

Labor Situation in Japan and Analysis 2004/2005



The Japan Institute for Labour Policy and Training

The objective of **The Japan Institute for Labour Policy and Training** is to contribute to the planning of labour policies and work toward their effective and efficient implementation, as well as to promote the livelihood of workers and the development of the national economy by conducting comprehensive research projects regarding labour issues and policies, both domestically and internationally, and capitalize on the findings of such research by sponsoring training programs for administrative officials.

The Institute will concentrate our effort in the following areas.

1. Comprehensive Research on Labour Policies

The following research themes have been decided.

- (1) Contribute to the formulation of an employment strategy centering on systematic implementation and assessment of employment promoting measures and the creation of jobs that match the regional situation.
- (2) Contribute to upgrading the supply/demand adjustments of the labour market, including adequate responses to employment issues for the young, middle-aged and older workers and to a vocational information system.
- (3) Contribute to the development of an infrastructure for the corporate management of human resources and ability development, and to restructuring the system determining working conditions while accurately monitoring changes in corporate structure and behavior.
- (4) Contribute to building a social system in which one's private and working life are in harmony with each other, and to developing an environment allowing for diverse working styles, indispensable for such a system.

The Institute will also engage in collection and coordination of information on labour policies, both domestically and internationally, and various statistical data in order to lay a solid basis for its research activities. We will also carry out policy studies from an international perspective by building a network with overseas research institutions and individual researchers.

2. Training of Staff and Other Personnel Related to Labour Affairs

Using the results of the above mentioned research projects, the institute will provide training programs for personnel in charge of labour affairs and other interested parties at the Ministry of Health, Labour and Welfare. Simultaneously, through such training sessions, the Institute will be kept abreast of current issues in labour administration and the problems frontline officials in such positions face. The information so acquired will then be utilized in future research activities.

3. Dissemination of Results and Findings, Including Policy Proposals

The results of our research activities will be published quickly in research reports on labour policies, newsletters and on the web site with an eye to contributing to the planning and drafting of labour policies and the stimulation of policy discussions among different strata of the populace. At the same time, the Institute will organize policy forums and other events to provide opportunities for open discussion on policies.

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The Japan Institute for Labour Policy and Training

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Labor Situation in Japan and Analysis 2004/2005

Foreword

The Japan Institute for Labour Policy and Training (JILPT) was established in October 2003 with the aim of contributing to drafting labor policies, their effective and efficient promotion, aiding with the enhancement of the welfare of workers and the development of the economy by carrying out comprehensive research and studies on labor issues and labor policies in Japan and abroad, and implementing training for administrative officials utilizing the results. In order to achieve these aims, the JILPT will do its best to form networks with overseas research institutions and researchers, advancing policy research with an international perspective, and actively promote international joint study.

Labor Situation in Japan and Analysis 2004/2005 is a part of the JILPT's effort to establish a foundation for international activities, and describes and analyzes individual topics related to the current status of labor issues in Japan. The authors are primarily JILPT researchers; assistance has been provided by officials at the relevant departments of the Ministry of Health, Labour and Welfare regarding comments on specific labor policies; and the International Affairs Department is responsible for compilation and editing.

The current employment situation in Japan is difficult, with the unemployment rate hovering at a high level and periods of unemployment growing longer. Against this background, the country is undergoing various structural changes in terms of labor/employment. Some of these changes include: (i) changes in the structure of the labor market based on stable employment within companies, (ii) changes in employment management and capacity development related to changes in the management structure and activities of companies, and (iii) changes in the mindset and needs of workers, in particular the change in young people's work-related behavior and the increased desire to balance various aspects of daily life and work. In this booklet, we have endeavored to cover as many of Japan's labor policy related challenges like these as possible.

We hope that this booklet can help its readers gain an understanding of labor situation in Japan.

March 2004

The Japan Institute for Labour Policy and Training

1 The Japanese Economy: Current Situation and Outlook for the Future

Japan's Phenomenal Postwar Economic Recovery

Though the Japanese economy had been virtually destroyed by defeat in World War II, the government made institutional reforms and implemented far-sighted policies, achieving a recovery that is remarkable by any standard. During the so-called period of high economic growth (1955 to the early 1970s), the economy expanded at an average rate of 10% or higher per year.

Since the 1970s, the world economy has been shaken by profound changes in the international monetary system and by two oil crises. However, the Japanese Government has managed to maintain a relatively strong economic performance among advanced nations by adopting effective macroeconomic policies. Labor and management have made contributions also, by agreeing to set wages voluntarily. The industrial structure has been transformed through technological innovation, and Japan has succeeded in staving off inflation and keeping the unemployment rate under 2%.

Astoundingly Low Growth Rate

In the early 1980s, economic theories stressing the importance of the market mechanism gained support in Japan, as in other industrialized nations. Informed by these theories, the Japanese Government implemented administrative and fiscal reforms, and privatized some state-run corporations. However, during this period, trade imbalances among the advanced nations worsened, leading to the Plaza Accord of 1985, after which currency reform was carried out amid growing demands for Japan to open its markets. Accordingly, the yen rose sharply against the U.S.

dollar, resulting in a recession. Japanese companies, manufacturers in particular, sought to remedy this by moving some of their operations overseas.

The Japanese Government attempted to promote domestic economic growth by lowering interest rates to stimulate demand. Its macroeconomic policies were influenced by negotiations with the United States, at which the removal of structural barriers to imports and the reduction of Japan's huge trade surplus were discussed. Unfortunately, this resulted in excess liquidity, which induced speculation in land and securities. The prices of land, securities, and other assets soared to abnormal levels, thereby creating the "bubble economy" of the early 1990s. When the bubble burst, the economy entered into crisis and was saddled with an enormous volume of bad debts. Japan has since struggled to dispose of these bad debts and to counter what the OECD (Organization for Economic Cooperation and Development) has described as "astoundingly and exceptionally low economic growth."

Temporary Self-sustained Economic Recovery

Since 1997, the Japanese economy has experienced, among other things, a rise in the rate of consumption tax aimed at fiscal reconstruction, reduced public demand, an Asian currency crisis, and the insolvency of major financial institutions, which contributed to an acute downward economic spiral from the end of 1997.

In response, the Japanese Government has attempted to shift from "administrative policies aimed at financial protection" to one of introducing market principles into financial administration. It has

also supplemented public works projects by emergency economic measures and has taken measures to expand demand through steps toward permanent tax reductions. The effect of such policies brought a halt to the bottoming out of the Japanese economy in Spring 1999, and since the later half of 1999 the recovery of the Asian economy has also been partly responsible for the subsequent succession of moderate improvements.

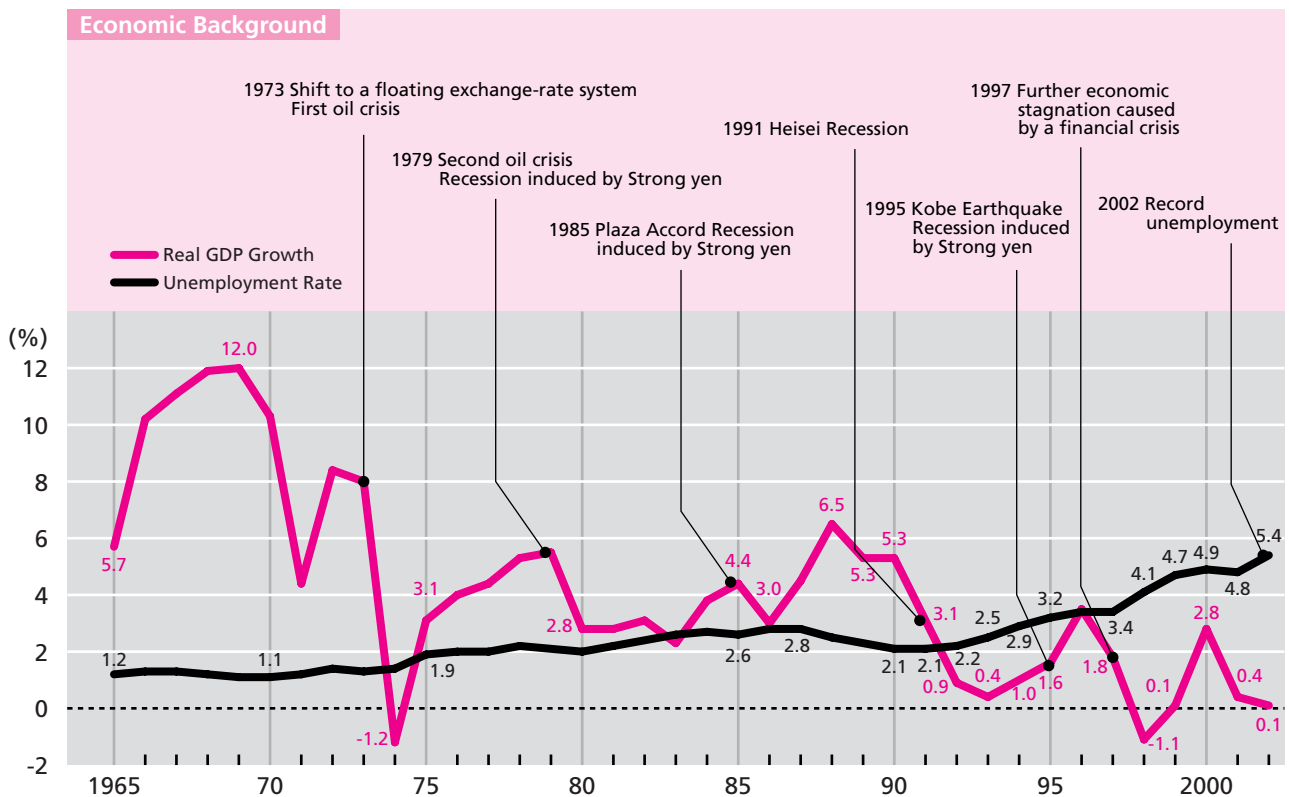
Ongoing Deflation and a Rising Unemployment Rate

However, the economic recovery that started in the spring of 1999, was short-lived. The Japanese economy has been in a state of “slow deflation” (Cabinet Office) since 2001, and under that influence, the business situation is deteriorating further. Factors behind this deflation during the past few years include structural factors in terms of trade such as an increase in low-priced imports, demand factors arising from the

weakness of the economy, and financial factors due to weakened intermediary functions of banks. It is highly possible that changes in the trade structure (exports and imports), in particular, have led to the decrease in employment in Japan mainly in the manufacturing industry (the so-called hollowing out of industry). There was a rapid increase in imports from China from 1995-2000 onward, and with this, the unemployment rate rose significantly, hitting a record high of 5.4% in FY2002. Moreover, there seems to be a trend toward a prolonged period of unemployment.

Therefore, under the circumstances, for the purpose of increasing employment in Japan, improving productivity and competitiveness in the area of high value-added products is required. In addition, as the hollowing out of industry continues, it is important to provide support for workers leaving domestic manufacturing industries so that they can make a smooth transition to other industries.

