

Analysis of the Labour Economy 2003

Summary

Economic and Social Change and
Diversification of Working Styles

Ministry of Health, Labour and Welfare

Dec. 2003

Provisional translation by
the Japan Institute for Labour Policy and Training (JILPT)

Contents

Part I Labor Economy Trends and Characteristics in 2002

Chapter 1	Employment and Unemployment Trends	1
Chapter 2	Wages and Working Hour Trends	4
Chapter 3	Prices and Worker's Household Economy Trends	6

Part II Economic and Social Change and Diversification of Working Styles

Chapter 1	Economic and Employment Trends and Diversification of Working Styles	8
Section 1	Overview of Medium- to Long-Term Economic and Employment Trends.....	8
Section 2	Business and Household Economic Behavior under Deflationary Conditions.....	11
Section 3	Trends in the Regional Labor Economy	13
Chapter 2	Changes in Corporate and Workers' Employment Behavior, and Diversification of Working Styles	16
Section 1	Changes in Corporate Employment Policies and Workers' Employment Behavior, and Diversification of Working Styles	16
Section 2	Trends in Diversification of working styles	19
Section 3	Trends in Wage Systems.....	22
Section 4	Trends in Personnel Management Systems	25
Section 5	Trends in Working Hours	28
Section 6	Trends in Human Resources Development.....	31
Chapter 3	General Overview	34

Part I Labor Economy Trends and Characteristics in 2002

Chapter 1 Employment and Unemployment Trends

Looking back on the labor market of 2002, despite some signs of improvement, the situation remained severe, as exemplified by the continuing high rate of full unemployment.

- (1) The active job openings ratio (based on officially registered numbers) gradually increased from the beginning of 2002.
- (2) While the number of men employed decreased, the number of women continued to increase, resulting in a decrease in the total of men and women when compared with three years earlier.
- (3) Unemployment remained high in 2002 with an average rate of 5.4%.
- (4) Long-term unemployment and householder unemployment continued to increase.

Job Offer and Jobseeker Trends

New job offers have, on the whole, been increasing since the beginning of 2002. The service industry offered more jobs in 2002, than in the previous year and job offers from the manufacturing industry recorded a slowing-down in the decrease rate from the previous year followed by the beginnings of an increase from the middle of 2002. The construction industry offered fewer jobs than in the previous year (Figure 1). The job offers for part-timers are supporting the total job offers.

New jobseekers have remained at a high level from 2002 onward, and numbers of jobseekers in particular, apart from those who had left their previous employment, have also increased.

Trend in the Opening-to-Application Ratio

The active job openings ratio has been rising gradually since the beginning of 2002; however, the 2002 average was 0.54, down 0.05 percentage points from the previous year (0.59). The new job-openings-to-applicants ratio has been increasing gradually since the beginning of 2002 as well but the year's average was 0.93, down 0.08 percentage points from the previous year (1.01) (Figure 2). In terms of mode of employment, the ratio in 2002 on average for ordinary workers was 0.41 and for part-timers, 1.32.

Graduate Labor Market Trends

The recruitment rate of new graduates remained low in March 2003 (Table 3). The number of jobless young people is increasing, reflecting the severe labor market for new graduates.

Worker and Employee Trends

The average number of workers stood at 63.3 million in 2002 (down 0.82 million from the previous year). This reflects a 5-year downward trend. The average number of employees stood at 53.31 million in 2002 (down 0.38 million from the previous year), the first decrease in three years.

In summary, the employment situation in 2002 is as follows:

- (1) Temporary and daily employment is recovering but there is still a large decrease in numbers of regular employees (Figure 4).
- (2) Women enjoy a better employment situation than men.
- (3) Employment in the service industry has increased on the previous year, but that in the construction, manufacturing, transportation and telecommunication, wholesale, retail and restaurant industries has decreased over the previous year.

The numbers of self-employed and family workers are still decreasing.

Trends in the Unemployed

The number of the unemployed stood at 3.59 million, up 0.19 million on average from the previous year (original figure without seasonal adjustment), thus renewing the historical high. Among jobseekers, the number of those who quit employment involuntarily is increasing as a result of employer or business expediency, a reflection of the depressed economy (Figure 5).

Among the long-term unemployed, those without a job for one year or more stood at 1.12 million (30.9% of the unemployed) during the January-March 2003. The long-term unemployment rate (the rate of the long-term unemployed against the population in labor force) was 1.7%.

The number of unemployed householders recorded a high level with an average of 0.99 million in 2002.

The average unemployment rate in 2002 (original figure) was a total of 5.4%; 5.5% for men and 5.1% for women, thus renewing the historical high (Figure 6).

Population Trends of Those In and Out of Work

The declining trend in the labor force participating rate reflects the growing number of people leaving the labor force. Among that part of the population not in the labor force, there are those not seeking work as “no appropriate job is likely to be offered” (i.e. people who have lost the will to seek a job). This group numbered 2.07 million during January-March 2003.

Frequency and Duration of Unemployment

With the long-term rise of the unemployment rate for both men and women, the unemployment frequency has been increasing and the unemployment duration has become longer since around 1990, with some fluctuation resulting from economic cycles.

Increasing Overtime Work and Employment

In recent years, the regular employment has not improved much despite the increasing quantity of non-scheduled working hours resulting from the recovering economy. This reflects the slow growth on the whole throughout the 1990s and the declining expectations for business growth. This has led to a feeling of employment surplus, prolonged employment adjustment and the weak recovering power of the economy, as well as an economic downturn before completion of the adjustment.

Chapter 2 Wages and Working Hour Trends

Total cash earnings decreased two years in a row, recording the greatest drop since the comparable year, 1991, despite a smaller decline in unfixed wages due to a greater reduction in fixed wages and special allowances. Real wages also decreased two years in a row.

Unscheduled working hours increased slightly, reflecting the recovering production, however, total working hours decreased for two years in a row due to the continued decline in scheduled working hours.

Wages Trends

The economy hit bottom in 2002, but total cash earnings in 2002 decreased for two years in a row, down 2.4% from the previous year. Within total cash earnings, fixed wages were down 1.2%, unfixed wages down 0.9% and special allowances down 7.3%. The real wages decreased two years in a row, down 1.3% from the previous year (Table 7).

The rate of spring pay rises in major private companies in 2002 stood at 1.66%, having decreased for five years in a row, thus recording a historical low.

The shrinkage of fixed wages was affected by the increased share of part-time workers contributing to the decrease in working hours and average hourly wage, and the comparable decrease in fixed wages for ordinary workers at 0.3%, for the first time since the comparable year 1994, reflected the declining pay raise.

The bonuses, occupying the major part of special allowances, decreased 5.9% in summer and 5.0% in winter from the previous year, recording the greatest decline since the comparable year, 1991.

Working Hour Trends

The total number of hours actually worked in 2002 was down 0.8% from the previous year. Scheduled working hours decreased 1.0% from the previous year and the unscheduled working hours increased 0.1%, reflecting the recovering economy.

