles in the workplace.

In fact, the IT revolution does cause a decline in the number of personnel, particularly those engaged in intermediate production. However, in most cases, the employment adjustment is carried out by means of attrition, and firms make possible efforts to take responsibility for employment maintenance.

## 2.5 Human Resource Development to Match the IT Revolution

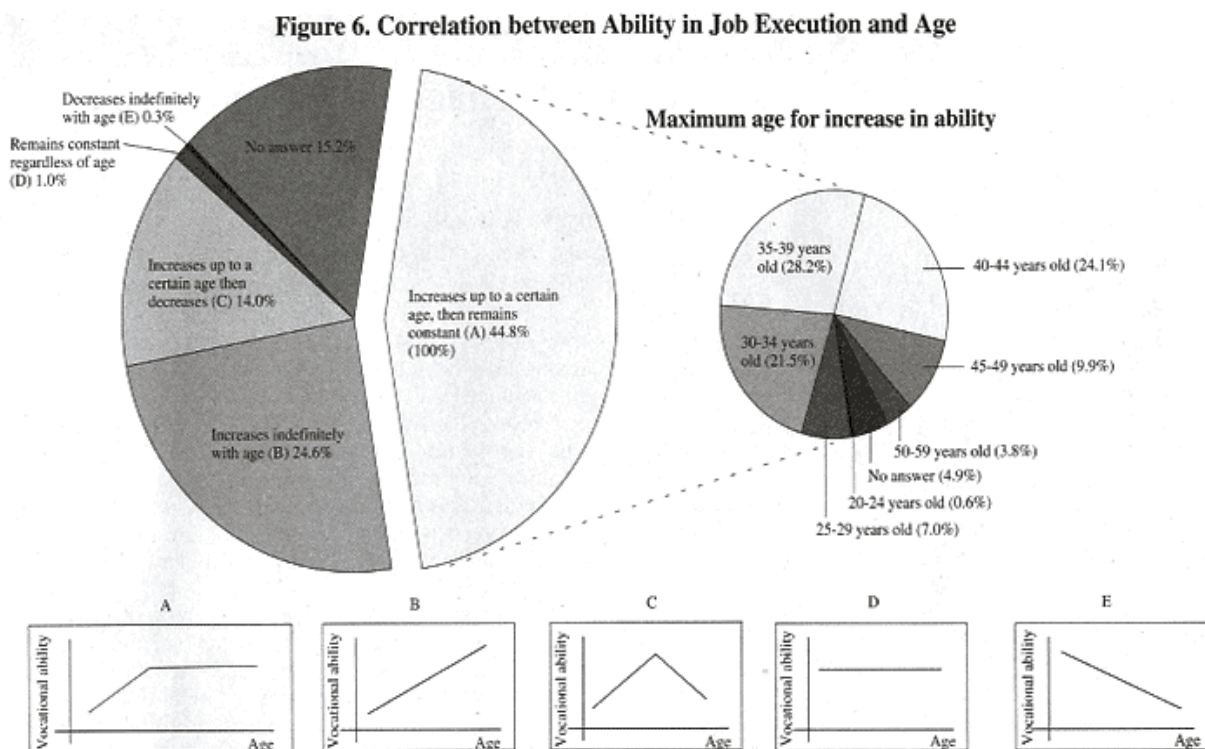
With information technologies steadily advancing, workers are increasingly required to

show “information literacy.” This is defined as a fundamental ability to use computers and other technologies to collect, use, analyze and evaluate information. The government has been promoting human resource development to cope with the evolution of information technologies by setting up the e-Japan Priority Policy Program. At the same time, workers are expected to have practical ability in applying such information technologies in actual business, backed up by a profound knowledge and experience.

The demand for IT workers has been increasing, but the supply is still insufficient. Accordingly the rate of successful responses to job advertisements for IT engineers has been falling.

Many IT-related firms rely on recruitment throughout the year for workers who can immediately contribute to the firm. Many IT engineers, for their part, have already experienced job switching and are content with the idea. The engineers in high demand are seen as switching their jobs as a means of their career formation.

Nevertheless, the number of IT workers with a certain level of experience is limited. Moreover, many firms believe that the skills and abilities of engineers will be maintained and even improved, as they become middle-aged and older (Figure 6). Consequently, it is increasingly important to assist systematic job training and organized career development.



