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General Survey

One in Four Large Firms Call for Voluntary Retirement or Carry Out Dismissals

The Ministry of Health, Labour and Welfare has released the findings of the fiscal 2000 *Industrial Labour Situation Survey* conducted in September 2000. The survey covers 4,500 private firms with 30 or more regular employees in major industrial sectors, concerning their situation from September 1998 to the end of August 2000. Usable replies totaled 3,596, 79.9 percent of the total number of firms surveyed.

The survey shows that the proportion of firms that had adjusted their employment level during the previous two years was 52.5 percent. This was lower than the 60.8 percent recorded in the previous survey conducted in 1994, but the methods of adjustment cited were somewhat different this time: “calls for voluntary retirement, or dismissals,” which ranked in the bottom group in the previous survey, was the third most common method of labor adjustment this time. The top two methods were “reduction or halting of recruitment of new graduates” (26.6%) and “restrictions on non-scheduled working hours” (23.6%).

Looking at the latest results in terms of company size, a conspicuous difference is that more large firms with 1,000 or more employees have resorted to voluntary retirement or dismissals; a substantial increase to 23.8 percent from 8.5 percent in the previous survey. Moreover, while the average number of workers who volunteered to retire or who were dismissed due to corporate measures was 21.1 per company, more or less the same figure as in the previous survey (20.9), the figure for large firms with 1,000 or more employees saw a considerable increase, from 130.3 workers in the 1994 survey to 191.9. In terms of industry, the financial and insurance sector showed a conspicuous increase, to 70.9 workers per company, compared to 5.9 in the previous survey.

At the same time, it was found that 71.2 percent of the firms surveyed were planning to reconstruct their businesses within the next five years. Major problems involved in such reconstruction measures included “re-education and re-training of workers,” at 52.6 percent, and “lack of human resources to promote the restructuring measures” (49.9%). Accordingly, 85.6 percent of such firms were planning to acquire new human resources or to reorganize their personnel management schemes. More concretely, they were considering “human resources development and re-training of workers” (54.0%), “re-allocation of workers” (37.7%), and “recruitment of workers with experience through the year” (34.3%). Moreover, 8.1 percent of the firms surveyed were considering launching into new businesses in different fields within the next five years. Such firms recognized “the recruitment of workers with specialized

knowledge” (53.6%) and “improvement in education and training schemes” (42.9%) as major tasks involved in such moves. Lack of human resources seems to be a crucial problem for firms aiming at business reconstruction and entry into new business fields.

Human Resources Management

More Firms to Cut Jobs in IT Slump

Amidst the slump in the information technology (IT) sector, many electronic device and computer companies have announced plans to reduce their workforce.

Toshiba Corp. plans to spin off its semiconductor and memory-chip business, which will merge with another company and in the process shed some 17,000 Japanese workers. Approximately 10,000 of these jobs will be lost due to natural attrition. The company is planning to rely on an early retirement scheme operating over a limited period to reduce the remaining 7,000 positions. Toshiba is the biggest supplier of semiconductors in Japan, but this time its main factories are subject to restructuring. The plan will affect some 30 percent of its production base, or six factories, in the form of mergers or shutting down production lines.

Voluntary retirement is also expected to become a reality at Matsushita Electric Industrial Co. Ltd., which has been a model of Japanese-style business management by steadfastly maintaining lifetime employment of skilled workers. Voluntary retirement will be recommended for some 80,000 workers aged 58 and younger with tenure of 10 years or longer. The company has not set a limit on the maximum number of retirees, and is prepared to pay the retirement allowances laid down in company regulations, together with an extra payment of, at a maximum, 2.5 times the annual salary. The labor reduction plan will be carried out over an extended period, with no definite deadline set for applications for voluntary retirement. Matsushita aims to carry out a fundamental restructuring of both its home electronic goods and computer-related businesses.

Many of the restructuring plans recently announced by major electronic machinery companies are characterized by the closure and sale of overseas factories. Hitachi Ltd. will slash 4,500 jobs abroad within this fiscal year by selling factories in Malaysia and Singapore that produce display tubes for personal computers. It will also cease production of electrical equipment systems for automobiles in the U.K., entrusting the production to U.S. manufacturers instead. Fujitsu Ltd. is expecting to target 11,400 overseas jobs in its projected 16,400 job cuts. In a similar fashion, NEC will slash 4,000 jobs, 1,500 of them abroad; and

Aiwa a total of 5,000 jobs, 3,600 of them abroad. Such moves seem to indicate a change in policy by Japanese firms concerning the role of their overseas operations.

Remuneration Commensurate with Contribution — Inventiveness Awarded

In general, Japanese firms reward those employees who have invented something which will bring enormous benefits to the company. These rewards include a certain amount of remuneration, favored treatment in personnel management, and improved conditions for research. But are such rewards enough if the inventions draw worldwide attention?

Professor Nakamura of the University of California has filed suit in the Tokyo District Court for the payment of about ¥2 billion against a company he worked for until the end of 1999, claiming that he had not received fair remuneration for technologies he had developed and for which the company obtained patent rights. The case is drawing attention among firms that employ many technologists engaged in research and development, and see these inventions as sources of profit.

During his stay with the company, Professor Nakamura succeeded in developing the world's first blue light-emitting diode (LED), something that was not expected to be achieved within the 20th century. The company obtained some 100 patents covering developments throughout the production of the blue LED, ranging from the production of materials to the designing of production equipment. However, at the time Prof. Nakamura received a mere ¥20 thousand for the achievement. Upon his departure, the company reportedly demanded an agreement, with an offer of ¥50 million in retirement allowances, to keep his development secret, which would have made it quite impossible for him to continue his research activities. He rejected the demand, and the two parties ended up filing suits against each other. (Initially the company sued him, the basis of which remains undisclosed.)

Prof. Nakamura's claim is based on the inadequacy of a reward of a mere ¥20 thousand. But it is extremely difficult to calculate logically a “fair” figure. Although final profits are in fact rooted in a development by an employee, such profits are due to various other factors and their interaction, such as company investment and the research environment, including the necessary research apparatus, which supported the technologist in his work, together with the contributions of other employees while the development was being put on a production basis and marketed. The calculation of a fair remuneration is difficult to make from the legal point of view also: Paragraph 3 “Employees' Inventions” of the Patent Law Article 35 regulates that in cases where an employee working as an inventor has developed something

which leads to patents obtained by his employer, the employee possesses the right to appropriate remuneration. However, Paragraph 4 of the law merely stipulates that the amount of the remuneration has to be determined with consideration of the level of the employer's contribution, and does not help in determining what is “appropriate.”

Since the 1980s, cases concerning the calculation of “appropriate remuneration” have been brought to court, but the rate for calculating the final amount of such remuneration varies substantially depending on the case. Moreover, a verdict issued by the Tokyo High Court in May this year indicated that companies could not make unilateral decisions on the amount of “appropriate remuneration,” and that if the amount which a company claims to be appropriate does not agree with the figure defined in Paragraphs 3 and 4 of the Patent Law Article 35, then the employee may claim an “appropriate remuneration” without being restricted by the amount calculated by the employer. The case in question has been appealed to the Supreme Court, and a final judgment has not yet given. However, where the claim for ¥2 billion in compensation involving the blue LED is concerned, the trend seen in a series of recent judicial decisions seems rather to favor the employee, and the company is likely to be ordered to pay an “appropriate remuneration” to Prof. Nakamura.