Unscheduled working hours increased in industries other than mining, construction and services. The unscheduled working hours (seasonally adjusted) of the manufacturing industry continued rising in 2002 from the bottom experienced in October-December, 2001. This reflected production trends. The increase in unscheduled working hours slowed down slightly due to the lower growth rate of

production in the latter half of 2002 and the weaker growth toward the year-end (Figure 8).

Scheduled working hours decreased throughout the year when compared to the previous year. This was affected by fewer days of work, the rising share of part-time workers and the decreasing scheduled working hours of part-time workers.

Chapter 3 Prices and Worker's Household Economy Trends

Consumer prices have declined four years in a row due to reduced costs and inactive consumption, as a result, domestic corporate goods prices dropped two years in a row, although the margin of the drop became smaller, clearly indicating a deflationary trend.

Household consumption decreased five years in a row, despite some improvement in consumer sentiment, due to the continuing severity of the employment/income environment.

Price Trends

The prices in 2002 clearly indicated a deflationary trend, as exemplified by the drop in consumer prices for four years in a row. The trend in deflating prices is considered to be the result of lower costs reflecting technological innovation and competition with inexpensive imports and continuing inactive consumption.

Prices of domestic corporate goods continued declining throughout 2002. However, the extent of the drop narrowed due to higher coal and petroleum product prices reflecting rising crude oil, and steel product prices. The latter had dropped in the previous year but leveled off as a result of a completion of inventory adjustment.

Consumer prices in 2002 dropped for the fourth year in a row, down 0.9% from the previous year. The main reason for this was the declining trend in industrial product prices such as consumer durables, including personal computers and home electric appliances and textile products e.g. clothes, resulting from competition with imports and technological innovation (Figure 9).

Workers Household Economy Trends

The consumption expenses of worker households in 2002 decreased for the fifth year in a row from 1998 due to the low growth of net income, down 1.3% in nominal terms and down 0.2% in real terms, even though the decline was smaller than in the previous year (Table 10).

Average propensity to consume stood at 73.1%, up 1.0 percentage point from the previous year, reflecting the gradual recovery of consumer sentiment up until the July-September period, but these had stalled by year-end.

The amount of average savings per household, as of the end of June 2002, decreased for the second year in a row. It appears that reduced income due to the severe

employment situation affected the amount of savings.

In terms of supply side statistics, retail sales in 2002 declined for six years in a row, down 3.9% from the previous year. This demonstrated a greater decline than the previous year, resulting in a weaker performance on the whole.

Part II Economic and Social Change and Diversification of Working Styles

Chapter 1 Economic and Employment Trends and Diversification of Working Styles

Section 1 Overview of Medium- to Long-Term Economic and Employment Trends

Japanese economic growth fell dramatically in the 1990s as a result of intensified deflation. In the labor market, changes were seen in the supply and demand of labor. The former was affected by an aging society producing fewer children, a larger share of female workers in the labor force, increase of workers with higher academic background, and the latter owing to the changing industrial and occupational structures, as well as the progress of the information society. In terms of job creation and loss, the number of employees decreased between 1996 and 2001 due to a lessened increase in new and existing establishments and a decrease in employment due to businesses closing.

The real labor productivity increase (annual rate) in Japan dropped from 3.9% in the 1980s to 1.9% in the 1990s due to the lowered contribution of the total factor productivity, including advances in capital stock and technology. The narrower decline in manufacturing industry productivity, as compared to all industries, is a result of a continuing large contribution to the increase in total factor productivity.

The globalizing economy promoted an international division of labor and increased the overseas production ratio, which possibly led to the loss of employment in the domestic manufacturing industry.

Overall Economic Trends

The real economic growth rate in Japan has continued to decrease following the collapse of the bubble economy in the 1990s (Figure 11 (1)). The nominal growth rate remained weak during this gradual deflation, and has resulted in negative growth every year since 1998, apart from 2000. The recent economy is characterized by a continuing fall in prices and gradual deflation (Figure 11 (2)).

Changes in Supply and Demand of Labor

The changes in the supply of labor include: (1) a decrease in the labor population

(expected to drop from 66.89 million in 2002 to 63 million in 2025) and the higher share of workers in the labor force aged 60 or older (expected to increase to 19.7% in 2025, from 8.8% in 1970 and 13.9% in 2002); (2) a further increase in the numbers of females participating in the labor force (a greater share in the labor force), and (3) an increasing share of workers with a higher academic background.

The changes in the demand for labor include: (1) increasing changes in the employment structure by industry and occupation structure due to the long-term increase in the tertiary industry share as well as the increasing numbers of white-collar workers, and (2) changes in the quality of white-collar work resulting from the information society, increased non-regular employment and a diversification of working styles.

Job Creation and Loss

Job creation and loss do affect the demand for employment. New establishments contributed less to the increase in numbers of employees following the collapse of the bubble economy. Existing establishments, on the other hand, contributed little to the increase between 1996 and 2001. Discontinued establishments contributed greatly to the decrease, and new establishments contributed less to the increase, resulting in a decrease in the total number of employees for the first time (Figure 12).

When employment trends in existing establishments are compared by industry in 1991 and 2001, employment growth became negative due to the decline of job creation rate and remarkable increase in job loss rate. In the service industry, however, the job creation and employment increase rates are higher than in 1991 in the social welfare and medical/health care services.

Trends in Labor Productivity

The real labor productivity increase per hour (annual rate) in Japan declined from 3.9% in the 1980s to 1.9% in the 1990s due to a shrinking contribution derived from increases by capital stock and technological advancement. Since the manufacturing industry continued to contribute to increased total factor productivity, the shrinkage of the real labor productivity increase in the industry was small when compared to all industries (dropping from 4.2% in the 1980s to 3.2% in the 1990s) (Figure 13).

The real labor productivity per hour and the unit labor cost in the manufacturing industry in 1999, were mid-ranking among advanced countries. In the 1990s, the increase in real labor productivity achieved mid-ranking and the increased unit labor costs were higher than for other advanced countries due to the noticeable appreciation of the yen during the first half of the 1990s (Table 14).

Employment Affected by Changing Trade Structure and Increased Overseas Production

The major export items constituting Japan's international trade are fabricated products including machinery. Imports are mostly products and the shares from East Asian countries are growing, accounting for more than 60% of the whole imports. This can be explained as a result of the progress in the international division of labor through which Japanese industries expand their overseas production and imports of labor-intensive goods and low value-added products, in order to take advantage of the rising value of yen following the Plaza Accord in 1985, and the shifting of focus on domestic production to high value-added products for domestic and foreign markets. While the automobile and capital goods parts remained competitive, the home electric appliances and textile products lost their international competitiveness, resulting in increased overseas investment for the purpose of reducing manufacturing cost from the second half of the 1990s. The increased overseas production also resulted in increased reimporting to Japan.