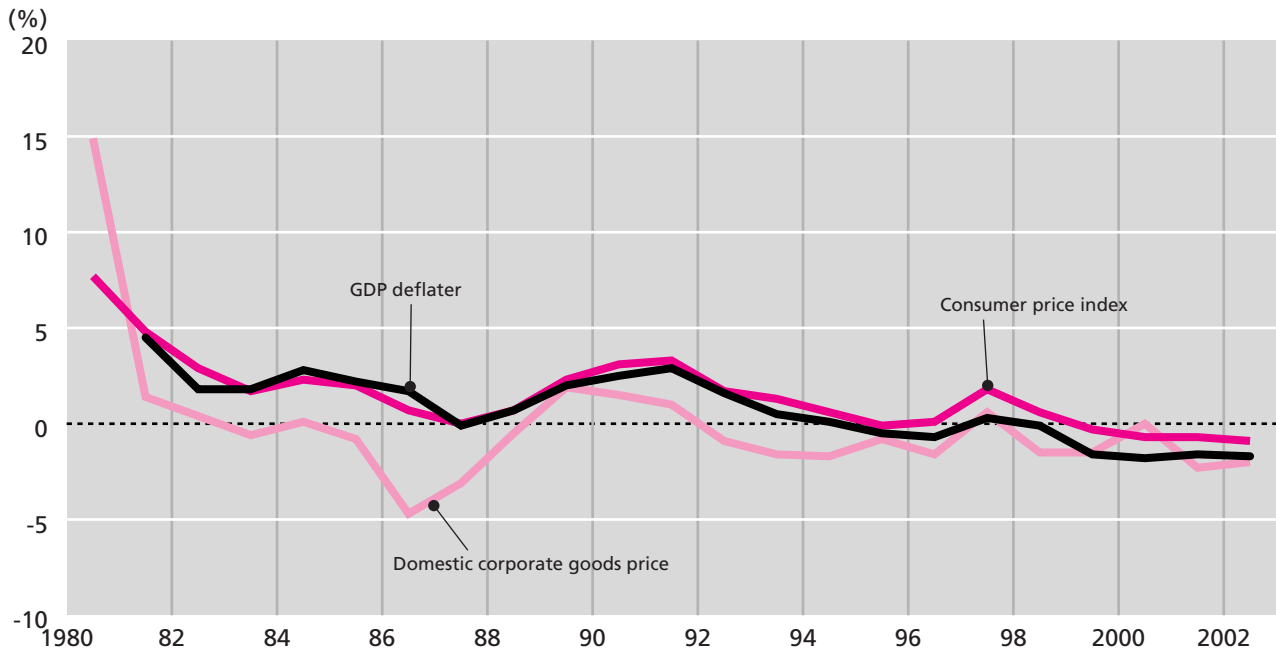
I-1 Real GDP Growth and the Unemployment Rate



Sources: Cabinet Office; Ministry of Public Management Home Affairs Posts and Telecommunications

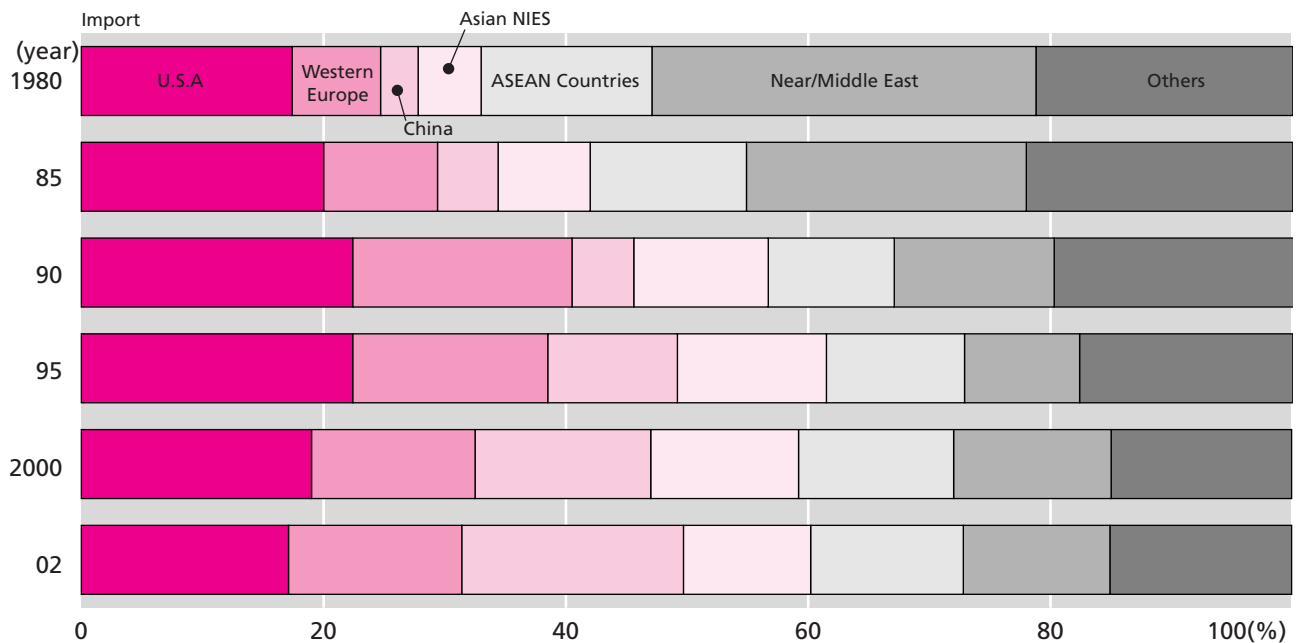
Note: Concerning the growth ratio in GDP, since 1981, this is based on the figures of the 1995 Standard Amended System of National Accounts (93 SNA), before 1981, the figures used are based on the 1990 Standard Amended System of National Accounts (68SNA).

I-2 Changes in the Price Increase Rate



Source: *System of National Accounts*, Cabinet Office; *Consumer Price Index*, Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications; *Domestic Corporate Goods Price Index*, Bank of Japan

I-3 Changes in Trade by Region



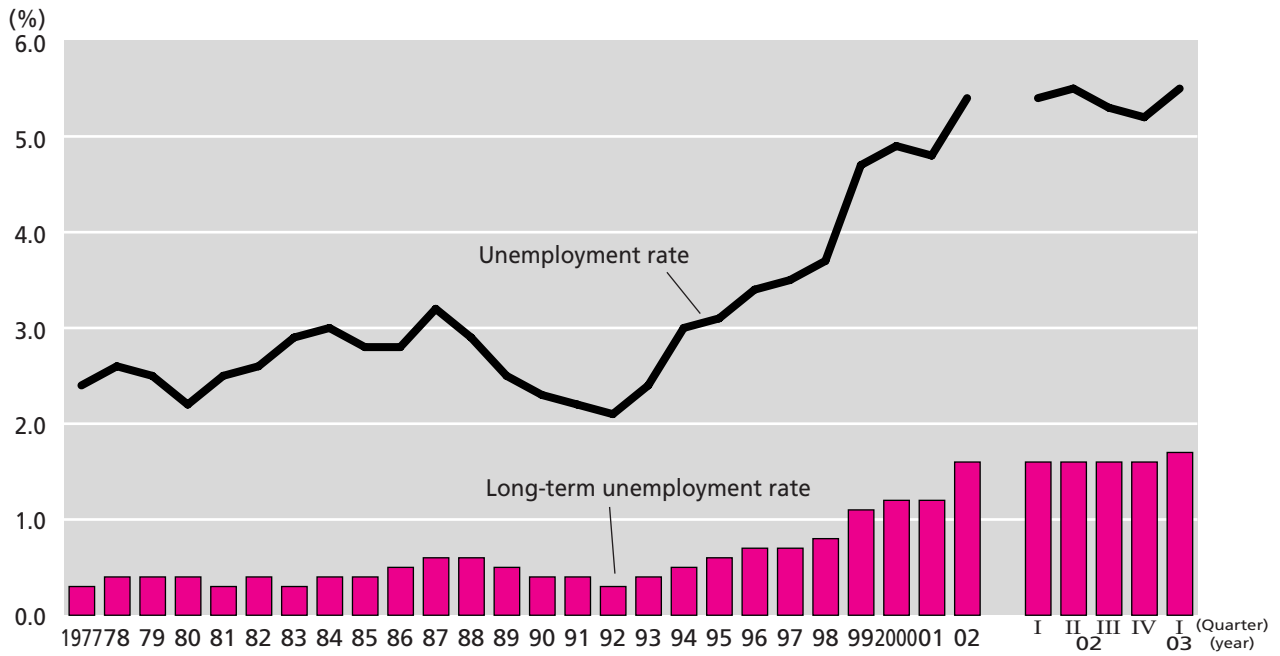
Source: *Trade Statistics*, Ministry of Finance

Note: Western Europe includes EU and EFTA member countries.

Asian Newly Industrialized Economies (NIEs) refers to the four following territories/countries – South Korea, Taiwan, Hong Kong, Singapore.

ASEAN countries refer to the four following countries – Thailand, Malaysia, Philippines, Indonesia.

I-4 Changes in Unemployment and Long-term Unemployment Rate



Sources: *Labour Force Survey* (1977-2001) and *Labour Force Survey (Detailed Tabulation)* (2002-), Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications

- Notes: 1) Long-term Unemployment rate = the number of persons unemployed for one year or longer ÷ labor force
 2) Figures are from every March up to 1982, every February from 1983 to 2001, and the annual average for 2002.

The Essence of Japanese-style Management

The international competitiveness of Japanese companies grew stronger in the 1980s, and Japan began exporting huge quantities of industrial products. This phenomenon was particularly recognizable in processing and assembly industries such as electrical machinery/appliances and automobile industries. Due to this, “Japanese-style management” began to gain attention abroad, and its essence was recognized as lifetime employment, seniority-based wages, and company unions. Together, these management methods served as a mechanism in which both managers and employees could develop their knowledge and ability within the company in the security of the practice of long-term stable employment. The result was that expertise and know-how was accumulated within the organization.

Corporate Groups and Keiretsu

The accumulation of expertise and know-how did not stop within each individual company, but extended to a wide range of companies in the corporate group including subsidiaries, affiliated companies and partner companies, leading to the formation of “Keiretsu”, typically in processing-and-assembly type industries such as electrical and auto manufacturing. The Keiretsu is a system for social division of labor in which manufacturers of end products and of parts share information on management and technology on the premise of a long-term relationship and joint work on the development of new products and other projects on a continuous basis.

Corporate groups and Keiretsu provided ample funds to companies through financing from the main financing bank and other means, allowing the diversification of operation and the expansion of the corporate group. In addition, cross-shareholding allowed companies to receive capital gains as stock prices continued to rise, and prevented hostile takeovers. The bonds among companies in corporate groups were further strengthened by personal connections

such as appointment of a company’s executive as a board member of another.

Asset Deflation and Non-performing Loans

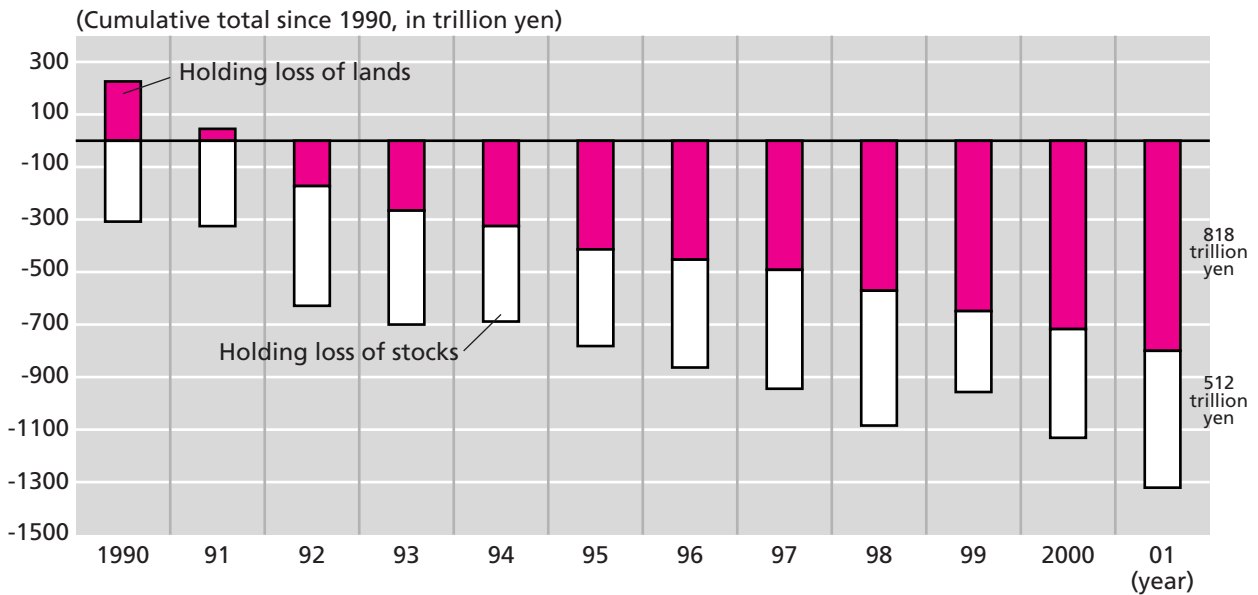
The management environment surrounding companies changed drastically after 1990 when the bubble economy burst. Asset deflation became a serious problem as land and stock prices fell, resulting in the capital losses of 1,330 trillion yen during the period from the end of 1989 to the end of 2001. These huge capital losses damaged the asset quality of banks; as of the first half of FY2002, the amount of remaining non-performing loans for all banks is approximately 40 trillion yen, and city banks and other major banks accounted for 60% of this amount. In addition, city banks accounted for nearly 80% of the 77 trillion yen in accumulated non-performing loans disposal losses from FY1995 to the first half of FY2002. Such deterioration of the asset quality of major banks has caused decrease in cross-shareholding practices and provision of funds, which is still ongoing, and management systems based on the corporate group and Keiretsu with the main financing bank at its core are changing rapidly.

