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## General Survey

### Most Elderly Workers Continue Working for Economic Reasons

In October 2000, the Ministry of Health, Labour and Welfare conducted its survey on the employment situation and outlook of workers between the ages of 55 and 69 for the first time in four years. Targeting some 26,000 people, the results showed that 70.9 percent of males and 44.2 percent of females in this age bracket were still working, the main reason being "economic."

Broken down by category, "employees" accounted for the highest proportion for both men and women (58.4% for males and 51.9% for females), followed by "self-employed" and "company or organization executive" for males, and "self-employed" and "working in family business" for females. The percentage of those employed by others declines with age, as does working hours.

The overwhelming majority of both males and females explained that they continued to work due to "economic reasons" (81.5% of the males and 67.2% of females), while more than 10 percent of all females and males aged 65 to 69 replied "to make life worth living or to participate in society."

Continuing work for economic reasons is closely related to old-age pensions. Fifty-one percent of the males surveyed were receiving an average monthly pension of ¥166,000, while 47.7 percent of the females received an average of ¥81,000 per month. The monthly pension payment was ¥103,000 for males between the ages of 55 to 59, ¥162,000 for those 60 to 64, and ¥173,000 for those aged 65 to 69. For females between the ages of 55 to 59 the monthly pension was ¥105,000, ¥75,000 for those aged 60 to 64, and ¥84,000 among females 65 to 69. Of such pensioners, one-third of the males received ¥100,000 or less per month, and as did three-quarters of the females. The ratio of employed who were receiving pensions was 53.8 percent among males, and 31.9 percent among females. However, the figure for male pensioners receiving ¥100,000 or less per month was higher: 70 to 90 percent for those aged 60 to 64, and 60 to 70 percent among those 65 to 69.

Meanwhile, those who wished to work but did not do so said that the main problem was "not finding the appropriate job" (63.7% of males and 45.1% of females), followed by "health reasons" (22.3% and 21.6%, respectively). A breakdown of the reasons for "not finding the appropriate job," show the majority "could not find a job which would take advantage of my

skills and experience" (66.7% for males and 44.7% for females), followed by "working hours did not meet my wishes" (7.4% and 16.3%, respectively).

## Working Conditions and the Labor Market

### Ministry Revises Labour Force Survey

The Ministry of Public Management, Home Affairs, Posts and Telecommunications conducts a *Labour Force Survey* every month targeting people 15 years old and over in approximately 40,000 households. The unemployment rate, the size of the labor force, the number of employed in each industry and so on are estimated on the basis of the results from this survey. In January 2002, the ministry revised the contents of the survey. With the unemployment rate frequently breaking previous records, the ministry is attempting to grasp unemployment trends more precisely and promptly in order to better incorporate the results in future employment measures.

The biggest revision is a further categorization of the reasons for being unemployed. Previously, the breakdown contained four categories: "quit the job voluntarily (due to personal or family considerations)," "quit the job involuntarily," "no suitable vacancies since graduation," and "other reasons." Of these categories, "quit the job involuntarily" is now subdivided into "quit the job at employer's convenience" and "quit the job because of mandatory retirement or expiration of job contract." These new categories make it easier to discern between those who are out of work because of the mandatory retirement age on the one hand and those who lost their jobs before reaching the retirement age due to "restructuring" measures — employment adjustment through dismissals, or calls for voluntary retirement — and thus are in a more serious situation. In addition, someone who had newly begun to look for work (excluding new graduates) but had not yet succeeded was classified under "others" in the previous survey, but will now be included in a new category, "(tried to get a job) because a need for income arose." Thus the new survey will be able to estimate the number of people who newly are seeking jobs to compensate for a drop in their household incomes.

Apart from the regular survey conducted on a monthly basis, the *Special Labour Force Survey* has been conducted every February and August in order to examine the number of unemployed in terms of duration, the number of "hidden" unemployed, that is those who wish to work but are not actively seeking jobs, and other items. But now, some items surveyed in the *Special Labour Force Survey* will be incorporated into the monthly *Labour Force Survey*, the results being released on a quarterly basis in February, May, August and November.

Finally, the industries are now divided into smaller groups; for example, "transportation and telecommunications" has been divided into two separate categories, and "services," which has been absorbing an increasing number of workers, is now broken down into "information services," "medical and welfare," "education" and so on, so the new survey is able to spot clearly expanding sectors.

### **Majority of Foreign Workers Employed in Manufacturing**

The latest results of a report on the state of employment of non-Japanese conducted by the Ministry of Health, Labour and Welfare was released last December. As of June 1, 2001, 74.1 percent of foreign workers were employed in the manufacturing sector, with one-third being hired by medium-sized firms with 100 to 299 employees. In addition, some 40 percent of these workers were employed under "indirect job contracts," whereby the workers did not have contracts with their immediate employers at the workplace. This type of contract includes dispatched workers and contracted workers.

This report has been conducted annually since 1993 and targets all business establishments with 50 or more employees and selected establishments with less than 50 workers. The most recent survey received answers from 20,746 establishments. It shows that the number of foreign workers totaled 221,807, and that the figure, as well as the number of establishments with such workers, has increased since 1993. (The year-on-year growth rate was 4.8 percent for the number of such establishments, and 7.1 percent for foreign workers.) Where the flow of foreign workers was concerned, 74,612 foreigners were newly hired while 59,862 left their place of employment, increases of 17.8 percent and 21.5 percent, respectively, compared to the figures recorded in the previous year.

