

Annual Review of Japan, 2002

This record reviews the main developments in industrial relations in Japan during 2002.

Economic trends

Real GDP growth for 2002 was 0.1%, marking a second consecutive year of economic stagnation. Behind this was a downturn in consumer spending in the private sector accompanied by a contraction in private investment due to a decline of 4.9% in corporate capital expenditure (1.3% increase in 2001) and of 4.8% in housing investment (5.5% decrease in 2001). Domestic demand fell 0.6% (1.1% increase in 2001) due to a downturn in government spending caused by continuing cutbacks in investment (public works). Meanwhile, the effects of a moderate recovery in the global economy served to push exports up 8.2% (6.1% decline in 2001) and to generate an upswing of 0.7% (down 0.7% in 2001) in external demand, enabling the economy to avoid negative growth by a narrow margin ^{Note}.

Reflecting these trends in the economy, the working population again contracted, having increased during spring in 2000 through the autumn in 2001 over the level in the previous year, and there was further deterioration in the employment situation as employers made deeper cuts in their payrolls. The unemployment rate was 5.4% on an annualized basis, exceeding the rate for the previous year by 0.4 percentage points. On a monthly basis (seasonally adjusted), the unemployment rate was fluctuating at a level of around 5.3% - 5.5% at the beginning of 2002 and showed signs of leveling off.

The continuing declines in prices have been a marked feature in recent years as demonstrated by the GDP deflator, which was 1.5% in 1999, 1.9% in 2000, 1.6% in 2001, and 1.6% in 2002, and is still decreasing. Accordingly, there now appears to be unanimous consensus that the Japanese economy is on a moderate deflationary trend.

^{Note} Although the downturn in the Japanese economy was generalized, viewed in terms of fluctuations in economic indicators and the business cycle there were indications that in contrast to the slowdown of 2001, 2002 marked a period of recovery.

Political developments

The Koizumi cabinet that was inaugurated in April 2001 remained in power throughout 2002, with the prime minister adhering to his slogans: “structural reform with no sacred cows” and “no growth without reform”.

In his policy address given at the opening of the ordinary Diet session in February, Junichiro Koizumi stated that he intended to set on track the reforms started in the previous year and to generate increased momentum for reform. He positioned 2002 as “a year of all-out reform” and declared his intention to push through the reforms with which he has been grappling since taking office. His key policy objectives were the disposal of non-performing loans, part of the clean up of the financial sector that is intended to revive the economy, as well as reforms of quasi-governmental corporations and deregulation.

The September Cabinet reshuffle saw Mr. Koizumi make a strong appeal for his stance on financial reform with Hakuo Yanagizawa, the minister of financial services, being replaced by Heizo Takenaka who took up two ministerial portfolios at financial services and economy. Mr. Takenaka lost no time, announcing his intention to accelerate the disposal of non-performing loans at major banks in October and issuing his *Financial Sector Revival Program* aimed at bringing the issue to a close by March 2005.

The government made headway with legislation based on the *Consolidation and Rationalization Plan* for quasi-governmental corporations that was announced in December 2001, and many public corporations are slated to be restructured as independent administrative organizations between 2003 and 2004.

The *Council for Comprehensive Regulatory Reform*, an advisory body that has been pursuing comprehensive investigations in this area, put forward a number of new proposals in December 2002 and set deadlines for key reform items. Further, legislation relating to the establishment of *Special Zones for Structural Reform* was enacted in December, with the work of setting up the zones expected to achieve critical mass in and after 2003.

In terms of other political and policy developments, 2002 was a good year for diplomatic relations with some considerable achievements being made. The year opened with the international conference on reconstruction assistance to Afghanistan in January, which made a considerable contribution toward the efforts being undertaken in that country. 2002 also saw the acceptance of the Kyoto protocol, which is targeting the prevention of global warming, the first Asian FIFA World Cup, which was jointly hosted by Japan and Korea, and the Japan-DPRK Pyongyang Declaration of September. Domestically, aside from by-elections the year passed without a national election, and although a number of politicians were involved in money-related scandals, 2002 was a relatively stable year in politics.