The Progress of Corporate Reorganization

With main financing banks unable to provide corporate bailout functions as effectively as they used to and decrease in the profitability, more companies that have overcapacity and debts have begun to select and concentrate business domains, and the number of mergers and acquisitions (M&A) is on the rise. Moreover, the way these are done is changing: in the early 1990s, corporate acquisitions and capital participation were predominant, but recently, the proportion of mergers and business transfers is growing. The ratio of M&As between Japanese companies has also been on the rise. The increase of business restructuring has triggered a review of the practice of dealing exclusively within Keiretsu, and causing companies to deal more with companies outside

I-5 Holding Loss of Lands and Stocks

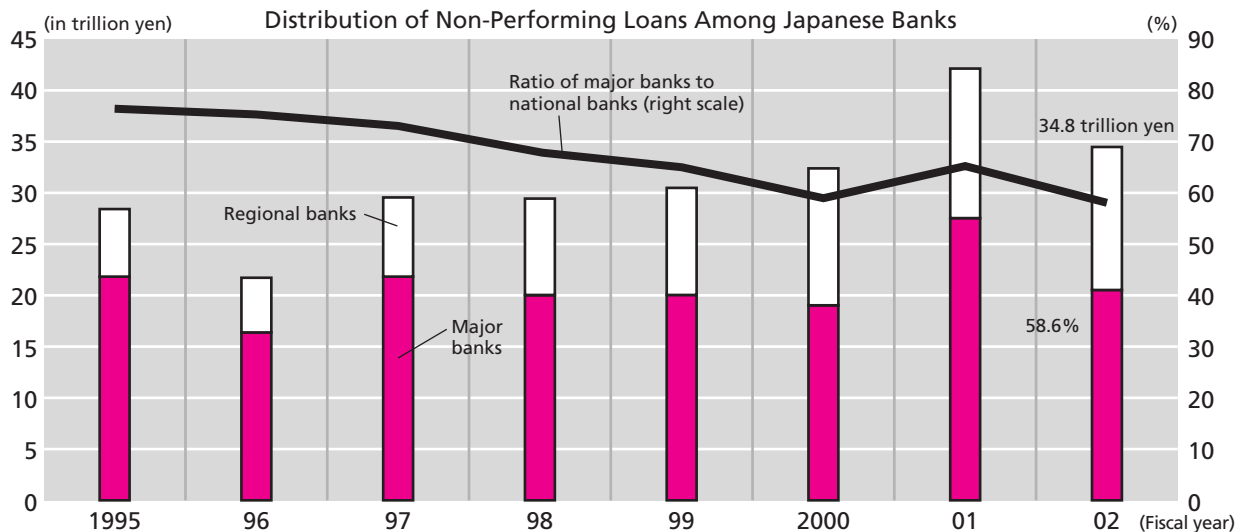
Capital loss in post-bubble Japan has been huge



- Remarks:
1. Created from *System of National Accounts*, Cabinet Office.
 2. Figures are based on 68SNA for 1990 and 93SNA since 1991.
 3. The 1990 figure for lands includes forests.
 4. Concerning figures for stocks, it must be noted that there are some differences between 68SNA and 93SNA, such as estimate methods for unlisted stocks.

I-6 Non-Performing Loans of Japanese Banks

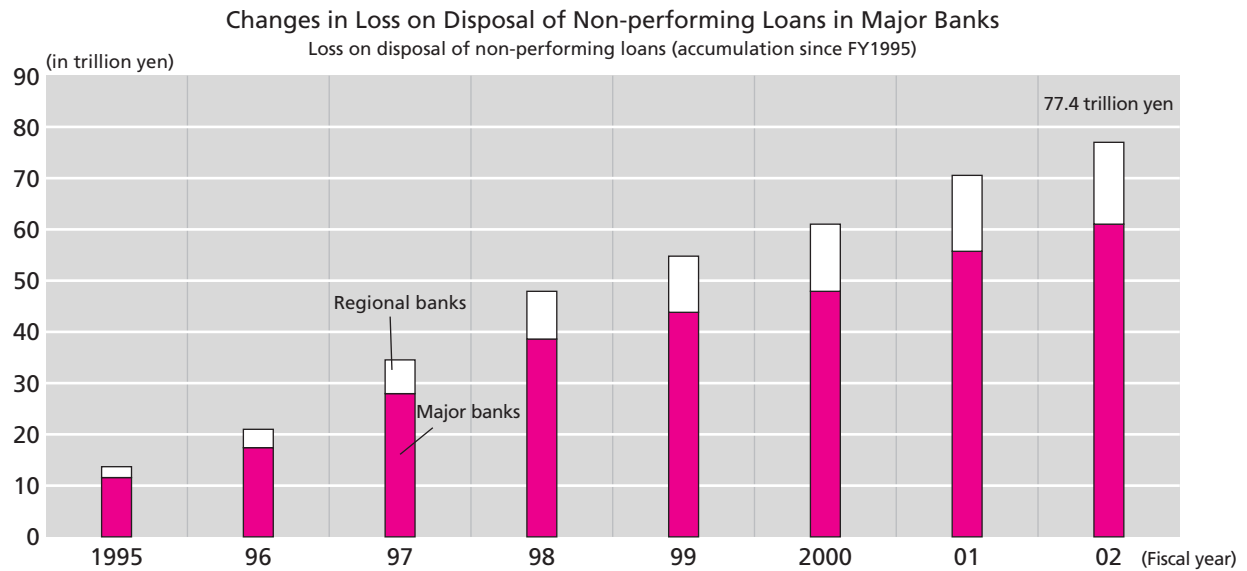
Non-performing loans have been held and disposed largely by major banks



- Remarks:
1. Created from the materials issued by the Financial Services Agency.
 2. Figures for major banks are the total of figures for city banks, long-term credit banks and trust banks.
 3. Figures for the following banks are not included: Hokkaido Takushoku Bank, Tokuyo City Bank, Kyoto Kyoei Bank, Bank of Naniwa, Fukutoku Bank, and Midori Bank since FY1997; Kokumin Bank, Kofuku Bank, Tokyo Sowa Bank since FY1998; Namihaya Bank and Niigata Chuo Bank since FY1999; and Ishikawa Bank and Chubu Bank since FY2001. In addition, figures for Shinsei Bank are not included in FY1998 and those for Aozora Bank are not included in FY1998 and FY1999.

I-7 Non-Performing Loans of Japanese Banks

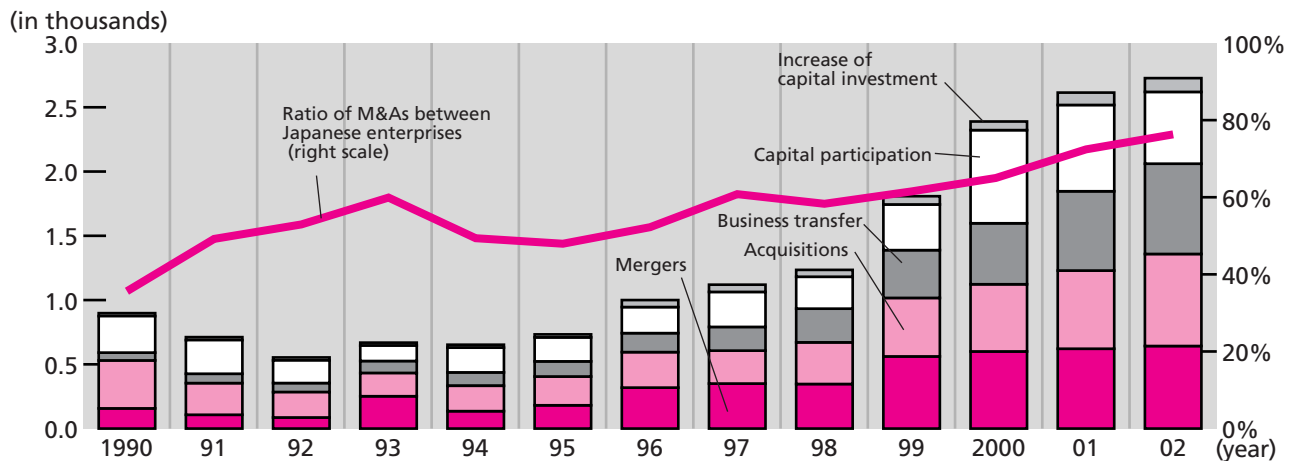
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2. Figures for major banks are the total of figures for city banks, long-term credit banks and trust banks.
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I-8 Changes in the Number of Mergers and Acquisitions (M&As) by Type

M&As have been increasing since 1992



- Remarks: 1. Created from *Databook on M&As of Japanese Enterprises 1988-2002*, RECOF Corporation.
2. According to the *Databook*, the definitions of M&A types are:
(i) Merger: Two or more companies become one company by concluding a contract.
(ii) Acquisition: The acquisition of over 50% of stock by stock acquisition, capital increase, stock exchanges, etc. or management buy-outs(MBO).
(iii) Business transfer: Sale/purchase of a company's operations including assets, employees and market areas, or integration of existing businesses.
(iv) Capital participation: Same as acquisition except that the stock acquired does not exceed 50%.
(v) Increase of capital investment: Additional acquisition of 50% or less by a party who is already a shareholder.

Sources of Figure I-5~8: Annual Report on the Japanese Economy and Public Finance, 2003, Cabinet Office

Keiretsu in an effort to achieve cost reductions. It has also had an impact on long-term stable employment practices such as lifetime employment and seniority-based wages, and led to the diversification of employment patterns, which include the review of seniority-

based wages, increased mobility of workers by job change and employment adjustments, decrease of regular, full-time employees and increase of part-time workers.

1 Population

Population Growth Rate and Decline from the Late 1970s

Between November 1945 (immediately after the end of World War II) and July 2003, Japan's population increased by a factor of about 1.77, from a reported 72.15 million to 127.65 million. Naturally, this continued increase has not been at a uniform pace over the entire half century. There has been a switchover in population change from the pre-war days of high birth rates and high death rates to the post-war situation of fewer births and fewer deaths. During this transition period, we experienced a condition of high birth rates and low death rates. During the first baby boom (1947-49), the population grew at an average annual rate of over 5%, but growth rapidly slowed down to about 1% per year in the subsequent 10 years. The second baby boom occurred in the early 1970s, stimulating another rise in the rate of population growth until it once again reverted to 1% growth per year, and then began a steady decline.

Nuclear Families as the Main Reason for Decline in the Population Growth Rate

There are a variety of factors behind the decline in population growth. One of the biggest reasons is the population shift from farming villages to urban centers. As a result, the number of nuclear families headed by company employees has increased, and the birth rates has declined. This transition was also marked by the tendency to postpone marriage and child-bearing until a higher age. Along with receiving a higher level of education, women are continuing to find an expansion of employment opportunities; the resulting rise in the female employment rate is closely related to this trend.