Undoubtedly, appropriate rewards for researchers who have put many years of effort into inventions will contribute to the company's profits, as well as to the development of science and technology. But on the other hand, such treatment of particular employees may lead to unfair treatment of others engaged in research and development. This could lower the work incentives of employees as a whole, creating a difficult problem for companies. In a meantime, attention is focused on the judgment of the court over the development of the blue LED, which, it is also said, could possibly bring Prof. Nakamura a Nobel Prize.

Public Policy

Guidelines to Abolish Age Limits in the Revised Employment Measures Law

The revised Employment Measures Law was put into effect on October 1, 2001. (For details of the law, see Public Policy in the May 2001 issue of the Japan Labor Bulletin.) Of the many revisions, particular attention is being paid to the stipulation concerning the abolition of age limits in recruiting or hiring.

A Special Survey of the Labour Force Survey conducted in February this year by the Ministry of Public Management, Home Affairs, Posts and Telecommunications revealed that the largest proportion of unemployed persons, some 690,000 out of 3.18 million, attributed the

reason for their failure to find new a job to “my age, which disqualifies me for any advertised jobs.” By age group, this answer was chosen by about 110,000 unemployed people in all age groups between 15 and 44, whereas it was chosen by about 570,000 in age groups of 45 and above, showing that age limits for recruiting or hiring were the most common obstacle to employment for middle-aged or older workers.

Accordingly, the Ministry of Health, Labour and Welfare decided to incorporate a measure in the revised law which requests companies to conduct recruitment and hiring activities regardless of age. The ministry drafted guidelines for the abolishment of age limits and solicited public opinion via the Internet. The draft was submitted to the Labour Policy Council without major changes.

The final guidelines specify cases where reasonable age limits for recruitment and hiring are permitted. In other words, unless companies' recruitment activities accord with the guidelines, age limits upon recruiting or hiring will not be regarded as reasonable and companies will not be allowed to impose such limits. The following 10 cases are specified in the guidelines as acceptable reasons for imposing age limits:

- (1) cases where recruiting or hiring is intended for workers in specific age groups, such as new graduates, for the purpose of career development over long tenures;
- (2) cases where recruiting or hiring is intended for specific age groups because it is particularly necessary for companies to maintain or restore the demographic structure of their employees for the purpose of maintaining business activities or passing on skills and know-how;
- (3) cases where recruiting or hiring is intended for workers under a certain age with consideration for a mandatory retirement age or maximum age, and for the periods necessary for new workers to demonstrate their abilities and to build up professional skills;
- (4) cases where recruiting or hiring is intended for workers under a certain age in situations where in order to make wage payments regardless of age to new employees, companies will be required to revise present regulations determining wages mainly in accordance with age;
- (5) cases where recruiting or hiring is intended for workers in specific age groups because company sales or service activities are aimed at specific age groups;
- (6) cases where recruiting or hiring is intended for workers in specific age groups in the art and entertainment fields;
- (7) cases where recruiting or hiring is intended for workers in specific age groups because the duties require prevention of labor accidents and maintenance of safety;
- (8) cases where recruiting or hiring is intended for workers under a certain age because the

duties necessitate a certain physical condition;

- (9) cases where recruiting or hiring is intended for middle-aged and older workers in line with administrative policies; and
- (10) cases where recruiting or hiring concerns duties whose execution is prohibited or restricted to workers in specific age groups.

Public opinion concerning the guidelines included some objections such as, “there should be no exceptions to the rule,” and “it is unacceptable to allow age limits because of the seniority system” (see No. 4). In response, the Ministry of Health, Labour and Welfare is seeking understanding of the guidelines, expressing the view that the guidelines are in line with Diet discussions which concluded that exceptional cases should be allowed to impose age limits to fit in with existing employment practices; and that such rules are limited and should be seen as such.

Even if the authorities interpret the guidelines as indicating exceptional cases, some question the actual effects of the law. (The law simply states that “employers should make efforts not to exclude the workers in question from recruiting or hiring due to their age,” and does not impose any penalty for violation.) If one takes into account the legal prohibitions on age discrimination in force in some countries, it seems that the measures embodied in the guidelines may not in fact be able to produce effective results, though the outcome will depend on administrative handling of the law. Nevertheless, the measures are undoubtedly a first step towards achieving an “age-free” society including bans on age discrimination in Japan.

The guidelines conclude by emphasizing the need for future revisions in line with the social and economic situation. It remains to be seen how such revisions are made, and whether or not the guidelines will achieve their objectives.

Summary of Employment Measures to Deal with Deterioration of the Job Market

According to the Ministry of Public Management, Home Affairs, Posts and Telecommunications (MPHPT), the seasonally adjusted unemployment rate in July 2001 saw an increase of 0.1 percentage point from the previous month, reaching five percent for the first time since 1953, when postwar unemployment statistics were first compiled. Data from the Ministry of Health, Labour and Welfare showed that the active opening rate in July fell 0.01 point from the previous month to a seasonally adjusted figure of 0.60, creating an increasingly severe situation for workers.

The *Labour Force Survey* of the MPHPT showed that there were 3.3 million unemployed in July, the fourth successive monthly increase, whereas the number of people working was

64.52 million, the fourth successive monthly decrease. By industry, the number of people employed in manufacturing dropped to 12.88 million, 580,000 less than the same month the previous year. In construction as well, the figure dropped to 6.29 million, 210,000 less than the same month the previous year.

Faced with a record unemployment rate, the government launched two types of employment subsidies. The “Special Grant for Emergency Employment Creation,” hitherto applied to limited areas with high unemployment rates, was applied on a nationwide basis for six months. It subsidizes companies that regularly hire workers between the ages of 45 and 59 who were involuntarily unemployed or in receipt of public or similar vocational training. The subsidy is ¥300,000 per worker. Another scheme, “Grants for Employment Development for Specified Job Applicants,” is intended for companies hiring workers who are 55 or over, or who are disabled.

A revision of the subsidy, limiting coverage to workers 60 or over, was to go into effect in October. However, the scheme incorporated an emergency measure lowering the eligible age for workers to 45 when the unemployment rate reaches five percent, and the new subsidy was based on this emergency measure. Moreover, employment subsidy schemes have so far stipulated employment via Public Employment Security Offices as a prerequisite for grants, but from October, to encourage industry-to-industry and company-to-company labor mobility, the subsidies will be available for hiring via private job placement companies. Aside from the above mentioned two types of employment subsidies, the prerequisite for grants has been relaxed for “Special Grants for Creating Employment in New and Growth Sectors,” which provides ¥700,000 per new employee.

Also in October, other subsidy schemes were reviewed or newly launched. “The Employment Adjustment Subsidy,” which had played an important role in encouraging companies to maintain employment, has been criticized for allowing depressed industries to survive. Accordingly, eligibility for the subsidy is now to be considered on an individual company basis, not on an industry basis, and the payment duration has been shortened from “200 days within two years” to “100 days within one year.” At the same time, a “Subsidy to Support Labor Mobility” has been established to support the governmental policy of promoting labor mobility without passing through unemployment. As a way to subsidize companies that plan to restructure by shedding 30 or more employees within a month, this scheme provides for paid holidays for the laid off workers. The subsidy of ¥4,000 per day per person, aims at facilitating job-searching activities of the workers in question. At the same time, subsidies of ¥100,000 will be granted as training expenses to companies hiring these workers.