Source: Japan Institute of Labour, *Jōhō kanren Kigyō no Rōdō men ni tsuite no Jittai Chōsa* (A Survey on the Labor Aspect of Information Technology Firms), 2000.

Further, the development of information technologies has itself produced new and efficient training methods, such as web based training (WBT). WBT is a training method on the Internet that provides everything required for learning and ability evaluation, including learning materials, problem sets and so on. Further developments in WBT can be expected.

## **2.6 Diversification of Employment Patterns Related to the IT Revolution**

The information technology revolution enables various new working styles such as tele-work: a working style freed from restrictions of time and location by using the Internet network, and work at home. It also makes it easier for workers with responsibilities for elderly or disabled family members or housework to participate in the labor market. In 2000, the total number of tele-work employees (including working at home) was estimated at 2.46 million, while the total number of workers who work in a small office or home office (SOHO) environment and do not hire other workers, was estimated at around 174,000. Some 90 percent of tele-work employees are male, and such workers are generally satisfied with their working style. On the other hand, many workers in a SOHO environment are females who have children to take care of, or people who are responsible for housework. There is a need to improve the security of such jobs and establish a business environment more favorable to fair dealings.

In addition, non-regular employment such as part-time or *arubaito* (side-job) employment and outsourcing is increasing, due to the progressive standardization of job duties with the advance of information technologies.

## **2.7 The Labor Market and the Ongoing Information Technology Revolution**

With the IT revolution still in progress, it has been argued that Japanese-style employment practices should be revised. However, each nation has its own unique employment system, and Japan's system has, in fact, coped smoothly with structural change during previous periods of high economic growth and technological innovation. Amidst the ongoing progress in information technologies, firms themselves are attaching importance to the maintenance of employment. However, it is also necessary for firms to reconsider their conventional ways of doing business and their traditional organization. Thus, it will be necessary, while taking advantage of the positive aspects of the Japanese employment system, to establish flexible internal labor markets (i.e. labor distribution mechanisms within firms, whereby their management and practices, including re-allocation, promotion and related wage management, serve the functions of a labor market).

At the same time, smooth labor mobility in the exterior labor market is essential. For this purpose, it is important to get rid of mismatches in the market brought about by differences in

age, working conditions, abilities and experience. Importance should also be attached to the provision of accurate information on the labor market, appropriate vocational training, the strengthening of the labor supply-and-demand adjustment system in the private sector, as well as the strengthening of this adjustment mechanism using information technologies.

In addition, for local economies across the country to benefit from the information-technology revolution, the securing and training of human resources will be needed.

## Opinion

### The 2001 Spring Labor-Management Negotiations

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Associations



This year's spring negotiations were carried out at a time when the U.S. economy was showing signs of slowing down, when unemployment was increasing in Japan, and when the exchange rate and share prices on the stock exchange were still a bit shaky, with the situation getting worse every day.

A mid-term picture of the environment to the negotiations was marked by the fact that many Japanese firms were still struggling after the prolonged recession following the collapse of the bubble economy. Evidence of this can be found in the high ratio of labor share, the low returns on equity, and the low ratio of net worth. The 21st century began under rather peculiar circumstances: the unprecedented level of international competition that has accompanied globalization, the rapid spread of information technology, the increased interest in the environment, and the graying of society.

Management approached the spring negotiations with the claim that Japan's wage levels were among the highest in the world, and labor share was also high among the developed countries. To maintain international competitiveness and to give priority to employment stability, management argued that every effort should be made to contain total labor costs within the ability of firms to pay. Management thus argued that companies' gains from the improvements in value-added productivity should first be passed on as employment security,

and then through bonuses.

On the other hand, the labor unions called for some increase in the basic wage rate with the age-wage profile being maintained so as to facilitate the expansion of consumption. The lines were thus drawn for a tough round of negotiations, as in the previous year.

The outcome was a wage increase (calculated from the weighted average of 209 major companies as compiled by Nikkeiren) of 1.93 percent (compared with an increase of 1.97 percent the previous year). This was the lowest wage increase since the first spring wage negotiations were launched in 1956.

Several features of this year's negotiations deserve mention.

First, with the economy becoming increasingly globalized and competition being heightened owing to deregulation, differences in business performance among industry and among companies were more conspicuous due to the prolonged recession. While negotiations between labor and management were intense, the overall pattern was that wage decisions came to rest more on the individual responsibility of firms and unions within the ability to pay. This has been reflected in greater variation among firms than before. On the whole, this year's wage hike resulted in the lowest level.

