

JAPAN LABOR BULLETIN

ISSUED BY THE JAPAN INSTITUTE OF LABOUR

August 1, 2002 (毎月1回1日発行)

昭和44年10月8日 第3種郵便物認可

<http://www.jil.go.jp/bulletin/index.htm>

Vol. 41 — No. 8

August 2002

CONTENTS

Working Conditions and the Labor Market

- More People Unemployed, and for Longer: *Labour Force Survey* 1
Number of Female Managers Still Low 2

Labor-Management Relations

- Denki Rengo Eyes Negotiating Wages According to Job 2

Public Policy

- Commercial Code Revised to Allow U.S.-style Corporate Governance 3
Shrinking Birthrate Impacts on Future Pension Premiums 5

Special Topic

- Wage Inequality and Its Determinants in the 1980s and 1990s 6

Opinion

- Working at the Margins: Public Policy, Age, and Firms in Japan 13

WORKING CONDITIONS AND THE LABOR MARKET

More People Unemployed, and for Longer: *Labour Force Survey*

On May 31, 2002, the Ministry of Public Management, Home Affairs, Posts and Telecommunications released the results of the *Labour Force Survey* for the January to March quarter. The number of unemployed averaged 3.6 million, an increase of some 500,000 compared to the same period the previous year. The number who had been unemployed for one year or longer comprised almost 30 percent of all unemployed, totalling 1.03 million, and exceeding the one million mark for the first time. These findings vividly portrayed the state of the labor market, where an increase in the number of jobless workers is paralleled by longer periods of unemployment.

Until early this year, the *Special Labour Force Survey* was conducted twice a year (in February and August) as a supplement to the *Monthly Labour Force Surveys*. But since January the two surveys have been merged, and results are released quarterly. (For more details, see this column in the March 2002 issue of the *Japan Labor Bulletin*.) The new figures were the first released since the revision; they appear in a new format and, strictly speaking, were collected differently in terms of dates and method. But for all practical purposes, they are comparable with figures compiled from past *Special Surveys*.

By duration, 36.3 percent had been unemployed for less

than three months (down 3.3 points compared to the February 2001 survey); 15.9 percent were without work for three to six months (an increase of 1.3 points); 17.4 percent for six to 12 months (a decrease of 2.2 points); and 30.4 percent for a year or longer (up 4.1 points). A more detailed breakdown of the long-term unemployed reveals a clearer picture of the plight of the unemployed: Of those who have been unemployed for more than a year, 48 percent had been jobless for one year or longer but less than two years (an increase of 1.1 points), and 52 percent had not worked for two years or longer (up 3.0 points).

When asked why they were unemployed, 28.3 percent responded that there was no job that meet their criteria. This was particularly prevalent among the younger generation, with 40.9 percent of those aged 15 to 24 choosing this answer. Among unemployed people aged 45 or older, the most common reason cited for being out of work was that they did not qualify for available jobs due to their age. This accounted for 20.6 percent of all unemployed, and 52.2 percent of those aged 55 or older. Twelve and a half percent gave other reasons; 10.8 percent said that while they would have taken any job, there simply were none; and 8.6 percent thought that the wages offered were unsatisfactory.

Workers who had switched their jobs during the previous year, accounting for 4.9 percent of all employed, totalled 3.07 million. Those aged 25 to 34 accounted for the majority, at 1.01 million. By age, the highest proportion of turnovers was experienced among workers aged 15 to 24, 12.0 percent for males and 15.4 percent for females.

Among 48.91 million employees, excluding executives, regular staff and employees accounted for 71.3 percent, down 1.5 points compared to the same period the previous year, whereas non-regular staff and employees — covering part-time, *arubaito* (temporary workers), dispatched (agency workers) and contract employees — comprised 28.7 percent, up 1.5 points. The proportion of workers with non-regular contracts showed a tendency to increase among both male and female workers: 14.8 percent of males and nearly half, 48.1 percent, of females.

The government is currently reviewing such programs as unemployment insurance, taxation and public pension in an attempt to tackle the deteriorating financial situation of the unemployment insurance system as the number of unemployed increases and in an attempt to cope with additional numbers of non-regular employees, particularly among women. Since the surveys have indicated obvious tendencies towards prolonged unemployment and an increasing number of non-regular employees, prompt action is required on these scores.

Number of Female Managers Still Low

The number of women managers is tending to increase, although the gender gap in terms of promotion to higher grades and positions remains substantial. The fiscal 2001 *Basic Survey on the Employment of Women*, released in May by the Ministry of Health, Labour and Welfare, covered some 9,000 private enterprises with 30 or more permanent employees. Usable replies were returned by 6,719 establishments, or 74.7 percent.

In terms of specific managerial posts, the percent of female assistant managers (*kakari-cho*) stood at 11.9 percent, an increase of 4.2 points over the fiscal 2000 figure of 7.7 percent. Among managers (*ka-cho*) and general managers (*bu-cho*), the number of women increased slightly over the previous fiscal year, from 2.6 percent and 1.6 percent to

5.5 percent and 3.2 percent, respectively.

More than 30 percent of the firms responded that males with a university degree are promoted to managerial positions much quicker than females with the same academic background. Twenty percent of males had become an assistant manager while in their 30s, but only 5.9 percent of females had attained the same position; and while 24.4 percent of males reached manager in their 40s, a mere 4.1 percent of females in the same age group did so.

Asked at what point the gap between men and women begins to widen, 30 percent answered after six to 10 years of tenure. More than half the firms surveyed attributed the increasing gap to the fact that males and females, in general, engage in different types of duties, with the majority replying that only male workers engage in posts requiring higher skills and knowledge. In terms of reallocation, which provides crucial opportunities for career formation, men and women were given more or less an equal chance within the same establishment. But the frequency of reallocation across establishments or in branch offices for female workers was 50 percent that for males.

The survey also investigated the correlation between classifying job schemes into various tracks, such as management career track (*sogo-shoku*) and general track (*ippan-shoku*), and the proportion of females in managerial posts. The results showed that fewer women occupied managerial posts at enterprises with such schemes, 4.6 percent, than at those without, 8.7 percent.

LABOR-MANAGEMENT RELATIONS

Denki Rengo Eyes Negotiating Wages According to Job

In June, Denki Rengo (Japanese Electrical Electronic & Information Union with approximately 770,000 members) submitted a survey aimed at establishing generally accepted

Statistical Aspect

Recent Labor Economy Indices

	May 2002	June 2002	Change from previous year (June)
Labor force	6,731 (10 thousand)	6,741 (10 thousand)	-63 (10 thousand)
Employed ⁽¹⁾	6,356	6,373	-93
Employees ⁽¹⁾	5,320	5,348	-65
Unemployed ⁽¹⁾	375	368	30
Unemployment rate ⁽¹⁾	5.4%	5.4%	0.5
Active opening rate ⁽¹⁾	0.53	0.53	-0.08
Total hours worked ⁽²⁾	148.8 (hours)	156.3 (hours)	-2.2
Monthly cash earnings ⁽²⁾	280.6 (¥ thousand)	468.0 (¥ thousand)	-3.7

Notes: ⁽¹⁾ Seasonally-adjusted figures.

⁽²⁾ Figures refer to establishments employing five or more people.

Figures for June are preliminary (excluding those for the "Active opening rate").

US\$1= ¥119 (August 1, 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), *Maitsuki Kinrō Tōkei* (Monthly Labour Survey).

wage levels for specified jobs to major companies whose unions are affiliated with it, such as Hitachi Ltd., Toshiba Corp. and Matsushita Electric Industrial Co., Ltd. The union intends to expand the scope of the survey to all the companies its members work for by 2005.

Specifically, the union is investigating monthly wages controlled by existing criteria in 11 job categories — (1) product assembly, (2) machine operation, (3) machine manufacturing, (4) supervising, (5) planning, (6) office jobs, (7) sales, (8) systems engineering, (9) research, (10) development and design, and (11) others.

Traditionally, wages were mainly determined by a worker's age and educational background. For example, during the *shunto* wage negotiations this year, Denki Rengo took as its standard two typical workers when setting its wage demands: a 35-year-old skilled worker (a blue collar worker) who graduated from high school, and a 30-year-old skilled office worker (a white collar worker) with a university degree. A new system of wage levels fixed according to job type will provide, as a guideline, a target minimum wage below which the union will not let its members work. The union's intention lies in the belief that if wages are stabilized within the same job category, a worker with particular skills and knowledge will be able to enjoy the same wages if he/she changes companies.

During *shunto* wage negotiations in recent years employers have been taking a more critical stance toward union demands for unanimous pay hikes based on age and tenure, and an increasing number of firms are changing the balance of wage components by progressively reducing the fixed portion — that is, basic pay raises and annual increments in salary — and increasing the fluctuating portions, i.e., bonus-

es and lump-sum payments. What is more, a number of companies in the electronics industry and their unions agreed on wage cuts and the postponing of basic pay raises immediately after the settlement of negotiations because businesses had gone into the red. Meanwhile, there is a chronic shortage of some specialized workers, including systems engineering, and resulting in a widening of the supply-and-demand gap. The understanding that demands for uniform pay raises and other practices are no longer valid has forced unions to review the traditional wage determination method.