In terms of the type of contract, foreign workers who were employed directly by the company they worked for totaled 130,440, with 91,367 having an indirect contract, accounting for 41.2 percent of the whole. By industry, the largest proportion, 74.1 percent, of foreign workers were employed in the manufacturing sector, followed by the service industry which employed 13.7 percent of the foreign workers. Among foreign workers having indirect job contracts, more than 90 percent were engaged in the manufacturing sector.

A further breakdown of direct contract workers from abroad reveals that the majority, 60 percent, were male, with the highest proportion being assembly line workers (61.5%), followed by "professional, technically skilled, or holding a managerial post" (18.4 percent) and "sales clerk and cooking, and waiter/waitress" (7.7%). By region, the majority were from Central and

South America (44.9%); 87.5 percent of these are of Japanese descent. This was followed by East Asia (China and South Korea, 30.5%), Southeast Asia (11.8%), North America (5.3%) and Europe (3.7%). In terms of visa status, 57.8 percent were married to children of a Japanese citizen or a permanent resident, or were themselves long-term residents, ensuring unrestricted work permission. This was followed by those with a "visa allowing them to work in a specific field" such as educator or technician (22.4%); "technical intern training" (10.3%); "foreign student or attending school" (8.2%), and "working holiday programs" (0.3%). The proportion of regular employees to the total number of foreign workers was 32.2 percent, the proportion being high in both the "professional, technically skilled and managerial" and "sales and clerical" job categories.

## Labor-Management Relations

### Unionization Rate in 2001 Falls to 20.7 Percent

The estimated rate of unionization hit a record low of 20.7 percent, according to the results of the 2001 *Basic Survey on Labour Unions* released by the Ministry of Health, Labour and Welfare in December 2001. The number of union members totaled 11.21 million, a drop of 320,000 from the previous year.

The unionization rate has declined since 1981, but membership had been increasing, if only slightly, until 1994. In 1995, however, it began to fall, with the rate of decrease increasing annually. The decrease appears to stem from the progressive shedding of excess labor and other employment adjustment measures among manufacturing companies and large enterprises, the biggest employers of union members. Another factor is that unions have failed to take in enough workers to keep up with the growth. In fact, the total number of employees in 2001 increased by 340,000 from the previous year, to 54.13 million. This involves the rapid increase of non-regular workers — the overwhelming majority of whom are not unionized. Consequently, incorporating the increasing number of non-regular workers into labor unions is a major task for the unions. In 1996, Rengo (Japan Trade Union Confederation) announced a drive to unionize part-time workers, but their estimated unionization rate was only 2.7 percent (280,000 members, an increase of 20,000 compared to the previous year), remaining at a low level despite a small increase every year.

By industry, the majority of union members worked in the manufacturing sector (3.27 million), accounting for 29.6 percent of all union members. This was followed by 16.7 percent in the service industry, 12.9 percent in transport and telecommunications, and 11.4 percent in public service. The number of union members is decreasing in every industry.

The sector with the highest unionization rate was electricity, gas, heat and water supply (62.8%), followed by public service (61.5%), finance, insurance, and real estate (40.2%), transport and telecommunications (36.0%), and manufacturing (27.5%).

In terms of firm size, the ratio of union members in enterprises with 1,000 or more employees accounted for 58.4 percent of all unionized workers, and those in enterprises with 300 to 999 employees for 15.9 percent, proving that smaller firms were poorly organized. Within enterprises with 1,000 or more employees, 53.5 percent were organized, but only 17.7 percent in enterprises with 100 to 999 employees, and a mere 1.3 percent in enterprises with 99 or less employees.

The number of union members affiliated with a national center totaled 7.12 million for Rengo, 1.01 million for Zenroren (National Confederation of Trade Unions), and 0.25 million for Zenrokyo (National Trade Union Council). Among major industry unions, Zensen Domei (Japanese Federation of Textile, Garment, Chemical, Commercial, Food and Allied Industries Workers' Unions) saw an increase in the number of union members compared to the previous year (an increase of 4,000), as did postal service unions and petroleum industry unions (an increase of 1,000 each).

## Public Policy

### Recommendations regarding Employment Regulation Reform

The Koizumi cabinet has been actively undertaking various reforms, and employment and labor issues, which are closely linked to industrial and social policies, are also a topic for discussion. On December 11, 2001, the Council for Regulatory Reform — a government commission established within the Cabinet Office — submitted to the prime minister a report recommending reform of regulations concerning human resource (labor) issues, along with medical, welfare, education and environmental issues. The contents of the report are more or less in line with the intermediate report submitted on July 24, 2001. Some specific topics have already been discussed and are about to be materialized as specific measures. (A summary of these recommendations can be viewed at

<http://www8.cao.go.jp/kisei/en/011211report/summary.html>, in English.)

A summary of the report's recommendations concerning human resource issues is as follows:

#### 1. Regulatory reform to promote labor mobility

(1) Revision of commissions which private job placement agencies are allowed to charge

(expand the range of services for which they may charge to job seekers, and abolish the ceiling on fees charged to enterprises seeking workers).

- (2) Introduction of trial job contracts (that is, a job placement service aimed at a preliminary job engagement for a fixed trial period, followed by an employment contract without an expiration date).
- (3) Review with an eye toward amending the Employment Security Law, including a shift from a license system for a free job-placement business to a notification system.

## 2. Regulatory reform to enable diversification of types of work

- (1) Revision of the Worker Dispatching Law to abolish the one-year dispatching period limit which was imposed by a 1999 revision of the law; a review into the expansion of the scope of business in which dispatched workers are allowed to engage, such as production/construction sites; and review into expansion of businesses that are currently allowed to dispatch for up to three years.
- (2) Possible revision of the Labour Standards Law to extend the upper limit on fixed-term labor contracts, at present set at three years in exceptional cases (normally one year), to five years; reconsideration of the scope of such exceptional labor contracts and the scope of the stipulated specialist jobs.
- (3) Expansion of the scope of duties covered by the "discretionary working hours system for specialist jobs;" and reconsideration of the "discretionary working hours system for project planning jobs."