Second, the relative wage increase in manufacturing was the same as last year, but that in the non-manufacturing sector was lower than last year.

Third, the negotiations were conducted with reference to total labor costs, including wages, bonuses, retirement benefits and pensions, fringe benefits and employment security.

Fourth, the level of bonuses was determined more by performance of individual firms. Also, more bonus schemes came to link performance, spreading from the electric industry to other industries as well.

Fifth, as some firms have been moving away from personnel and wage systems with a heavy emphasis on seniority toward systems which emphasize achievements, the average annual increment fell in some firms.

In this era of intensive competition, differences in the business performance of firms and industries have been widening. Accordingly, there has been a move away from negotiations to work for a standard across-the-board uniformity in wage increase levels, which are now losing

their meaning. As a result of these changes, the nature of the spring negotiations are likely to undergo further changes in the future.

With the situation surrounding business management becoming more uncertain, labor and management will need increasingly to have a shared understanding of the macro-economy, the labor market situation, and changes in the business environment as they impinge upon individual companies. In addition they will need to come to grips with the crisis that is engulfing their businesses. On that basis they will be able to manage their total labor costs so that employment levels can be maintained and they will be able to move ahead with meaningful discussions on how to deal with various issues, including a fundamental reassessment of personnel policies and strategies for wages, retirement benefits and other welfare benefits, improving productivity, extending employment, and the provision of education and training.

Over the next few years firms will need to prepare for more varied employment patterns and working arrangements to meet the diversified needs of the labor force. Being able to provide various work/lifestyle options will contribute to job creation and maintenance while also building a society where individuals can demonstrate fully their abilities.

### **The 2001 Spring Struggle for a Better Life**

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Division Director  
Working Conditions Division  
Department of Working Conditions  
Rengo (Japanese Trade Union  
Confederation)



Rengo's policy for the spring offensive in 2001 was based on the shared perception that it would be difficult to achieve anything in this offensive using the same basic approach that has been used in the past. Accordingly, there was a strong sense that Rengo must take the first step towards reconstituting the annual campaign for improved working conditions so that it did not continue as a mere repetition of the traditional way of doing things.

First, unions demanded a one percent increase in the basic wage as a rough target. This was apart from the annual increment. The specific demands were left to the decision of industrial federations individually. We also sought to step up the campaign for a comprehensive improvement in the lifestyle of employees by calling for a uniform approach concerning collective agreements in order to achieve an increase in payments for overtime

and extensions to the period of employment for workers aged 60 and over. Moreover, unions affiliated with Rengo decided to work on selected issues, such as enterprise-based minimum wage agreements and a wage hike for part-time workers. By tackling these issues in a coordinated fashion, Rengo aimed to strengthen the sense of solidarity among all employees through mass action. It was hoped that this approach might have a spill-over effect and impact on the campaigns waged by small and medium-sized unions on the efforts of workers who do not belong to any union. In line with this, Rengo took the initiative in organizing company and industrial unions in a coordinated effort to tackle common concerns and to track management responses to union demands.

This year's spring offensive resulted in an average hike of ¥5,949 (a 1.93 percent increase). This was slightly lower, by ¥31, than last year's figure (and down 0.02 percentage points from the increase won in the spring of 2000). Since the individual wage increase was in some cases positive, this year's negotiations may be seen as just about halting the downward trend which occurred over the past several years. Nevertheless, the offensive ended unsatisfactorily in so far as the impact on the macro-economy was concerned.

In the end the union's push to expand individual consumption through improved wage levels that would lessen the sense of anxiety about the future felt by many employees did not make much headway. In the end the arguments that emphasized the need to cope with deflation, intensified competition in international markets, and structural changes, such as the increasing differential in the performance of firms seemed to win out. Accordingly, unions were not able to make headway in presenting their macro-economic viewpoint in individual negotiations between labor and management. With wages increasingly sensitive to each company's business performance and worker output, it is essential for labor unions to approach these kinds of issues in a more rational fashion.