Similarly, Jidosha Soren (Confederation of Japan Automobile Workers' Unions) is also giving up the traditional wage determination method in *shunto* negotiations. Workers at Toyota Motor Corp., which raked in record profits last fiscal year, did not receive a basic pay raise, underlining the ineffectiveness of conventional bargaining in the automobile industry. In line with this, the confederation is now emphasizing the ability and value of individual workers in determining wages, rather than basic raises designed to match rising living costs, or the wage-setting method based on age and tenure.

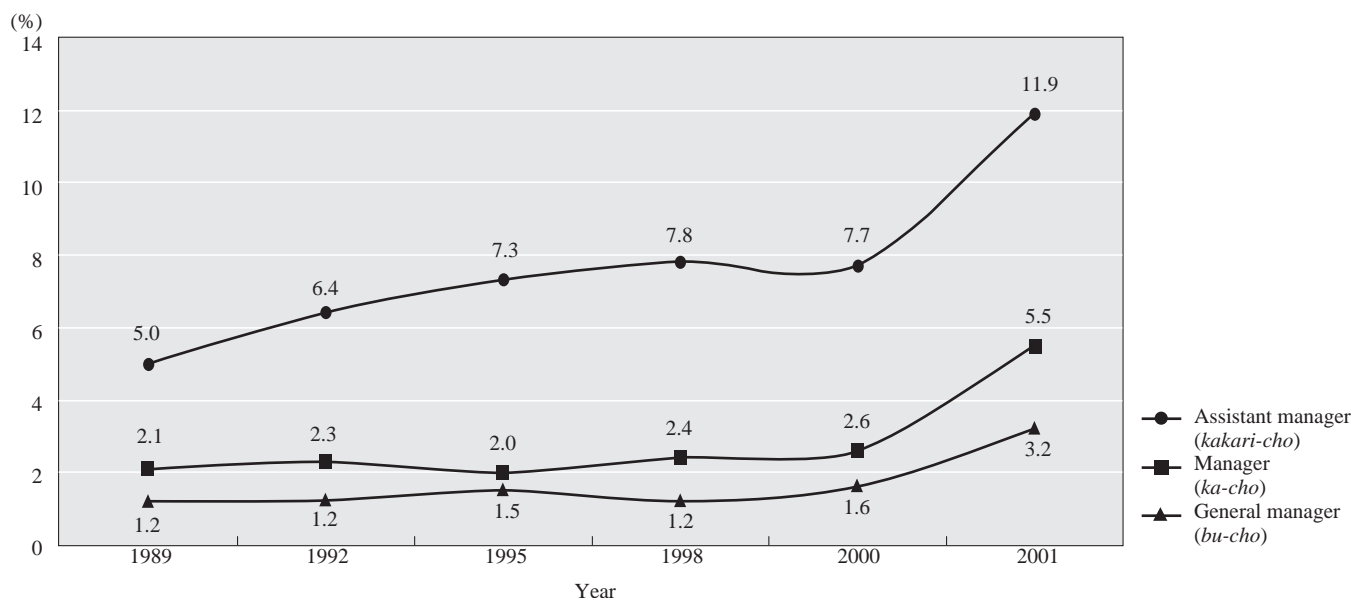
PUBLIC POLICY

Commercial Code Revised to Allow U.S.-style Corporate Governance

In May, amendments to the Commercial Code were approved, allowing large firms to do away with corporate auditors on the condition they appoint external directors from outside the company. The revisions are expected to be enacted in April 2003.

Statistical Aspect

Figure 1. Percent of Female Managers (by position)



Source: Ministry of Health, Labour and Welfare, *Basic Survey on the Employment of Women*.

Under the current code, corporations are governed by shareholders (shareholders' general meetings), corporate auditors and board of directors. At general meetings of shareholders, corporate auditors are designated and directors are selected. Corporate auditors audit the performance of directors; the board of directors is responsible for business management decisions as well as for appointing representative directors and supervising the way they handle affairs.

In practice, however, there is criticism that the roles of auditors and board of directors have become purely nominal, and that they do not serve as supervising bodies for the execution of business. In line with this, two approaches have been explored to amend the Commercial Code to improve corporate governance.

One approach is to strengthen the function of corporate auditors. In the December 2001 revision of the Commercial Code (implemented in May 2002), the minimum number of external financial auditors at large firms was increased from one to at least half of all auditors (three or more are required), and their term of appointment was extended from three to four years. It was also made obligatory for the auditors to participate in board of directors. Under the Commercial Code, incidentally, large firms are definable as those capitalized at ¥500 million or more or in debt of ¥20 billion or more. At present, some 10,000 firms fall within this category.

Another approach is to strengthen the function of board of directors, the focus being on appointing external directors from outside the firm. Currently, only a limited number of firms have external directors on their board of directors, the majority being appointed from within the firm. Also, since in many cases directors having duties of an employee's capacity are regarded as a rank below representative directors, it is dif-

ficult for them to make decisions other than approving those already made by the board of directors. Accordingly, in April 2001, an advisory body to the Minister of Justice proposed that large firms should have one or more external directors. Business circles, however, were opposed to the proposal, claiming it was unrealistic to expect that all firms could find appropriate people, and that this was a matter for the firms to decide, in accordance with their situation. In line with such objections, the current revision to the Commercial Code does not make it obligatory to hire external directors, but simply allows firms to do away with auditors and appoint external directors instead, in the U.S.-style of corporate governance.

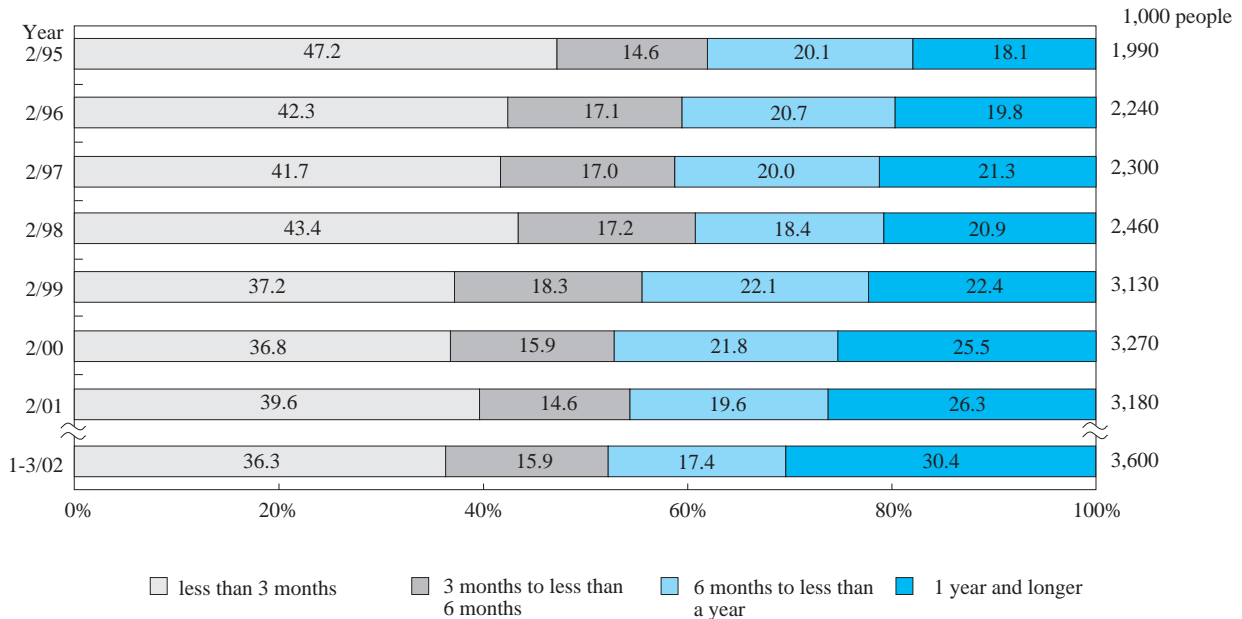
More precisely, large firms are allowed to do away with auditors if they satisfy the following three conditions:

- (1) They must have two or more external executives on their board.
- (2) They must establish a new executive post, corporate executive officer (*shikko-yaku*), for actual management.
- (3) The following three committees must be formed under the supervision of the board of directors: (i) a designation committee to decide on candidates for directors' positions; (ii) an auditing committee to serve as auditors; and (iii) a remuneration committee to determine the pay of directors and corporate executive officers. Each committee must consist of three or more board members, more than half of whom must be from outside the company.

Under the new system, the term for directors will be shortened from the current two years to one, but the board of directors will determine policy on dividends, and assign a range of duties to corporate executive officers, for example, the issuing of new shares and corporate bonds. Representative directors will be replaced by (the post of)

Statistical Aspect

Figure 2. Length of Time People Have Been Unemployed



Source: Ministry of Health, Labour and Welfare, *Labour Force Survey*.

corporate executive officers.