Total Population will Peak in 2006, and thereafter Decline

Hereafter, it is predicted that we will enter a period of population decline (see Figure II-1). Looking at the latest estimates, Japan's population will peak in 2006 at 127.74 million, and then decline for the first time in history. Population distributions by age, too, will further increase with the tendency toward lower birth rates and a larger elderly population. The working population is already diminishing in both real and proportional terms. As a result, there is concern over problems such as a slow-down in economic growth, and an increasing burden of support for the younger and older segments of society. As the labor force ages, a decrease in the number of young workers and overall manpower is observable.

Post-war Period Characterized by Regional Migrations in Search of Employment Opportunities

Looking at the population shifts between three major urban areas and other areas of Japan over the postwar years shows one striking pattern—the shift from non-urban areas (farming villages) to major cities during the period of high economic growth in the 1950s and 1960s. With the exception of the eldest sons of families engaged in agriculture, people moved from farming areas (where employment opportunities were limited) to cities, where they could easily find work in the rapidly developing secondary and tertiary industries. This shift brought about the serious problems of depopulation in the countryside and overcrowding in urban centers. A subsequent shift saw a migration within urban boundaries from congested city centers to the suburbs. Geographic shifts in population finally

began to subside with the 1973 oil crisis and the subsequent tapering off of economic growth.

Concentration of Population in the Greater Tokyo Area

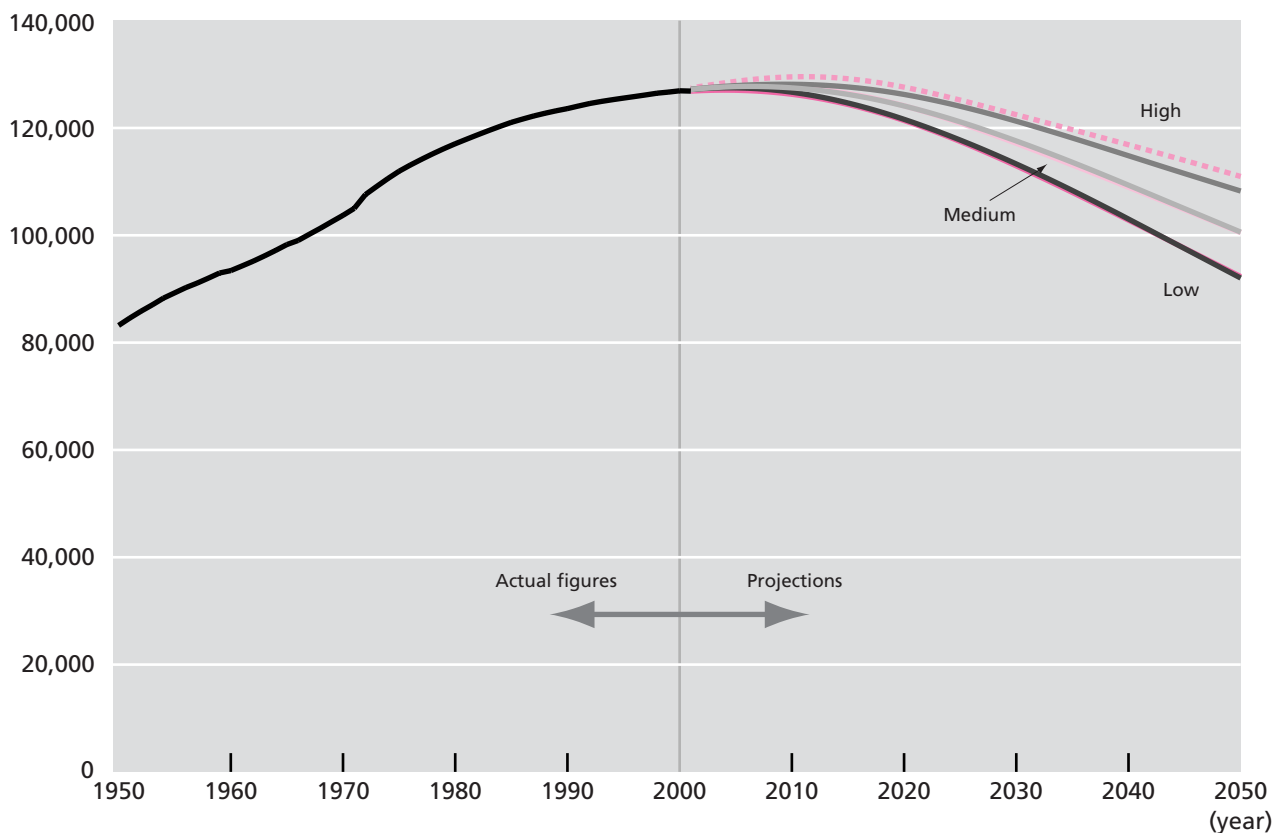
The heavy concentration of population in the Greater Tokyo area, as opposed to other urban centers, poses many difficulties. Also noteworthy (though not so much in terms of absolute population) are the so-called “U-turn” and “J-turn”—the tendency for people to move from their birthplaces in the countryside to a large urban center, and later back to their home-towns or a major regional city near their hometowns.

Globalization Brings Increase in the Foreign Population

With the advancement of globalization, the foreign population in Japan is increasing gradually. In the

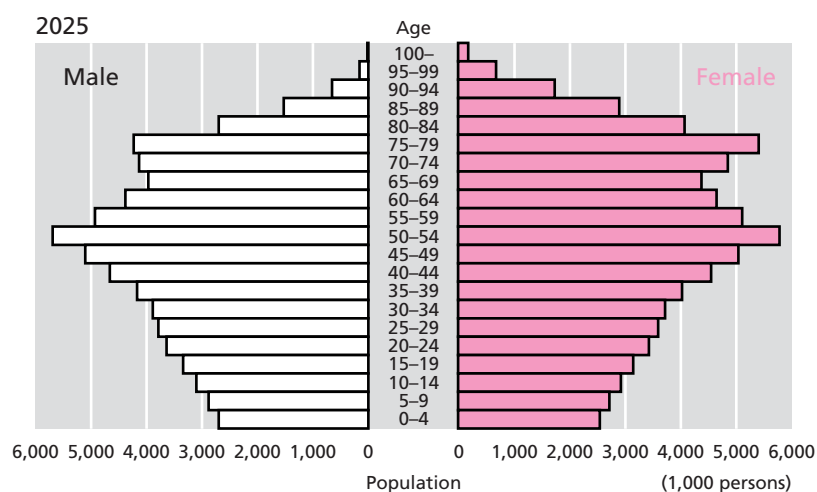
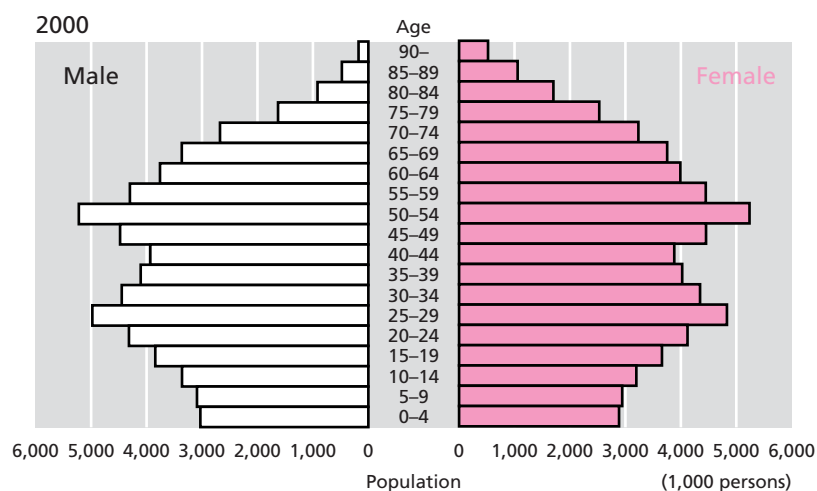
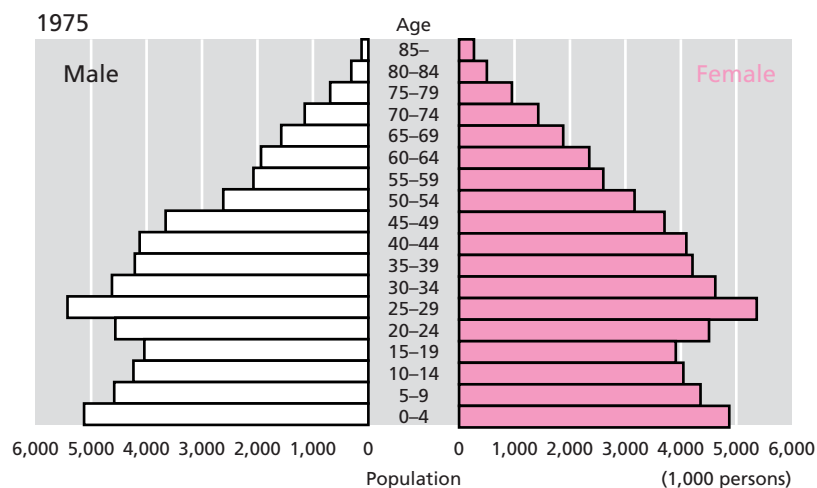
past, North and South Koreans accounted for the vast majority of Japan’s resident aliens. Their ratio has been decreasing, however, and as of the end of 2002, they accounted for 33.8% of the foreign population, a record low (see Table II-3). On the other hand, there has been an influx of people from other Asian countries such as China, and the number of Central and South Americans of Japanese decent who have immigrated to Japan to work too is on the rise after approval of their permanent-resident visas. This trend began to gather speed during the bubble economy of the 1980s. The Chinese population in Japan, in particular, has been increasing greatly since 2000 and has made up more than 20% of the foreign population since 2001. The number of registered aliens has increased steadily as well, reaching an all-time high of 1.852 million persons in 2003. The percentage of foreigners in the total population is about 1.45%.

II-1 Changes in the Total Population: medium, high, low



Sources: *Population Projections for Japan* (Jan. 2002 Estimates) National Institute of Population and Social Security Research
 Note: Solid line indicates this time’s projection, and dashed line indicates last time’s projection.

II-2 Changes in Population Pyramids: Medium Population Growth



Sources: *Population Census*, Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications; *Population Projections for Japan*, National Institute of Population and Social Security Research, January 2002

II-3 Changes in Registered Alien Population by Nationality

(Year end figures)

	1990	1995	2000	2003
Total	1,075,317	1,362,371	1,686,444	1,851,758
North/South Korea	687,940	666,376	635,269	625,422
Distribution (%)	64.0	48.9	37.7	33.8
China	150,339	222,991	335,575	424,282
Distribution (%)	14.0	16.4	19.9	22.9
Brazil	56,429	176,440	254,394	268,332
Distribution (%)	5.2	13.0	15.1	14.5
Philippines	49,092	74,297	144,871	169,359
Distribution (%)	4.6	5.5	8.6	9.1
Peru	10,279	36,269	46,171	51,772
Distribution (%)	0.9	2.7	2.7	2.8
U.S.	38,364	43,198	44,856	47,970
Distribution (%)	3.6	3.2	2.6	2.6
Others	82,874	142,800	225,308	264,621
Distribution (%)	7.7	10.5	13.4	14.3

Source: *Statistics on Aliens in Japan*, Immigration Association, 2003

Labor Force Declines, Labor Force Ratio Remains Stable

In 1960, the number of Japanese people capable of working (which includes all persons aged 15 and older) was 65.20 million. In 2001, this number had jumped to 108.86 million. The labor force includes those people aged 15 and older who actually hold jobs and therefore qualify as “workers,” as well as “completely unemployed persons” who want and seek jobs, but are not currently engaged in any work. The labor force was 45.11 million in 1960, and 67.52 million in 2001 (male: 39.92 million, female: 27.60 million); as in 2000, this figure represents a drop from the previous year’s actual numbers. The ratio of the labor force to the general population aged 15 and older is called the “labor force ratio” (or the “labor force population ratio”). In 1960, Japan’s labor force ratio was 69.2%, but it declined to 62.9% in 1976 after the first oil crisis, and has remained quite stable at this level until today. In 2001, Japan’s labor force ratio was 62.0% (male: 75.7%, female: 49.2%).