In addition, government employment measures under consideration include an extension of the maximum duration (three years) for dispatching workers aged 45 and above; extending unemployment benefits during training; and a loan system to cover living costs for the self-employed and part-timers who have lost jobs but are not covered by employment insurance.

Special Topic

Japan's Labor Policy in Transition

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Since the “bubble economy” burst, Japan has been experiencing various changes. One such change concerns the employment system, once praised as a source of economic success but now a target for reform. This includes labor policy. For instance, from the 1970s the major goal of Japanese employment policy was to subsidize private companies that were experiencing difficulties, thereby enabling them to maintain their employment levels. The Ministry of Labour* (MOL, now the Ministry of Health, Labour and Welfare) is currently advocating new policies to promote labor mobility between companies. The regulation of employment practices is also being reduced by deregulation. Partly in response to these changes, the process for determining labor policy has changed. This article analyzes the changes that occurred in the 1990s.

1.0 The Policy-making Process

To understand the changes in the policy-making process, it is useful to describe how public policy, especially labor policy, was formulated in post-war Japan. In the 1980s a pluralistic view, in which politicians and interest groups representing various social interests played an important role in policy-making, gained precedence over the bureaucracy-dominance view that had prevailed previously (Muramatsu and Krauss, 1984; Calder, 1993). However, even this new approach does not render the Japanese political process as pluralistic as the American one, either in practice or in theory. Various studies have tried to incorporate the role of the state in their analysis, presenting concepts such as “patterned pluralism” (Muramatsu and Krauss, 1987), “compartmentalized pluralism” (Sato and Matsuzaki, 1986), and “bureaucratic-inclusionary pluralism” (Inoguchi, 1983). The main argument shared by these studies is that while politicians and societal actors influence policy-making, its process is structured by institutional settings such as

bureaucracies.

This pluralistic view resembles the neo-corporatist thesis or the “interest group liberalism” of Lowi (1979), in which interest groups, politicians and bureaucracies dominate their respective policy arenas.

How do labor unions come into play in this context? Pempel and Tsunekawa (1979) argued that, given the existence of dense institutional networks among interest groups and bureaucracies, Japan is very close to a corporatist regime, except for one omission: labor unions, which are major participants in a corporatist regime. Therefore, these authors concluded that Japan is best characterized as “corporatism without labor.” However, since this pioneering work, studies have appeared demonstrating labor's successful participation in making policy.

2.0 The Labor Policy-making Process

Labor union participation first became institutionalized in the labor policy arena. The MOL ruled that a deliberation council (*shingikai*), consisting of union representatives, employers, and members representing the “public interest,” be established to formulate or implement its policy. This is a useful avenue of influence for unions.

Deliberation councils are frequently used in Japanese policy-making, not only concerning labor, but in other areas also. There were 217 deliberation councils with legal standing in 1996, and more “informal” deliberation councils. In some cases, deliberation councils have simply rubber-stamped government policy, while in others they have played a significant role (Schwarz, 1998; Sone, 1986).

In the labor policy arena, deliberation councils are very important. Council members include both union and employer representatives, and the councils usually adopt a unanimous ruling. In other words, union representatives have a *de facto* veto over labor policy, although so do employers. Consequently, the deliberation councils of the MOL became an important field of interest intermediation between related parties (Shinoda, 1989).

Based on an interview survey of government bureaucrats in 1985, Yutaka Tsujinaka (1987) found that, relative to bureaucrats in general, Labour Ministry bureaucrats tend to have more intense relations with societal actors, to be more exposed to politicians, and to cooperate to a greater degree with societal actors in policy formation. The author also found that MOL bureaucrats are more likely than other bureaucrats to be influenced by the deliberation councils and the interested parties, that is, the labor unions and employers

(Kume, 1998).

However, this does not mean that interests of unions and employers have captured the MOL. Rather, given the competing interests of unions and employers, the MOL did have some autonomy and was able to formulate more economically rational and more market-oriented policy than the Ministry of Agriculture or the Ministry of Construction.*

Other characteristics of labor policy relate to the partisan aspect of labor policy-making. Pluralist studies of Japanese politics have revealed an increasing influence of political parties in the political process. Against the bureaucratic-dominance approach, or the cultural approach, which emphasizes “consensus,” these studies demonstrated how partisan conflict determined the nature of Japanese politics. Furthermore, these studies argued that members of the predominant Liberal Democratic Party (LDP) successfully increased their influence over policy-making by using their policy-expertise accumulated through on the job training, becoming a “policy tribe.”

However, labor policy-making is not politicized in this sense. Rather, policy-making has become depoliticized in the 1980s. Although labor policy used to be one of the major focal points of partisan conflict in the 1950s and 1960s, since the 1970s it has become less politicized. This is partly because the demands of labor unions became more “moderate” than in the 1950s, when most labor unions actually pursued revolutionary goals. More importantly, however, under the dominance of the LDP, labor unions, especially moderate private-sector unions, have cultivated communication channels with the government, bypassing the opposition parties. While labor unions increased their participation in the policy-making process, party politics reduced its impact in this policy arena (Kume, 1998).

The policy tribe plays a less prominent role in the labor policy arena. The pioneering work in this field, *Liberal Democratic Party Policy Affairs Research Council* (PARC), did not identify any labor policy tribe, although it did note an effort in 1983 to organize a parliamentary group with the aim of promoting the interests of salaried workers inside the LDP (Nihon Keizai Shinbunsha, 1983). Frequently such a parliamentary group is a core organization for the policy tribe. This book concluded that this new group fell short of being a labor policy tribe, but admitted that it might have become one. Inoguchi and Iwai (1987), in the first academic study of the policy tribe phenomena, argued that the labor policy tribe comprises mainly parliamentarians whose careers were in the MOL bureaucracy and ex-chairmen of the PARC labor policy sub-committee. That is, labor policy tribe members are not particularly active in influencing policy-making; rather they are expected to support the MOL.

Overall, the labor policy arena was not politicized, and interest representation and aggregation were conducted within the institutional framework of the MOL. Here we can see the most “corporatist” policy-making feature of Japanese politics.

3.0 Changes in the Labor Policy-making Process

In the 1990s Japan faced various changes. The end of the Cold War and the globalization of market competition represent important changes in the international political economy. Domestically, a long economic downturn since the end of the bubble economy and the end of the LDP's dominance stand out. These events suggest a sea change in Japan's political economy, although causal linkages between them are not certain (Pempel, 1999). In this paper, we analyze changes in the labor policy process in the context of this sea change.

3.1 Cases of Labor Policy Formation

One tentative observation is that the labor policy process seemingly lost the characteristic nature achieved in the 1980s. To support this observation, it is useful to review the postponement of the proposal to reduce working hours in 1993.

The Labour Standards Law was expected to be revised in 1994 to regulate working hours to “40 hours a week.” However, after the economic bubble burst and the economy weakened, companies lobbied the LDP to postpone the introduction of the regulation (Asahi *Shimbun*, March 18, 1993). The MOL decided to accept this demand, and called for the Central Labour Standard Deliberation Council (CLSDC) to endorse it. However, union representatives from Rengo (Japanese Trade Union Confederation) not only opposed this proposal, they strongly criticized the procedure. The unions argued that the MOL had downplayed the deliberation council by unilaterally accepting management opinion, and boycotted the meeting. The proposal to postpone the introduction of the 40-hour work week was endorsed by the council, which was then comprised only of management representatives and members representing the “public interest.” However, the latter stated that it was regrettable that the MOL had not had sufficient communication with the members of the Deliberation Council, and demanded that the MOL follow an adequate procedure.