Progress in the international division of labor and increased overseas production, as mentioned above, may have led to the decrease in employees working for Japanese manufacturers. One estimate of this is that: (1) about 0.75 million jobs appear to have been lost due to the changing trade structure where the import rate increased for the majority of industries, and the lower growth of export, as compared to import, (employee numbers dropped by 5.4% between 1990 and 2000) (Table 15), and (2) about 0.6 million jobs appear to have been lost in fiscal 2000 due to overseas production in the manufacturing industry (Table 16).

Section 2 Business and Household Economic Behavior under Deflationary Conditions

Businesses operating under low-growth economic conditions and a long-term deflationary environment experience more pressure in terms of labor cost reductions and employment surpluses. Although the opportunity to substitute ordinary workers with part-time workers is limited, there is a trend to reduce the numbers of regular employees and increase the use of part-time workers. More establishments are pursuing strict employment adjustments such as requesting voluntary retirement as well as dismissal, resulting in the increase of the involuntary unemployment, mainly from the middle and older age groups. Severe wage adjustments including lowering the wages for ordinary workers have been implemented.

Employment adjustment by individual companies is inevitable for managerial reasons. Workforce reduction, however, involves negative aspects for business activity such as depressed willingness to work, outflow of excellent human resources and reduced opportunities for developing vocational abilities. Employment adjustment and deflation may also hold back consumption.

Business Behavior under Deflation

In the recent employment situation, numbers of regular employees are decreasing and non-regular employees continuing to increase, reflecting the prolonged low growth and severe business situations of firms. The major reasons include: (1) reducing labor costs in order to reduce sale prices; (2) strengthened uncertainty reflecting declining expectations for growth of firms (Figure 17), and (3) a feeling of higher personnel cost due to elderly and highly educated employees under low nominal growth rate.

Labor share has remained high since the 1990s. Among the factors changing the labor share, the per capita nominal labor cost made little contribution but the product price factor remained a positive contributor. When considering such trends it appears that firms are pursuing cost reductions, including lowering of labor costs, but the labor share remains high due to lowered product prices and the drop in quantity of sales under a deflationary environment (Figure 18).

Recent Employment Adjustment

The employment adjustment situation, during the current period of recession, has experienced adjustments mainly as a result of: overtime restrictions, personnel re-assignment and transfer to related companies. The number of establishments that

have implemented severe employment adjustment, such as requesting voluntary retirement and dismissal, is at a low level though increasing, resulting in increased numbers of the non-voluntary unemployed, mainly among middle aged and the elderly. Substitution of ordinary workers with part-time workers is limited, and the remarkable decrease in ordinary workers is considered to be the result of establishments reducing all workers including part-timers.

The share of establishments that have reduced their labor costs, including wages, is also high and wage restriction is used as a method of reducing labor costs. Total cash earnings and real wages declined between 1998 and 2002 (Figure 19). Ordinary workers faced a severe situation in 2002 due to reduced pay rises and a remarkable reduction in special allowances such as bonuses.

Effects of Employment Adjustment

The effects of personnel reduction include not only positive aspects such as reduced costs and improved business management efficiency, but also negative aspects such as lowered employee morale, an outflow of excellent human resources and reduced opportunities for developing vocational abilities. Workforce reduction leading to lowered morale of employees is highly likely to adversely affect productivity (Table 20). Furthermore, the decline of employment level by workforce reduction may constrain consumer spending as a result of reduced employee income and consumer uncertainty reflecting an uncertainty about the future. Reduced disposable income contributes to reduced consumption, and employment uncertainty and reduced income will adversely affect consumer sentiment, thus affecting behavior of the household. Reduced householder income may have encouraged spouses to work, increasing the part-time employment rate among them.

While the deflation may lead to expanded consumption arising from increased real purchasing power, it may also constrain consumption due to a reduced income, uncertainty of future income and the consumer deciding to wait for further price declines. More households expected a decline in prices and so reduced their spending, indicating that deflation depressed consumption (Figure 21).

Section 3 Trends in the Regional Labor Economy

The unemployment rate increased dramatically over about a decade. This increase is especially high in the prefectures in the Tohoku and Kinki regions. When the relation between employment situation and industrial structure is examined, those regions with a higher share of manufacturing experience a low unemployment rate. The increased unemployment rate was contributed by the population growth in the first half of the 1990s and the decrease of workers in the latter half. While the numbers of manufacturing workers decreased throughout the 1990s, the number of construction worker, which supported the total employment, also decreased from the latter half of the 1990s, resulting in a decline of the number of workers on the whole. The decrease of manufacturing workers may have been the influence of the globalizing economy, and was high in some industrial agglomeration areas. The influence, however, varies between areas, as those with strongly competitive export businesses did not experience any great decline in the number of employees. Number of service workers, on the other hand, is increasing in every region, especially in the field of aged-care service. While manufacturing industry still is expected to support employment to some extent, it is important to create jobs in services and other industries that meets regional demands and support a smooth transition of labor from manufacturing and construction.

Regional Unemployment

The unemployment rate in Kinki, Kyushu and Hokkaido regions exceeded 6% in 2002, while the national average stood at 5.4%. The unemployment rate is rising in all regions following the period of the bubble economy, but the increase is especially high in Kinki and Tohoku.

By prefecture, there is a gap in the unemployment rate of 4.8 percentage points between the lowest (3.5% in Shimane) and the highest (8.3% in Okinawa). The unemployment rate is high in the Kinki block prefectures, including Osaka, Hyogo and Kyoto. When the figures from 1990 and 2002 are compared, the unemployment rate can be seen to be rising dramatically in Osaka, Kyoto and Hyogo in the Kinki block, and Akita and Miyagi in the Tohoku block (Figure 22).

While unemployment rate has increased and active job openings ratio has declined in all regions following the bubble economy period, the regional differential has narrowed due to dramatic deterioration of the employment situations in the regions that previously have enjoyed favorable conditions.

Regional Unemployment Structure

Employment situations may be affected by the age distribution in the workforce and the differences in industrial structure. According to the prefectural data, unemployment rates are high in the regions with a higher share of younger workers and low in the regions with a higher share of manufacturing industry (Figure 23).

When factors associated with the increase in unemployment rates by region are compared, namely: (1) the change in the number of workers (employment effect); (2) the change in the population aged 15 or older (population effect), and (3) the change in the labor force participation rate (labor force participation rate effect), it was noted that the population effect contributed to the increase in unemployment rate between 1992 and 1997 and the employment effect (decreased number of workers) between 1997 and 2002 (Figure 24). By industry, the number of manufacturing workers decreased throughout the 1990s and the construction industry, through its public works projects in the first half of the 1990s, supported employment. Since the latter half of the 1990s, the number of construction worker has decreased as well, resulting in decreased numbers of workers across all industries (Figure 25).

Decreasing Manufacturing Workers

Manufacturing workers are decreasing in all regions, and especially such industries as textile products and electronic machinery/equipment. This possibly is the reflection of the globalizing economy.