Features of Japan Visible in the Labor Force Ratio

Figure II-5 shows the labor force ratio classified by sex and age from 1970 to 2001, and points out the following characteristics as long-term trends of Japan’s labor force ratio.

- (1) The ratio of males aged 24 and under in the younger bracket tends to decline, but the ratio of the elderly (age 55 and older bracket) tends to increase. The other age groups demonstrate no large change.
- (2) The female labor force ratio develops in the shape of the letter “M”: the labor force ratio of female workers declines for workers in their late 20s through their 30s, and increases again after that. During this period, the valley section of this letter “M” has shifted rightward and upward simultaneously. In addition, both peaks of this letter “M” have become higher, revealing an increase in the

labor force ratio. Above all, the increases of female workers in the 25-34 and 55-64 age groups are prominent.

Factors Behind the Labor Force Ratio

The following factors are thought to have caused these changes in the labor force ratios.

- (1) Both men and women have become better educated. In 1960, the ratio of those who advanced to high school was 57.7% of junior high school graduates (male and female combined, excluding those who proceeded via correspondence courses). This figure jumped to 95.9% in 2000. In addition, the ratio of those who moved on to universities (undergraduate), community colleges (liberal arts), and so on was 10.3% in 1960 (male and female combined, including “ronin”—those who graduated from high school, but failed to enter a college and are waiting for another chance). This figure increased to 49.1% in 2000. As a result of these developments, the labor force ratio for teenagers has declined.
- (2) Since women often quit their jobs during the periods of marriage, childbirth, and child rearing, the labor force ratio of those women in their late 20s declined. Recently, however, many wives and mothers have continued to hold jobs through these personal changes. Further influencing the labor force ratio, women have begun to delay marriage and childbirth, and the ratio of unmarried women has increased. Above all, women with higher levels of education have a stronger tendency to continue their jobs during marriage, childbirth, and child rearing than women with less education.
- (3) In addition, women who have devoted themselves to matters at home such as childbirth and child rearing, primarily women in their 40s, are increasingly returning to the full-time and part-time job markets.

II-4 Composition of Labor Force



Note: The figures above are average values for 2002
 Source: Labor Force Survey, Population Census, Ministry of Public Management, Home Affairs, Posts and Telecommunications

II-5 Changes in the Labor Force Participation Ratio by Sex and Age: 1970–2001



Source: Labor Force Survey, Ministry of Public Management, Home Affairs, Posts and Telecommunications

3 Changes in the Employment Structure

Decreasing Numbers Employed in the Agricultural and Forestry Industries

When taking an overall look at the recent fluctuations in the employment structure by main industries (see Figure II-6), the number of those employed in the agricultural and forestry industries continues to decline consistently, with a total of 2.86 million persons employed in 2001, representing a 4.6% share of all workers. The number of persons employed in the construction industry showed a tendency to increase from 1990 to 1995 due to the building rush in the wake of the bubble economy years; but this sector too is recently in a downward shift, having decreased for four consecutive years to employ 6.32 million persons in 2001 (representing a total of 9.9% of all workers).

Manufacturing and the Hollowing Out of Industry

The manufacturing industry has been greatly affected by the globalization of production activities in particular.

In 1995, with the temporary dollar-yen exchange rate of US\$1=¥80, not only large corporations but also small and medium manufacturers began to move operations overseas, leading to a sudden realization of the “hollowed-out industry problem”. In 1993, with the yen continuing to appreciate rapidly, the number of workers in the manufacturing industry began a downward trend. From 1993, the number of workers in the manufacturing industry have fallen for nine consecutive years, to a level of 12.84 million in 2001. Japan’s overseas manufacturing production rate began to increase after the conclusion of the G5 Plaza Accord in 1985, and by FY2000 this rate had reached a level of 13.4% (Basic Survey on Overseas Business Activities, METI, 2001). Within this figure, the share of overseas production for transport machinery manufacturers stands at 31.1% and for electric machinery manufacturers at 21.9% (both figures for FY2000), reaching levels greatly above the average and causing

anxieties about the falling levels of workers in the skilled divisions of these two industries. As these types of industries are increasingly showing an international division of labor, a market shift is being contemplated in which domestic focus would be placed on strengthening research and development and high value-added divisions.

Increasing Numbers Working in Service Industries

On the other hand, in tertiary industries, worker numbers are increasing in the service industries. These figures have consistently increased over a ten-year period, reaching a figure of 17.68 million in 2001, accounting for a 27.6% share of all workers. However, a downward shift is being witnessed in number of workers in the wholesale, retail, and food and beverage industries. After rising steadily until 1998, worker numbers peaked in 1999, to drop off in 2000 for the first time in five years, with worker numbers totaling 14.73 million, or a 23.0% share of all workers.

Responding to IT and Maintaining and Training Human Resources

Concerning employment structure by type of work, reflecting the changes in the industrial structure, the number of workers in the agricultural, forestry and fishery industries has fallen by half—from 10% of all workers in 1980, to 4.9% in 2001. Moreover, due to the globalization of the manufacturing industry and the construction recession, the numbers of those people engaged in skilled factory work, manufacturing and construction have also fallen, accounting for a 23.5% share of all workers in 2001. On the other hand, the number of those workers engaged in specialized or technical work has risen consistently over the last ten years, to reach 13.2% of the total number of workers (11% in 1990). In the future, with international competition becoming all the more severe, the necessity is increasing to cultivate and maintain

human resources capable of responding to the IT and technology revolutions. Another important issue will be to improve treatment of workers by basing evalua-

tions on merit and by offering a wider variety of career opportunities, as well as to provide professional ability development opportunities at all levels.

II-6 Yearly Increases and Decreases in Employment Structure by Industry



Source: Report on the Labor Force Survey, Ministry of Public Management, Home Affairs, Posts and Telecommunications, 2002

4 Diversification in Forms of Employment

Non-regular Workers Comprise 27.5% of Workers

Japan's industrial structure has been undergoing a fundamental shift in orientation, moving away from secondary industries (mainly manufacturing) and toward tertiary industries (e.g., services). Behind this shift to a service economy lies a broader diversification of the employment structure, as demonstrated by the increase of parttime workers, dispatched workers (workers supplied by temporary employment agencies), and others working outside the category of permanent employee. According to the "Survey of the Diversification of Employment Status" issued by the Ministry of Labour in 1999, nonregular workers, mainly women and employees of small and medium-sized companies, comprise 27.5% of all workers. The largest group of these non-regular workers were part-time workers (20.3%), followed by temporary workers and casual workers (1.8%), and dispatched workers (1.1%) (see Table II-10).

12.11 Million Part-time Workers

Not all part-time workers—who comprise the vast majority of non-regular workers—are the same. The survey uses two definitions for part-time workers: "official" part-time workers and "other" part-time workers. Part-time workers, as defined by the Management and Coordination Agency's Labor Force Survey, numbered 4.71 million in 1985, increasing thereafter to 12.11 million in 2002 (see Table II-7).

Characteristics of Part-time Workers in Japan

Most part-time workers are housewives, but they are not evenly distributed among all occupational fields. Part-time workers are primarily used in three main industrial fields: wholesale, retail and food and beverage, services, and manufacturing. Furthermore, in terms of the different types of workplace, shops are the most prevalent followed by factories. We could therefore conjecture that most part-time workers are employed at wholesale, retail or food and beverage

shops, but that is not so; part-time workers are also heavily employed at factories in manufacturing industries. This is said to characterize part-time employment in Japan.

II-7 Changes in the Number of Part-time Workers and Workers Supplied by Temporary Employment Agencies

(10,000 persons)

Fiscal Year	Part-time Workers	Dispatched Workers
1985	471 (11.1)	—
1986	503 (11.7)	14.4
1987	506 (11.6)	26.8
1988	533 (12.0)	31.2
1989	602 (13.1)	42.7
1990	722 (15.2)	51.0
1991	802 (16.3)	63.1
1992	868 (17.3)	65.4
1993	929 (18.2)	57.5
1994	967 (18.8)	57.6
1995	896 (17.4)	61.2
1996	1,015 (19.4)	72.0
1997	1,114 (21.1)	85.5
1998	1,113 (21.2)	89.5
1999	1,138 (21.8)	106.7
2000	1,053 (20.0)	138.6
2001	1,205 (22.9)	174.8
2002	1,211 (23.2)	—

Sources: The definition of part-time workers derives from the Management and Coordination Agency's annual *Labor Force Survey*. Part-time workers are defined as persons working an average of 1–34 hours per week. The figures in the table represent combined totals for male and female workers.

"Workers supplied by temporary employment agencies" are as defined in the Ministry of Health, Labour and Welfare's Report on Employment Agencies (2001). The figures in the table include ordinary and specialized temporary workers registered with temporary employment agencies.

Note: The figures in parenthesis indicate the percentage of part-time workers among employees. Unit: %

FYI

Law Concerning the Improvement of Employment Management for Short-time workers

"Official" part-time workers: According to the Labor Code official part-time workers work regular hours at one place of employment, but a shorter workweek than fulltime employees.

"Other" part-time workers: ("Other" part-time workers is a term used by employers)

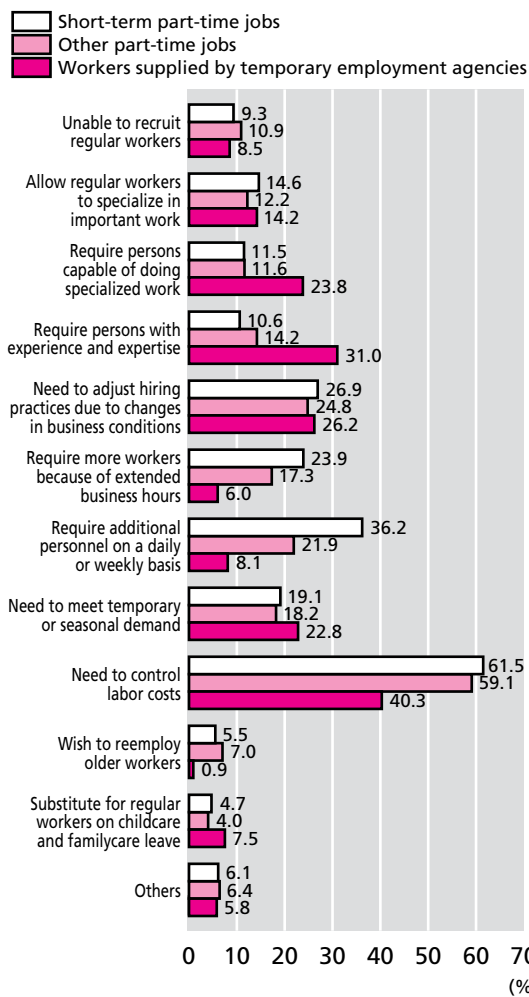
Employers make use of part-time workers for two reasons: (1) lower personnel costs and (2) the ability to meet changing business demands on a daily or weekly basis (II-8). Part-time workers largely report as reasons for choosing this form of employment that (1) they prefer work schedules that suit their convenience, and that (2) they wish to earn money to help meet household or educational expenses (see Figure II-9).