The failure to systematically discuss matters beforehand to the extent necessary meant that the decision to have all the unions tackle the most important tasks together as a united body achieved little more than involving a larger number of unions in the offensive. However, many unions have come to have a fuller sense of the social significance of the national center. Also, Rengo's activities had a great effect in raising the consciousness of many involved in these issues by posing various questions internal and external to the organization. In other words, the first step has undoubtedly been taken towards reformulating the way future spring offensives will be conducted. In the future it will be necessary to hold discussions to work out a better approach for industrial and enterprise-based unions. These efforts will also result in Rengo organizing itself so as to clarify the role of each unit involved and to strengthen the functions of its internal departments. It is also becoming more important for

Rengo to consider a wider range of issues, including work-sharing and the constitution of a “non-age limit” society for highly motivated elderly workers. It will have to consider further how best to forge some kind of social consensus between labor and management groups concerning what is most feasible.

## JIL News and Information

### Conference Report: Japan/U.S./EU Joint Research Project on Labor Law Reform for the 21st Century

Ryuichi Yamakawa  
Professor of Law  
University of Tsukuba

#### 1. Introduction

On July 19-20, 2001, the fourth conference on the Japan/U.S./EU Joint Research Project was held at Clare College, Cambridge University in the United Kingdom. This research project was founded in 1998 by Professor Tadashi Hanami, the current chairman of the Japan Institute of Labour, and Professor Lance Liebman of Columbia Law School, to discuss the future direction of labor law in light of socioeconomic changes among industrialized countries. Conferences for this project were held in July 1998 in Hakone, Japan, in July 1999 at the Arden House in New York (see *Japan Labor Bulletin* vol. 38, no. 10), and in June 2000 in Tokyo (see *Japan Labor Bulletin* vol. 39, no. 9).

#### 2. The Cambridge Conference

The Japan/U.S./EU Joint Research Project has examined several topics that are significant in regard to labor law reform for each participating country. The topics for this year's conference were (1) individualization of labor relations and changes in dispute resolution mechanisms, (2) union organization in a period marked by diversification of the labor force, (3) issues arising out of the globalization of the labor market, and (4) working rights and privacy protection in relation to the newly emerging technologies.

Professor Bob Hepple of Cambridge University organized this year's conference and many participants of past meetings again took part. Professors Hanami, Liebman, Hepple and Manfred Weiss (University of Frankfurt, Germany) were chairpersons. Other participants were Professors Catherine Barnard (Cambridge University, UK), Simon Deakin (Cambridge University, UK), Sciarra Silvana (European University Institute, Italy), Cynthia Estlund (Columbia University, United States), Samuel Issacharoff (Columbia Law School, United States), Susan Sturm (Columbia University, United States), Takashi Araki (University of Tokyo, Japan), Masahiko Iwamura (University of Tokyo, Japan), Motohiro Morishima



(University of Hitotsubashi, Japan) and Ryuichi Yamakawa (University of Tsukuba, Japan).

### **3. Contents of the Discussion**

#### **1) Individualization of Labor Relations and Changes in Dispute Resolution Mechanisms**

In the first session, conference members discussed the recent trend of individualization of labor relations and its implications for labor law reform, such as the necessity for new dispute resolution systems. Professor Iwamura focused on the issue of dispute resolution, introducing and analyzing new legislation in Japan that establishes new procedures for resolving individual labor disputes. Next, Professor Sturm proposed a “structural approach” to tackle the new patterns of employment discrimination. This approach is aimed at the promotion of internal law-making through private mechanisms such as dispute resolution procedures. Professor Deakin then addressed the issue of the individualization of employment contracts in Britain. In particular, he examined the role of the system of employee representation in this changing context.

#### **2) Union Organization in a Period of Diversification of the Labor Force**

The second session focused on the role of trade unions in the current labor market, in which traditional regular employment is shrinking, while atypical employment increases. Professor Morishima examined the Japanese situation and concluded that unions in Japan have not made sufficient efforts to deal with the new conditions in the labor market. In contrast, Professor Estlund re-emphasized the importance of trade unions, contending that their role in expressing the “voice” of workers has become more important because loyalty among workers is declining in the modern labor market. Professor Sciarra then provided a new perspective based on the experience of the European Union, pointing out the importance of trade unions in formulating labor laws together with employer representatives and other relevant organizations.