Nevertheless, currently only a small number of firms have indicated their intention to adopt this American-style of corporate governance; the majority have stated their intention not to change their current structure or have expressed reservations about the new style. It seems that people within a given firm are reluctant to leave the power of personnel reshuffles, such as selecting executive candidates, to external directors and feel it necessary to secure a route to internal promotion so that opinion within the firm can be reflected in management.

Shrinking Birthrate Impacts on Future Pension Premiums

On May 15, the Ministry of Health, Labour and Welfare published provisional premiums for the Employees' Pension Plan and the National Pension Plan based on a new demographic projection that foresees a shrinking labor force and a graying population. The new pension premiums for the Employees' Pension Plan from fiscal 2025 will be equivalent to 24.8 percent of annual salaries (the burden to be borne by both the company and employee), 1.8 times as much as the current rate.

The Employees' Pension Plan is the major public pension plan for employees, while the National Pension Plan covers the self-employed. Both plans rely financially on two sources: one-third of the basic portion of these plans is financed by the National Treasury, that is by tax, while the remaining two-thirds is covered by premiums paid by those currently working, and, in the case of the Employees' Pension Plan half is paid by the employer. Currently, the premiums are 17.3 percent of monthly wages and one percent of bonus payments, borne by the company and employee. But the premium will change from next fiscal year, setting the rate at 13.5 percent of total annual earnings including bonus payments.

The ministry draws up demographic forecasts which

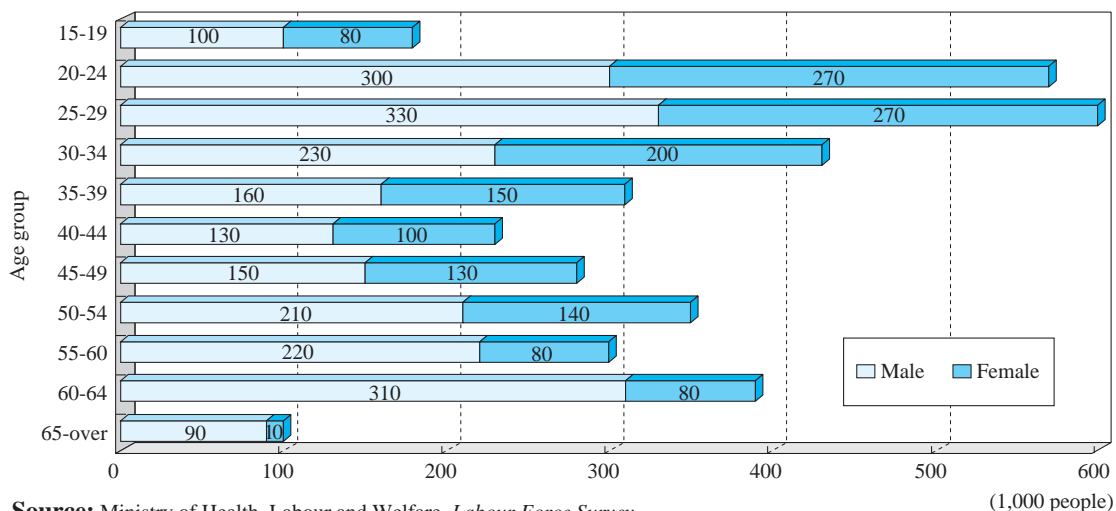
includes the fertility rate — the average number of children a woman has during her life — roughly every five years. In 1999 when the government drew up financial plans concerning the long-term pension premiums and payments currently in force, premiums were determined on the expectation that the declining birthrate would turn around to 1.61. The recent recalculation of long-term pension premiums was due to an unexpected further drop in the birthrate and an increasingly graying population. The figures released in January 2002 included a medium variant birthrate estimate of 1.39, with high and low variants. Pension premiums were calculated for all three possibilities. The projected premium for the Employees' Pension Plan based on the medium estimate will be as much as 25 percent of annual wages, provided the National Treasury continues to pay the same proportion (one-third) of the basic portion of the total premium. The lower estimated birthrate of 1.10 means the pension premium for the Employees' Pension Plan in 2025 will be much higher, 27.5 percent of annual salaries.

The declining birthrate and the graying population, both the most marked among developed countries, are disturbing Japan's pension system, and it does not appear that the tendency to have fewer children will be reversed any time soon. At the same time, encouraged by the current recession and dissatisfied with the gap of premiums and payouts between the generations, a growing number of self-employed individuals and companies are not paying their share into their respective pension plans. The proportion of premiums outstanding for the National Pension Plan in fiscal 2000 amounted to approximately 30 percent of the total, while nearly 20 percent of all business establishments that should participate in the Employees' Pension Funds did not in fact do so.

The public pension plans are scheduled to be reviewed in 2004, and a fundamental revision of the system will have to be considered as distrust in pensions is growing among the younger generation, and the economic situation continues to look gloomy.

Statistical Aspect

Figure 3. Number of Unemployed Workers by Age Group



Source: Ministry of Health, Labour and Welfare, *Labour Force Survey*.

Special Topic

Wage Inequality and Its Determinants in the 1980s and 1990s

Takehisa Shinozaki
Gakushuin University

1. Introduction

This article examines trends in wage inequality during the 1980s and 1990s in Japan, together with the factors determining such trends.

At the end of the 1990s, a lot of attention was paid to changes in income and wage inequality resulting from changes that were being observed in economic activities. These included technological innovation as represented in the advancement of computer technologies. The difference in wages is thought to stem from the increased demand for workers with higher education capable of handling new technologies as existing technologies become outdated, and the higher wage for such workers⁽¹⁾.

Another but much greater factor was the wide introduction of the pay-for-performance wage system, mainly by large firms. Under the pay-for-performance system, wages are determined in accordance with the performance of a worker in a given period; thus the system is intended to create incentives for employees and increase productivity. The primary purpose is not to further widen the wage gap, nor in fact has research found any clear causal relationship between the introduction of the wage system and fluctuations in wage inequality. Nevertheless, the introduction of the pay-for-performance wage system was still generally regarded as a possible reason behind the increased gap in wages, heightening interest in the question of income and wage inequality.

Paralleling this interest, several studies on income and wage gaps, making use of data from the 1980s and 1990s, have been published.

Tachibanaki (1998) was the forerunner of studies on inequality in the 1990s, claiming that income inequality in Japan was tending to grow throughout the 1980s and 1990s, bringing the degree of inequality to mid-level by international standards. The arguments he deployed, diametrically opposed to the general view that Japan is an egalitarian society, caused much surprise and controversy.

Ohta (1999) and Ohtake (1999, 2000), among others, immediately rebutted Tachibanaki's studies. Their objections were based on the following three facts observed in data concerning household incomes: throughout the 1980s and 1990s income inequality with-

in the same age group did not widen; income inequalities within the same age group were greater in the older group; and that the graying of society increased the proportion of elderly people in the population as a whole. From these observations, they concluded that the increasing relative weight of a group — in this case the elderly — which showed a great inequality



within itself eventually gave the impression that income inequalities in society as a whole had widened. In addition, they pointed out that Tachibanaki's data and definition of income were highly biased. Therefore they doubted Tachibanaki's results which indicated that income inequality in Japan was at the mid-level internationally.

On the other hand, there are no similar arguments concerning the wage gap. A series of studies unanimously concluded that wage inequality in Japan, particularly in the 1990s, remained more or less unchanged. OECD's (1996) analysis, for example, noted that wage inequality began to increase moderately from the mid-1970s throughout the 1980s, then remained unchanged, perhaps slightly decreasing, from the beginning of the 1990s until the middle of the decade. What is more, studies for the latter half of the 1990s showed that there was no increase in the wage gap.

One interesting point in this discussion as outlined above is that, unlike trends in income inequality, the wage gap did not widen in the 1990s. Since technological innovations and the introduction of the pay-for-performance wage systems directly impact wage levels rather than income levels, it would be natural to expect that wages would be more affected than income. In addition, since the effect of aging on the apparent overall inequality is believed to be felt not only in terms of the income gap but also in disparity in wages, the apparent wage gap might have been expected to increase during the 1990s. Unfortunately, however, there are few studies available analyzing determinants affecting wage inequality, and in particular, studies providing an explanation of why wage inequality remained largely

unchanged in the 1990s.

In line with this, this paper will examine why, despite the existence of factors tending to widen the gaps in the 1990s, in reality this did not happen. The first approach was to measure the magnitude of the aging effect (the apparent widening disparities as a result of the aging of the population) on wage inequalities; the second was to examine whether the data used in earlier studies was appropriate to illustrate wage inequality among employees.

The first approach aims to rigorously compute the impact of aging — the apparent cause of the increase in inequality in the country — on wage inequality trends. In terms of income, the aging factor did work as a determinant increasing inequalities. As for wage levels on the other hand, the impact is small, or could be offset by determinants narrowing inequalities, making it appear as though the wage gap was not growing.

The second approach involves investigating whether previous studies are still supported by other statistics. Such investigation is necessary because earlier studies citing wage inequalities used limited data.