## 3. Regulatory reform in line with new types of workers

- (1) Review into making standards and rules for terminating employment clearer in legal terms, which are currently regulated by case law.
- (2) Review with an eye toward reforming the social insurance system, including extending coverage of pension and health insurance schemes to part-time workers.

Some of these items are in the process of being implemented at the Ministry of Health, Labour and Welfare. For example, concerning revision of the current limit on fixed-term labor contracts (2.(2)), some workers are now eligible for three-year job contracts: tax accountants, small and medium-sized enterprise management consultants, etc. who have certain educational qualifications and work experience, as well as a certain level of annual income. Also, the recommendations of a "discretionary working hours system for specialized duties" mentioned above are to cover tax accountants, security analysts, financial product developers, system consultants, and creators of game software, etc. in addition to the current 11 duties (research and development, IT engineers, designers, editors and reporters, etc.).

The recommendations of the Council for Regulatory Reform are to be reflected in the

government's Three-Year Plan for the Promotion of Regulation Reform every fiscal year, and the council will examine how far they have been put into effect. That is, the above-mentioned issues are already on the list of measures to be materialized. In this sense, the latest recommendations can be considered an important development at the national level as well.

## Special Topic

### Regional Employment Situation and Government Measures

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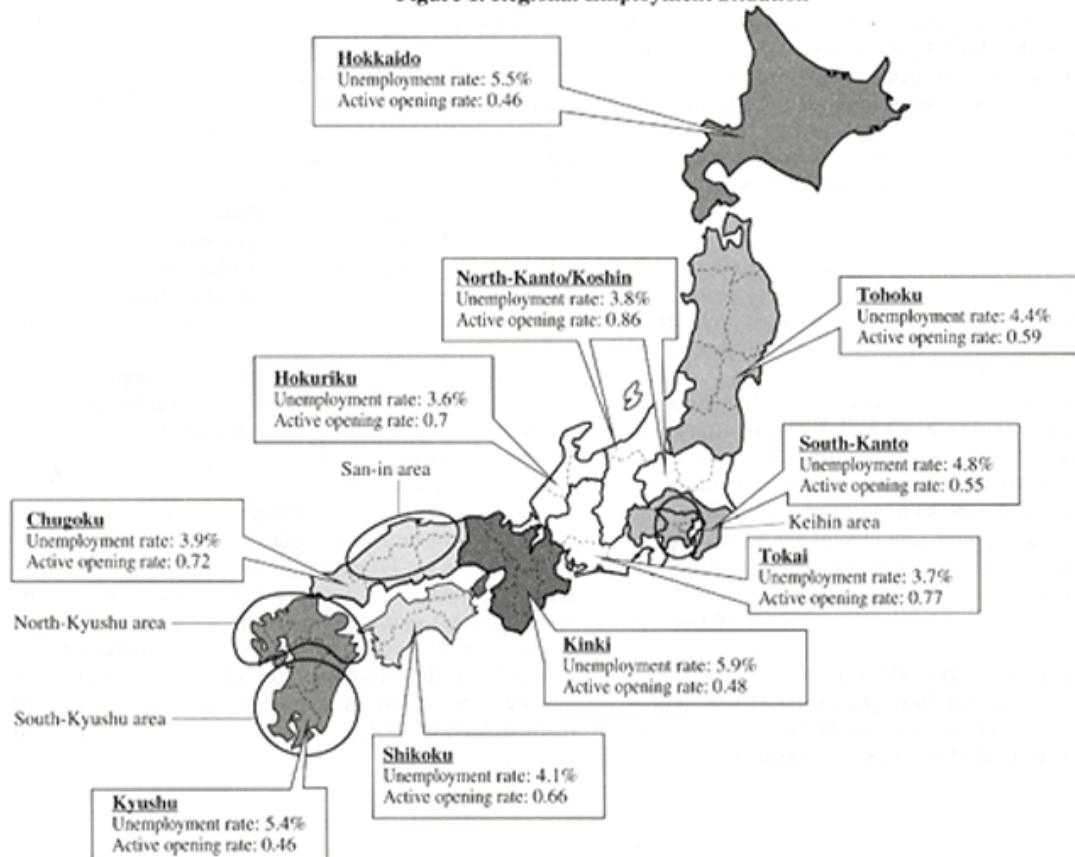
#### 1. Introduction

As frequently mentioned in the *Japan Labor Bulletin*, the employment situation in Japan shows no signs of improvement. The unemployment rate marked 5.3 percent in January, and the active opening rate stood at 0.51 percent, a drop of 0.14 percentage points compared with the same month last year.

The employment situation certainly varies depending on region, with the situation in some areas more serious. The *2001 White Paper on the Labour Economy* examines the unemployment rate and the active opening rate by region, and concludes the following. First, in regions with an acceptable active opening rate, the unemployment rate remains low, whereas in areas with poor active opening rates, the unemployment rate is high. Secondly, Hokkaido, Kinki and Kyushu are regions with a high unemployment rate, exceeding five percent and rapidly increasing, and the active opening rate is lower than 0.5 point. On the other hand, in North-Kanto/Koshin, Hokuriku, Tokai and Chugoku the regional unemployment rates are relatively low, and, comparably, their active opening rate is high, standing at almost one point in North-Kanto/Koshin. Areas which saw substantial improvement in the employment situation in 2000 are South-Kanto and Tokai, which achieved a reduction in unemployment and a rise in the active opening rate. However, the Hokkaido area is experiencing a deterioration of both the unemployment rate and the active opening rate.