In industrial agglomeration areas, there is a growing share of companies that also produce products overseas, and further relocation of production sites is expected in the future (Figure 26). The relocation of production sites has greatly affected small- and medium-sized enterprises, including subcontractors, of which 60 percent responded that they face reduced orders and price cuts.

Some industrial agglomeration areas have experienced a remarkable decline in shipment amounts and number of employees. The influence, however, varies between areas, as in areas like Hamamatsu and Toyoda, mainly producing transportation machinery, the decrease of employee was about 5% (Table 27). By prefecture, there are areas with increasing employees in IT-related industries including manufacturing of electronic components/devices (e.g. semiconductors) (1996-2001).

Increasing Service Workers

Number of service employees is increasing in all prefectures. Among nine fields of

service industries (see Note) that are expected to create jobs in the future, number of private establishments has increased by about 18,000 (1.4%) and employees by about 0.8 million (7.8%) between 1996 and 2001. The characteristics of these fields are as follows:

- (1) Services for individuals and households, which account for a large share in the services as a whole in each region. The number of employees, however, increased only marginally due to prolonged low levels of consumption.
- (2) Service for firms and organizations, concentrated in cities, is increasing in the southern Kanto region. IT-related service, accounting for about 50%, is concentrated in Tokyo.
- (3) Aged-care, medical, environment and child-care services are distributed in local areas also, with growing number of employees. The increase is especially high in the aged-care service (Figure 28).

It is necessary that the manufacturing industry, which has been supporting the Japanese economy, continues to support employment to some extent. At the same time, it is also important to create jobs in the service industry that meets regional demands, and assist in the smooth transition of labor from manufacturing and construction.

Note: Nine areas of services are: (1) individuals and households, (2) worker education, (3) firms and organizations, (4) housing-related, (5) child-care, (6) aged-care, (7) medical, (8) legal, and (9) environmental.

Chapter 2 Changes in Corporate and Workers' Employment Behavior, and Diversification of Working Styles

Section 1 Changes in Corporate Employment Policies and Workers' Employment Behavior, and Diversification of Working Styles

Diversification of working styles refers to the increase in various types of employment, other than regular employment. Diversification of working styles has been a medium- to long-term trend, accelerating somewhat in the late 1990s.

On the workers' side, one of the medium- to long-term factors behind the diversification of employment types is that women and the elderly have found employment on a non-regular basis. In recent years, it also appears that more workers are seeking non-regular types of employment, and that more workers are finding themselves obliged to be employed on a non-regular basis due to the diminishing employment opportunities as regular employees.

Factors on the employers' side are the expansion of tertiary industries, where there is a high percentage of non-regular employees, and more recently, the expanded use of non-regular employees by individual companies. Employers, in order to reduce manpower costs or maintain flexibility in employment due to the growing economic uncertainty, are also making extensive use of non-regular employees.

In terms of the impact of the expanded use of non-regular employees, companies cite advantages such as "regular employees can concentrate on more sophisticated work", as well as disadvantages such as "knowledge cannot be accumulated and passed on". Employees also cite advantages such as "regular employees can concentrate on more sophisticated work". On the other hand, they cite disadvantages such as "the extended working hours of regular employees".

Diversification of Working Styles

Diversification of working styles refers to the increase in various types of employment other than regular employment (defined as having a continuous employment relationship with a specific company and working full-time for that company).

According to the Labour Force Survey (Detailed Tabulation) (Annual Average Results 2002) by the Statistics Bureau of the Ministry of Public Management, Home Affairs, Posts and Telecommunications, the total number of workers was 63.19 million. Of this total, employees accounted for 53.37 million (84.4%), regular employees, 38.86 million (61.5%), and non-regular employees, including part-time, temporary and dispatched

workers, 14.51 million (23.0%) (Figure 29). Part-time and temporary workers were 10.53 million, accounting for 72.6% of non-regular employees.

Types of employment for non-regular employees vary in terms of wages and working hours. Working hours, in particular, are being extended among the self-employed and family workers.

Diversification Progress

Diversification of working styles is being driven by increased non-regular employment, including part-time and temporary workers, rather than by an increase in the numbers of self-employed (Figure 30).

Diversification of working styles, in terms of the percentage of temporary and day workers, has been increasing since the late 1970s in the medium- to long-term. While the pace of increase accelerated in the late 1990s for both men and women, the percentage is particularly high for women (Figure 31).

Factors behind Diversification of working styles

On the workers' side, one of the factors behind the diversification of working styles is that more women and elderly have become employed on a non-regular basis. Starting in about 1994, the percentage of part-time and temporary workers has increased with particularly wide margins for men and women aged 15 to 24, and for men over 65.

The recent trend appears to be that there are more workers seeking non-regular employment, as the sense of value related to working has diversified, especially among young workers. More workers are also feeling obliged to be employed on a non-regular basis as a result of diminishing employment opportunities as regular employees.

There has been a decrease, although the level is still high, in the percentage of those choosing part-time work because they "want to work convenient hours (days)". On the other hand, the percentage is increasing for those who cite the reason as "an absence of companies wanting regular employees". On employers' side, there is an increasing use of non-regular employment in individual companies over recent years; this is in addition to the expansion of the tertiary industry where the percentage of non-regular employment is high. As a result of growing economic uncertainties, other aspects of using non-regular employment include reducing manpower costs, maintaining flexibility in employment, and obtaining personnel with specialisms, or who are capable and able to work (Figure 32 (1), (2)).

Analysis by type of employment shows that, while "part-time workers (short hours)" tend to be employed in response to fluctuations in workload, contract, dispatched and

temporarily transferred employees are being employed to deal with specialized work or to obtain personnel who are capable and able to work.

Furthermore, the number of non-voluntary part-time workers (workers who are obliged to work part-time although they want to work full-time) is on the increase, reflecting the harsh employment conditions. The number of non-voluntary part-time workers is estimated to be 1.17 million, as of February 2001, based on the "Special Labour Force Survey" carried out by the Statistics Bureau, the Ministry of Public Management, Home Affairs, Posts and Telecommunications (Figure 33).

Impact of Diversification on Corporate Activities and Regular Employees

When considering the impact of greater use of non-regular employees, employers cite advantages such as "regular employees can concentrate on more sophisticated work", and "improved labor productivity". On the other hand, they cite disadvantages such as "knowledge cannot be accumulated and passed on" and "difficulties in job training implementation". Among the issues associated with making use of non-regular employees, "obtaining high-quality workers" ranked the highest.

Regular employees cite advantages such as "regular employees can concentrate on more sophisticated work", "smooth cooperation in work" and "improved labor productivity". On the other hand, disadvantages include "extended working hours for regular employees", "knowledge cannot be accumulated and passed on" and "security leak risks".