The earlier studies in Japan largely utilized the data supplied in Table 3 of Volume 1 of the *Basic Surveys on Wage Structure (BSWS)* (Ministry of Labour, renamed Ministry of Health, Labour and Welfare in 2001) when calculating wage inequality. These statistics are the most comprehensive data for wages in Japan, providing a picture of employee wages in terms of industry, firm size, tenure and educational level.

The coverage of these statistics, however, seems to be limited to the following:

“Monthly scheduled earnings of regular workers (excluding part-time workers) aged 18 and over ... The data excludes the general government sector, public enterprises, agriculture, forestry and fisheries, private household services, employees of foreign governments and all establishments with less than 10 regular workers.” (OECD 1996, p.101).

In other words, the OECD tables, as well as many other studies on wage inequality in Japan, fail to incorporate information on the wages of certain workers and various factors; thus I believe that these studies do not properly cover trends in wage levels of employed people as a whole. These missing workers and factors include regular employees at firms with less than 10 employees; non-regular employees whose numbers have been increasing since the latter half of the 1990s; and overtime and bonus payments, the amount of which is sensitive to revisions in wages and economic cycles.

Any examination of whether the trend in wage inequalities in the 1990s was in fact unchanged requires analysis using data sources not found in Table 3 of Volume 1 of the *BSWS*. The following is an examination from the two angles previously mentioned.

2. The Impact of Aging on Wage Inequality

In this section, the analysis attempts to determine how much of an impact the graying of society has had on increasing inequality. One factor affecting the level of wage inequality seems to be the graying demographic structure of those employed. This was seen in the argument on income inequality. However, while the graying of the population did in fact serve as a determinant in widening the wage gap in the 1980s, it does not properly explain the unchanged level of wage inequality during the following decade. This could be because the existence of an older work force did not play a role in widening inequalities in the 1990s or because other factors played a bigger role.

Accordingly, the author decomposed the factors of fluctuations in wage inequality to examine the impact of the aging factor on these changes in the long run. More specifically, changes were divided into the following categories: the aging factor; wage inequality in each age group, known as the within-group effect; and wage inequality among different age groups, known as the between-group effect. This allowed for the impact of each factor to be clarified.

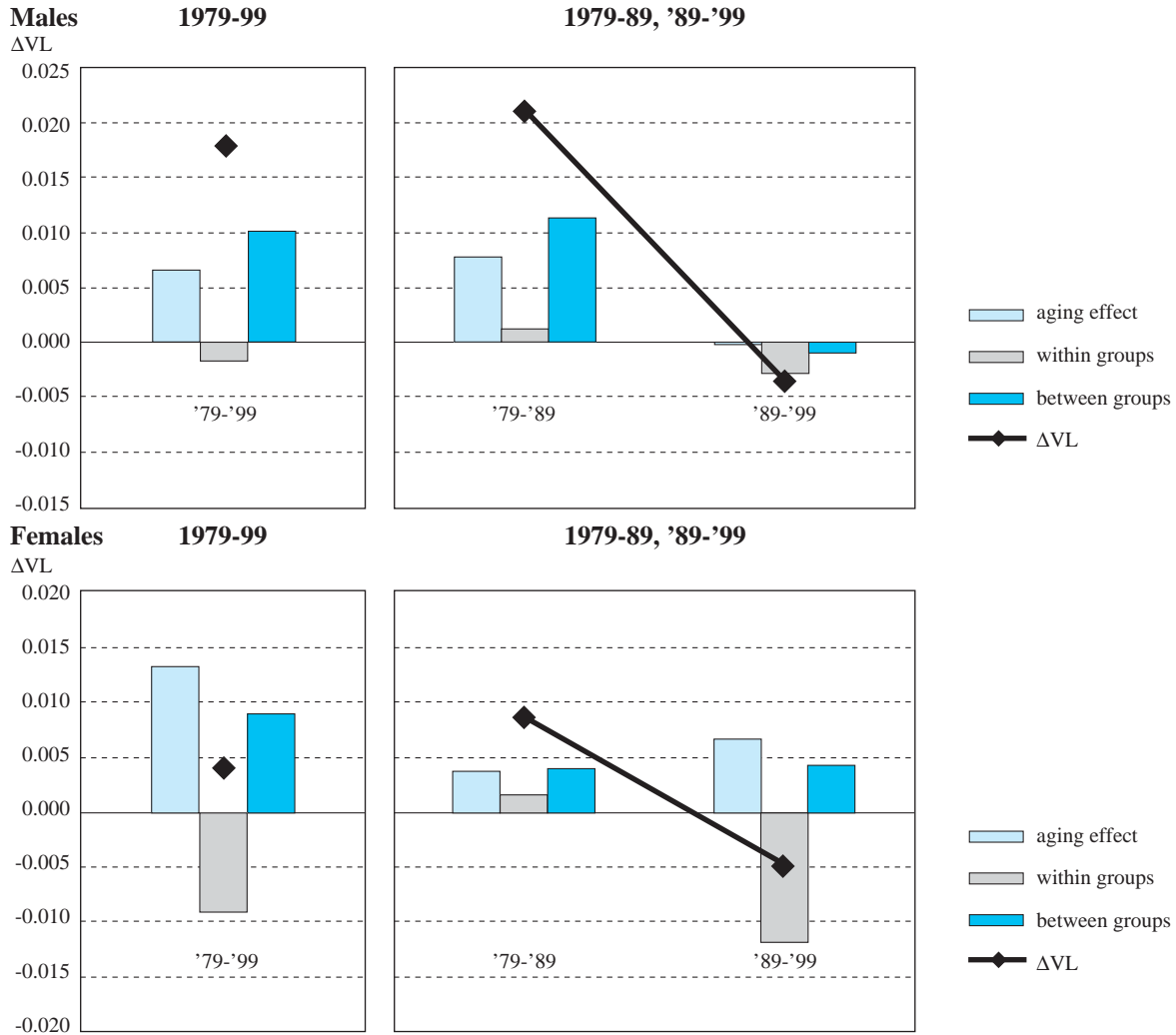
This article uses the variance of the logarithm (VL), a representative measure of inequality, and dissects overall inequality into its various factors. VL represents the distribution of wages in logarithmic terms, the larger figure representing the larger degree of inequality.

Figure 1 shows the results for two time periods in terms of gender: trends through 1979 to 1999 and through 1979 to 1989, and 1989 to 1999.

Decomposition of the factors for the 20-year period reveal that aging was responsible for widening wage inequality for both males and females, and that the impact was particularly severe among females. Thus the aging factor played a major role in increasing wage inequalities during this 20-year period. If the demographic structure had remained the same during this period, the increase in wage disparity for females would have been minimal, and would have narrowed by around 30 percent for males.

The figures for the 10-year period on the other hand present a somewhat different result: in the 1990s in particular the impact of aging on inequality among male workers disappeared; the within-group effect and the between-group effect alone can explain wage inequalities during this period. Put differently, the aging factor acted to widen wage inequality only in the 1980s; in the following decade, other factors played a larger role in changing the level of inequality. As for female employees, the aging factor played a more significant role in the 1990s. Even so, overall inequality was lessened because the between-group effect, which reduced inequalities, played a larger role than the aging factor, which tended to increase inequality. In short, the aging factor, the within-group effect, and the between-group

Figure 1. Decomposition of the Change in Aggregate Inequality: Monthly Scheduled Earnings, Regular Workers, 1979-99



Note: $\Delta VL = (\text{aging effect}) + (\text{within group effect}) + (\text{between group effect})$.

Source: Ministry of Health, Labour and Welfare (previously Ministry of Labour), *Basic Survey on Wage Structure*.

effect all contributed to increase wage inequalities in the 1980s, whereas in the 1990s the impact of the aging factor itself was reduced or offset by other factors having the reverse effect, so that wage inequalities did not increase.

3. Relationship between Trends in Wage Inequality and Statistics

This section and the following investigates whether or not wage inequality grew in the 1990s when different data is used. The investigation will cover a number of factors, such as the change in wage inequality when data, still confined to regular employees as in the previous section, includes firms with less than 10 employees and when wages are defined as annual earnings rather

than scheduled earnings; widening the definition of employees to cover non-regular employees as well as regular ones; and an analysis of wage inequality among females, clarifying any change and its causes.

3.1 Wage Inequality in Terms of Annual Earnings, including Workers in Very Small Firms

The *Employment Status Surveys (ESS)*, carried out and published by the Ministry of Public Management, Home Affairs, Posts and Telecommunications in 2001) are a good source for information regarding the number of self-employed people, the number of workers at firms with less than 10 employees, and their wages. The surveys also provide information in terms of the number of employees in different statuses (such as regular employ-

ees, part-time workers and so on).

Comparing statistics in the *ESS*, male employees covered in Table 3, Volume 1 of the *BSWS* accounted for only about 60 percent of the total number of male workers; for females the figure is one-third. Even where regular employees are concerned, data in the *BSWS* is confined to those working at private firms with 10 or more employees (totalling 29.3 million), excluding those at firms with less than 10 employees, who account for 13.5 percent (4.59 million) of the total number of regular employees. Because an average employee in a very small firm receives lower wages than an average employee in a firm with 10 or more employees, the inclusion of such employees in the analysis may well widen the wage inequality.