However, even after the year had elapsed there was no escaping the impression that it had been another twelve months of policy framework building. The non-performing loan portfolios of the major banks, rather than decreasing, even appeared to increase. There was some regulatory easing, but the effects were not as marked as initially expected. The government gave its habitual response to criticism from the opposition and the general public that its endless plans were failing to produce reform, merely averring that progress was in fact being made. As of April 2003 the Koizumi government had been in power for two years, a singular feat in recent years. All eyes will be focused on what Mr. Koizumi does in the next twelve months.

Collective bargaining

In Japan, there is no practice of labor-management negotiations to determine working conditions at a national or regional level. However, the enactment or amendment of labor legislation and any major labor policy changes are, in most cases, discussed in tripartite

councils comprising public authority, union and employer representatives, and a certain level of consensus between the parties is reached in advance. In this sense, the government's labor policy can be regarded as the result of mutual agreement between labor and management. (See the review for 2001.)

Negotiations between labor and management over key working conditions, which focus on wages and salaries, are predominantly held in spring each year, and accordingly the negotiations are generally referred to as Shunto, or the 'spring labor offensive'. Although the Japanese Trade Union Confederation (Rengo), the largest umbrella organization for trade unions, sometimes plays the role of a general 'mood-maker', actual bargaining and agreements are conducted and concluded between labor and management in individual companies. Moreover, the general pattern for the spring wage negotiations is that major manufacturers in vital industries, such as electrical goods and auto manufacturers, take the lead, followed by other large companies and finally by small and medium-sized enterprises (SME).

With economic conditions continuing to be bleak, the general mood of the 2002 Shunto wage negotiations was that safeguarding jobs would take precedence over pay increases. For the first time, Rengo, representing labor, broke from its tradition of presenting a unified demand for an increase in basic monthly pay and focused its demands on the two pillars of regular annual pay hikes^{*1} and maintaining employment levels. Management (as represented by Nikkeiren, the Japan Federation of Employers' Associations^{*2}) countered that cuts in total personnel expenses would be necessary to correct Japan's high cost structure and that it might, in some cases, even be necessary for employees to take reductions in their paychecks.

^{*1} For details on regular annual pay increases see the review for 2000.

^{*2} The Japan Federation of Employers' Associations (Nikkeiren) was merged with the Japan Federation of Economic Organizations (Keidanren) in May 2002 to form the Japan Business Federation.

The spring wage offensive of 2002 witnessed two distinct departures from the battles of previous years.

Firstly, as mentioned in the 2001 review, discussions on so-called work-sharing – a measure designed to maintain / secure employment rates gathered speed, with a certain level of consensus being reached between the unions, management and the government in March 2002. The cornerstone of the agreement was to continue promoting diversifying employment patterns such as part-time work while establishing work environments that would accommodate such workers. The accord also included five basic principles for the introduction of work sharing that incorporate measures, such as emergency work sharing, aimed at tackling the current employment situation, which continues to be severe.

The other unprecedented development predominantly involved leading electronics manufacturers. Just a few days after management agreed to union demands for regular pay

risers they reversed their position, proposing a postponement of the date for the execution of the hikes and pay cuts within a set timeframe; some level of agreement was reached between labor and management on these issues. Union acceptance of these proposals is believed to reflect the fact that employment anxieties are at an all time high with a succession of leading electronics manufacturers having, since mid-2001, announced plans to slash jobs in the wake of the bursting of the so-called IT bubble.

The spring wage offensive of 2002 was thus dragged down by the severity of the employment situation, which has been accompanied by anxieties in some quarters. Moreover, the provisions of agreements reached in major enterprises surveyed by the Ministry of Health, Labour, and Welfare every year indicate that the average wage increase achieved in the spring negotiations of 2002 was 1.66%, representing a further decline on the 2.01% for the preceding year and marking the lowest level since statistics were first published.