Section 2 Trends in Diversification of working styles

Working styles appear to be diversifying in non-regular employment. The percentage of "part-time workers (short hours)" as a part of total number of workers rose during the 1990s, while the percentage of "other (long hours)" rose in the late 1990s. The percentage of "part-time and other workers" holding managerial posts is also on the rise. Part-time workers are now undertaking some of the roles previously assumed by regular employees, leading to the promotion of part-time workers to key positions. The number of contract and dispatched employees is also increasing.

The number of self-employed and family workers is on the decrease in the medium-to long-term. On the other hand, working styles that offer more flexible working hours and places of work, such as teleworking, are attracting attention. SOHO, a non-employed type of teleworking, and NPO staff are also gaining attention. The number of "freeters" (freelance part-time workers) is also increasing.

Internationally, the percentage of part-time workers in Japan is roughly equivalent to the average level of OECD countries for male workers, and slightly above the average level of OECD countries for female workers. Currently, in terms of labor mobility, the inflow to non-regular employment is increasing due to the strong labor demand for non-regular employment.

Progress in Diversification of Employment

The percentage of "part-time workers" (workers whose working hours are shorter than regular employees) in terms of the total number of workers has risen from 11.1% in 1990 to 22.1% in 2001 (Figure 34 (1)). The percentage of "other" (non-regular employees whose working hours are equal to or longer than regular employees) was 2.9% in 1990 and 1995, but rose to 3.9% in 2001 (Figure 34 (2)). Among female "part-time workers", the percentage of those who are working to sustain their living is increasing, suggesting that those working as short-hour part-time workers are increasing due to tight household finances.

The percentage of "part-time and other workers" who hold managerial posts is also rising (Figure 35). Also, 43.2% of establishments stated that the percentage of non-regular employees engaged in the same type of work as regular employees has increased when compared to three years ago. It appears that non-regular employees are now undertaking some of the roles previously undertaken by regular employees, resulting in an increase in part-time workers undertaking key roles.

The number of contract workers is increasing, rising to 1,127,100 in 1999. By type of

work, the percentage of contract workers engaged in specialized or technical work was 40.3% for men and 23.9% for women.

The number of dispatched workers is also increasing, averaging 430,000 in 2002. By gender, male workers accounted for 100,000, female workers 330,000.

Other types of employment include outsourcing, where part or all of work is contracted out to an outside company, and in-plant contract service, where certain processes within the plant are contracted out to an outside company.

Diversification of working styles in Terms of Types, Place and Working Hours

The number of self-employed and family workers is on the decrease in the medium- to long-term, dropping from 23.12 million in 1955 to 9.75 million in 2002 (Figure 36). Factors behind the decrease in self-employed include the decrease in newly established businesses and the increased numbers of businesses closing. The average age of workers establishing new businesses is rising, suggesting that new businesses are being led by middle-aged and elderly workers who have been made redundant due to corporate restructuring.

In 2002, the number of workers engaged in teleworking for more than eight hours a week (teleworkers), was estimated to be about 4.08 million. Among the advantages of teleworking cited by workers, "no commuting fatigue" ranked the highest, while the most cited disadvantage was "lack of communication with supervisors and colleagues" (Figure 37).

The non-employment type of teleworking is known as SOHO. Providing services from home using telecommunication equipment, under a service contract, is called "working at home". Working at home is used by people who want to accomplish both housework and job, as a way of working flexibly and elastically at their own pace, combined with the cost reduction and outsourcing trends. NPOs and workers collective are also becoming popular as new opportunities of employment.

The "Freeter" Trend

The number of freeters was tabulated, for those aged between 15 and 34, high school graduates, and the unmarried in the case of women. Furthermore, "freeters" were defined as those (1) who are currently employed and referred to as "part-time workers" at their workplace, and (2) who are currently unemployed and neither doing housework nor attending school but wish to be employed as part-time workers. Based on these definitions, the number of freeters (average for 2002) was 2.09 million (male: 0.94 million, female: 1.15 million) (Figure 38).

Factors behind the increase in freeter numbers include: an increase in the number of unemployed college graduates and high separation rate in the labor market for young people; the fact that young people do not necessarily have to be regular employees in order to make a living due to the improved economic conditions surrounding them; and an increase in unsatisfactory forms of employment due to the harsh employment environment.

International Comparison of Diversified Types of Employment

In Japan in 2000 the percentage of part-time workers was roughly equivalent to the average level of OECD countries for male workers and slightly above the average level of OECD countries for female workers (Figure 39).

State of Labor Mobility

In terms of labor mobility, inflows to non-regular employment are increasing due, at present, to the strong labor demand for non-regular employment. This tendency is particularly prominent among young workers.

Section 3 Trends in Wage Systems

Companies are implementing wage system reforms toward performance- or ability-based systems. Regular employees approve the introduction of performance-based systems and wage differences based on evaluation, but they feel some concern as to whether such evaluations would be fair.

When introducing and operating a performance-based wage system, it is important to gain the agreement of employees by setting proper objectives, maintaining transparency and fairness, etc.

Wage differences between regular employees and part-time workers widened throughout the 1990s, even after considering the difference in composition of job types. Dissatisfaction is greater among part-time workers who are more autonomous, suggesting the possibility that treatment is inadequate and not consistent with worker performance.

In order to make greater use of non-regular employees, it is important to gain the agreement of employees, in terms of wages, by implementing proper evaluation, treatment and human resources development corresponding to the employees wishes and type of employment.

Trends in Regular Employee Wages

Wage difference by age, position or gender is being narrowed among regular employees, but the variance is increasing among middle-aged and elderly male college graduates. One of the causes is that companies are trying to keep labor costs down by evaluating employees' abilities and performance more strictly. This is particularly so for middle-aged and elderly male college graduates whose wages are relatively high.

Current Status of the Wage System Reform and Challenges

Analysis of corporate wage systems shows that there is a shift toward performance- or ability-based systems. More than 30% of the companies have increased the weighting of achievements and performance as wage determination factors, when compared to five years ago (Figure 40). Additionally, more than 70% of the companies plan to change their wage systems. Contents of the changes indicate that many companies are contemplating a wage system reform that is oriented toward performance-based systems, in which the individual's performance is reflected in bonuses and basic wages, in addition to performance-oriented systems in which raises and promotions are

implemented based on ability (Table 41).

Regular employees approve the introduction of a performance-based wage system and wage difference resulting from it, but they feel some concern as to whether the evaluation would be fair.

There is a risk that, depending on how objectives are set and implemented, the performance-based wage system may have a negative impact on employees' desire to work and human resources development. For this system to function effectively, it is important to gain the agreement of employees by setting proper objectives, maintaining transparency and fairness, securing opportunities for human resources development, etc. However, employers' efforts appear to be insufficient with respect to disclosure of performance evaluation systems or notification of the results to the employees, and training of evaluators.