1.748 Million Dispatched Workers

Dispatched workers are defined by the Manpower Dispatching Business Law, enacted in 1986, as “workers under contract to a dispatching agency, who

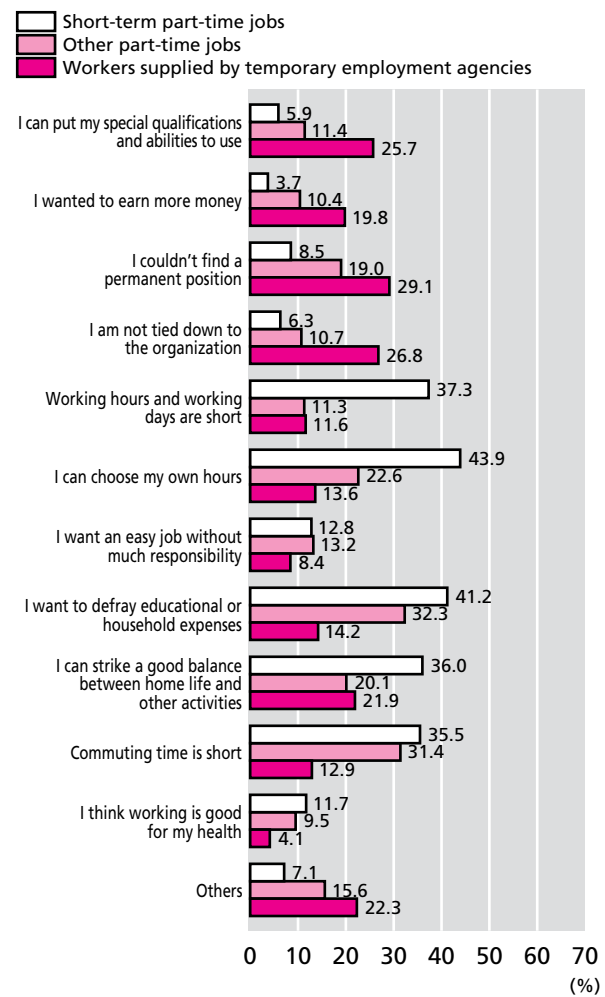
are entrusted with specific duties by the companies to which they are assigned.” At first, dispatched workers could only be used to perform 26 duties that required a high degree of specialization. However, a revision made to the law in 1999 allows dispatched workers to perform any type of work except longshoring, construction work, security service, medical care-related work and manufacturing. A revision was also made in 2003 which lifted the ban on dispatched workers from performing work related to manufacturing and the limit on the period of dispatch (from one year to three years). According to the “Report on Temporary Employment Agencies” issued by the Ministry of

II-8 Reasons for Hiring “Non-regular Workers”



Source: Survey of the Diversification of Employment Status, Ministry of Labour, 1999
 Note: Totals do not add up to 100 because multiple responses were permitted

II-9 Reasons for Working as a “Non-regular Worker”



Source: Survey of the Diversification of Employment Status, Ministry of Labour, 1999
 Note: Totals do not add up to 100 because multiple responses were permitted

Labour, there were 144,000 dispatched workers in 1986, increasing to 1,748,000 in FY2001 (see Table II-7). Workplaces report that their main reason for using dispatched workers is “to economize on personnel expenses” (see Figure II-8).

Future Challenges for Non-regular Workers

It is clear that the number of both part-time and dispatched workers is increasing. Looking at companies' policies for the future, there is a strong movement to

combine the use of permanent and non-regular workers to lower personnel costs and handle specialized tasks more efficiently; therefore, these increases will most likely continue from now on. But, as this trend becomes the norm, the need will arise for employers to offer more social security benefits and education and training opportunities to these workers. Regulations specifying their job descriptions and clarification of working conditions will also be necessary.

II-10 Proportion of Workers by Form of Employment

(%)

	Total		Regular workers	Non-regular workers				
				Temporary and casual workers	Part-time workers	Dispatch workers	Others	
Industry total	(100.0)	100.0	72.5	27.5	1.8	20.3	1.1	0.7
				[100.0]	[6.7]	[73.9]	[3.9]	[2.5]
Mining	(0.1)	100.0	90.6	9.4	0.3	5.5	0.1	1.3
Construction	(10.0)	100.0	84.1	15.9	4.9	4.6	0.7	2.1
Manufacturing	(24.8)	100.0	81.3	18.7	0.4	14.4	1.0	0.4
Electricity, gas, heat supply and water	(0.5)	100.0	90.8	9.2	0.1	2.5	1.0	0.7
Transport, communication	(7.6)	100.0	82.0	18.0	0.9	9.7	1.9	0.3
Wholesale and retail trade, eating and drinking places	(28.1)	100.0	57.0	43.0	3.3	36.1	0.6	0.6
Financing, insurance	(4.3)	100.0	83.3	16.7	0.3	7.8	4.3	0.2
Real estate	(0.9)	100.0	74.8	25.2	1.4	12.0	1.1	1.2
Services	(23.8)	100.0	71.4	28.6	1.0	20.7	1.0	0.7
Type of establishment								
Office	(31.6)	100.0	82.2	17.8	1.6	9.3	1.5	0.6
Factory	(26.6)	100.0	78.0	22.0	0.9	17.2	0.9	0.6
Research center	(0.8)	100.0	89.1	10.9	0.0	5.3	3.1	0.2
Sales office	(13.0)	100.0	78.2	21.8	4.4	11.1	1.0	0.5
Store	(15.7)	100.0	38.9	61.1	2.6	55.5	0.6	0.9
Others	(12.3)	100.0	71.7	28.3	0.8	21.2	0.7	1.0
Company size								
Over 1,000 employees	(27.2)	100.0	74.9	25.1	0.4	18.5	2.0	0.5
500-999	(7.8)	100.0	75.7	24.3	0.9	18.2	1.1	0.4
300-499	(8.4)	100.0	69.1	30.9	6.7	16.7	1.1	0.6
100-299	(15.3)	100.0	73.4	26.6	0.7	19.8	0.9	0.5
50-99	(11.3)	100.0	69.8	30.2	2.2	22.8	0.7	1.4
30-49	(6.7)	100.0	74.6	25.4	1.8	19.7	0.5	0.6
5-29	(23.4)	100.0	70.2	29.8	2.6	23.6	0.4	0.9
Gender								
Male	(60.8)	100.0	85.1	14.9	1.8	7.8	0.6	0.8
Female	(39.2)	100.0	53.0	47.0	2.0	39.6	1.8	0.6

Source: Survey of the Diversification of Employment Status, Ministry of Labour, 1999

Notes: 1) Figures in [] are the ratio assuming “Non-regular workers” (industries covered) as 100.

2) Figures in () are the ratio in each industry, type of enterprise, sex, and enterprise scale.

3) “Others” includes temporarily transferred, and contract and registered workers.

5 Employment and Unemployment Trends

Diversification in Forms of Employment

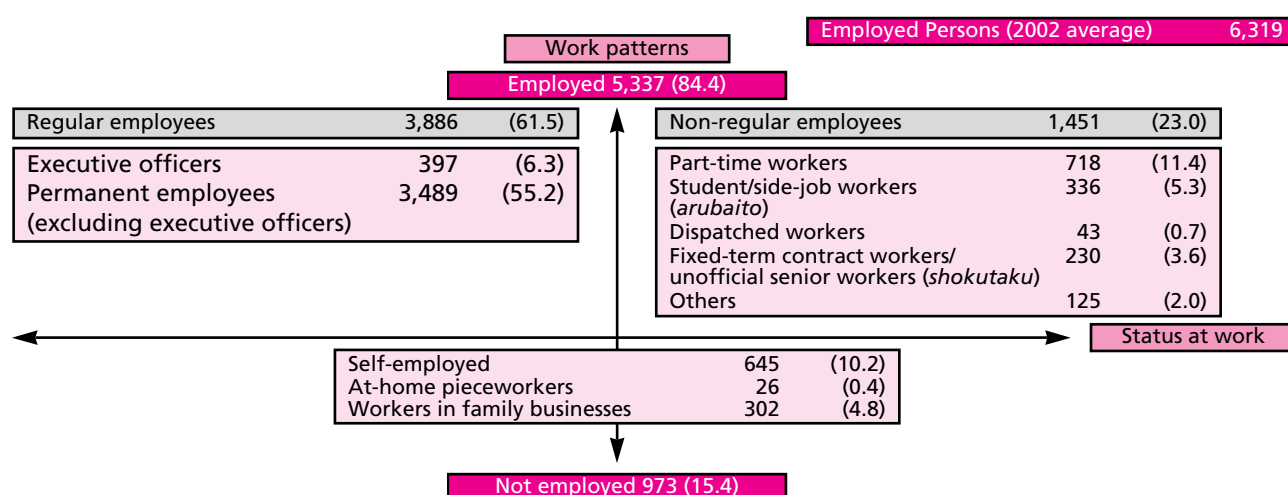
Changes in the industrial structure have led to drastic changes in the employment structure. Looking at the changes in number of workers in each industry, the ratio of workers in tertiary industries centered on the service industry is increasing, supplanting secondary industries centered on the manufacturing industry. Workers in tertiary industries accounted for 65% of the 63.3 million workers in 2002, and looking at the number of workers by industry, 18.04 million (28.5%) worked in the service industry, 14.38 (22.7%) in wholesale and retail, 12.22 million (19.3%) in manufacturing, 6.18 million (9.8%) in construction, 4.01 million (6.3%) in transport and communication, 2.62 million (4.1%) in agriculture and 2.41 million (3.8%) in financing, insurance and real estate. While the service industry continues to grow steadily, the manufacturing industry has been shrinking since hitting a peak of 15.69 million workers in 1992.

With changes in the employment structure of each industry that account for the increase in the ratio of tertiary industries, forms of employment have been diversifying with an increase in the number of workers outside of the regular employment category such

as part-time workers and dispatched workers. Looking at the proportion of all workers by form of employment, including the self-employed, on average in 2002, of the 63.19 million persons (not including those working in non-classifiable industries), 53.37 million (84.4%) were employees and 9.73 million (15.4%) were not employees such as the self-employed. Looking at the composition of employees, 38.86 million (61.5%) were regular employees including executives and 14.51 million (23.0%) were non-regular employees. The number of non-regular employees has been increasing, so as to exceed that of persons who are not employees by almost 5 million.

Looking only at employees, while 72.8% are regular employees, about 30% (27.2%) are non-regular employees. In addition, looking at the composition of non-regular employees, the largest group, 7.18 million, is part-time workers who make up 13.5% of all employees. The second largest, 3.36 million (6.3% of all employees), is student/side-job workers (*arubaito*), 2.30 million (4.3% of all employees) are fixed-term contract workers/unofficial senior workers (*shokutaku*), and 430,000 (0.8% of all employees) are dispatched workers.

II-11 Breakdown of Employed Persons (2002 Average)

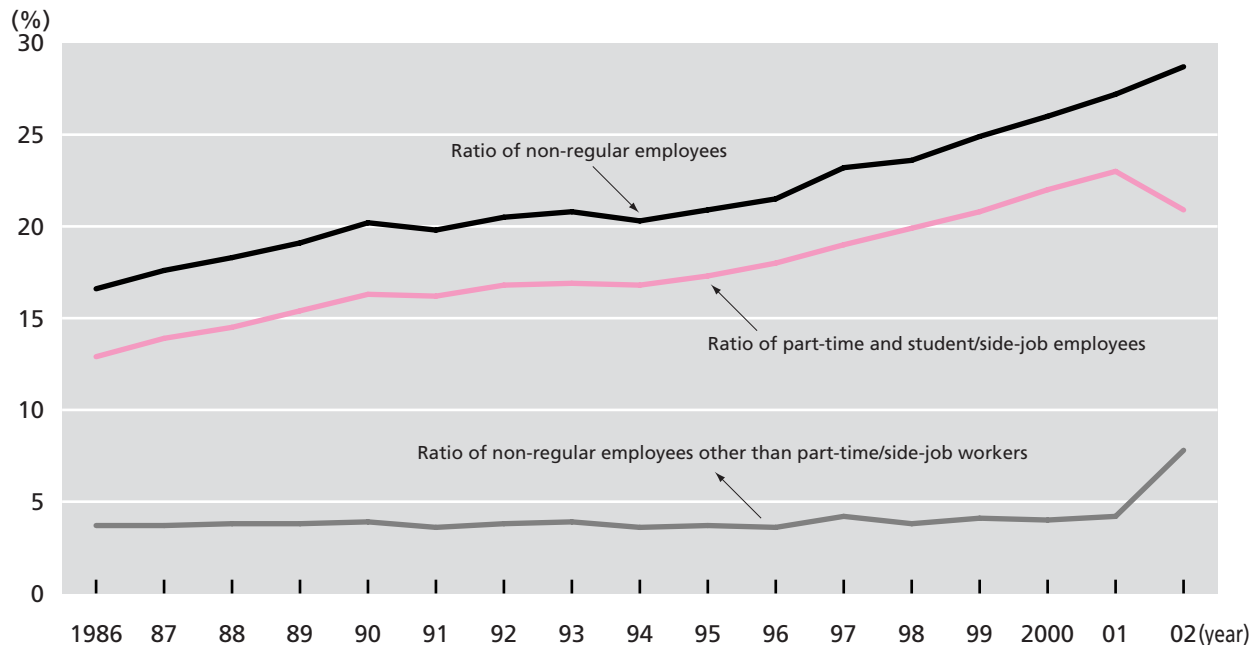


Source: *Labour Force Survey (Detailed Tabulation)*, Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications.
Notes: Figures not in parenthesis indicate the number of people in the ten thousands; those in parenthesis indicate the percentage in overall population.