According to another survey by the Ministry of Health, Labour and Welfare (the *Survey on Wage Increases*, which covers enterprises with 100 employees or more), 27.1% of companies made no wage revisions in 2002, up from 21.3% in the preceding year, and the highest level since the survey began. Overall, it is believed that the low level of wage increases in 2002 was not only the result of the fact that the increases agreed were low, but was also due to a rise in the number of enterprises eschewing pay increases, including the regular annual pay hikes. Meanwhile, the same survey reports that the number of companies introducing pay cuts reached 7.0% (up from 2.2% last year).

Again, whilst some improvement was observed in agreements on lump-sum allowances - which account for a substantial portion of employees' income in major enterprises (assumed to be about 25% on average) in Japan - as compared to the previous year, many of the accords reached in 2002 were for bonus cuts. Year on year, summer bonuses were down 4.30%, whilst year-end bonuses fell 5.88%.

As mentioned in the report for 2001, the timing of negotiations over lump-sum payments varies widely. They may, for example, be negotiated at the same time as spring wage negotiations, or independently, between the spring and summer or between autumn and winter. Moreover, whilst negotiations may involve both summer and year-end bonuses, in some companies the two payments are dealt with as separate issues.

Pay

Workers whose wages are determined by the spring-time negotiations do not necessarily constitute the majority of the labor market in Japan, even when viewed in terms of the unionization rate, and it should be noted that the wage increases that result from labor-management bargaining in these sectors, while having a major influence on general wage levels, are not always directly reflected in average wages. This matter was dealt with in the review for 2000, thus readers are referred to that document for further details.

Looking at the trend in average wages based on the Monthly Labour Survey (which covers establishments with five or more employees), total cash earnings in 2002 were JPY 343,480 per month, or a 2.4% decline over the previous year (compared with a 1.1% drop in 2001) – marking a downturn after increases in the previous year. The breakdown reveals a 1.2% decline in the scheduled wage component (compared with a 0.4% decrease in the preceding year), a 0.9% decline in the non-scheduled wage component (compared with a 4.1% decrease in the preceding year) and a 7.3% drop in bonuses and other special allowances (compared with a 2.9% decrease in the preceding year). Despite falling prices, real wages declined by 1.3% (compared to a 0.4% drop in the preceding year).

As indicated, 2002 presented a relatively torpid picture of the outlook of jobs and the cuts in paychecks continued, constituting one of the major factors underpinning the absence of an upsurge in personal consumption as a whole and marking the onset of the deflationary process in the labor market.

Working hours

Apart from the minimum standards for working hours laid down in the Labour Standards Law (in principle, a 40 hour workweek comprising 8 hour days), no other national standards have been agreed between labor and management. Generally speaking, working hours are decided on the basis of negotiations between labor and management at the individual enterprise level.

According to the results of a survey by the Ministry of Health, Labour and Welfare (the *General Survey on Wages and Working Hours Systems*) as of January 2002, the average scheduled workweek was 39 hours 25 minutes for full-time workers. This represents an 11-minute increase as compared to the previous survey (covering the period through January 2001). However, there is fairly substantial disparity according to company size, with a scheduled workweek ranging from 38 hours 40 minutes for companies with 1,000 employees or more (previously 38 hours 34 minutes), to 38 hours 55 minutes for companies with 300-999 employees (previously 38 hours 35 minutes); 39 hours 3 minutes for those with 100-299 employees (previously 38 hours 57 minutes); and 39 hours 36 minutes for those with 30-99 employees (previously 39 hours 24 minutes), providing evidence of increasingly longer workweeks as companies decrease in size. Scheduled working hours are determined by collective agreements or ‘work rules’ (uniform rules on working conditions that employers are required by law to compile) with the minimum condition that these conform to the minimum standard laid down by the Labour Standards Law. Although scheduled working hours are on the decrease on a long-term basis, in the short term, the changes are small except for periods before and after any changes in the statutory minimum standards.

The reasons for the slight increase in the scheduled working hours under the 2002 system as compared to the previous year, which is particularly marked among companies with 300-999 employees are not apparent.