Trends in and Background to Wage Differences between Non-Regular and Regular Employees

Throughout the 1990s, wage differences between non-regular and regular employees widened while the percentage of part-time workers continued to rise. In terms of differences in the hourly wage, based on an annual wage, including bonuses, the relative wage of female workers in 2001 was 54.3 as compared to 100 for regular workers. In order to identify the factors behind this, a study was conducted on female workers focusing on (1) increasing length of service and wage curve; (2) differences and changes in the composition of job types, and (3) employment adjustment and labor costs other than wages.

- (1) The wage difference is widening, even after adjustment of differences in attributes such as industry, company size, age and length of service. While the length of service of part-time workers is increasing, it appears that the evaluation of length of service has not changed when determining wages.
- (2) In the late 1990s, changes in the composition of job types had a large impact on the widening wage gap. Throughout the 1990s, wage differences appear to have widened even after allowing for the difference in composition of job types (Table 42).
- (3) One out of every three female part-time workers with a spouse limited their working hours. This is one of the factors behind the wage difference with regular workers. The difference in total labor cost, including social insurance, etc., is about five percentage points higher than for the wage difference.

Dissatisfaction with respect to wages is greater among part-time workers who are more autonomous, suggesting that treatment may be inadequate and not consistent with the

worker's performance. If disparity in labor conditions between regular and non-regular employees continues to widen, it may lead to a decline in the non-regular employees' desire to work or pursue self-education, and may also restrict the further utilization of non-regular employees in the future.

For these reasons, it is necessary to implement a proper evaluation system for non-regular employees that reflects their performance and improves their treatment. It should be based on clarification of the division of work and responsibility between regular and non-regular employees, and the abilities required for the job.

Proper treatment and human resources development by employers are gaining the support of non-regular employees, with respect to wages. Therefore, in order to make greater use of non-regular employees, it is necessary to develop vocational abilities related to the job through systematic and proper implementation of on-the-job training, regular training, support for self-education, etc. (Figure 43).

Section 4 Trends in Personnel Management Systems

Long-term employment practices are generally supported by both employers and workers at present, and are likely to be supported by many employers, although with partial modifications. However, the number of regular employees placed under long-term employment is expected to decrease for some time to come.

Personnel management systems for regular employees are becoming increasingly individualized and diverse. There is a trend developing where differential promotion is starting at an earlier stage, screening, therefore, is expected to become more stringent in the future. Due to the importance of personnel evaluation systems in performance-based systems, it is important to gain the assent of workers by clarifying evaluation criteria and enhancing disclosure systems.

Enhancing evaluation and treatment of non-regular employees, including conversion to regular employees, will also contribute to the revitalization of a company's operations. This is achieved through maintaining or improving the desire to work among non-regular employees and making greater use of their abilities.

Awareness of Long-Term Employment Practices

Surveys of employer attitudes toward the so-called lifetime employment indicates that "scheduled to continue as a rule" and "partial modification unavoidable" accounted for more than half of the total, which is roughly at the same level as in 1999 (Figure 44).

Workers also appear to be supporting long-term employment practices, although the level of support is slightly low among young workers (Figure 45). It should be noted, however, that the number of regular employees placed under long-term employment practices is decreasing as a result of harsh economic conditions, and is expected to continue decreasing for some time.

Recruitment and Change in Employment

In order to deal with tougher competition between companies and the faster pace of change in business conditions, there has been an increase in the hiring of mid-career workers, who are capable to contribute to business, thus reflecting corporate human resources strategy. Although many companies favor the recruitment of new graduates, hiring of mid-career personnel is expected to continue to increase in the future (Figure 46). Furthermore, more companies are using a diverse range of hiring methods, such as year-round recruitment, hiring by job type, trial employment, hiring for a designated

place of work, etc. On the workers' side, the rate of changing job is on the rise among young workers, as awareness of the many different ways of working accelerates (Figure 47).

Personnel Allocation and Promotion

In an aging and academic background-oriented society, there is a general shortage of managerial posts, resulting in reduced promotion opportunities for workers in their professional careers. In order to heighten the sense of competition among workers under these circumstances, differences in promotion are starting at earlier stages of employment and screening is expected to become even more stringent (Figure 48).

Companies' needs for a diverse workforce combined with the workers' attitudes and reduced opportunities for promotion, have led toward diversification of personnel allocation systems, through the introduction of specialist systems, etc. In addition, an increasing number of companies, mostly large ones, are introducing self-application systems, in-house staff recruitment systems, etc., that emphasize worker autonomy and enhance their desire to work. In 2002 the self-application system was used in 16.2% of companies (79.7% for companies with 5,000 employees or more), while in-house staff recruitment systems were used by 3.4% of companies (57.7% for companies with 5,000 employees or more).

Furthermore, as performance-based wage and treatment systems are introduced, gaining the assent of employees with regard to the personnel evaluation system becomes even more important due to the increased weight that performance evaluations have in determining wages and other aspects of worker treatment under such systems. The challenges associated with personnel evaluation systems lie with the evaluation methods and criteria, training of evaluators, etc., and therefore clarification of evaluation criteria and enhancement of disclosure systems are important (Table 49).

Short Working Hour Regular Employee System

As types of employment diversify for non-regular employees, some companies are introducing the short working hour regular employee system, which is a type of employment lying between full-time regular and part-time non-regular employment. This system allows individuals to select the type of employment that suits their lifestyle. Only 4.3% of companies had introduced a child-care or nursing care system for regular employees, while 20.0% stated that they might consider doing so in the future.

Personnel System that Allows Non-Regular Employees to Exert Their Abilities

The number of non-regular employees is expected to increase quantitatively as well as qualitatively, in the future. The challenge will be to improve their productivity and to stimulate their desire to work and improve the degree of satisfaction by enhancing worker evaluation and treatment.

Part-timers prefer personnel systems that feature "treatment based on ability", and "opportunities to receive education and training", followed by "opportunities to be converted to regular employee". On the other hand, "difficulties in conversion to a regular employee" ranked high among the causes of dissatisfaction and unease cited by non-regular employees.

Survey results of non-regular employees show that the degree of satisfaction (DI) of part-time workers regarding evaluation and treatment tended to be higher in cases where there were conversion systems to regular employees, or within non-regular employees, and support for self-education, or training systems (Table 50). This indicates that enhancement of conversion systems as well as education and training systems are key factors in increasing the degree of satisfaction and desire to work among non-regular employees.

Enhancing the evaluation and treatment of non-regular employees, including systems for converting to regular employees, will also contribute to the revitalization of company operations by maintaining or improving the desire to work among non-regular employees and making greater use of their abilities.

Section 5 Trends in Working Hours

Although the annual total hours actually worked in Japan has been steadily decreasing, the level of non-scheduled working hours has remained high and the rate of paid days off taken has not increased. In recent years, there has also been a trend toward the distribution of working hours, as the percentage of workers working long hours has risen among young and middle-aged workers, and within large companies. Further reduction of working hours is important from the standpoint of work efficiency and creativity, as well as in terms of maintaining the mental and physical health of workers and providing an easy-to-work environment with a good balance between work and personal life.