The case of the Labour Standards Law Revision in 1986 showed a very different pattern, although it also contained a severe conflict of interest between management and labor. In this case, unions advocated new legal restrictions aimed at shortening working hours. A legal approach was pursued because Japanese enterprise unionism, low unionization rates in small and medium-sized companies, and strong inter-company competition made it difficult for unions on their own to achieve reductions in working hours within their companies (Shirai,

1987).

The MOL, basically concurring with the unions, submitted a draft to the tripartite CLSDC in March 1986, and the CLSDC held a series of deliberation meetings. However, management opposed it, arguing that: (1) reduction in working hours is related to how productivity gains are distributed; (2) the government should not legally regulate working hours since management and labor of an individual company should decide such a matter; and (3) if the government legally imposes the shorter working hours standard, individual companies would have to pay the extra cost of overtime work, thereby suffering a fall in competitiveness. Consequently, the CLSDC could have been deadlocked. Public representatives, scholars, and ex-bureaucrats of the CLSDC took the initiative to break this deadlock. They formulated their own proposal and actively persuaded both management and labor to endorse it. The proposal's main point was that legal working hours should eventually be reduced to 40 hours, but for the time being working hours would be 46 hours, and then reduced to 44 hours. This was a concession to management, because the immediate reduction was to 46 hours per week rather than the 45 hours that the unions advocated. However, the proposal also formally announced the intention to introduce the 40-hour week for the sake of labor. After intensive negotiation, management and labor representatives endorsed the proposal. In this process, the deliberation council functioned as an important and effective forum of interest intermediation, which did not occur in the 1993 case.

Let us discuss another case. In the 1990s employment practices were deregulated in an effort to adjust the regulation of employment to changes in industry and the economy. For instance, the Worker Dispatching Law, which allowed jobs to be filled by dispatched workers in 26 specific types of work, such as operating office automation (OA) equipment and filing, was revised in 1999 to abolish restrictions on the types of work covered. In 1999, revisions to the Employment Security Law lifted the general prohibition on private fee-charging placement businesses.

Here, we review the aftermath of the regulation of working hours. The Labour Standards Law clearly prescribed that the 40 hour-a-week principle would be fully introduced in April 1997. The MOL proposed that in order to implement the new regulation smoothly, in the first two years the MOL would use administrative guidance rather than sanctions to obtain company compliance. This proposal was discussed in the CLSDC. Naturally, union representatives criticized this policy, arguing that the MOL would allow management to retain long working hours practices through the backdoor. Union representatives did not openly oppose the policy, because the Director-General for Labour Standards Bureau of the MOL promised that the MOL would not allow illegal practices, and would use adequate

guidance to ensure company compliance with the new law. Despite this commitment, however, in the formal deliberations, three out of seven union representatives abstained from voting, which was uncommon in this deliberation council (*Shukan Rodo News*, December 9, 1996).

Similar conflicts of interests appeared in the CLSDC deliberations in 1997. The council had been studying the overtime work system, the discretionary work system, the flexible working hours system, and the upper limit on labor contracts. On all issues, unions and management took very different stances. In short, union members demanded legal restrictions, whilst management wanted a freer hand (*Shukan Rodo News*, February 2, 1998). For instance, labor unions insisted that the upper limit on overtime should be set at 150 hours a year, while management argued that such a regulation was inappropriate on the grounds that the economic situation was unpredictable. Thus, the report of the CLSDC (November 21, 1997) was not unanimous, but listed the minority view of the unions. Consequently, the MOL had to prepare the bill for the Revised Labour Standards Law without having completed “negotiations” between the interested parties. The bill proposed by the MOL to the CLSDC in January 1998 did not receive the support of the unions, although the Council endorsed it.

Labor unions subsequently sought to influence the labor policy-making process from outside the deliberation council. At that time, the Social Democratic Party was in the governing coalition, and Rengo appealed to the SDP that their demands be reflected in the bill. But it also asked opposition parties such as the Shinshin Party and the Democratic Party to submit a bill of their own incorporating Rengo's demands. In parliamentary deliberations, some concessions were made to union demands. Further restrictions were added to the discretionary work system and its introduction was postponed for a year, and the use of the overtime work system was limited (*Nihon Rodo Nenkan*, 1999, pp.343-352).

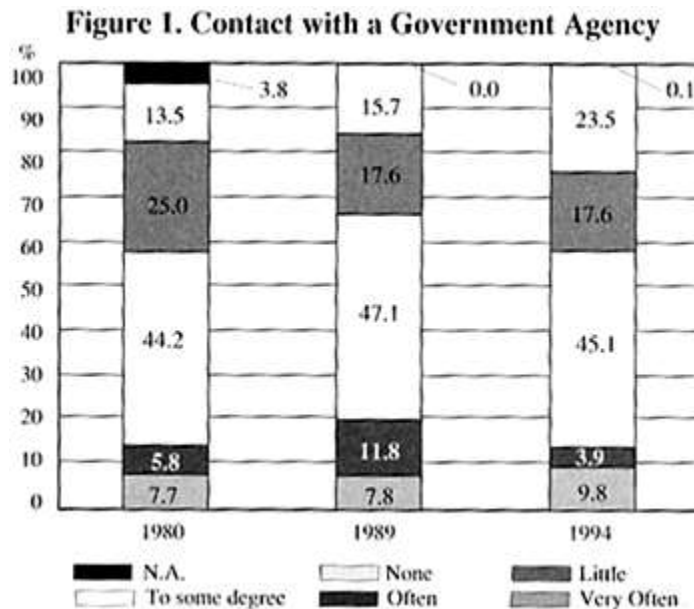
Hence, we see that the labor policy-making process, in which conflicting interests between labor and management are negotiated within the framework of “corporatist” arrangements, is changing. The conflicts are spilling over into partisan politics.

It is noticeable that in other policy arenas the role of the deliberation councils also seemed to decline. Furthermore, in the context of administrative reform, the Hashimoto Cabinet decided that the use of the deliberation council should be reduced. Issues such as legalization of the stockholding company, the stock-option system, and the revision of the Juvenile Law were all dealt with by party politicians without the use of deliberation councils. The contrast with changes in the labor policy arena as described above seems stark.