On the other hand, substantial changes in the hours actually worked - referred to as 'total hours actually worked' - do occur from time to time. Of these, the hours worked within the scheduled working hours laid down by the company are referred to as 'scheduled working hours' and any additional hours worked are referred to as 'non-scheduled working hours' (overtime). These hours are also covered by the abovementioned *Monthly Labour Survey*. According to this survey, the monthly average number of 'total hours actually worked' in 2002 was 152.1 hours ($\times 12$ months = 1,825 hours), a decrease of 0.8% over the preceding year. Of these, 'scheduled working hours' accounted for an average of 142.6 hours per month, a decrease of 1.0% over the preceding year. Average monthly 'non-scheduled working hours' stood at 9.5 hours, a decrease of 0.1% over the preceding year. The pick up in non-scheduled working hours is believed to be a reflection of the short expansionary period that occurred during the 2002 business cycle, despite the overall sluggishness.

According to the calculations of the Ministry of Health, Labour and Welfare, the annual number of hours actually worked by production workers in the manufacturing industry was 1,970 in Japan in 2000, which was virtually on par with the USA at 1,986 hours and the UK at 1,902 hours, but considerably at variance with the figures for France (1,589 hours) and Germany (1,525 hours (1999)).

Job security, training and skills development

Employment stability and skills development are important issues for both labor and management. However, there is no systematic data available due to the fact that, in terms of collective labor-management relations, these matters are subject to discussion at the individual company level. The results of the *Survey of Labor-Management Communication 2000* by the Ministry of Health, Labour and Welfare shed some light on this issue, but since no new data has been released to date, it is not possible to discuss the matter in this report. The labor-management discussions undertaken by Japanese corporations cover a broad spectrum of issues, thus interested readers are referred to the review for 2000.

Employer-instigated dismissals have become an issue in employment stability. No formal regulations exist within Japanese labor law to restrict this type of dismissal, however, the accumulation of legal precedents has seen the establishment of the legal principle that dismissal without rational cause is contestable. The impact of this legal principle and the high priority assigned to maintaining and preserving employment levels among corporations, means that dismissals are generally handled with caution. On the other hand, the protracted economic malaise has forced many employers to resort to direct labor shedding.

Against this background, there have been moves to incorporate regulations on dismissal into the Labour Standards Law. After discussing the issue for more than a year, in December 2002 the Labor Policy Council issued a number of recommendations, including the view that: "Case law establishing a doctrine of abuse of the right of dismissal must be

written into the Labour Standards Law and a regulation to the effect that if a company dismisses an employee without a specific objective and a rational reason, and if such dismissal is recognized to be inappropriate in light of regulations such as the Labour Standards Law, the company shall be regarded as having abused its rights, and such dismissal shall be invalidated, incorporated therein". In response to the proposals of the Labor Policy Council the government presented a draft bill incorporating the gist of the Council's recommendations to revise the Labour Standards Law in the Diet session that commenced in January 2003. However, serious concerns were raised over the potential for the bill to result in employees having to shoulder the burden of proving unfair dismissal. (It should be possible to report on the progress of this bill in next year's review.)

The *Labor Force Survey* conducted by the Statistics Bureau of the Ministry of Public Management, Home Affairs, Posts and Telecommunications (which covers approximately 40,000 households) provides an inverse perspective of employment stability in the form of unemployment statistics. According to this survey, the unemployment rate rose to 5.4%, up 0.4 percentage points from the previous year and indeed the highest level since the statistics were first issued. By gender, the unemployment rate was 5.5% for men (up 0.3% year on year) and 5.1% for women (up 0.4% on the previous year); both were record highs. In recent years, the unemployment rate has shown evidence of increases across all age brackets with comparatively conspicuous rises among young people. Incidentally, the 2.0 percentage point rise in the unemployment rate during 1997 to 2002 breaks down as follows: 3.2 points in the 15-24 age group (6.7%→9.9%), 2.2 points in the 25-34 age group (4.2%→6.4%), 1.8 points in the 35-44 age group (2.3%→4.1%), 1.9 points in the 45-54 age group (2.1%→4.0%), 1.9 points in the 55-64 age group (4.0%→5.9%), and 0.8 points in the 65 and over age group (1.5%→2.3%). The unemployment rate for those between the ages of 15 and 24 who are making the transition from school to the labor market, which tends to be relatively high anyway, has reached dangerous levels in recent years. For the men in this age group, the unemployment rate has been in double digits since 1999.