Large companies, primarily, are introducing flexible working hour systems, such as discretionary working systems. Important factors needed for discretionary working systems to function better include: accurate assessment of work volume and working hours; enhancement of measures intended to maintain health and welfare; clearly defined scope and objectives of work; implementation of proper performance evaluation; and self-management by workers.

Trends in Working Hours

The annual total actual hours worked in Japan has been steadily decreasing, totaling 1,837 hours in 2002 (at establishments with 30 employees or more). On the other hand, even though the level is still high, the total annual number of non-scheduled working hours decreased to 137 hours in 2002. Non-scheduled working hours tended to be longer at larger establishments. The annual total actual hours worked at establishments with 500 employees or more, which tended to be less than for smaller establishments in the 1980s, is now greater than for smaller establishments, a trend that has reversed since the mid-1990s (Figure 51). The rate of paid days off taken by workers has declined since its peak in 1992-1993, down to 48.4% in 2002.

The percentage of non-agricultural/forestry workers with weekly working hours of less than 35 hours is, on the long-term, on the increase, accounting for 23.2% in 2002 (Figure 52). On the other hand, the percentage of workers with weekly working hours of 60 hours or more has remained flat after dropping significantly between 1989 and 1993. It gradually rose from 1999 onward to 12.1% in 2002 (Figure 53), showing a trend toward the redistribution of working hours. By company size, the percentage of non-agricultural/forestry workers with weekly working hours of 60 hours or more has, since the late 1990s, tended to be greater in larger companies (Figure 53). By age group

of worker, the percentage has been higher and has risen in age groups 25-34 and 35-44 (Figure 54). One of the possible factors behind this increase in working hours is the reduction in workforce associated with corporate restructuring, etc.

A comparison of workers' active hours (weekdays) in 1991 and 2001 shows that working hours has decreased for workers with weekly working hours of 35 hours or less, but extended working hours has resulted in reduced sleep time, etc., for workers with weekly working hours of 60 hours or more. This shows that it is becoming increasingly difficult for workers working long hours to maintain a balance between work and personal life.

A further reduction in working hours is important from the standpoint of work efficiency and creativity, as well as in terms of maintaining the mental and physical health of workers and providing an easy-to-work environment with good balance between work and personal life. This could be achieved through efforts to change the attitude toward non-scheduled working hours and paid days off in the workplace, work efficiency improvements, reduction in non-scheduled working hours and promoting paid days-off.

Trends in Working Hour Systems

In recent years, atypical types of work requiring creativity have increased, primarily for white-collar workers, where workers are required to work autonomously and efficiently rather than under a uniform time management system. Discretionary working systems have been introduced as a flexible working hour system that meets these requirements. Although the introduction of a discretionary working system is currently limited to large companies, the need for it is expected to grow as a working hour system that allows workers to exert their creative or specialized abilities and enhances their autonomy (Figure 55).

At those establishments that have actually introduced a discretionary working system, there were a relatively large number of responses stating that work had become more efficient. On the other hand, there were responses stating that additional work had increased and that work volume and time limits for that work were unreasonable. In particular, the percentage of responses stating health-related concerns was higher for specialized types of work, compared to planning types of work. In discretionary working systems, conditions such as work volume and working hours must be properly assessed and measures related to health and welfare enhanced (Table 56).

In addition, the following factors are necessary in order for discretionary working systems to function efficiently: proper evaluation of performance based on clearly

defined scope and work objectives, accurate assessment of working conditions and necessary adjustments made by managers, and self-management by workers (Figure 57).

Section 6 Trends in Human Resources Development

Employers and workers emphasize human resources development. Companies' support for human resources development can increase the motivation for human resources development and desire to work among regular and non-regular employees.

Implementing education and training by employers and self-education by employees is not sufficient. Human resources development can be neglected under performance-based systems, and so it should be implemented systematically.

The number of the unemployed resulting from redundancies is increasing, thus the importance of human resources development functions outside the company (public vocational training agencies and schools) is increasing. As there are increasing numbers of unemployed college graduates and “freeters” among young workers, it is important to strengthen the coordination of human resources development with schools, companies, etc.

Human resources development opportunities for non-regular employees are few. In order to enhance the desire to work among non-regular employees and to make better use of their abilities, it is important to implement training needed for the job, as well as career development and treatment corresponding to the employee's desire to work and types of employment.

State and Challenges of Corporate Human Resources Development for Employees

Employers and workers emphasize human resources development. The primary company-based training method is on-the-job training (OJT), but the importance of self-education is increasing. Workers feel uneasy about their career development and human resources development. Company support for human resources development appears to increase the motivation for human resources development and desire to work among employees (Table 58). Despite this, the percentage of establishments that implemented systematic OJT or off-the-job training (Off-JT) declined in the late 1990s (Figure 59).

Since OJT is likely to be affected by the superiors' leadership abilities and enthusiasm, it is important for companies to develop plans and systems for human resources development and implement them systematically.

In terms of Off-JT, the level of investment in human resources development may be insufficient, as the percentage of education and training costs in total labor cost for companies is on the decline (Figure 60).

It is important for companies to continue to support employee self-education in terms of time and cost. The percentage of employees implementing self-education is higher among employees of companies that implement supportive measures for self-education or companies that believe education and training is the responsibility of the employer (Figure 61).

Under performance-based systems, workplaces that tend to focus on short-term results could neglect employee training. In order to prevent this from happening, a performance-based wage and treatment system should be used as a means of promoting human resources development, by setting the challenges in training subordinates or one's own human resources development, as performance goals.

It is also important to increase involvement with employees' career development, through the introduction of an in-house recruitment system or self-application system, implementing dialogue between evaluators and employees on goal-setting and the status of achievement, including human resources development, etc.

State and Challenges of Employee Training in Public Vocational Training and School Education

As the number of unemployed college graduates and freeters increases due to redundancy, so the importance of human resources development functions external to the company (public vocational training agencies and schools) also increases.

For jobseekers, including the unemployed, it is important to strengthen support such as providing information on job offers and human resources development, in addition to establishing and reviewing training courses that meet labor demands.

The numbers of unemployed college graduates, those who separate from employment at an early stage and freeters are increasing among the young. Factors behind this problem include the following.

- (1) Significant decrease in job openings
- (2) Increase in young workers who are unable to set goals for the future
- (3) Education, employee training and employment systems that have not adapted to structural changes in the economic society

In order to facilitate employee training for young workers, it is important for schools, companies, and employment security agencies to coordinate efforts in addressing challenges such as the promotion of professionalism among young workers and the enhancement of opportunities for practical human resources development, including training within companies.

Challenges in Employee Training Associated with Diversification of Working styles

The number of employers who felt that making greater use of non-regular employees "makes it more difficult to implement vocational training" was slightly higher than employers who felt it "makes it easier to implement vocational training".