3.2 Three Surveys of Union Leaders

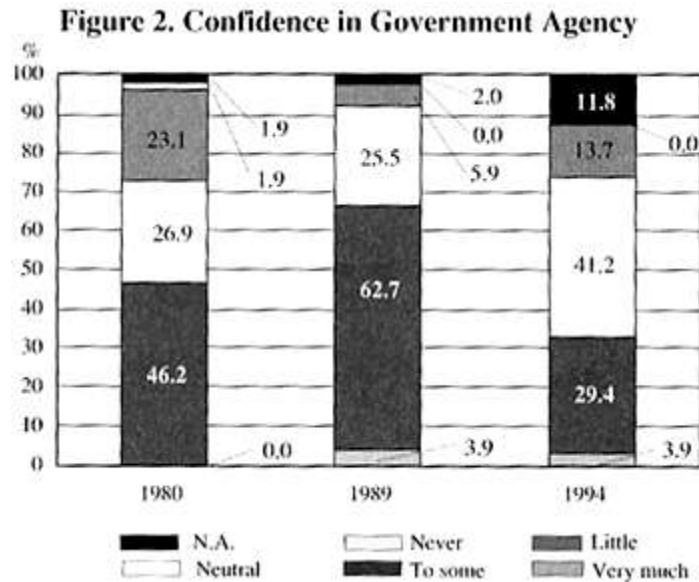
Data from three surveys of union leaders are available. In 1980, Michio Muramatsu conducted the first survey of 252 interest groups, including 52 labor unions, which asked questions about their activities and preferences. In the summer of 1989, the author conducted a survey of 51 labor unions, using the same questionnaire format and targeting the same unions as in the 1980 *Interest Group Survey* to investigate any changes in the perception of labor leaders during the 1980s. The targeted unions were four national-level unions and 47 industry-level unions. In 1994 Michio Muramatsu conducted the Second Interest Group Survey using the same procedures, but with some new questions (Muramatsu, Ito and Tsujinaka, 1984; Kume, 1998).

What kinds of changes occurred in labor politics according to this “panel” data? First, we asked how often the union leaders are consulted by a government agency on policy issues, using a five-scale answer format. In all three surveys, around 60 percent of the unions answered “very often,” “often” and “to some degree,” although the percentage peaked in 1989 (Figure 1). If we disaggregate the data, we can see that government consultation with private-sector unions decreased, while consultation with public-sector unions increased. In addition, Rengo answered “often” in both 1989 and 1994 (it did not exist in 1980.) In summary, the level of administrative consultation with unions has not changed its intensity.



However, it is interesting to discover that the union leaders' confidence in government agencies declined dramatically in the 1990s. We asked to what extent the union leaders have “trust” in the government agency with which they have their usual contact. While we found they had more trust in the administrative agencies in 1989 than they did in 1980, trust

declined in 1994 (Figure 2). This decline occurred among both private and public-sector union leaders: the percentage of private-sector union leaders showing trust was 53.1 percent in 1980, 63.9 percent in 1989, and 30.3 percent in 1994. Corresponding figures for public-sector union leaders were 28.6 percent in 1980, 70.0 percent in 1989, and 40.0 percent in 1994. We can see a general trend among union leaders.



This data seems to be consistent with the observation of changing patterns in labor policy-making in the 1990s as described above. In the 1980s the unions successfully increased their participation in the policy-making process, one important avenue of which was the deliberation councils. In other words, in the 1980s unions increased their contacts with government agencies through institutionalized channels of participation, and were satisfied with such participation. However, the trust placed by unions in such institutionalized participation declined, as it fell short of the effective forum of interest intermediation. We can also infer important changes in labor policy-making in the 1990s on the basis of the union leader survey data.

4.0 Possible Interpretations

How can we explain changes in labor policy-making? I propose three causal hypotheses. First, globalization may be behind this change. Globalized market competition in combination with a prolonged economic downturn after the bursting of the bubble economy put pressure on the economy, and placed on it demands for its structural transformation. Many economists and practitioners argued that the once admired Japanese form of capitalism had become obsolete (e.g., Noguchi, 1994; Katz, 1999). Many believed that the Japanese management system had become rigid, reducing the international competitiveness of Japanese industry.

Based on this understanding, management began introducing reforms to employment practices and the wage system. Performance-based wage systems in place of seniority wages, and labor mobility rather than “lifetime” employment define a reform agenda.

This view easily leads to the conclusion that management wants radical new managerial practices and demands new legislation or deregulation at the expense of workers, so much so that the institutionalized policy-making based on compromise and consensus became obsolete. On this view, it is the management offensive that broke the established method of policy-making.

This interpretation has some problems. It assumes that management in the new globalized market is unilaterally transforming the Japanese political economy, including labor policy. However, management does not have a clear goal for such a transformation, and neither could management implement such a goal unilaterally, as the slow, sometimes stalemated, process of “restructuring” shows. This point is related to the second issue, which concerns labor's preferences and influence. The chairman of the CLSDC, Tadashi Hanami, reflecting the conflict-ridden process of deliberation on deregulating labor standards, commented that union representatives resisted government proposals under the false assumption that “deregulation would necessarily force workers to accept worse working conditions.” (*Shukan Rodo News*, February 2, 1998). The chairman's point is that deregulation would sometimes promote workers' interests. It is worth noting that unions in the electrical equipment industry are more eager to accept new flexible employment practices. Furthermore, the new globalized economy makes it more important for employers to motivate their workers to help companies survive the increased competition (Thelen and Kume, 2000). This means that globalization may improve the bargaining position of some workers. Globalization has many faces. In other words, globalization influences the national political economy, but does so within political and institutional contexts.

A comparative perspective provides clues. Political economists have recently paid increasing attention to two national economies that are thought to have adapted to globalization successfully: New Zealand and the Netherlands. In 1984 in New Zealand, the Labour Party came to power with a drastic deregulation policy package spanning the capital market to the labor market. This caused tension between the Labour government and labor unions. Some unions tried to rebuild negotiation channels with the government in a corporatist way, but consensus among unions could not be reached (Bray and Neilson, 1996). What was worse for the unions was that the conservative National Party, which won the election in 1990, took a more radical approach to deregulation, making relations between the government and unions even more conflict-ridden. In any case, the New Zealand economy

began growing in the mid-1990s (Kelsey, 1995).

A similar economic recovery based on deregulation occurred in the Netherlands, which suffered from the “Dutch disease” in the early 1980s. The Dutch government also loosened regulation of the labor market, allowing part-time and temporary employment, whilst cutting back the welfare program. However, the Dutch political process is very different from that of New Zealand. Reform started in 1982, when the government, the unions, and management agreed to implement the Wassener Agreement. This Dutch “Polder Model” is formulated and implemented in the corporatist framework (Visser and Hemerijck, 1997).

These two cases show that the pressure of globalization can transform national politics in various ways rather than result in a simple convergence. This observation leads us to our two alternative interpretations.

The second interpretation focuses on the development of party politics. In 1989 the LDP lost its absolute majority in the Upper House, and in 1993 it stepped down from the governing position after losing its majority in the powerful Lower House, ending its dominance that began in 1955. Since then, there has been a series of coalition governments (with a brief one-party minority government), although the LDP returned to government in 1994 and maintained its position as the largest party within the coalition.

According to most informed observers, the political realignment has not been completed yet, and the future course of party politics remains unclear (e.g., Otake, 1999). However, in the 1990s there was a substantial movement towards a two-party system, although this is not yet complete. The Shinshin Party was established by social democrats and liberal conservatives as a rival party to the LDP, although it failed to achieve its potential. Now the Democratic Party is pursuing the same goal. This is partly because the end of the Cold War blurred the ideological dividing line between left and right, but also because of the introduction of the single-member district system in the elections for the Lower House.

This change seemed to influence the nature of labor policy-making. In the heyday of the LDP's dominance, it was a safe bet that the LDP would stay in power for the foreseeable future (Miyake, 1986). Thus, it was a rational strategy for the unions to participate in the policy-making process and negotiate formally and informally with the LDP government to realize their members' interests. The LDP had its own reasons for incorporating labor into the policy-making process. It faced declining popular support due to demographic change. Traditional LDP supporters in the agricultural industry decreased in numbers. Thus the LDP tried to be a “catch-all” party by appealing to the old-leftist camp, that is, to labor. An easy

target was private-sector labor, which was politically moderate and had a “materialist” orientation. The result was the development of corporatist policy-making, particularly in the labor policy field.