#### **3) Issues Arising from Globalization**

The first half of the third session focused on the issue of immigration. Yamakawa presented a paper introducing and examining Japan's immigration policies. He concluded that it is necessary for Japan to encourage the entry of skilled workers while simultaneously promoting the integration of foreign residents. Next, Professors Hepple and Barnard analyzed the immigration policies of the European Union. They pointed out that while the free movement and equal treatment of EU citizens are guaranteed, a common immigration policy in relation to third country nationals needs to be established. The latter half of this session was devoted to a broader discussion of the influence of globalization on labor law systems, based on the paper presented by Professor Issacharoff. He opined that social safety nets in the United States have been provided mainly in private employment relationships, and that such

a framework is being challenged by globalization.

#### **4) Worker's Rights and Privacy Protection**

In the final session, conference participants discussed the emerging issue of privacy protection in an era of rapid advances in information technology. Professor Araki examined Japan's policies for the protection of personal data, including the code of conduct recently announced by the Ministry of Health, Labour and Welfare. He also analyzed the issue of e-mail monitoring based on statutory and case law in Japan. Professor Weiss then examined the law in relation to workers' privacy and the protection of an individual's data in the workplace. In addition to the EU directive on data protection, he focused on German law, stressing the role of the works council in facilitating the process of co-determination. In addition, papers were submitted by Professors Mark Rothstein and Matthew Finkin from the United States.

#### **4. Conclusion**

In all four sessions of this year's conference, lively discussions followed the initial presentations. Clearly, all participants share a common interest in the resolution of the new issues facing the United States, the European Union and Japan. To resolve these issues, new perspectives and approaches appear to be necessary, since these issues arise from a socio-economic situation in which the bases of the traditional understanding of labor law are being eroded. This is the result of the individualization of labor relations, diversification of workforces, globalization of the economy, and developments in information technology. Discussion from comparative viewpoints provides an important opportunity for developing such new perspectives. Through such discussion, we can share the precious experiences of other countries as well as obtain valuable suggestions for future labor law policies.



## Publications

### *The Labor Situation in Japan 2001*

(A-4 size; price: ¥1,500)

This book explains various labor situations in Japan in plain, easy-to-understand terms for non-professionals from a multilateral perspective, using statistical tables and charts.

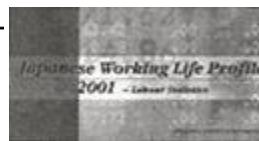


Contents:

1. The Economy, Industries, and Corporations
2. The Labor Markets
3. Human Resource Management
4. Labor Relations
5. Labor Laws and Labor Administrations
6. Social Security Systems

### *Japanese Working Life Profile 2001 - Labour Statistics*

(pocket size; price: ¥1,000)



**CONTENTS:**

#### **1. Economic Environment**

- (1) National Income
- (2) Production Index
- (3) Trade

#### **2. Population and Labour Force**

- (1) Population and Labour Force
- (2) Ratio of Persons 65 Years Old and Over
- (3) Population in Change
- (4) Labour Force Participation Rate
- (5) Labour Force Participation Rate of Persons 65 Years Old and Over

#### **3. Employment**

- (1) Employment Statistics
- (2) Employee Statistics
- (3) New Graduates
- (4) Persons 65 Years Old and Over
- (5) Part Time Workers

#### **5. Wages, Working Hours and Other Working Conditions**

- (1) Wages
- (2) Working Hours
- (3) Labour Costs
- (4) Retirement Allowance System

#### **6. Education and Human Resources Development**

- (1) Enrolled Students/Pupils and Ratios of Those Entering Higher Institutions
- (2) OJT and OFF-JT
- (3) Education

#### **7. Labour Relations**

- (1) Labour Union
- (2) Labour Management Consultation System
- (3) Labour Disputes

#### **8. Life**

- (1) Consumer Price

- |   |   |
|---|---|
| (6)Non-Regular                            | (2)Disparity Between Domestic and Foreign |
| (7)Foreign Labour                         | Prices and Purchasing Power Parity        |
| (8)Rate of Persons Who Changed Jobs       | (3)Household Savings                      |
| <b>4.Unemployment and Introduction to</b> | (4)Worker's Household Finance             |
| <b>Employment</b>                         | (5)Housing                                |
| (1)Unemployment Rate                      | (6)Industrial Accidents                   |
| (2)Job Active Opening Rate                | <b>9.Social Security</b>                  |
|   | (1)Social Security                        |
|   | (2)Labour Insurance Benchmark             |
|   | (3)Social Insurance System                |

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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 [akuwa@jil.go.jp](mailto:akuwa@jil.go.jp) or via fax to +81-3-5991-5710.