As was pointed out in last year's report, the desire to avert job losses and safeguard jobs appears to be weakening among Japanese corporations. For this reason, Rengo and the Japan Federation of Employers' Associations (the predecessor of the Japan Business Federation) have been involved in vigorous discussions on the importance of measures to maintain and preserve employment levels. In March 2002, the two organizations reached a broad agreement to stabilize employment by focusing on measures such as "work-sharing". However, there has been little evidence of any measures with sufficient clout to improve the current employment situation to date.

The *General Survey of Employment Conditions* published by the Ministry of Health, Labour and Welfare in October 2002 (covering non-primary industry private corporations with more than 30 employees) includes the results of a 2001 survey on labor costs. The following paragraph deals with data on corporate labor costs and on the amount spent on education and training. In 2001, companies spent a total of JPY 449,699 per month on each

regular employee (this figure was JPY 502,004 in the previous survey of 1998). Of this sum, cash earnings accounted for JPY 367,453 or 81.7% and non-cash earnings for JPY 82,245 or 18.3%. A breakdown of the non-cash earnings wage components reveals that more than half, or 51.0%, was devoted to compulsory benefit costs, contributions that companies are required by law to make. This was followed by retirement benefit costs at 31.4% and non-compulsory benefit costs at 12.5%. Education and training costs amounted to JPY 1,256 per person per month, which represents 1.5% of non-cash earnings costs and a paltry 0.3% of the total labor bill. The figure in the previous survey was JPY 1,464, indicating that spending on vocational training declined 14.2% between 1998 and 2001.

It should be noted that these education and training costs do not include the costs (mainly opportunity costs) involved in OJT (on-the-job training), which plays an important role in the in-house training undertaken by Japanese companies.

^{Note}: There are a number of statistical surveys on professional education and training, which are undertaken in rotation at intervals of several years. Viewed over the years they provide a picture, albeit a somewhat hazy one, of the in-house education and training situation in Japan.

Legislative developments

Socioeconomic changes in the past few years have led to a number of major revisions to employment law in Japan. However, whilst several procedural revisions were presented during 2002, none are worthy of particular attention.

No doubt it will again be possible to address the issue of substantive legislative developments, including those to the Labour Standards Law aforementioned, in next year's review.

Labor unions and the role of social partners

The Ministry of Health, Labour and Welfare's *Basic Survey of Labor Unions* gives an overview of the situation of trade union organizations. As of June 2002, there were 10,801,000 union members in Japan, a decline of 412,000 or 3.7% from the previous year. These figures confirm a continuing, gradual decline in union membership over the long term. The ratio of organized labor to total employment, or the estimated unionization rate, was 20.2%, a 0.5 percentage point decrease from the previous year.

One of the reasons often given for the decline in the unionization rate is that unions have tended to concentrate their attention on regular workers and have failed to adjust to the diversification of employment patterns toward more part-time and other atypical forms of labor. For example, the number of part-time workers who join labor unions is 293,000 (280,000 in the previous year), and the estimated unionization rate is 2.7% (unchanged), representing a gradual increase - however, the rate remains low.

Turning to the membership of the major trade union federations: in 2002, Rengo membership stood at 6,945,000 workers (a decrease of 175,000 from the previous year);

the National Confederation of Trade Unions (Zenroren) had 1,018,000 members (a 6,000-member increase); and the National Trade Union Council (Zenrokyo) had 172,000 members (down 79,000 from the previous year).

* It should be noted that figures for union membership include members of industry-based unions and so-called community unions.