Figure 1. Regional Employment Situation



Note: Figures are as of 2000.

Source: Ministry of Health, Labour and Welfare, *The 2001 White Paper on the Labour Economy*.

Meanwhile, the rate of promised employment among high school students who are due to graduate in the coming spring and wish to work after graduation stood at 37.0 percent (as of September 30, 2001), a drop of 5.5 points from the same period in the previous year. The number of openings for such job seekers fell by 10.0 percent to 184,974, while the number of such job seekers fell by 3.8 percent to 222,751, exceeding the number of job openings for three successive years. By region, the number of job openings fell in all regions except the Keihin area, and the figure dropped by more than 20 percent in the Tohoku, Hokuriku, Kinki, San-in, Shikoku and South-Kyushu areas. The success rates were lower than the figures for the previous year in all regions: the lowest rate, 14.9 percent, was observed in Hokkaido, followed by Tohoku, North-Kyushu and South-Kyushu, all of which remained a mere 20 to 29 percent.

Variation in the employment situation among regions is said to be attributable to differences in the economic environment, including differences in industrial structure combined with the impact resulting from the scaling back of companies attracted to local areas — significant sources of labor demand in each region — and the closure or withdrawal of such firms. The following sections discuss the outlook of selected firms which have contributed to the economy of different regions, and their impact on employment; the various

types of measures being taken concerning regional employment; and the cooperation between industry, academia, and the government which is drawing attention as a new phenomenon.

## **2. Case Studies of Withdrawal or Closure of Firms**

This section examines a particular area affected by the withdrawal or closure of firms. The scaling back, closure or withdrawal of businesses which had previously been attracted to this area because of its low land prices and ample labor resulted in the loss of more than 3,000 jobs in the first half of fiscal 2001. For reasons of space, this article will focus on three cases related to "areas to stabilize employment using high skills" only, which will be explained later.

Firm Y<sub>1</sub> was attracted to prefecture X in 1967. It is a home appliance manufacturer with about 500 employees, or more than 600 if subsidiaries are included. Of these workers, one-third live in the region. Firm Y<sub>1</sub>'s annual turnover recorded ¥400 billion in 1998, but fell by one-third in 2001, its sales plummeting to ¥40 billion in the red. As a result, the parent company decided to close domestic factories, including Y<sub>1</sub>, and transfer all production lines abroad.

Accordingly, in March 2001 the company did not renew the employment contracts of its contracted workers, dismissed half of its employees in August and the rest in December, and then shut down the firm. Dismissed employees were paid retirement allowances with special additional allowances. In addition, the firm offered to help employees find employment in related companies through a "help desk," but only 100 former employees succeeded in finding new jobs.

Firm Y<sub>2</sub>, launched in 1976 in the same area, manufactured printers. Although Y<sub>2</sub> had its own unique printer technology which it applied to its products, its market share had been dropping, together with its business performance. Thus the parent company decided in 2000 to concentrate its manufacturing in a different factory within Japan, resulting in the closing of firm Y<sub>2</sub>.

At Y<sub>2</sub>, some 600 will be transferred to factories in different prefectures instead of being dismissed. Uniquely, Y<sub>2</sub> also has design and R&D departments, enabling them to offer jobs steadily and continuously to graduates from the engineering departments of local universities. This arrangement led to the development of a strong relationship with the universities in terms of technical cooperation and joint research. What is more, the company met the demands of job seekers who grew up in the area, received a higher education in large cities, then returned to work in their hometown; in fact, Y<sub>2</sub> employed some 200 such returnee engineers.

The headquarters and factories for Y<sub>3</sub>, employing some 1,300, were built in prefecture X in 1967. The factories produced parts for DVD and mobile telephones, and when the IT recession hit, its business performance suddenly went downhill. To integrate part of its production into overseas sites, in September 2001 the company called for 200 employees to voluntarily retire. However, out of 800 factory workers, more than 500 employees applied for voluntary retirement. Some 30 percent of the workers who left through this voluntary retirement scheme found new jobs, most of them outside the area<sup>(1)</sup>.

The active opening rate in the area where these firms are located was 0.39 as of October 2001, fairly low compared to the national average of 0.55. Of the firms attracted to the area, more than 20 eventually scaled back, withdrew, or closed their sites in fiscal 2000; that number was more than 30 in fiscal 2001. The majority of these firms were manufacturers, in particular makers of home appliances, electric parts, precision machinery, and fabrics and clothing. Consequently, the loss of jobs has seriously impacted the area. Each shrinkage, withdrawal, or closure of a firm from outside deprived the area of dozens, sometimes hundreds of jobs. However, the impact is greater than just the actual number of jobs lost; the entire economy in the region largely depends on such companies. Where new jobs are expected to be created solely by such firms from other regions, a temporary increase in the number of unemployed, even if only a few dozen, may likely lead to long-term unemployment for such workers. In addition, the departure of firms implies a reduction in corporate tax for the region, negatively impacting local government finances.