Where wage levels used for analysis are concerned, earlier studies utilized monthly scheduled earnings, which do not, relatively speaking, change over time. However, fluctuations in wage levels due to, for example, the introduction of performance-based wage systems, may occur not at the level of scheduled earnings but at the level of non-scheduled earnings, such as in overtime and annual bonus payments.

This analysis includes data concerning regular employees in very small firms with less than 10 employees, and also looks into changes in wage inequalities when annual earnings are used instead of scheduled earnings.

Figure 2 shows the levels of inequality obtained from the *ESS*, with the inclusion of very small firms and

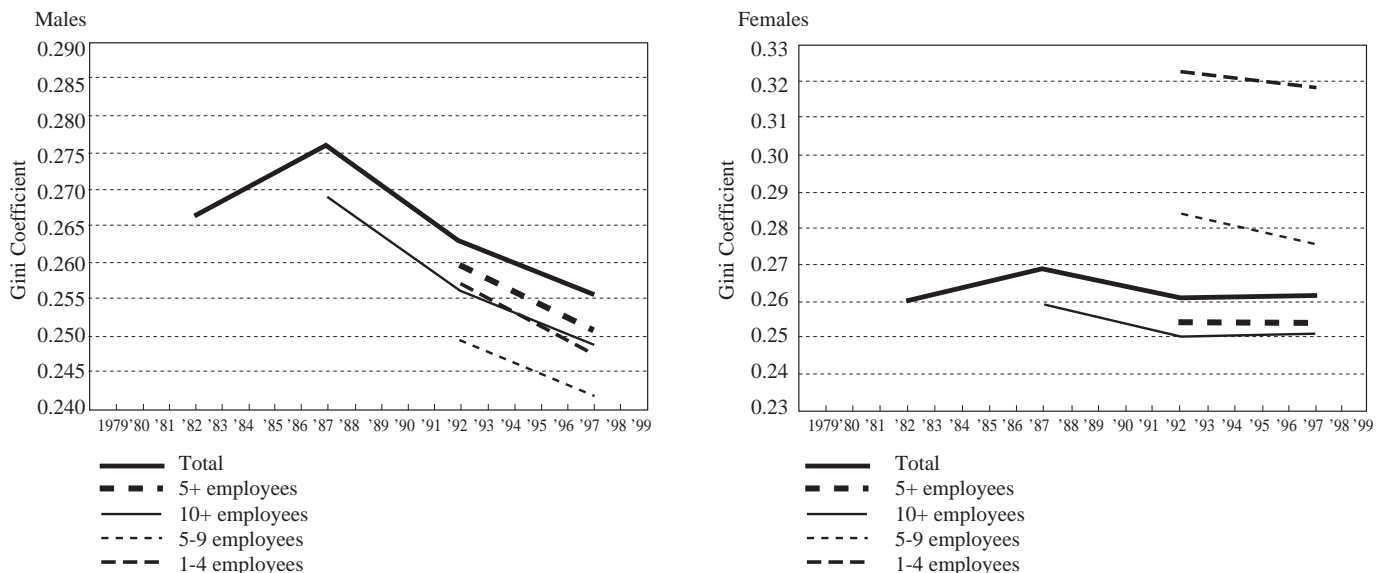
based on annual earnings⁽²⁾. Workers covered in the study were limited to regular employees in private firms, for the purpose of comparison with earlier studies⁽³⁾. The figure is presented in terms of the Gini coefficients, the best-known measure of inequality.

Where male employees are concerned, the level of inequality reached a peak in the latter half of the 1980s, narrowing thereafter in the 1990s. According to earlier studies, on the other hand, wage inequality for male workers computed in terms of monthly scheduled earnings more or less stabilized in the mid- and late 1990s. Judging from inequality levels calculated from the *ESS* data, it can be deduced that wage inequality tended to narrow in the latter half of the 1990s when based on annual earnings. This tendency was observed for all employees surveyed, those at firms with 10 or more employees, and those with five or more employees.

As for female employees, the greatest disparity in wages was observed in the latter half of the 1980s. This gap narrowed in the early 1990s, staying nearly flat between 1992 and 1997. Earlier studies had also concluded that the level of wage inequality based on scheduled earnings remained almost unchanged in the latter half of the 1990s, thereby confirming that the wage differences among females was unchanged during this period both in terms of annual earnings and monthly scheduled earnings.

In terms of firm size, there is little difference between the Gini coefficients for employees at firms with 10 or more employees and those at firms with five

Figure 2. Trends in Annual Earnings Inequality: Regular Workers, 1982-97



Note: Annual earnings of regular workers, including those engaged in agriculture, forestry and fishing.

Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications (previously Statistics Bureau, Management and Coordination Agency), *Employment Status Survey*.

or more employees. The Gini coefficient for those at firms with five to nine employees is lower for males, and higher for females, than at firms with 10 or more employees. The fact that the Gini coefficient for all employees is higher than that for employees at firms with 10 or more employees implies that, in terms of annual earnings, the wage distribution is skewed to a lower level of annual earnings for employees at firms with one to nine employees than those at firms with 10 or more employees.

3.2 Wage Inequality and the Increase in the Number of Non-regular Employees

The analysis used in the preceding sections covers regular employees as reported in the *BSWS* and the *ESS*. But the proportion of non-regular employees to employees as a whole has been increasing. According to the *Special Survey of the Labour Force Surveys (SSLFS)*, carried out and published by the Ministry of Public Management, Home Affairs, Posts and Telecommunications), the estimated percentage of non-regular employees to employees as a whole in the private sector (including executive workers) increased from 1985 to 1999 by 3.4 percent for males (7.1% to 10.5%) and by 12.3 percent (32.6% to 44.9%) for females. This means that the number of employed covered in the *BSWS* has been shrinking. Thus, when using *BSWS* data one must understand that the figures may not be sufficient to obtain a picture of wage differentials among all employees.

In the U.S., an increase in demand for skilled workers and technological innovations, such as those involving computers, have been singled out as factors expand-

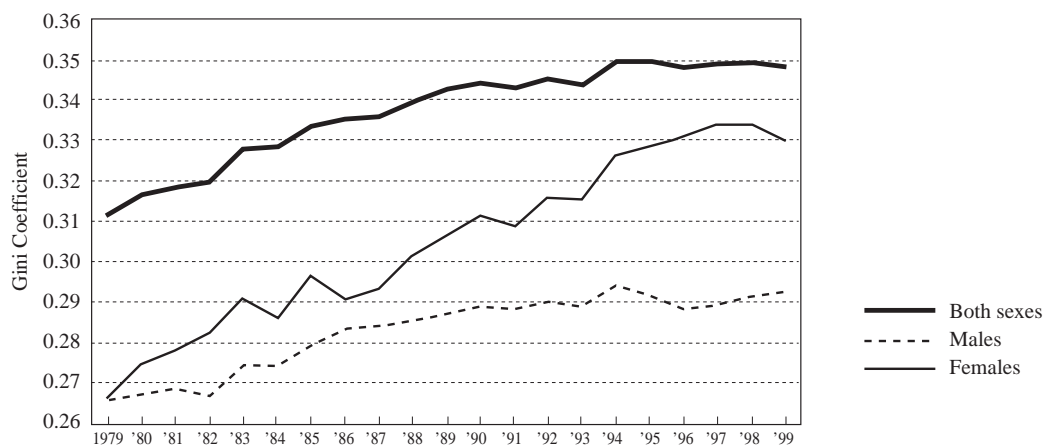
ing inequality in wages. (Katz and Murphy, 1992, Krueger, 1993, etc.) These studies are confined to regular employees with identical characteristics, such as age group and educational level. However, if regular and non-regular employees have different skills and knowledge of technologies, they will receive different wage premiums in accordance with the technological levels they have acquired. This means that the impact of technological innovation on wage inequality is likely to show up initially in the form of inequality between regular and non-regular employees.

Accordingly, the next part of this article will investigate wage inequality among workers, including such non-regular employees. The data used are annual earnings as reported in the *Statistical Surveys of Actual Statistics for Salary in the Private Sector (SSASSPS)*, carried out by the National Tax Agency) and the *SSLFS*. These statistics make it possible to trace annual trends, unlike the *ESS*, which is conducted only every five years.

The *SSASSPS* are carried out for the purpose of creating basic materials for tax management. Available data includes annual earnings of employees (including executives) at private establishments with one or more employee. While household surveys such as the *ESS* are, to some extent, prone to the possibility of underestimated reports by individuals with large incomes, the *SSASSPS* are not subject to such risks.

Figure 3 shows the Gini coefficients computed from data concerning annual earnings of workers, including non-regular employees. Wage inequalities among males and females have registered different trends since around 1990; wage inequality did not increase for males

Figure 3. Trends in Annual Earnings Inequality: All Workers (includes regular and non-regular workers) 1979-99



Note: The category regular workers does not include the government sector. Annual earnings includes those for part-time workers and executives. Agriculture, forestry and fisheries workers are included in the total.