However, after 1993 union leaders began a serious attempt to build a strong rival party to the LDP, believing such a strategy to be promising in the new political environment. The labor union survey data shows that in 1994 union contact with the LDP declined substantially. In 1994, when the LDP was the opposition party, it approached the unions for support, which the unions were reluctant to offer. When the LDP returned to government with the Social Democrats, the unions tried to establish the Democratic Party as an opposition party to the LDP. In return, the LDP coalition government stopped its regular consultations (*seirokaiken*), which had been an important institutional channel between the government and labor. In sum, the new party politics transformed the old institutionalized labor politics.

The third interpretation is related to the second, and focuses on the labor unions. As explained above, labor unions, especially private-sector ones, have fruitfully increased their participation in the policy-making process. In this process, the private-sector unions “sold” to the LDP government their moderate “business unionism,” which is distinct from the ideological leftist union movement. As this strategy was so successful, the private-sector unions achieved some supremacy over the public-sector leftist movement. A rather similar process took place in Sweden in the 1960s, where the export-oriented metal sector established its hegemony within the labor movement (Pontusson, 1992).

This eventually led to the establishment of a unified national labor union federation, Rengo, in 1989. So this should have meant the private-sector labor movement winning a position of hegemony, and attempting to consolidate its “corporatist” strategy. However, what actually happened was that Rengo changed its policy demands from “production”-oriented ones, such as industrial policy and active labor market policy, to “distribution”-oriented ones, such as reductions in working hours. Furthermore, Rengo became more eager to demand state regulation of the labor market. These new issues tend to provoke political conflicts.

What is interesting is that in the process of administrative reform in 1997 under the Hashimoto Cabinet, Rengo played an important role in protecting the interests of public-sector workers. We should recall that private-sector unions, which were the driving force behind the labor front unification in 1989, played a leading role in administrative reforms during the Nakasone government. Once unification was complete, Rengo could not play such a role, due to intra-union politics. Furthermore, some Rengo leaders, such as the

first chairman Akira Yamagishi, hoped that with this unified power they could develop a more political and purely social democratic strategy against the conservative LDP government, which happened to lose power in the late 1980s. This strategic turn on the side of the labor movement seemingly changed the nature of labor policy-making.

In Japan, the pressure from globalization became severe after the economic bubble burst in 1990. At that time, a major political discourse started on the issue of how to restructure the political economy. My counter-factual inference is that if the old institutional framework had remained, those challenges could have been managed in a very different way: that is, in a “Dutch-like” rather than a “New Zealand-like” way. In this sense, changing institutional settings are very important for understanding changes in labor policy-making, and probably the political economy.

Note:* Please note that the names of government ministries were changed in January 2001. The Ministry of Labour is now the Ministry of Health, Labour and Welfare; the Ministry of Agriculture is the Ministry of Agriculture, Forestry and Fisheries; and the Ministry of Construction is the Ministry of Land, Infrastructure and Transport.

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Opinion

A View on the *2001 White Paper on the Labour Economy* from Labor and Management

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Due to a reshuffling of the ministries and other governmental organizations, the *White Paper on Labour* was issued this year under the new title, *2001 White Paper on the Labour Economy*. The structure follows that of the former White Paper on Labour, with Part I devoted to the current state of the labor economy, mainly in the preceding year, and Part II to a particular aspect of that year. As Part I is simply an analysis of the current situation, I would like to focus on the special theme in Part II, “The IT Revolution and Employment.”

The White Paper's views and conclusions on the impact of the information technology (IT) revolution on employment are basically in accordance with the facts. The analysis is conducted from various points of view, and the report is readily understandable.

It also seeks to eliminate anxiety over employment brought about by the IT revolution, and criticizes the prevailing views that middle-aged and older workers are incapable of mastering IT-related skills and that the IT revolution will crowd out workers in mid-ranking managerial posts. While this is welcome, if the aim is to dispel anxiety over employment, I wonder whether the White Paper should have gone further and incorporated the message that, in order to make the best use of IT, it is essential to improve and enrich the human resources.

Nikkeiren's *Position Paper 2001* makes use of the findings of surveys carried out by the Economic Planning Agency (now part of the Cabinet Office) to suggest the following approaches for the successful use of IT:

The first reform of business processes necessary for the successful use of IT will be enhanced by the development and maintenance of human resources. By reform of business processes, the report means understanding the essentials of customer needs and

fundamentally reviewing conventional procedures in every aspect, including the procurement and purchase of materials and services, processing and manufacturing, sales, distribution, settlement of accounts, and the role of management and intermediate sections. This requires using information already acquired by employees currently engaged in these tasks. In other words, the crucial requirement for creating a new style of business processes that use IT is the knowledge of workers with expertise in their existing duties along with IT-related skills. Accordingly, it is important to consider how to give existing workers a command of IT.

Nikkeiren has always highly valued the development of human resources, not only in the IT field, but also as a means of strengthening the economy as a whole, and has made various efforts to support revisions to human resource development programs put forward by different companies. Thus, in May this year, the Nikkeiren Career Development Center was established. This center currently holds training seminars for intra-company advisors who will assist employees who voluntarily build and develop their skills.

This year's White Paper merely states that the purpose of IT-related investment is not simply to cut labor costs, but also to improve business processes. It might have been better – for the purposes of making the investment more profitable and dispelling anxiety over employment – to add the message that the improvement of human resources is essential for maximizing the effect of such investment

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The *2001 White Paper on the Labour Economy* focuses on the IT revolution and employment, analyzing the impact of the IT revolution on the nature of jobs, human resource development, diversification of employment patterns, the outlook for the labor market and so on. How, then, does the IT revolution affect employment and working styles?

First, there is the problem of the “digital divide.” The White Paper claims that, with the ongoing IT revolution, the skills that companies require of workers are fairly basic, such as typing and using e-mail, and that if sufficient time is devoted to these tasks, the widening of the so-called digital divide will be curbed. However, job advertisements seek skillful specialists or young workers. The digital divide refers, rather, to the major gap between “the

skills and abilities required of all employees” and “the skills and abilities needed to be re-employed.”

The second problem, related to the first, is the issue of mismatching in the labor market, considered to be a major reason for the current high unemployment rate. But the insufficient supply of IT-related workers is a momentary phenomenon occurring in the supply-and-demand relationship; companies tend to hire workers who can contribute immediately to their business, whereas the type of skills required in the medium term is not always clear. At the same time, data show that companies that actively adopt IT-related utilities see this as a reason to take advantage of a higher proportion of non-regular employees. Thirty-five percent of firms say they will increase the proportion of part-timers and temporary workers in their workforce. All this implies that companies are trying to cut back on labor costs, by replacing regular employees with non-regular employees. However, with the steadily advancing IT revolution, if companies judge their personnel solely on such a short-sighted basis, and continue to rely upon labor supplied by the exterior labor market, then the mismatching of employment will never be solved.

The third issue concerns human resource development. It is necessary for firms to train their existing personnel, if for no other reason than to eliminate mismatching. If human resource development is planned and carried out from a medium-term perspective, Japanese employment practices, which involve long-term employment, will surely prove to be effective.