There are several reasons why firms choose to withdraw from the region or close some or all of their sites. The most common is poor business performance brought on by the prolonged economic recession. This was exacerbated by the downturn in the IT industry, requiring firms to undertake massive restructuring measures. Secondly, a good number of firms which closed their factories in the area switched production to overseas factories. The initial motivation for firms to establish factories or business offices in outlying areas was the existence of relatively low labor costs and ample labor force — which is in fact identical with the motivation for firms to explore overseas countries at the moment. Previously, infrastructure at overseas sites was inadequate and overseas workers were not skilled enough to use Japanese technology. However, now that the infrastructure has improved in many countries and workers abroad have acquired adequate skills, it is now possible to produce overseas what once could only be handled within Japan. And price differences have further widened the gap between overseas sites and local areas in Japan. Currently, the same products can be produced abroad at one-tenth to one-twentieth the labor cost that would be accrued at home. This situation is currently conspicuous in the home appliance, electric and electronic parts sectors, while the

overseas production of automobiles is also expected to increase substantially within 10 years.

### 3 Summary of Regional Employment Policies

#### 3.1. Nationwide Employment Policies

As explained already, levels of employment and unemployment vary among regions; some areas have a worker outflow to other areas due to insufficient job opportunities, and thus find it difficult to safeguard the human resources which could contribute to the development of the region. For example, some areas where the economy relied on a considerable number of factories have seen a deterioration of the labor market due to a shift in production abroad or an increase in the substitute products from abroad.

What policies and measures have been taken to deal with these changes? Measures being taken for regional employment are based on the 1987 "Law concerning the Development of Regional Employment." Under this law, "areas to promote increases in job opportunities," "areas to promote increases in specific job opportunities," "areas to improve the work environment," "areas to stabilize employment using high skills," and "areas needing emergency stabilization of employment" are specified, and various supportive measures have accordingly been taken<sup>(2)</sup>.

In addition, out of the national supplementary budget for fiscal 2001, ¥1.234 trillion was allotted for measures related to employment taken by the Ministry of Health, Labour and Welfare. In particular, "special grants for the emergency creation of local employment" is a noteworthy device aimed at launching emergency and creative temporary job undertakings (employment for new public services which local governments are allowed to design in accordance with their own situations by the end of fiscal 2004).

The main examples of such businesses include:

- (1) Education and culture: projects aimed at improving educational activities by using people with varied work experience as assistant teachers at schools, and projects offering various learning opportunities and encouraging voluntary activities involving work-study programs with children,
- (2) Environment: projects to conserve the environment through better maintenance of public forests, etc.,
- (3) Safety and disaster prevention measures: projects to maintain safety in communities through education and guidance relating to everyday life and traffic safety, projects aimed at protecting against local disasters, etc.,
- (4) Welfare and child-care: improving the function of small workplaces for the disabled and improving their ability to work by dispatching helpers to workplaces; assisting

with child-care; enabling nursery schools to expand their child-care services; and meeting the needs of local communities by providing family-care services and taking measures to prevent the aged from becoming dependent,

- (5)Development of local communities: projects aimed at building support systems to improve the IT skills of people in local communities; promoting the tourist industry in communities by making use of tourist instructors and similar professionals; helping in the collection and distribution of information concerning NPO activities; and others.

Conditions attached to the "special grants for the emergency creation of local employment" state that labor costs should represent roughly 80 percent or more of the cost of a project designed by prefectural governments, and that the unemployed should account for three-quarters or more of all workers newly hired for the projects.

Meanwhile, on October 1, 2001, a "Law to Encourage the Development of Local Employment" was enacted. This law stipulates that if prefectures devise plans to promote the development of employment in "areas to promote increases in job opportunities," "areas to support job-seeking activities," "areas which encourage skills development," or "areas to stabilize employment using high skills," the plan will be subsidized by the national government.

However, the above four types of designated areas cannot overlap, and if they do, only one type of grant will be made. In addition, since such areas are designated by administrative units (cities, towns, villages), some small units sometimes are not able to meet the criteria or the minimum number of job seekers or business establishments<sup>(3)</sup>.

### **3.2 Employment Policies at the Prefectural Level**

The next question is what employment measures are being taken at the prefectural level. The homepages of several local governments list a series of measures that are currently underway, or which are scheduled to be implemented. First are measures that are in line with conventional employment practices, such as supplying information on job advertisements, particularly through the Internet, and seminars and guidance for job seekers. Another prominent measure is the setting up or reinforcement of counselling services or posts in charge of local employment development. A good number of local governments also cooperate with firms to introduce internship programs, which initially were mainly aimed at students, but are now extended to cover the middle-aged, older and disabled workers. Where vocational training and human resources development are concerned, measures taken at the prefectural level — in line with comprehensive employment measures under which the government has claimed to coordinate vocational training and finding jobs — include occupational training for

workers already employed, cooperating with firms, and making use of private training organizations. More specific measures include improving vocational and human resources development institutions, such as technical colleges, reorganizing such institutions, and modifying the curricula at such schools (for example, increasing the number of IT-related and family-care courses). In addition, some employment measures are adopted to take advantage of the special characteristics of regions, but to date these regional measures for employment as a whole do not seem to be innovative nor effective enough.

Looking at the homepages produced by prefectural governments, newly planned projects based on the "special grants for the emergency creation of local employment" can be classified into the following categories: education and culture; environment; safety; welfare and child-care; and promotion of local communities. As the results of these projects are not yet known, it is impossible to evaluate them at this stage.