Source: National Tax Agency, *Statistical Survey of Actual Statistics for Salary in the Private Sector*.

in the 1990s, whereas that for females widened steadily throughout the 1980s and the 1990s, and the Gini coefficient grew substantially, by 0.07 point between 1979 and 1999. Comparing the results of analysis with data from the *ESS* in the previous section makes it clear that the incorporation of non-regular employees changes the trends in wage inequality in the 1990s: from narrowing to stable for males, and from stable to increasing for females.

3.3 Reasons behind the Growing Wage Inequality among Female Employees

One reason for the increase in wage inequality among female employees, as seen above, is the aging factor. Among female regular employees, the aging of the population, among other things, did in fact contribute to widening the wage gap throughout the 1980s and 1990s. Given that the degree of wage inequality is higher in the older age group even for non-regular employees at a time that the overall population is graying, the level of wage inequality among female employees as a whole will continue to widen.

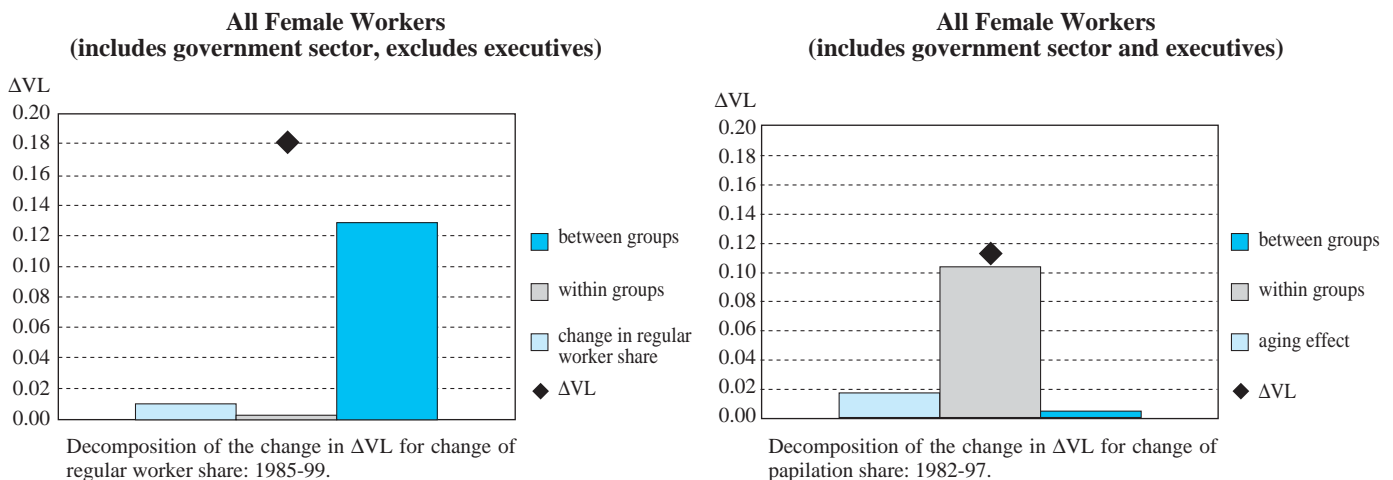
The second reason is the growing wage gap between regular and non-regular employees. Ohtake (2000) uses data from the *BSWS* and notes that wage inequalities (on the basis of hourly wages) increased between part-time and full-time workers throughout the 1980s and 1990s, as did the proportion of part-time workers. The widening of wage inequality among female employees as a whole may be attributable to a combination of these two

factors. Below the author investigates this by utilizing the factor decomposition deployed in Section 2 for the aging effect and the impact of non-regular employees. Due to the lack of appropriate data in the *SSASSPS* for factor decomposition, the analysis here makes use of the *ESS* for the aging factor, and of the *SSLFS* for non-regular employees.

The results of factor decomposition for aging and non-regular employees are presented in Figure 4. To reflect long range effects fully, trends for non-regular employees are provided for 1985 to 1999, and for aging from 1982 to 1997.

Let us begin by looking at the effect of the increase of non-regular employees. The figure shows that wage inequality is mainly explained by the widening of the wage gap between regular and non-regular employees. However, the increase in the proportion of non-regular employees had, as shown in Figure 4, little impact on the increase in wage inequality. Ohtake (2000) indicated the sharp increase of the percentage of non-regular employees during the 1980s and 1990s. Despite the sharp increase, the effect on wage inequality was quite small. This seems to be attributable to, among other things, the different categories of workers covered in the *BSWS* and the *SSLFS*, and the different ways of measuring wages — on an hourly wage basis or on an annual earnings basis. In particular, because annual working hours are likely to be very different for regular and non-regular employees, the use of microdata and an adjustment of annual earnings in terms of working hours are

Figure 4. Decomposition of the Change in Aggregate Inequality: Annual Earnings, All Female Workers (includes regular and non-regular workers), 1985-99, 1982-97



Note: $\Delta VL = (\text{change in regular worker share}) + (\text{within group effect}) + (\text{between group effect})$.

Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications (previously Statistics Bureau, Management and Coordination Agency), *Special Survey of the Labour Force Survey*.

Note: $\Delta VL = (\text{aging effect}) + (\text{within group effect}) + (\text{between group effect})$.

Source: Ministry of Public Management, Home Affairs, Posts and Telecommunications (previously Statistics Bureau, Management and Coordination Agency), *Employment Status Survey*.

likely to impact more on non-regular employees than shown in Figure 4.

Ohtake (2002, p.9) regarded the following as the reasons behind the widening wage gap between regular and non-regular employees: (a) workers who could not find full-time employment reluctantly took part-time jobs, creating an excess labor supply that resulted in lower wages for part-time workers; and (b) the supply of part-time workers exceeded demand, resulting in the lowering of their wages. Another factor related to the latter is that some part-time workers voluntarily try to keep their wages lower than the maximum income that is exempt from income tax payments. Such factors associated with institutional structures are in part responsible for the widening of inequality between the two types of employees.

The increase in wage inequality within each age group played a bigger role than aging between 1982 and 1997. In other words, wage inequality among female employees as a whole was mainly not attributable to aging, but to the actual widening of wage inequality among employees within age groups, a result which is different than that obtained when using the *BSWS*. The former is supported by the fact that the degree of inequality does not grow above 40 years of age if non-regular employees are incorporated in the analysis.

4. Conclusions

This article has analyzed wage inequalities in the 1980s and 1990s, together with the factors tending to increase or reduce inequality, making use of major wage statistics published in Japan, including the *Basic Surveys on Wage Structure* and the *Employment Status Surveys*, etc. A particular focus of investigation was why the wage gap did not grow in the 1990s, using the Gini coefficient and the variance of the logarithm, both representative measures of inequality. In the analysis, two issues were examined: (i) the impact of the aging population on levels of inequality; and (ii) how the level of inequality is affected when factors which cannot be obtained from Table 3 of Volume 1 of the *Basic Surveys on Wage Structure* were incorporated. Such factors include annual earnings, employees at very small firms, and non-regular employees.

Particularly important results are summarized as follows:

- An examination of the impact of the aging population on inequality, using the same data as in earlier studies, showed that inequality remained flat in the 1990s among male employees. This is apparently explained by the fact that inequality created by aging disappeared in the mid-1990s, and because inequality did not increase between age groups nor within the same age group. Moreover, the inequality among female employees did not change during the 1990s because the impact of the within-group refuted the positive

effects of the aging factor.

- The use of different data — including annual earnings and figures from very small firms — did not indicate a tendency for inequality to grow in the 1990s. However, data covering non-regular employees, together with regular employees, detected a tendency for inequality to increase among female workers throughout the 1980s and 1990s. Previous studies, which had concluded that there was no increase in inequality in the 1990s had confined themselves to regular employees.

A caveat emerging from the results of this study is that arguments concerning wage inequality making use of Table 3 of Volume 1 of the *Basic Surveys on Wage Structure* may lead to a misunderstanding of the state of actual wage inequality among employees as a whole, particularly among female employees.

Since the author could not cover all the groups in this analysis, future research needs to pay more attention to analysis about other groups. At the same time, it is possible to apply the analytical methods and viewpoints deployed in this article for different samples, such as workers by industry, or by firm size. This article has approached the issue of wage inequality by including additional employees beyond those used in earlier studies, and a future task will be more detailed analyses of the issue by limiting the samples to educational level and firm size.

Notes: This article is based on Takehisa Shinozaki's "1980 to 90 Nendai no Chingin Kakusa no Suii to Sono Yoin" (Wage Inequality and its Determinants in the 1980s-90s), *Nihon Rodo Kenkyu Zasshi* (The Japanese Journal of Labour Studies), No. 494 with substantial revisions.

- (1) This idea is based on a hypothesis presented in an argument on the reasons behind the widening income gap in the U.S. in the 1980s. For other hypotheses, see, for example Ohtake (1999).
- (2) The *Employment Status Survey* is conducted every five years. The latest survey was conducted in 1997.
- (3) Regular employees in the agriculture and forestry industries are included in the calculation. However, the share of such employees among employees as a whole is infinitesimal, and is unlikely to distort the results of the analysis.