As national centers, Rengo and the Japan Federation of Employers' Associations (the predecessor of the Japan Business Federation) represent the respective interests of the workers and employers. In addition to being engaged in information dissemination and publicity activities, they endeavor to promote their respective positions by undertaking a wide range of survey and research activities. Accordingly, the Rengo white paper and the *Report of the Nikkeiren research committee on labor issues*, which are issued immediately before the Shunto wage negotiations each year, attract considerable attention as the major expressions of their respective positions.

On May 28, 2002, Nikkeiren and the Japan Federation of Economic Organizations (Keidanren) merged to form the Japan Business Federation (Nippon Keidanren). Mr. Hiroshi Okuda, chairman of Nikkeiren was designated first chairman of JBF.

On September 19, 2002, Zensen, an industry labor union covering mainly the textile and distribution sectors (membership 621,733), CSG Rengo (Japanese Federation of Chemical, Service and General Trade Unions, membership 171,781), and Sen'i-seikatsu-roren (the Federation of Textile Clothing and Living Goods Workers Union of Japan) were merged to form a new industrial union called UI Zensen with a membership of 795,000, making it the largest industrial union in the private sector, representing workers at 1,989 companies. The new union formation is larger than Denki Rengo (Japanese Electrical Electronic and Information Unions with a membership of approximately 720,000) and Jidosha-soren (Confederation of Japan Automobile Workers' Unions, membership around 720,000). The newly born union chose Tsuyoshi Takagi, chairman of the former Zensen, as its chairman.

The *Survey on Collective Agreements*, which is compiled by the Ministry of Health, Labour and Welfare (and covers 5,000 unions), was released in June 2001 for the first time in five years. The following paragraph is an outline of the collective agreements detailed in said survey.

According to the June 2001 survey, 91.5% of unions had reached collective agreements, which represents a 2.3 percentage point increase on the figure cited in the 1996 survey. A comparatively large number of accords were reached on union related issues (union organizations, collective bargaining, disputes, etc.), which accounted for between 50-70%, followed by those on working conditions (pay, working hours, holidays, breaks, human resources, fringe benefits, health and safety, etc.), which accounted for between 40-60%. By contrast, fewer agreements were reached on management issues (the introduction of new technologies, advances into new fields, office relocation, etc.), which accounted for just 20-30%; however, advance discussions relating to the reduction and/or abolition of a

business have increased, and accounted for 40% of all agreements reached. It is worth noting that, whilst not attaining collective agreement status, many of the unions have managed to come to written agreements of some nature with employers.

Industrial action

The *Statistical Survey of Labor Disputes*, issued annually by the Ministry of Health, Labour and Welfare, provides an overview of trends in labor disputes. The latest edition available is that covering 2001. There were 884 disputes during the year involving a total 1,071,000 workers, with the number of disputes down by 74 (7.7%) and participation by 46,000 workers (4.1%) year on year. There were 246 disputes involving strike action, with 75,000 workers participating and 29,000 days being lost. This represented a decrease of 59 strikes (11.8%), 10,000 participants (11.8%) and 6,000 working days lost (17.1%).

Looking at the disputes in terms of the major demands made, wage increases were the largest single item at 235,310 cases (26.6%), followed by non-regular wage payments (bonuses) at 176 cases (19.9%), and opposition to dismissal and reinstatement of dismissed workers at 151 cases (17.1%). A comparison of these figures with the statistics for 2000 reveals that in 2001, there were 75 fewer disputes over wage increases, 48 fewer over bonuses, and 4 more disputes over dismissals or reinstatement of dismissed workers. Whilst marginal, the number of disputes involving dismissals or reinstatements is on the increase.

Diversity of working patterns

Employment patterns continue to diversify over the mid to long-term, with increasing numbers of workers being forced to accept atypical contracts as the economy remains trapped in a deep recession. According to the *Labor Force Survey** issued by the Statistics Bureau of the Ministry of Public Management, Home Affairs, Posts and Telecommunications, between February 1997 and the January to March quarter of 2001, the percentage of 'regular' employees excluding executives declined from 76.8% to 71.3%. Conversely, the same period saw numbers of part-time workers rise from 12.9% to 14.3%, casual workers (known as '*arubaito*' in Japanese) from 6.2% to 6.6%, and temp-staff and contract workers from 4.2% to 7.8%.