Looking at changes in the percentage of non-regular employees over time, the percentage of non-regular employees has been increasing since 1986, rising from 16.6% in 1986 to 28.7% in 2002. The majority

of the increase during this period of time was driven by an increase in the percentage of part-time and student/side-job workers (arubaito). Looking at the percentage of non-regular employees by gender, women

II-12 Breakdown of Employees by Status at Work



- Notes: 1) Figures for 1986 to 2001 are from February, and for 2002 from the period from January-March .
 2) Ratios are to the number of employees excluding executive officers.
 3) The reasons for declines in "Part-time and student/side-job workers" in 2002 could be because the questionnaire of *Labour Force Survey (Detailed Tabulation)* is different from the former *Special Survey of the Labour Force Survey* questionnaire, as a result of which those who formerly identified themselves as "part-time workers" or "student/side-job workers" may have responded "fixed-term contract workers/unofficial senior workers."

accounted for 48.2% of non-regular employees in the January-March quarter of 2002 (compared with 38.4% in 1995) and men accounted for 14.8% (compared with 8.5% in 1995). Looking at the percentage of non-regular employees by industry, wholesale and retail accounted for 45.5%, the highest figure, and the service industry accounted for 31.2%. Moreover, manufacturing accounted for 20.1% (each in 2002).

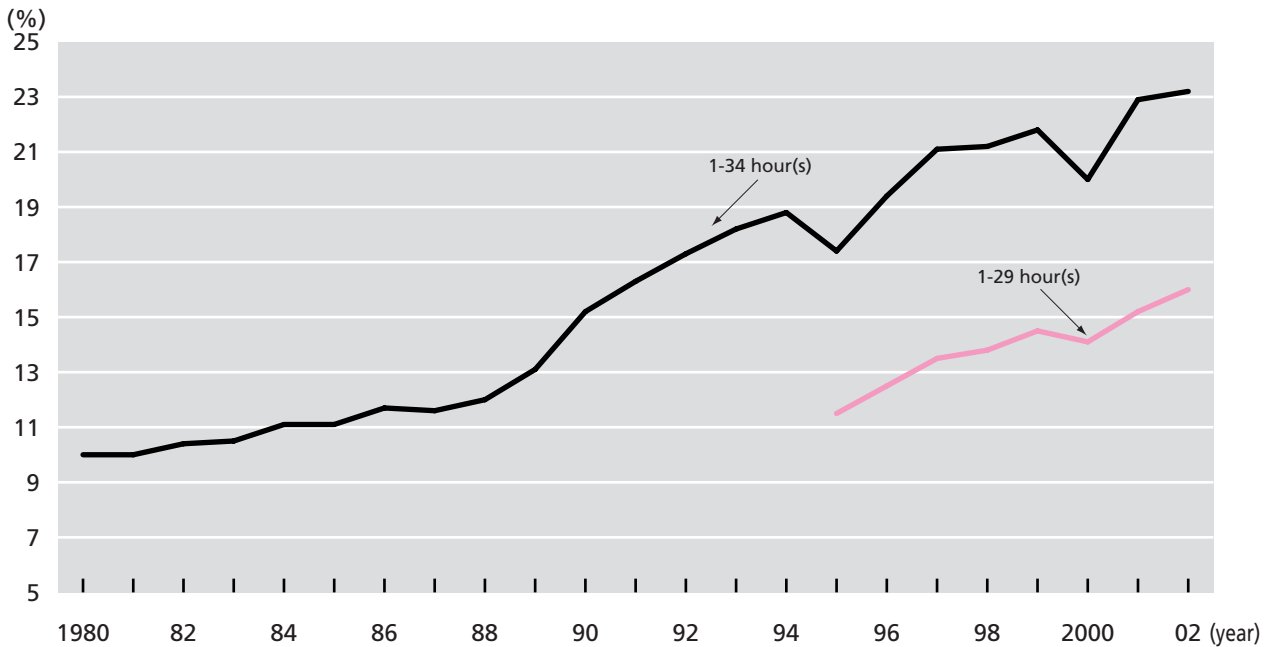
The number of non-regular employees thus has been increasing to account for approximately 30% of employees, boosted mainly by an increase in the percentage of part-time and student/side-job workers (arubaito) centered on women. Recently, the number of employees aside from part-time and student/side-job workers (arubaito) such as fixed-term contract workers/unofficial senior workers (shokutaku) centered on men has been growing rapidly. This increase in the number of non-regular employees has at the

same time exposed the problem of the expansion in the wage disparity between non-regular and regular employees, and how to establish the principle of "equal pay for equal work" has become an issue.

A Rise in the Unemployment Rate

Japan has been boasting a low unemployment rate of 1-2% by firmly establishing the long-term stable employment practice referred to as lifetime employment, and by flexible reassignment of personnel within companies or company groups. However, Japan's employment situation has deteriorated rapidly since 1990, due to increased bankruptcies and business closings as a result of the deflationary economy, and manufacturers moving overseas. With the occurrence of a financial crisis in 1998, the unemployment rate shot up to 4%. In recent years, it has been fluctuating at a level between 5 and 5.5%.

II-13 Breakdown of Non-Agricultural/Forestry Industry Employees by Working Hours



Source: *Special Survey of the Labour Force Survey (Detailed Tabulation)*, and *Labour Force Survey*, Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications

While unemployment hovers at a high rate, problems of employment among young people and long-term unemployment have been exposed in recent years, and the unemployment situation is clearly getting worse. Looking at the unemployment rate by age group, the highest unemployment rates are for young people. Of the overall unemployment rate of 5.4% in 2002, the unemployment rate for those aged 15-19 was 12.8%, the rate for those aged 20-24 was 9.3%, and the rate for those aged 25-29 was 7.1%. This is influenced by the fact that there are a large number of people unemployed voluntarily as well as a large number of people who move from one short-term job, such as a side job (*arubaito*), to another, or do not work.

On the other hand, there also has been a rapid increase in recent years in the number of long-term unemployed with unemployed periods of one year or longer. Of the 3.63 million unemployed in the January-March quarter of 2003, 1.12 million or 30.8%, over 30%, were long-term unemployed. 460,000 or approximately 40% of these long-term unemployed were middle-aged, between the ages of 45 and 64. Furthermore, the ratio of long-term unem-

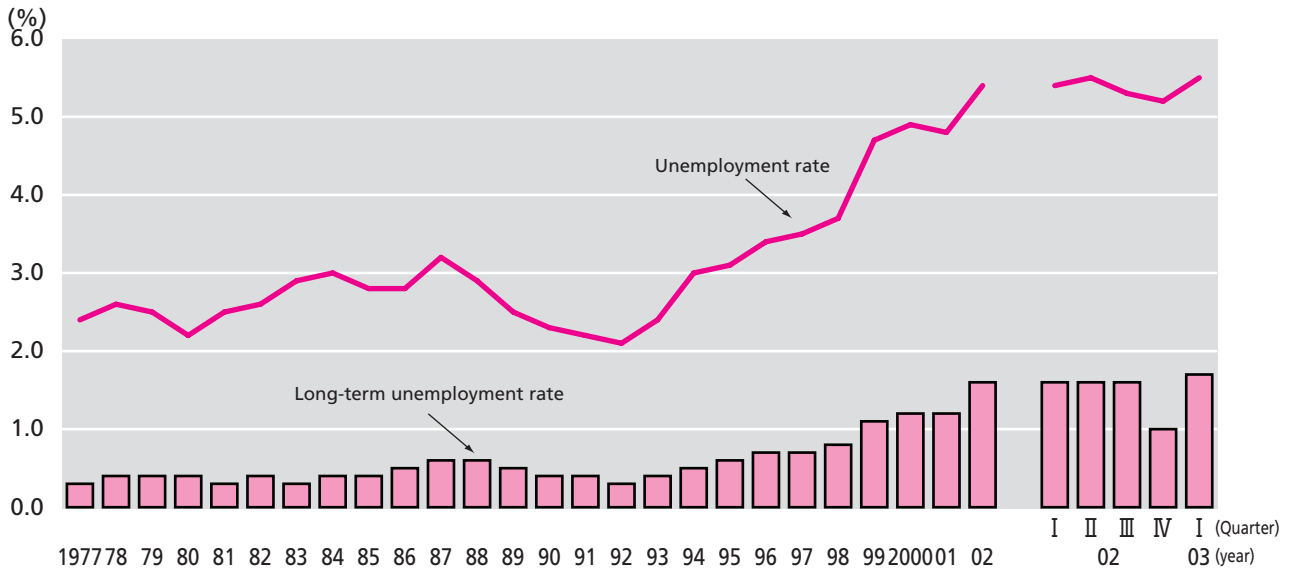
ployed to the workforce population (the long-term unemployment rate) has risen significantly since 1999, and was 1.7% in the January-March quarter of 2003.

The Mismatch of Job Openings and Jobseekers

Behind the high unemployment rate, which hovers at a high rate, there is a problem of mismatch, where the qualifications of people that companies are seeking and the desired terms of jobseekers do not match. Since the latter half of the 1990s, the structural and frictional unemployment rate resulting from a mismatch of job openings and jobseekers has been rising, rather than the demand-deficient unemployment rate that rises during a recession. Of the unemployment rate of 5.38% in the January-March quarter of 2003, the structural and frictional unemployment rate was estimated to be 4.14% and the demand-deficient unemployment rate was estimated to be 1.24%, meaning that three-quarters of the unemployment was due to a mismatch of job openings and jobseekers.

Considering that employment is the derived demand of production, economic policies take prece-

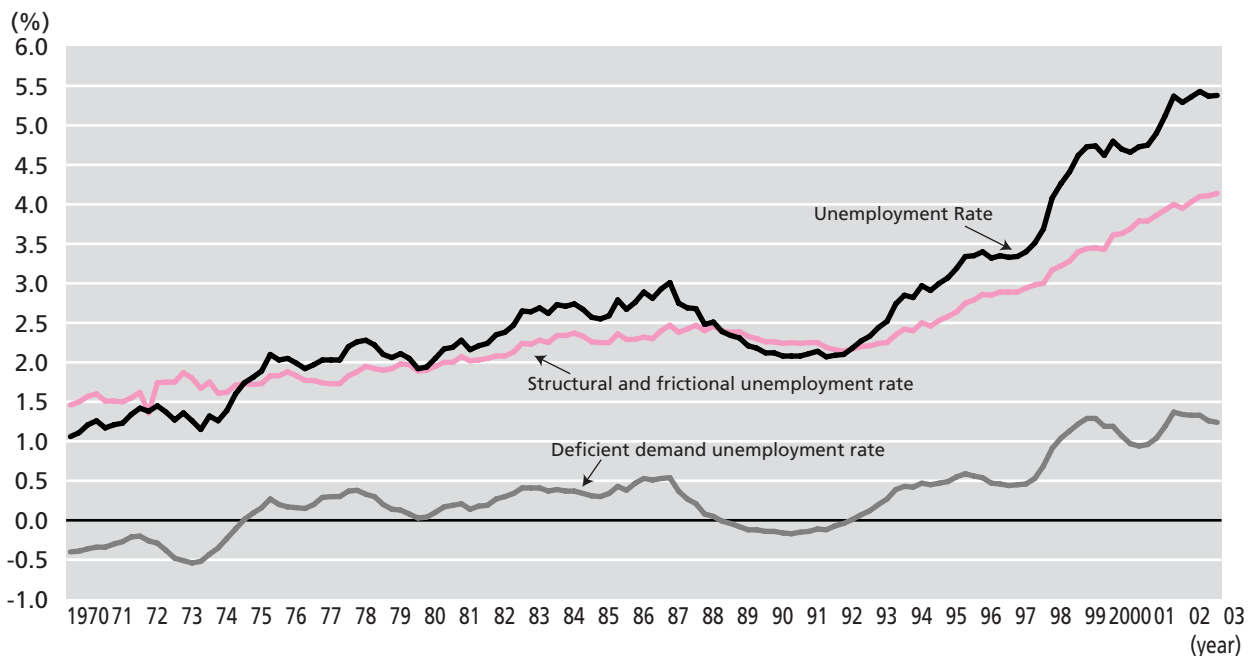
II-14 Changes in Unemployment and Long-term Unemployment Rate



Source: *Labour Force Survey (1977-2001)*, *Labour Force Survey (Detailed Tabulation) (2002-)*, Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications

Notes: 1) Long-term unemployment rate = the number of persons unemployed for one-year or longer ÷ labor force
 2) Figures are from every March up to 1982, every February from 1983 to 2001, annual average for 2002.