References:

- Katz, Lawrence F. and Kevin Murphy, "Changes in Relative Wages, 1963-1987: Supply and Demand Factors," *Quarterly Journal of Economics*, Vol.107, No.1 (1992).
- Krueger, Alan B., "How Computers Have Changed the Wage Structure: Evidence from Microdata, 1984-1989," *Quarterly Journal of Economics*, Vol.108, No.1 (1993).
- OECD, *Employment Outlook*, Paris (1996).
- Ohta, Kiyoshi, *Deta de Yomu Seikatsu no Yutakasa* (Guide to Quality of Life in Japan), Toyo Keizai Shinposha, Tokyo (1999).
- Ohtake, Fumio, "Aging Society and Inequality," *Japan Labor Bulletin*, Vol.38, No.7 (1999).
- "90 Nendai no Shotoku Kakusa" (Income Differentials in the 1990s), *Nihon Rodo Kenkyu Zasshi* (The Japanese Journal of Labour Studies), No.480 (2000).
- Tachibanaki, Toshiaki, *Nihon no Keizai Kakusa* (Economic Inequality in Japan), Iwanami Shoten, Tokyo (1998).

Working at the Margins: Public Policy, Age and Firms in Japan

Philip Taylor*
Senior Research Associate
Cambridge University

Introduction

Against a background of population ageing, policy makers in Japan, as with industrialised nations, have begun to explore options for removing age barriers and extending working lives. Japan is aiming for a society where individuals can work regardless of age⁽¹⁾. This article is based on research among firms and analysis of recent developments in public policy towards older workers. In the article it is argued that an unintended consequence of current policies may have been that they have only served to further embed ageist stereotypes and discriminatory behaviour in firms, even while supporting workers to remain in employment after the age of 60. The second half of the article proposes some policy considerations.

Methodology

The research is based on a review of public policies towards older workers and case studies of firms. The case studies were of four firms, three in the manufacturing and one in the utilities sector. These involved interviews with human resource professionals, managers and workers. The fieldwork took place during July 2002.

Later Versus Earlier Retirement

Japan is experiencing two conflicting trends. The first

is its rapidly ageing population. The second is one of early exit, resulting from Japan's recession. Early retirement on this scale is a relatively new feature in Japan, unlike most European economies where there has been a long-term trend towards early exit, although European policy makers are now ending early exit policies. Research by the Ministry of Health, Labour and Welfare found an increase between 1994 and 2000 in the use of voluntary retirement or dismissals. This was particularly the case in large firms with over 1,000 employees, where its use was reported by 23.8 per cent of firms in 2000, compared with 8.5 per cent in 1994⁽²⁾.

Table 1 shows trends in employment/population ratios between 1979 and 2000 among men and women aged 55-64. In Germany, the USA and the UK employment/population ratios have increased somewhat since the mid-1990s, whereas in Japan, albeit from a high level, there was a slight decrease over the same period among older men, while the picture for women was static.

Table 2 shows unemployment rates among men and women aged 55-64 between 1979 and 2000. It is notable that while low compared to Germany, unemployment rates among older men and women in Japan increased markedly between 1995 and 2000.

The influence of these two opposing trends can perhaps be seen in public policy towards older workers,

Table 1. Employment/Population Ratios Among Men and Women Aged 55-64 between 1979 and 2000

	Men					Women				
	1979	1983	1990	1995	2000	1979	1983	1990	1995	2000
Germany	63.2	57.4	52.0	47.2	48.2	26.8	24.0	22.4	24.4	29.0
UK	-	64.3	62.4	56.1	59.8	-	-	36.7	39.3	41.4
Japan	81.5	80.5	80.4	80.8	78.4	44.8	45.1	46.5	47.5	47.8
USA	70.8	65.2	65.2	63.6	65.6	40.4	39.4	44.0	47.5	50.5

Source: OECD *Employment Outlook* (various).

Table 2. Unemployment Rates Among Men and Women Aged 55-64 between 1979 and 2000

	Men					Women				
	1979	1983	1990	1995	2000	1979	1983	1990	1995	2000
Germany	5.5	9.0	9.9	10.4	12.6	5.9	8.6	15.2	13.1	15.0
UK	-	10.1	8.4	10.1	5.5	-	-	5.0	3.7	2.8
Japan	4.4	5.0	3.4	4.7	6.8	1.2	2.1	1.4	2.1	3.6
USA	2.7	6.1	3.8	3.6	2.4	3.2	5.0	2.8	3.6	2.5

Source: OECD *Employment Outlook* (various).

which will be discussed in the next section.

Public Policies Towards Older Workers

A variety of public policies aim to stimulate employment among older workers. However, there appears to be some tension between the need for large corporations in some sectors to downsize and public policy making aimed at extending working life. The following sections of the article review some aspects of policy making on pensions and age and employment and offer an assessment of the role they will play in dismantling age barriers.

Labour Law

This tension is most apparent in recent legislation that ostensibly aims at tackling age discrimination in the labour market. The *Employment Measures Law* has been amended, and since October 2001 companies have been *requested* to carry out recruitment and hiring activities without reference to age. *Guidelines to abolish age discrimination* set out a range of exemptions for firms. However, the Ministry of Health, Labour and Welfare has expressed the view that they are justified in order to be in line with existing employment practices. Moreover, 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 thus does not impose any penalty for violation. The guidelines conclude by emphasising the need for future revisions to take account of the social and economic situation at the time⁽³⁾. Thus, at a time when some firms are endeavouring to shed labour, this law may offer limited protection to older workers. Research indicates that legislation proscribing age discrimination may have a small role to play in tackling age barriers⁽⁴⁾.

Awareness Raising and Business Support

As in other countries the need to raise awareness has been recognised in Japan. In this regard, the Associations of Employment Development for Senior Citizens (AEDSC) act as advisory service providers for employers and employees on the employment of older people, including improvement of pay and personnel management systems, reform of work places, job development, and preparation for retirement. The AEDSC consist of a head office in Tokyo and 47 offices in each prefecture. Arguably, regional and community focused initiatives such as this have a greater role to play than general or national campaigns that have been attempted in other countries⁽⁵⁾.

Pension Reform

It has perhaps been pension reform that has been the main driver of public policy on age and work in Japan and other industrialised countries. The age at which an individual can claim a basic pension is being increased. It rose from 60 to 61 in April 2001. It will gradually rise until in 2013 it will not be payable until the worker reaches age 65. Although the salary-linked portion is still

paid at age 60, there are also plans for this to be paid at age 65 in the future⁽⁶⁾. Currently, a substantial majority of Japanese firms operate a mandatory retirement age of 60⁽⁷⁾. Legislation passed in 1994 enforces a minimum retirement age of 60 and requires employers to try to retain workers to the age of 65⁽⁸⁾.

The most commonly adopted response in large firms to Government requests regarding extending working life has been to extend employment beyond mandatory age at 60 but to leave present personnel systems largely intact⁽⁹⁾. Recently, many firms have adopted a system of continued employment after mandatory retirement, with workers moved on to different employment contracts.

Employment Subsidy Schemes

Various schemes exist. For example, the *Grant for Continued Employment* and the *Grant for the Employment of Older Workers in Large Numbers* are payable to firms that have extended retirement age. While such schemes may encourage firms to increase retirement age, benefiting some older workers, they also encourage the unequal treatment of this group, in that they enable firms that do retain older workers to reduce their wages.

Also, wage subsidies are available to firms that recruit unemployed middle-aged and older workers. For example, under a previous version of the *Special incentive money for employment creation in new and growing fields* programme, firms recruiting workers aged 45-59 received ¥700,000, compared to ¥400,000 for those in the 30-44 age group. However, under a new version of the scheme the amount received by the firm – ¥700,000 – is the same whatever the age of the recruit⁽¹⁰⁾. It could be argued that this change might make firms less likely to recruit older workers, without the additional incentive. On the other hand, the previous arrangement ran the risk of stigmatising older workers.

Additionally, the *Benefit for the aged who continue to work* provides a wage top-up to people aged 60-64 who continue to work or resume work a short period after retirement. It is paid to the worker directly, with the benefit being paid out of the unemployment fund⁽¹¹⁾. While importantly, such schemes may enable older workers to remain economically active, they may only help them move into low pay work.

Employment subsidy schemes appear to have large dead-weight and displacement effects. As a result, they tend to produce small net employment gains. Targeting of programmes to particular groups of unemployed people may increase employment gains but there is evidence that the more tightly the programme is tied to characteristics of disadvantage, the greater the risk of stigma⁽¹²⁾. In other words, such schemes run the risk of perpetuating ageist stereotypes and behaviour among employers. Despite such apparent weaknesses they have been employed in a number of countries⁽¹³⁾.

The next section of the article focuses on company policy, with a particular emphasis on re-employment schemes.

It also examines the use of age in regulating employment and the treatment of different age groups of workers.