Note The Special Labor Force Survey discussed in last year's review has been absorbed into the Labor Force Survey, with data to be released on a quarterly basis from 2002 onwards.

The following paragraph looks at a number of symptomatic data from the *Comprehensive Survey on the Actual Conditions of Part-time Workers* (conducted in October 2001), which was issued in September 2002 by the Ministry of Health, Labour and Welfare. The first point concerns the reasons given by corporations for employing part-time workers. The main reason given was "lower labor cost", cited by 65.3%, followed by "to cover busy periods during the workday" at 39.2%, "the work involved is easy" at 31.4%, and "to cover temporary rush periods" at 27.3%. Aside from shorter working hours, many corporations have introduced part-time workers because they are comparatively less expensive to employ. In terms of the ratio of duties formerly undertaken by full-time employees being

assigned to part-time workers, one-third of the companies surveyed, or 31.1%, responded that few if any of the jobs undertaken by full-time employees had been assigned to part-time workers, whilst 27.7% responded that they had assigned more than half of their business undertakings to part-time workers, revealing that many companies are choosing to allocate work previously undertaken by full-time staff to part-time workers. Furthermore, 40% of the companies surveyed stated that they employ part-time workers who do the same jobs and have the same level of responsibility as their full-time counterparts.

The survey also covered the opinions of part-time workers. In terms of the reasons given for choosing to work part-time, the most frequently cited reason was “because I want to work the hours (days) that suit me” at 50.0%, followed by “because the hours/days are shorter” at 31.2%, “because I was interested in the job” at 23.8%, and “because no companies were willing to take me on full-time” at 21.1%. As many as 54.3% of part-time workers stated that they are currently dissatisfied with or have complaint against their company and/or job. Their dissatisfactions / complaint included (multiple answers were possible), “low wages” at 51.1% and the most frequently cited reason, “insecurity” at 21.1%, “the difficulty of taking paid leave” at 19.2% and “the impossibility of becoming a regular worker” at 19.2%.

With respect to part-time workers, the percentage of those who occupy important positions (for example, restaurant managers) is on the increase, and the equal treatment of part-time and full-time staff members has become an issue. In the Japanese companies where job description/segregation is not always clear and regular employee is normally paid on a monthly basis whereas part-timer is on an hourly basis, the concept of ‘equal pay for equal work’ is not prevailed among those companies. These days a tendency has been observed to search around for an ideal form of equal (balanced) treatment of different types of workers is based on Japanese traditions. These issues are also discussed in a study group of the Ministry of Health, Labour and Welfare and the report was compiled in July 2002.

According to the survey on teleworkers conducted by the Japan Telework Association, estimated number* of employee teleworkers increased from 2.46 million in 2000 to 3.11 million in 2002 (5.7% of total employee), while self-employed teleworkers was 0.97 million on the same year (8.2% of total self-employed), and that the number of employee teleworkers will nearly double to 5.63 million by 2007.

* Definition of ‘teleworkers’ in this estimation is: i) those who are engaged in the paid work on the regular basis, ii) those who utilise IT(network) at work, iii) those who work either in more than one workplace where he/she utilises IT, or in only one workplace that is other than where the section that he/she belongs is located, and iv) those who work outside the section that he/she belongs for more than 8 hours per week”.

Professor Ouch, Kobe University, precisely describes the present legal status of teleworkers as well as its problems as follows:

Article 9 of the Labour Standards Law(LSL) prescribes that “worker” shall mean one who is

employed at an enterprise or place of business and receives wages therefrom, without regard to the type of occupation. The characteristic of the regulations of the LSL, which is also common to other so-called labor protective laws such as the Minimum Wages Law, is to apply a series of uniform legal protective measures to people defined as “workers.” Article 9 determines the range of people to whom the LSL is applicable, and those who are not defined as “worker” in the LSL are excluded from the legal protection embodied in this law.