**Table 1. Traditional Employment Measures Targeting Regions**

Designated Areas	Summary of Major Policies
Areas to promote increases in job opportunities	(1) Establish a conference for local employment development, investigate specific measures to expand local employment, and release related information. (2) Implement projects promoting local employment development (counselling and guidance; research and study). (3) Grant subsidies to create local employment. (4) Grant subsidies to promote large-scale employment development. (5) Offer loans to promote local industries and local employment development. (6) Implement projects to develop local employment (financing at a low interest rate, etc.). Etc.
Areas to promote increases in specific job opportunities	In addition to the measures described above: (1) Grant subsidies to adjust employment to prevent unemployment. (2) Grant subsidies to develop employment for specific job seekers to facilitate re-employment of workers who had to give up their job. (3) Extend unemployment benefits. (4) Encourage labor mobility between distant areas.
Areas needing emergency stabilization	
Areas to stabilize employment using high skills	(1) Grant subsidies to stabilize local employment using high skills to create employment and develop skills. (2) Implement projects to secure employment opportunities in regions designated as "areas to stabilize employment using high skills," as well as collecting and exchanging related information.
Areas to improve the work environment	(1) Establish "fund to improve the local work environment" and organize information concerning job seekers and job advertisements. (2) Grant "subsidies to improve local employment environments" to create high-quality, attractive employment opportunities. (3) Offer loans to promote local industries and local employment development. Etc.

**Table 2. Legally-based Policies and Measures to Encourage Development of Local Employment**

Designated Areas	Coverage	Policies and Measures
Areas to promote increases in job opportunities	Regions with insufficient employment opportunities in relation to the number of job seekers.	By creating employment opportunities that are attractive and in line with the special characteristics of the region, to supply sound work locations for local job seekers and improve the local employment structure. Subsidies to promote local employment development (wage subsidies, and subsidies to improve facilities).
Areas that encourage skills development	Regions where despite a substantial number of job advertisements and at least a certain number of job seekers, there is only a few job seekers with required skills, so it is difficult to increase employment (areas other than those creating job opportunities).	By cooperating with those concerned, to press ahead with measures to develop the skills of job seekers so their employment can be facilitated and the local employment structure improved. Subsidies for skills development of local human resources (subsidies for ability development).
Areas to support job-seeking activities	Regions where job information is not circulated enough to job seekers (areas other than those to promote increases in job opportunities).	With cooperation between the national and prefectural governments, providing job information, making use of local organizations that support employment, so that employment can be facilitated and the local employment structure improved. Projects that encourage job-seeking activities in local communities.
Areas to stabilize employment using high skills	Regions where there is a substantial number of business establishments hiring highly skilled workers, but economic factors have worsened or are likely to worsen the employment situation.	By promoting new businesses making use of highly skilled workers and encouraging such workers to develop their skills, to create new employment opportunities and develop the job market, which will improve the local employment structure. Subsidies to encourage the development of local employment (wage subsidies, and subsidies to improve welfare facilities); and subsidies to develop local human resources (subsidies to improve abilities).

#### **4. Creating and Fostering Firms and Cooperation among Business, Academia and Government**

The conventional strategy of encouraging firms to relocate seems to be reaching its limit for home appliance, automobile parts and electrical parts manufacturers. Accordingly, regional governments are shifting to assisting in the establishment of and fostering of firms. In other words, they are thinking about positively assisting promising enterprises and entrepreneurs, even if small at the moment, as a means towards the development of local economies.

Another potential strategy to develop local economies lies in cooperation among business enterprises, the academic world and administrations. An example is a new business launched by engineers, former employees of the previously mentioned firm Y<sub>3</sub>, who worked on a project in cooperation with their alma mater.

The contribution to industrial development of joint ventures between university and enterprise relates, of course, to the American model. It is said that the history of this kind of joint venture in the United States began full scale some 20 years ago, with the implementation of the Bayh-Dole Act which authorizes universities to retain licenses and patent rights. The evolution of this act cannot be described in detail here, but the basic idea at present is that universities establish a technology licensing office (TLO) under which an

incubation center applies for and obtains patent rights, selects technologies, and recommends inventions to private firms.

Following the U.S. model, regional collaboration centers have been established at 56 national universities in Japan since 1987, joint research ventures between enterprises and universities have been established, and the results of cooperative research are being considered for commercial marketing. Despite minor differences among the regional collaboration centers across the country, the basic system is the same: sponsor meetings, seminars, open courses, study groups and so on providing the opportunity for business, academic and administrative people to exchange information, and conducts joint research with enterprises. The process from joint research to the commercial marketplace involves a preliminary sounding out from enterprises, selecting professors and their teams to be in charge, conducting joint research, transferring academic technology and applying for patent rights, and transferring the product to industrial commercialization. The process is also expected to increase the number of networks involving students through internship programs.

Since a majority of local enterprises are small or medium-sized, there is not always enough funds for research and development, however, this can be handled under the law encouraging creative activities in small and medium-sized enterprises. This law helps small and medium-sized enterprises already engaged in or entering into business activities create new products or new services through research and development, and to assist such enterprises in terms of financing, tax exemptions and so on. Another possibility is to allocate "subsidies for the development of creative technological research among small and medium-sized enterprises."

Coordinators play a very crucial role in ensuring collaboration between universities and firms. In the U.S., many coordinators hold at least a master's degree, sometimes a doctor's degree, with several years of work experience, and are thus equipped with knowledge and experience of both the academic and business worlds. How about Japan, then? Frequently they are university researchers, many of whom have little business experience, so their coordination tended at first to attach greater importance to academic research (often referred to as seeds corresponding type joint research). In recent years, however, people with business experience or local civil servants who have been in charge of the development of the local economy or promotion of technological development are beginning to serve as coordinators, and are expected to work more effectively for the promotion of joint research corresponding more closely to business needs. In other words, the crucial point for the performance of regional collaboration centers in Japan is how to obtain a quality coordinator.



Meanwhile, due to requests for coordinators from the company side, some local communities have set up organizations to facilitate collaboration between the business, academic worlds and the administration. These organizations inform universities and regional collaboration centers of the company's needs, and give business owners advice concerning a range of subsidies and financial assistance.