Company Policy

The companies studied offer some kind of re-employment after age 60, and most workers are treated differently after age 55, in that they often move from being regular workers on to a new contract. In these companies, workers may apply, but are not necessarily retained after the age of 60 and they are not generally employed on regular contracts. Features of such contracts include that workers' performance is evaluated regularly, they are placed on a different wage system, and pay is reduced, but pensions and Government subsidies increase take home wages.

However, these systems have largely left traditional lifetime employment unaffected. While most workers now work on until retirement at 60 and some beyond, terms of employment often change at age 55. For example, wages are likely to plateau at this age. If discrimination is defined as the 'the practice of applying unequal treatment to individuals of equal ability due to differences in characteristics over which one has no control, such as gender, background, nationality, age'⁽¹⁴⁾ then the differential treatment workers experience in these firms before and after the age of 60 constitutes age discrimination, even though those older workers interviewed in the case firms – most of whom were employed under such arrangements – seemed happy with their situation.

Indeed, from the interviews it appears that employment practices in the firms that had age discriminatory effects were persistent, if often unintended, and not recognised as such. There were manifestations in the hiring and employment of workers at all ages. For example, entry into regular employment was often difficult after the age of 30. Also, older workers' performance appeared to be monitored closely, presumably for signs of age-related decline⁽¹⁵⁾, but linking pay to performance was only slowly emerging for regular workers.

In all of the case companies it could not be argued that on the whole human resources policies were being introduced that aimed to reduce age discrimination. On the contrary, differential treatment of workers on grounds of age was often overt, and an important element of firms' employment strategies. It was also apparent that the concept of 'age discrimination' meant little to some of the managers and human resource professionals interviewed.

The approach to the re-employment of older workers ranged from primarily viewing their re-employment as a means of reducing wage costs to perceiving older workers as a highly valued asset. On the other hand, it was clear that older workers participating in re-employment schemes were valued for their contributions by all of the case study firms.

Policy Considerations

In this article it has been argued that while

Government policy-making is ostensibly aimed at removing age-related employment barriers and encouraging later retirement, and to an extent appears to have been successful, it may in fact in one sense be reinforcing and even encouraging ageist policy making in firms. Re-employment schemes that have increased in number with tacit Government support appear inconsistent with this aim in that they could simply be viewed as providing publicly subsidised low pay and non-standard employment for some workers, thus institutionalising rather than removing age barriers⁽¹⁶⁾. Together with the growth of early retirement, what is emerging is increasing flexibility at the end of career⁽¹⁷⁾, and with it less certainty about the future for some older workers.

This article has also shown that ageist stereotypes and age discrimination are an important feature of policy-making in firms. While it is indeed the case that re-employment is helping some older workers to remain in employment for longer, the implication of the forgoing discussion is that there is a need to recognise that pension policy and policy on age discrimination and older workers are separate but related issues, which must be tackled simultaneously and in an integrated fashion. Pension policy has been the motor of reforms affecting older workers, yet its impact may be constrained by an under-appreciation of the nature and extent of age discrimination in companies, which could be limiting this group's employment opportunities.

Yet, while prejudice against older workers is clearly an important issue that needs to be addressed, more generally, this article has attempted to draw attention to the contradictions inherent in employment systems that regulate employment opportunities primarily according to age. Clearly, the differential treatment of workers on the basis of chronological age is hard to justify objectively, yet it remains the cornerstone of employment policy in many firms. A related point is that the present status of an older worker will to a large extent be determined by earlier life events, for example, unconventional work-histories, inadequate careers guidance, a lack of re-skilling at critical points, spells of unemployment, or time off to care for children or aged parents. Government, employer organisations and trade unions will need to work together to reduce the rigidity of current employment systems and vigorously promote the notion of diversity in firms. Changes in these areas will arguably benefit older workers most in the long run.

There is a need for the integration of public policies on age and employment with other areas of public policy. Integration is required both horizontally - that is, across different parts of Government and vertically - that is between Government, trade unions, employer bodies, and interest groups. Horizontal linkages are also required between different aspects of policy on equality, diversity, social exclusion, the family, and education.

Also, policy makers in most industrialised countries have frequently aimed to developed programmes for

'older workers'. Such an approach is perhaps too simplistic. Chronological age is of limited value in determining the needs of an individual, and public programmes that use it as a selection criterion perhaps do not send appropriate message to employers and workers.

Careful consideration must be given to how policies are delivered and promoted if stigmatisation is to be avoided and 'age-free' employment practices encouraged. A more positive approach would be to support older workers so that they can obtain the market rate for their labour, for example, improve workplace design and increase skill levels among older workers. Unemployed and disabled older workers are often amongst the most difficult groups to reach. Programmes should primarily be offered on an outreach basis or near to the target group. At the same time, age free employment also requires policy-makers to consider the removal of specific employment protection for older workers.

Educating employers is a key component of efforts aimed at extending working life. In raising awareness consideration needs to be given to the widely differing needs of different groups in the labour market. General and national programmes of education and awareness raising are of limited utility for firms. In order to be relevant and appear credible, campaigns must be specific and local and undertaken in collaboration with and working through groups representing sectors, occupations, the trade unions, groups campaigning on age issues and community based organisations. Moreover, considerably more can be achieved in terms of 'reach' by working through such bodies.

For firms this means that ready-made solutions brought from outside will generally be of less value than solutions that with support, are identified from within and 'owned' by the firm. This will necessitate programmes aimed at working with individual firms or sector bodies. Related to this, employer and trade union groups should be encouraged to develop comprehensive policies on age and employment.

A further and related lesson that can be drawn concerns the kinds of jobs older workers can expect to obtain. It was apparent from this study that older workers in the case firms were usually employed on non-regular contracts, and care needs to be taken that policies do not only encourage such employment arrangements. While some older workers might be satisfied with such jobs, public policies that encourage the unequal treatment of workers may not be a step towards age free employment.

With the erosion of the certainty of fixed retirement ages in all industrialised countries there is a need for increased support for older workers in managing risk in

terms of career and retirement planning, and obtaining advice and guidance in terms of job-seeking and training. At the same time, in order to help them to plan their futures, there is a need for clarity and consistency in terms of social security provision and pension policy.

There is also a need to get the incentive structure right and to link this to employment policy so that older workers are encouraged and supported to remain economically active. Pension and employment policy must proceed together if optimal effects are to be achieved.

Notes:

- * The author participated in JIL's Visiting Researcher Program from May to August 2002.
- (1) Iwata, K.. (2001) 'Employment and policy development relating to older people in Japan', background document for the 9th Japan-EU Symposium, March 2002. Documents relating to the symposium will be available on JIL's homepage in the near future.
- (2) *Japan Labour Bulletin* (2001) 'One in four large firms call for voluntary retirement or carry out dismissals', vol. 40, no. 11, p. 1.
- (3) *Japan Labour Bulletin* (2001) 'Guidelines to abolish age limits in the revised employment measures law', vol. 40, no. 11, pp. 4-5.
- (4) Taylor, P. (2001) *Comparative Policy Approaches Towards Older Workers*, Scottish Enterprise, <http://www.scottish-enterprise.com/dblink/default.asp?flag=research>; Taylor, P. (2002) *Improving Employment Opportunities for Older Workers: Developing a Policy Framework*, Report to the European Commission, Prepared for The Ninth EU-Japan Symposium *Improving Employment Opportunities for Older Workers*, 21-22 March 2002 in Brussels.
- (5) Taylor (2001).
- (6) Fujimura, H. (2001, p. 1) 'Revision of pension system and employment issues involving workers in their early 60s', *Japan Labour Bulletin*, July, pp. 6-12. Kimura, T. and Oka, M. (2001, p. 353) 'Japan's current policy focus on longer employment for older people, In Marshall, V. W., Heinz, W. R., Krüger, H. & Verma, A. (eds) *Restructuring Work and the Lifecourse*, London, University of Toronto Press..
- (7) Fujimura (2001, p. 6).
- (8) Kimura and Oka (2001, p. 351).
- (9) Fujimura (2001, p. 7).
- (10) Human Resource Development Bureau (2000, p. 5) *Human Resource Development in Japan*, Ministry of Labour.
- (11) Kimura, T. & Oka, M. (2001, p. 351).
- (12) Martin, J. P. (1998, p. 20-21), *What Works Among Active Labour Market Policies: Evidence From OECD Countries' Experiences*, Labour Market and Social Policy – Occasional Papers no. 35, OECD.
- (13) Taylor (2002).
- (14) Yuji, G. (2001, p. 1) 'The unhappiness of middle-aged and older workers', *Japan Labour Bulletin*, vol.40, no.5, 2001.
- (15) There is a large literature on job performance and age which, while having weaknesses, appears to indicate that either performance increases with age or that there is no relationship (e.g. see Taylor 2002, referenced above).
- (16) Taylor, P., Encel, S. & Oka, M. (forthcoming) 'Older workers - trends and prospects', Geneva Papers on Risk and Insurance.
- (17) Although it is accepted that this only ever really applied to workers in certain jobs and usually not to women.

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.