## Statistical Aspects

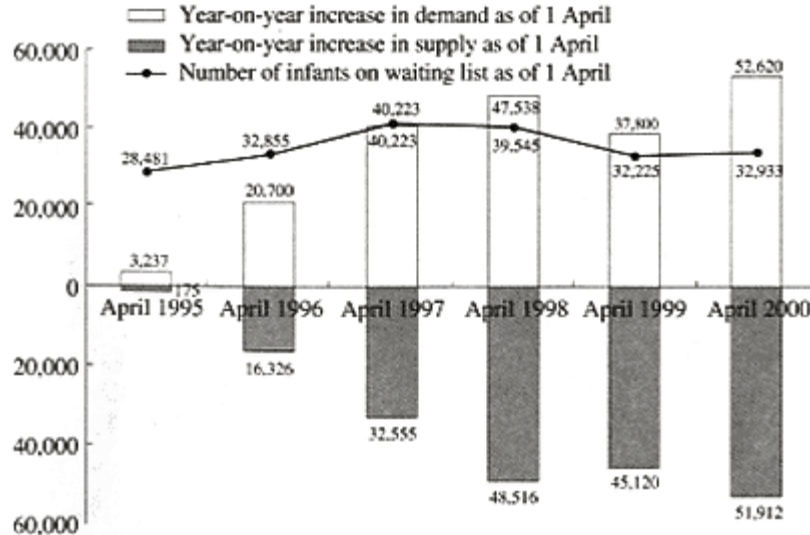
### Recent Labor Economy Indices

	July 2001	June 2001	Change from previous year (July)
Labor force	6,783 (10 thousand)	6,804 (10 thousand)	-13 (10 thousand)
Employed	6,397	6,388	-9
Employees	5,392	5,396	-4
Unemployed	338	330	8
Unemployment rate	5.0%	4.9%	0.1
Active opening rate	0.60	0.61	-0.01
Total hours worked	156.6 (hours)	159.5 (hours)	-0.1
Total wages of regular employees	(¥ thousand) 434.9	(¥ thousand) 485.6	0.0

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

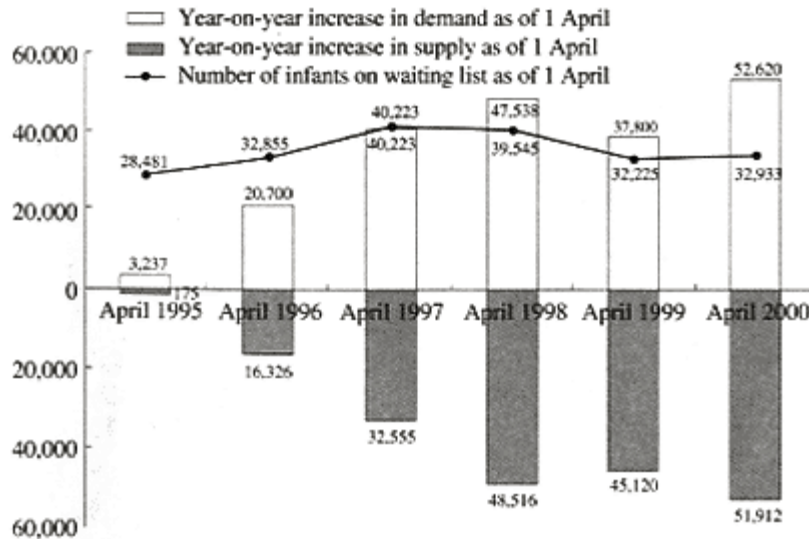
### Statistics 1: The Proportion of Infants Taken Care of at Nurseries and the Proportion of Infants on Waiting Lists, by Age (as of April 2000)



**Statistics 2. Trends in the Demand and Supply of Places at Nurseries, and the Number of Infants on Waiting Lists**

	Proportion of all infants taken care of at nurseries (%)	Number of infants on the waiting list	Proportion of all infants on the waiting list (%)
Infants aged 0	5.6	4,415	6.7
Infants aged 1 – 2	19.2	17,584	3.8
Infants Aged 3 and over	35.4	10,934	0.9
Total Number of Infants	25.0	32,933	1.8

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