The traditional Japanese employment system has some critical advantages for both labor and management, in that companies are able to invest in human resources with a long-term perspective, and workers can feel secure and ready to work. Although a previous White Paper was somewhat negative about the practice of long-term employment, this year's paper cites the importance of taking advantage of the positive aspects of that practice. With the IT revolution steadily progressing, it is time to re-appraise the traditional Japanese-style employment system.

JIL News and Information

The 4th Survey on Work and Life among Japanese Expatriates at Japanese-affiliated Companies Abroad

Introduction

With the ongoing globalization of business activities of Japanese enterprises, the number

of Japanese employees posted abroad to work in affiliated companies is steadily increasing. This survey was carried out to gain a comprehensive picture of such expatriates' work, living and working conditions, and attitudes, for the purpose of smoothing and improving the overseas business activities of Japanese enterprises.

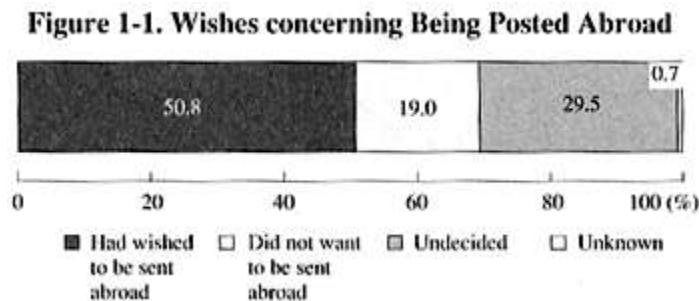
This survey was initially carried out in 1989, and has been subsequently conducted in 1993, 1998 and 2000.

The latest survey was completed on November 1, 2000, and was carried out in cooperation with Japanese chambers of commerce and industry, and Japan clubs around the world. Questionnaires were sent to 3,396 expatriates in 57 countries and 1,810 (53.3%) valid responses were obtained from 51 countries. Prior to the survey, a project committee consisting of representatives of labor and management, the Ministry of Labour and academic experts was set up within the Japan Institute of Labour to consider survey methods.

Survey results will be introduced in the form of graphs and figures in this issue and the next issue.

1. Situation of Expatriates Before Working Abroad

(1) About half the workers had initially wished to work abroad.



(2) 41.8 percent received preguidance talks on risk management and security measures.

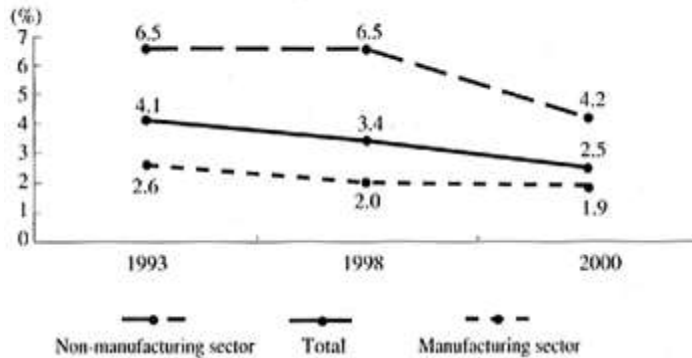
Figure 1-2. Content of Training Courses Taken Before Working Abroad



2. Situation of Expatriates During Their Stay Abroad

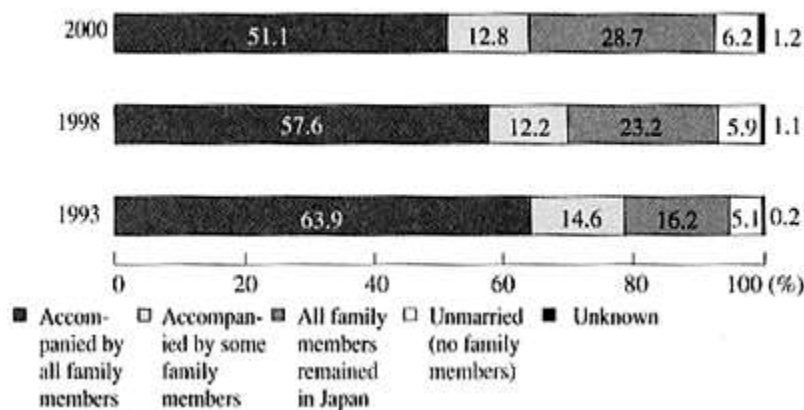
- (1) The proportion of Japanese expatriates from Japan to employees as a whole at Japanese-affiliated companies abroad tends to decrease.

Figure 2-1. Average Proportion of Japanese Expatriates



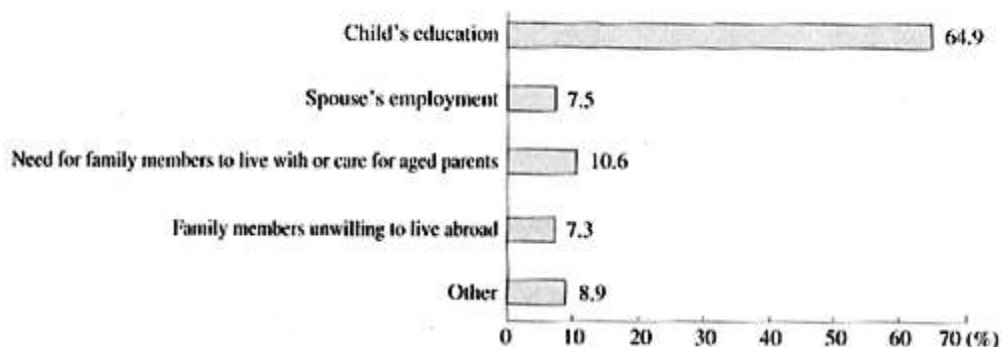
- (2) Over 50 percent of the expatriates in question were accompanied by immediate family members, while an increasing number of employees are not accompanied by family members.

Figure 2-2. Family Members Accompanying Expatriates



- (3) The most common reason why family members did not accompany the expatriate in question was “Child’s education,” accounting for 64.9 percent.

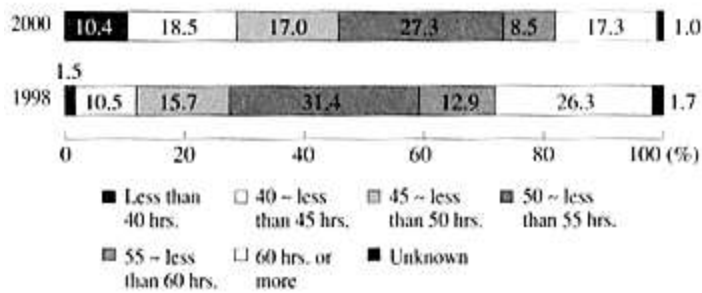
Figure 2-3. Reasons Why Family Members Did Not Accompany Expatriates (multiple answer)



3. Working Conditions of Expatriates

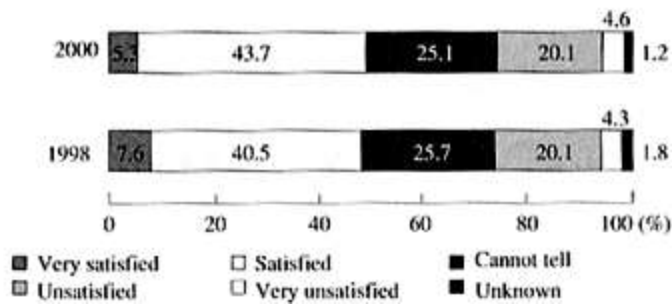
(1) Expatriates worked an average of 46.9 hours per week.