The terms used in Article 9 of the LSL are so ambiguous that they do not distinguish “worker” from “non-worker.” However, case law governing Article 9 provides some critical factors to determine the qualifications of “worker.” These factors include: whether he/she can refuse in practice to accept the work; whether and to what extent he/she can freely decide on when and where to work; whether and to what extent the employer supervises and controls the process of accomplishing the work; whether he/she can entrust to others the order received; which party — worker or employer — must bear expenses for materials or utensils used in accomplishing the work; and whether remuneration is paid for the accomplishment of the work itself or only on completion.

... a “non-worker” is not always excluded from legal protection. For example, the Workmen's Accident Compensation Insurance Law recognizes special admission into workers' accident compensation insurance for certain categories of the self-employed (Article 27 et seq.). Moreover, although homeworkers were not considered “workers” under the LSL, in 1970 the Industrial Homework Law was enacted, extending some degree of legal protection to homeworkers. Teleworkers who are engaged in industrial production at home may qualify as homeworkers and thereby enjoy legal protection. However, many teleworkers, who work in the service sector or are engaged in information-related activities, are not covered by the Industrial Homework Law.

(Shinya Ouchi, ‘Telework in Japan’, Japan Labor Bulletin Vol.39 (2000.8))

In the collective bargainings in general, teleworking is scarcely on the agenda. However, recently, both Rengo and JBF show deeper interest in this matter, as Rengo asserts in establishing fair work rules for teleworkers, and JBF in promoting diversity in workplaces.

Trends in employment adjustment

The bursting of the so-called IT bubble in the latter half of 2001 led to a succession of companies, primarily in the electronics industry, announcing proposals for major personnel cutbacks. These were less frequent come the new year, but many companies are continuing to slim their workforces as a means of countering the effects of long-term economic malaise.

When Japanese companies (although this does not apply exclusively to the domestic business world) carry an excessive number of personnel, they do not rush into personnel cuts, but instead will adopt various measures such as reducing non-scheduled working hours, ceasing to renew the contract for non-regular workers with fixed term, and limiting new hiring, whilst monitoring the situation surrounding their business. If and only if, even having taken these steps, there is no evidence of a turnaround only then will they start to

shed regular workers. Even when dismissals become inevitable, employers do not name specific workers to be axed, rather large companies tend to solicit applicants for voluntary and early retirement, offering them a golden handshake in the form of an extra pension allowance, for example. (The hypothesis / established theory that “companies will start looking to slim workforces after two consecutive years of losses” has gained currency among the large number of labor economists in this country.)

According to the *Employment Management Survey* compiled by the Ministry of Health, Labour and Welfare (conducted in January 2003 and covering corporations with more than 30 employees), in the three-year period spanning 2000 and 2002 some 8.0% of corporations “solicited applicants for voluntary and early retirement”. This percentage has increased with each passing year: it was 2.1% in 2000, 3.7% in 2001 and 4.8% in 2002. Moreover, an average 42.8 people apply for the voluntary and early retirement plans offered.

On a related matter, the *Survey of Collective Bargaining and Labor Disputes in 2002*, which was issued by the Ministry of Health, Labour and Welfare in June 2003, reports that of the discussions undertaken by unions and management during the last three years those on “corporate restructuring and/or reductions in business divisions” have accounted for 42.3%, i.e. a 3.4 percentage point increase on the previous survey (1997). In terms of the stage at which negotiations are initiated, on the employer side 41.6% or the majority of negotiations are commenced once “the broad framework has been decided”, followed by 36.4% at the “exploratory phase” and 13.5% once “the details have been fixed”. Thus employers are tending to initiate negotiations with labor representatives at a comparatively early stage in the restructuring process.

Outlook

At a glance, the outlook for the global economy appears to be characterized by an unusual degree of uncertainty. In all probability this is due to the loss of a powerful driving force. Regrettably, as with last year’s review, it is necessary to end the review for 2002 on a down note since, with Japan needing to implement structural change at all levels of its system – political, economical and social – and with no lodestar to guide it, it is difficult to envisage a straightforward economic recovery.

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