Non-regular employees' motivation for their own human resources development was high, with over 80% stating that they "want to enhance their knowledge and skills". However, employers' human resources development efforts for non-regular employees appear to be insufficient, as only 20% of non-regular employees received company-provided education and training in the past year. This was partly because less than half of the companies included non-regular employees in their human resources development programs.

The level of satisfaction was low among non-regular employees in terms of human resources development in their current jobs or workplaces. However, the level of satisfaction was high among those who were able to receive support for human resources development in the workplace, such as self-education or training at the workplace. Among these workers, the level of satisfaction was also high with respect to "content of work and job satisfaction" (Table 58).

The percentage of part-time workers who expressed the desire to "be engaged in important work, rather than simple, supplementary work" or "receive education and training, to be engaged in the type of work which would utilize their technical ability, skills and qualifications" was higher among those who were receiving systematic OJT or Off-JT (Table 62).

These facts indicate that company support for human resources development can also increase the desire to work among non-regular employees. In order for companies to make greater use of non-regular employees in the future, key challenges in employee training will be the implementation of training needed for the job, and career development and treatment corresponding to the employee's desire to work and types of employment.

Chapter 3 General Overview

"Diversification of working styles" is essential for future changes in the economy and society. As a result it is important to develop a social system that allows for diverse working styles.

If workers can fully exert their abilities, regardless of working patterns, according to their willingness and abilities, it would not only result in improved productivity but also contribute to the revitalization of the Japanese economy. In order to achieve a desirable diversification of working styles in the future, the following conditions should be fulfilled.

- (1) Sufficient opportunities for employment and jobs should be provided.
- (2) Treatment and performance evaluation should be satisfactory for workers.
- (3) Various working styles should be available.
- (4) Workers should be able to balance work and personal life.
- (5) Motivated workers should be given opportunities for ability development.

Evaluation of Diverse Working Styles

At present, how and to what degree are working styles diversified? There are some favorable tendencies emerging, as follows:

- (1) As a part of diversifying work patterns, new working opportunities such as SOHOs and NPOs are emerging.
- (2) Working styles that focus on an individual worker's autonomy are increasingly being accepted.
- (3) The adoption of flexible work time systems is progressing.
- (4) Both regular and non-regular employees are increasingly willing to develop their abilities.

On the other hand, several problems can be identified, as follows:

- (1) The wage system for regular employees tends to be based on performance, and the personnel management system tends to be individualized and diversified. However, current evaluation criteria are not clear enough to convince workers; the evaluation process is not transparent and fair; and evaluators are not given sufficient training. Consequently, these systems often do not work effectively.
- (2) In recent years, the working hours for younger and mid-level workers have tended to increase. Those who work for long hours find it difficult to balance their work and personal lives.
- (3) In terms of diversification of working patterns, working styles according to individual's working needs are increasing. Under current severe economic conditions, however, companies are increasingly hiring non-regular employees due

to the stronger pressure to reduce costs. In addition, some workers are forced to work on a non-regular basis.

(4) Non-regular employees who do their work autonomously may sometimes not receive treatment commensurate with their labor. The work environment for non-regular employees has not been completely improved. For example, a system for converting to regular employees is proving slow to be adopted.

(5) Companies' support for ability development helps raise both regular and non-regular employees' willingness to develop ability and work harder. In fact, regular and non-regular employees are not given sufficient opportunities for ability development. Numbers of graduates without jobs, jobless workers as a result of redundancy, and "freeters" are on the increase among the young. There remain many problems, including human resources development.

If "desirable diversification of working styles" is defined as "achieving a work environment in which workers can choose a working style from various options according to their willingness, abilities and lifestyle, and fully display their abilities", the current situation is far from that of "desirable diversification". Efforts are not being made to make effective use of workers at the company level.

Desirable Diversification of working styles and Necessary Approaches

Diversification of working styles is essential in order to correspond to the economic and social change. Consequently, it is important to develop a social system that allows for diverse working styles.

If workers can fully exert their abilities, regardless of working patterns, according to their willingness and abilities, not only would companies improve their productivity but the Japanese economy would also be revitalized. In order to achieve this in the future, the following five approaches are necessary.

(1) Sufficient opportunities for employment and working should be provided.

First, sufficient opportunities for employment and working should be provided. This is a prerequisite for achieving desirable diversification. The employment situation is considerably affected by trends in macroeconomic conditions. With a view to securing employment opportunities, it is necessary to end deflation, put the Japanese economy on the path of genuine recovery, and attain sustainable, stable economic growth.

(2) Treatment and performance evaluation should be satisfactory for workers.

It is important to ensure that workers are treated according to their actual performance, are able to gain satisfaction from their jobs and can fully exhibit their willingness and abilities. For the benefit of regular employees, it is vital to develop an objective, fair, transparent and reasonable system for evaluation, complaint processing and so on, and to support career development appropriate to the individual. An evaluation system based on ability and performance, not on personal

attributes, which is now spreading, will also help produce a workplace more acceptable to the elderly and women. For non-regular employees, it is crucial to clarify their job content, to treat them fairly according to their performance and to help career development according to their willingness and actual performance.

(3) Various working styles should be available.

In order to enable workers to work autonomously and select working styles of their own free will, it is important to develop an intermediary working system between full-time regular employees and part-timers. This system could be one in which a part-timer converts to a regular employee position and a short-time regular employee system. The development of various personnel management systems under which workers' opinions are taken into account, including a system for selecting talented persons among applicants within the company and a system for recruiting local workers in a limited area, can help workers work autonomously and may lead to the revitalization of local employment. It is also important to build up a social system that is neutral in terms of working styles that will facilitate mobility between working patterns.

(4) Workers should be able to balance their work and personal lives.

A work environment where work and personal lives are balanced is vital for maintaining a worker's mental and physical health, for handling both work and family, and, moreover, for securing job efficiency and creativity. A flexible work time system, for example, should be adopted. It is also necessary to promote a short-time regular employee system that enables persons to choose the working style best suited to their lifestyle.

(5) Motivated workers should be given opportunities for ability development.

In order that people willing to work can work well throughout their career and choose working styles from various options, it is important to give them opportunities to develop their abilities based on their willingness and actual performance. With respect to regular employees, employers need to hold a long-term view, systematically offer opportunities for ability development, support career development and treat their employees according to their willingness and actual performance. In addition, it is important to improve the personnel management system so as to promote ability development. Individual workers are also required to work autonomously and make efforts to develop ability under their own initiative. This requires support for career development. Moreover, opportunities for ability development should be offered broadly. It is important to cultivate human resources outside the company, for instance, at schools and public vocational training facilities, and to improve the system of occupational skills as well as the evaluation procedure. As employment patterns diversify, it is necessary to develop non-regular employees' skills and treat them according to their willingness and actual performance. There are a growing number of part-time

workers and graduates without job, therefore schools, public employment security offices and companies need to cooperate in developing the abilities of younger people. It is also important to help raise the vocational awareness of younger workers. In Japan, a country that lacks natural resources, human resources are a source of economic growth and added value. Ability development is therefore essential.