Although such joint research between enterprises and universities and the fostering of new businesses may not create employment on a large scale in the short term, in the long term they are expected to generate new employment opportunities by promoting the local economy.

## 5. Conclusion

The steadily deteriorating regional employment situation is attributable to the prolonged economic recession and the subsequent IT recession, together with a reduction in the number of production sites at home due to transfers abroad. This affects companies which initially moved to rural areas in Japan, leading a succession of such companies to scale back, withdraw or close their sites across the country. Under these circumstances, various policies and measures have been implemented at the national level under the Law concerning the Development of Regional Employment, and since its enactment last autumn, additional policies and measure have been implemented.

At the same time, regional job creation has expanded beyond the conventional method of inducing firms to relocate, and attention is focused on promoting regional industry through collaboration between business enterprises, the academic world and administrative agencies. This will bring mid- or long-term results, rather than employment measures with immediate effects. The idea is to set up local collaboration centers for joint research between enterprises and universities and its commercialization, and a positive commitment by local governments to start and foster new businesses. This trend is expected to spread in the future.

Takanashi notes the following aspects as essential when considering regional employment issues: Discussion must extend beyond particular cities or industrial areas within Japan because the Japanese economy is part of the world economy; the economy must be reformed and industrial structure changed in response to new developments in the world economy and the international division of labor; and, the process of structural change alters industries in certain areas in Japan, raising problems by region<sup>(4)</sup>.

Unfortunately, the author is not qualified to deal with Takanashi's view in this article,

but the issue should be discussed again at the next opportunity.

Notes:

- (1) For the impact of the increase in overseas production on manufacturers in rural regions domestically, see Japan Institute of Labour (1999c) which consists of a report on surveys and a case study.
- (2) Japan Institute of Labour (1999a) and (1999b) report on the results of surveys concerning business performance; structural changes in the division of labor; composition of workers; supply and demand, and training of skilled workers; and ability development at enterprises in regions designated as "areas to stabilize employment using high skills."
- (3) Requirements for each grant are:
  - Regions will be designated as "areas to promote increases in job opportunities" when (1) the monthly average number of workers seeking regular jobs in the previous five years is 4,000 or more, and where the number has not fallen sharply in the previous six months; and (2) the monthly average "active opening rate for regular employment" in the previous five years is under the national monthly average, and where the ratio has shown no tendency to suddenly improve in the previous six months.
  - Regions will be designated as "areas to support job-seeking activities" when (1) the monthly average number of workers seeking jobs in the previous five years is 3,000 or more, and where the number has shown no tendency to suddenly drop in the previous six months; and (2) the monthly average number of workers seeking jobs in the previous five years in the region in question (where there should be neither public employment security office nor more than 10 private job introduction agencies) multiplied by the ratio of the figure to the total labor force is roughly 1,000 or more; (3.1) the annual average number of workers in the previous five years who have started receiving the basic allowance of unemployment benefits is 300 or more, and where the figure has shown no tendency to sudden improvement in the previous six months; and (3.2) the monthly average ratio of recipients of the basic allowance of unemployment benefits in the previous five years is above the national monthly average during the same period, and where the ratio has shown no tendency to suddenly improve in the previous six months.
  - Regions will be designated as "areas which encourage skills development" when (1) the monthly average number of workers in the previous five years seeking regular jobs specified as "occupation for measures to promote job finding" is 300 or more, and where the figure has shown no tendency to suddenly increase in the previous six months; and (2) the annual average rate of success for such workers in the previous five years is under its counterpart at the national level, and where the rate has shown no tendency to suddenly increase in the previous six months.
  - Regions will be designated as "areas to stabilize employment using high skills" when they have a high density of business establishments with highly skilled labor, and where a substantial number of establishments within the region have been obliged to reduce the amount of their products or services due to economic reasons, involving in turn the deterioration or possible deterioration of the employment situation.
- (4) See page 62 of Takanashi (1993).

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## JIL News and Information

### **Work Sharing: Drawing upon Dutch Experiences in the Japanese Labor-Management Debate**

On January 25, leaders of the Netherlands Trade Union Confederation (FNV) were invited to an international conference hosted by the Japan Institute of Labour. The Netherlands' largest and main national center, the FNV has 1.2 million union members under its umbrella.

This conference was held as part of JIL's international exchange projects, providing an opportunity to share experiences on issues related to work sharing, which is also being discussed in Japan.

The Netherlands currently provides a prominent, favorable example of linking creation of employment with reduced working hours under the "Dutch model," a consensus-style labor-management cooperation that ensures equal treatment of part-time and full-time workers.

Following the keynote presentation by Mr. Aad Regeer, FNV's General Secretary and Treasurer, the conference featured a panel discussion including FNV members, (three leaders from separate industrial unions), Mr. Yoji Tatsui, Executive Director, Department of Working Conditions, Rengo (Japanese Trade Union Confederation), and Mr. Hiroyuki Matsui, Deputy Director, Labor Legislation Division, Nikkeiren (Japan Federation of Employers'

Associations). The conference was moderated by Professor Akira Wakisaka, Gakushuin University.

In his keynote presentation, Mr. Regeer noted that the "polder model" — a continuing consensus-style agreement between government, labor and management that is a cultural manifestation involving history, the environment and way of thinking springing from a spirit of mutual aid that has developed from the fact that half the country is below sea level — is something which other countries would not be able to copy as is. He explained the 1982 Wassenaar Agreement, under which government, labor and management agreed that (1) employment opportunities would be created by shortening working hours, (2) labor unions would accept restraints on wage increases, and (3) the government would curtail fiscal expenditures and implement tax cuts. While this agreement put an end to policies that had previously been unharmonious, the Netherlands' success was not based only on this accord, but also derives from combinations of various additional agreements put forth subsequently, among which implementation of responsible wage policies was important.