Figure 3-1. Weekly Average Working Hours



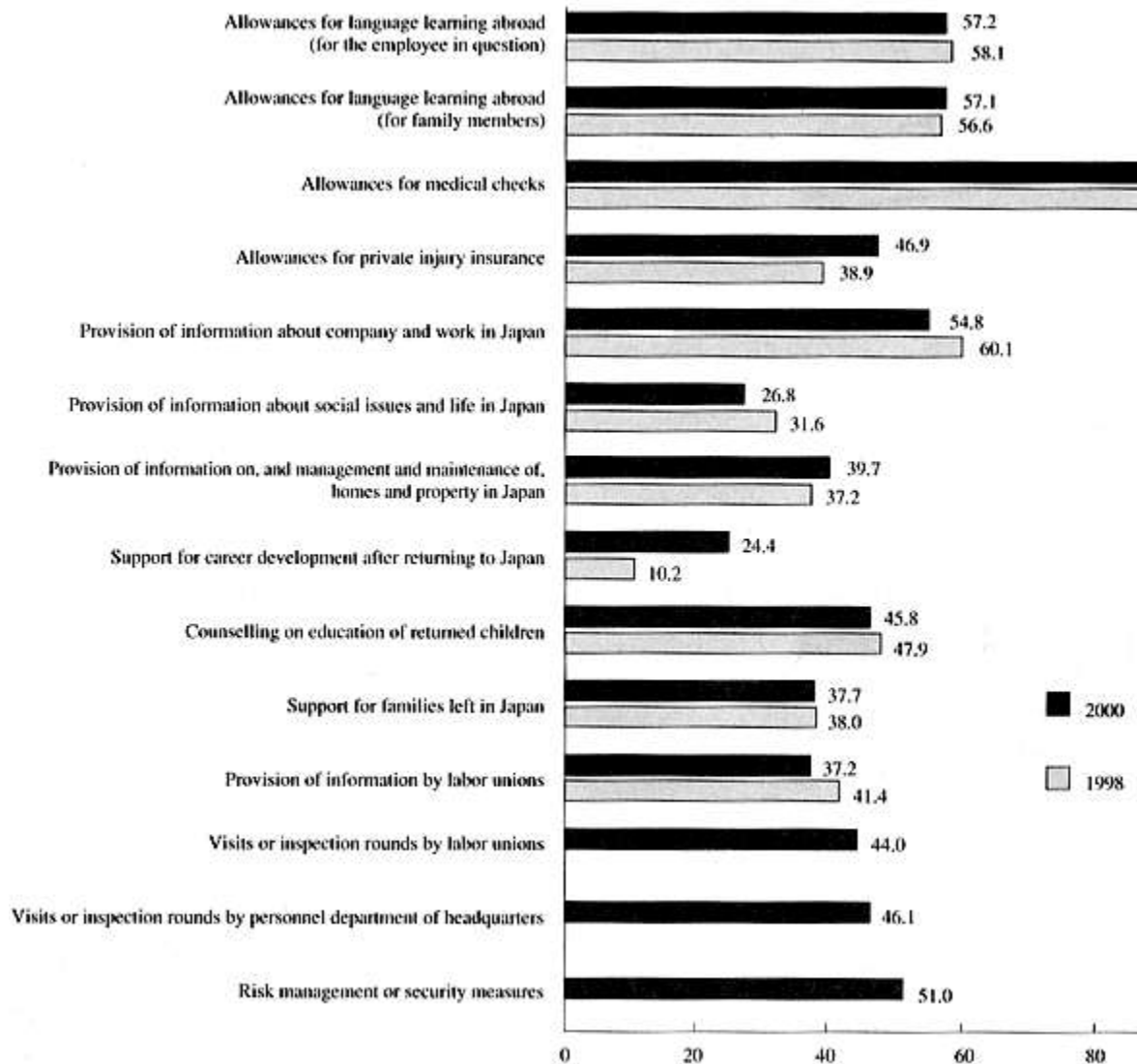
(2) 50 percent of the expatriates were satisfied with their salary, while 25 percent were dissatisfied.

Figure 3-2. Degree of Satisfaction with Wage Levels



(3) 51.0 percent of expatriates report that their companies or unions have support or welfare systems to deal with risk management and security.

Figure 3-3. Proportion of Companies Equipped with Support or Welfare Systems (multiple an



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 or via fax to +81-3-5991-5710.

Statistical Aspects

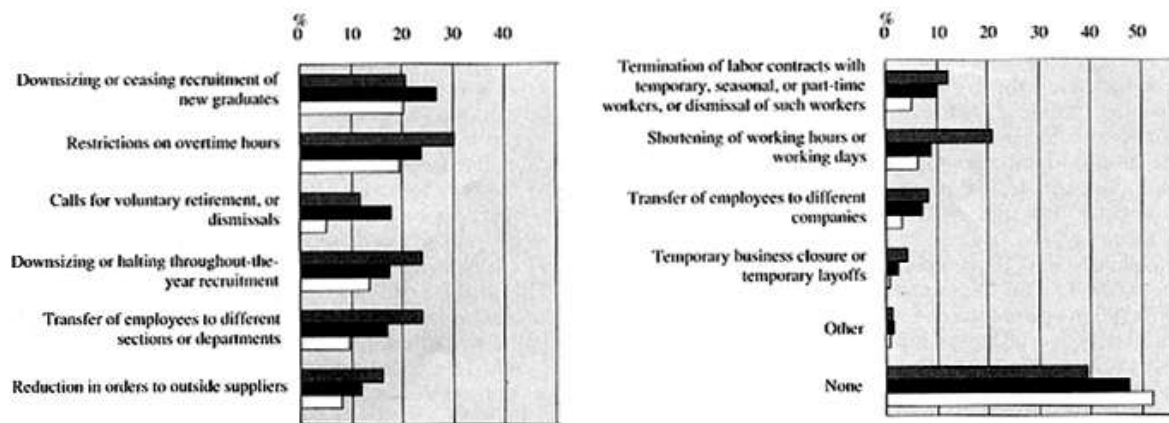
Recent Labor Economy Indices

	August 2001	September 2001	Change from previous year (September)
Labor force	6,780 (10 thousand)	6,753 (10 thousand)	-47 (10 thousand)
Employed	6,402	6,362	-79
Employees	5,376	5,338	-63
Unemployed	334	356	38
Unemployment rate	5.0%	5.3%	0.6
Active opening rate	0.59	0.57	-0.05
Total hours worked	148.6(hours)	p152.7 (hours)	p-1.6%
Total wages of regular employees	(¥ thousand) 307.4	(¥ thousand) p284.6	p-1.2%

Note: p: Preliminary figures

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

Contents of Planned and Implemented Employment Adjustment Measures



■ Proportion of firms carrying out measures during the previous two years (1994 survey)
 ■ Proportion of firms carrying out measures during the previous two years (2000 survey)
 □ Proportion of firms planning to continue measures carried out in the previous two years (2000 survey)

Source: Ministry of Health, Labour and Welfare, *Industrial Labour Situation Survey 2000*.