He further noted, however, that while the polder model resulted in mutual respect among government, labor and management, built consensus by stressing more than individual gain, and achieved concurrent views regarding economic policies, there is concern over factors that might shake the consensus model. These factors include the low unionization rate among minorities and youth, the divergence of starting points between labor-management and government, and the contradiction between social sustainability and economic growth.

Mr. Matsui from Nikkeiren noted that, "Until now, the view held by Japanese companies on the question of work sharing has been implemented within various frameworks, such as limiting new hires, reallocating positions, transferring workers to affiliates, restrictions on overtime, and temporary lay-offs. Work sharing should be considered as one option, and a diverse as well as appropriate allocation of employment, wages and working hours will aid in maintaining and creating employment over the medium to long term. Mention was made that the working conditions, other than working hours, of part-time workers in the Netherlands are exactly the same as full-time workers, but it would be difficult to introduce this in Japan in exactly the same way. Japanese wage systems contain substantial elements of 'living wage allowances' and in many cases payment is still based on years of service. The equal treatment that Rengo advocates is a theory that will only be realized after elements of the living wage are done away with. Although agreements may be reached through discussions with Rengo, I am pessimistic about the extent to which we can come to terms on the final content."

Representing labor, Rengo's Mr. Tatsui closed the discussion by noting, "At this late date

there is no need to offer encouragement for existing ways of adjusting employment that have been mentioned over and over again, such as temporary lay-offs or controls on overtime. It has come down to talk of work sharing because there is a limit to such existing measures and society's consent will be needed to move forward. Discrimination based on differences in working hours has been prohibited by law in the Netherlands, but rules of equal pay for work of equal value undoubtedly existed before. In Japan, equal treatment based on equal work does not exist, and since wage determination has been left up to the labor and management of individual companies to too great an extent, there are not even rules regulating the equal treatment of regular company employees. The Netherlands began with a framework of a system of legislation based on social agreements and is undertaking a magnificent experiment to determine the extent to which it can be given tangible form in individual companies. In Japan, on the other hand, the focus has become the extent to which individual labor-management relations can be socialized and how to create an infrastructure that is not disadvantageous to job switching. The main point is that we must build a unique Japanese model. The government must end deflation and provide an environment that leads to the creation of employment. Making proposals on labor-management issues is a good thing, but talking about work sharing first is putting the cart before the horse. However, the government should assist companies that are making an effort to protect employment by shortening working hours."

### 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 Index

### Recent Labor Economy Indices

	December 2001	January 2002	Change from previous year (January)
Labor force	6,699 (10 thousand)	6,611 (10 thousand)	-66 (10 thousand)
Employed	6,385 ( " )	6,362 ( " )	-94 ( " )
Employees	5,338 ( " )	5,321 ( " )	-51 ( " )
Unemployed	371 ( " )	355 ( " )	28 ( " )
Unemployment rate	5.5(%)	5.3(%)	0.5(%)
Active opening rate	0.51	0.51	-0.14
Total hours worked	153.2 (hours)	p137.9 (hours)	p-2.7
Total wages of regular employees	(¥ thousand) 646.9	(¥ thousand) p302.1	p-2.3

Notes: \* p: Preliminary figures

US\$1 = ¥129.8 (March 18, 2002)

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

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**Table 1: Trends in the Number of Union Members and Estimated Unionization Rate**

Year	Number of union members (1,000 people)	Change from previous year		Number of employees (10,000 people)	Estimated unionization rate (%)
		(1,000 people)	(%)		
1993	12,663	123	1.0	5,233	24.2
1994	12,699	35	0.3	5,279	24.1
1995	12,614	-85	-0.7	5,309	23.8
1996	12,451	-162	-1.3	5,367	23.2
1997	12,285	-166	-1.3	5,435	22.6
1998	12,093	-192	-1.6	5,391	22.4
1999	11,825	-268	-2.2	5,321	22.2
2000	11,539	-286	-2.4	5,379	21.5
2001	11,212	-326	-2.8	5,413	20.7

**Table 2: Trends in Number of Union Members among Part-time Employees and Estimated Unionization Rate**

Year	Number of part-time worker union members (1,000 people)	Change from previous year		Percentage of unionized part-time workers to total membership (%)	Number of short-time workers (10,000 people)	Estimated unionization rate (%)
		(1,000 people)	(%)			
1993	156	24	18.1	1.2	798	2.0
1994	168	12	7.9	1.3	836	2.0
1995	184	16	9.6	1.5	864	2.1
1996	196	12	6.4	1.6	889	2.2
1997	218	22	11.2	1.8	923	2.4
1998	240	22	9.9	2.0	957	2.5
1999	244	4	1.7	2.1	993	2.5
2000	260	16	6.6	2.3	1,017	2.6
2001	280	20	7.8	2.5	1,042	2.7

Notes: 1) Part-time workers are those who work fewer hours than their full-time counterparts during a working day at their work place, or if working hours are the same on a given day, they work fewer days during the course of a week, or those who are referred to as part-timers in their work place.

2) Short-time employees are those who work less than 35 hours per week (among those surveyed in the *Labour Force Survey*).

3) The estimated unionization rate among part-time employees is calculated by dividing the number of part-time worker union members by the number of short-time employees.

Source: Ministry of Health, Labour and Welfare, *Basic Survey on Labour Unions*.