II-15 Changes in Structural and Frictional Unemployment Rate and Deficient Demand



Source: Estimated from the data in *Employment Security Service Statistics*, Ministry of Health, Labour, and Welfare, and *Labour Force Survey*, Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications, by the Office of Counselor in Charge of Labour Policy, Ministry of Health, Labour, and Welfare.

Notes: 1) Refer to appendix note 1 for estimation methods for structural and frictional unemployment rate
 2) Deficient demand unemployment rate = unemployment rate – structural and frictional unemployment rate.

dence with regard to demand-deficient unemployment, but with regard to the mismatch problem, employment and unemployment measures play an important role. The causes of the mismatch problem, where a large number of job openings are left unfilled, are complex. The main cause, however, is the actual situation in which particularly with respect

to wages, the terms of job openings and the desired terms of jobseekers differ greatly, the jobseekers are unable to meet the professional abilities sought in the available jobs, and middle-aged workers are deprived of opportunities to apply for jobs due to strict age-limitations on job openings.

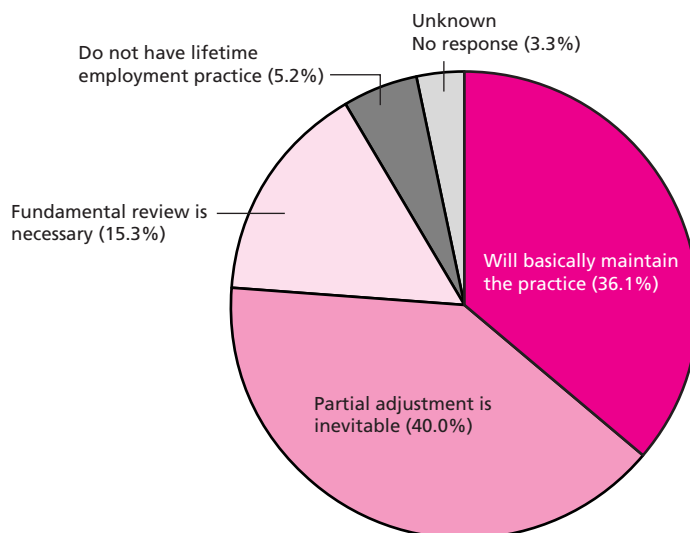
1 The Long-Term Employment System

The Lifetime Employment System

Japanese companies, centered on large corporations, have few people who change jobs and a high percentage of employees who work at the same company for long periods of time. The long-term employment system of these companies is referred to as the lifetime employment system. The lifetime employment system is an employment practice where companies hire a specific number of new graduates at fixed times every year, and under contracts without a fixed period of employment, employees continue to be employed at the same company or affiliated companies from the time that they are hired as new graduates to the time they retire, as long as there are no extraordinary circumstances such as a management crisis.

Under long-term stable employment practices, employees are trained through in-company capacity development and reassignments as well as loaning of personnel to affiliated companies. Until the time that they retire, they are subject to a personnel system in which promotions and wage increases are based on seniority. Since human resources who have been trained for a long period of time within the same company without changing jobs build up skills and know-how in the organization, the strength of this type of human resources training system is most obvious in manufacturing industries in which a continuous accumulation of product development and improvement is necessary.

III-1 Attitudes of Companies Towards Lifetime Employment



Sources: *Survey on Corporate Human Resource Strategies and Workers' Attitude Towards Work, (Company Survey) (2003)*, The Japan Institute of Labour

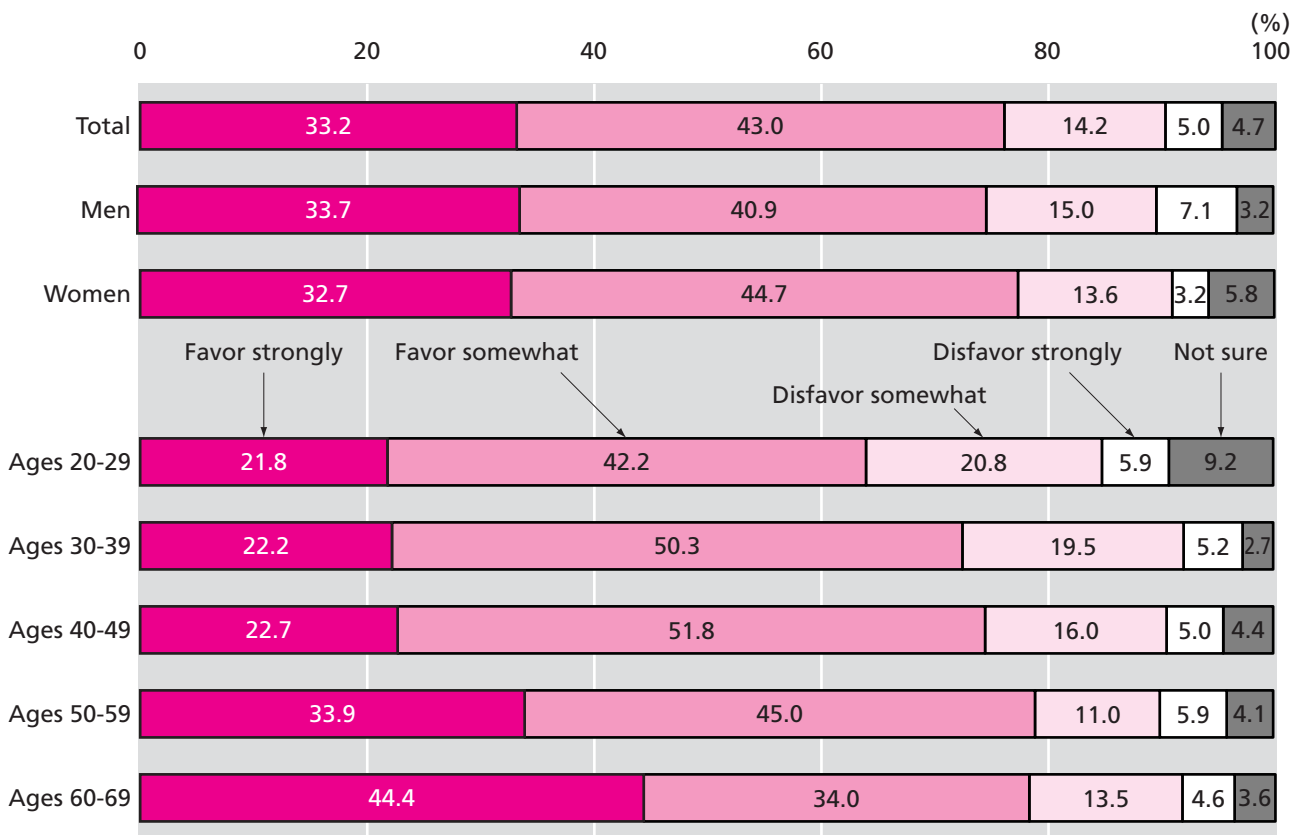
Background of the Long-term Employment System's Establishment

The long-term employment system referred to as the lifetime employment system was established at many companies during the period of high economic growth of the 1960s. With rapid changes in technological innovations and business during the period of high economic growth, companies were not able to hire the necessary human resources from outside because these human resources had not accumulated the necessary experience, and they needed to arm

their employees with a high level of broad skills and techniques through in-house training. To do this, a long-term employment system was necessary, and with the introduction of a personnel system of continued wage increases and promotion, the lifetime employment system was established. With court precedents restricting dismissals, the lifetime employment system, which emphasizes job security, was established and was welcomed by employees and labor unions.

Also a great influence behind the establishment of

III-2 Attitudes Towards Japanese Lifetime Employment



Sources: *Survey on Working Life* (2001), The Japan Institute of Labour

Notes: Answers to the question "What do you think about the Japanese lifetime employment, where a person works for one company until retirement?"

the lifetime employment system is the fact that actual operation of the personnel system is not rigid, but rather very flexible. At this stage in time when business is slow, rather than resorting to drastic employment adjustment measures such as sudden dismissals, a variety of measures such as limitations of overtime hours, reassignment of employees, restraint in or discontinuation of hiring new employees, and loaning or transferring employees to affiliated companies has been implemented, and a flexible response has been undertaken in which major changes to the workplace and content of work have been taken into account.

The percentage of lifetime employment workers who continued to work at the same company from the time they were new graduates to the time they retired is about 20% and not that high. In small and medium-sized companies, the number of continuing workers largely drop across the ranks of young and middle-aged employees for reasons such as resignation for personal reasons, company bankruptcy or business closings. At large companies, a major factor is the loaning and transferring of middle-aged employees centered on management-level and white-collar employees to affi-

ated companies or partner companies.

Argument over Reform of the Lifetime Employment System

Influenced by the long-term recession that has continued since 1990, increases in the cost of labor as employees get older and a rise in the number of employees who cannot adjust to rapidly developing new technologies typified by information technology (IT), debate has recently begun over reform that the employment practices such as the lifetime employment system and seniority-based wage system should be reviewed. Looking at the circumstances of companies, they are consecutively carrying out reforms regarding seniority-based wages, but not that many companies are implementing major reviews of their lifetime employment systems and changing to fluid employment practices. There is instead an increasing trend for companies to restrict the number of regular employees that are subject to lifetime employment and to increase the number of non-regular employees such as part-time employees for whom making employment adjustments is relatively easy.

2 Recruiting and Hiring

Because Japan's labor market can be divided into a new graduate market and a mid-career job seeker market, or into large enterprises and small businesses, there are accordingly great differences in recruiting and hiring.

The collective hiring of a group of new graduates (e.g. university) immediately upon graduation is one of the characteristics of hiring activities in Japan. However, looking at Table III-3, we see that it is in

great part the large enterprises hiring new graduates, and that as the size of company decreases, the rate of hiring new graduates also decreases. On the other hand, for mid-career hires, this difference based on company size is not as large as with the new graduates; in particular, the rate of hiring mid-career workers in nonclerical positions is higher at small-scale businesses.

III-3 Current Ratio of Hiring for New Graduates (multiple responses)

(%)

	Clerical	Technical, Research	Non-clerical
High school graduates			
Total of all companies	4.7	2.8	12.9
5,000 or more employees	27.1	10.9	42.4
1,000–4,999 employees	14.4	6.3	31.9
300–999 employees	11.8	4.7	31.0
100–299 employees	7.0	4.6	22.3
30–99 employees	3.0	2.0	7.8
College (including graduate school) graduates			
Total of all companies	7.9	9.2	7.0
5,000 or more employees	76.2	56.8	27.4
1,000–4,999 employees	57.5	46.0	28.5
300–999 employees	33.5	36.9	22.4
100–299 employees	13.1	17.0	11.6
30–99 employees	2.5	3.2	3.6

Source: *Survey of Employment Management*, Ministry of Health, Labour and Welfare, 2001

III-4 Current Ratio of Hiring for Mid-career Workers (multiple responses)

(%)

	Management	Clerical	Technical, Research	Non-clerical
Total of all companies	10.4	28.1	16.1	52.9
5,000 or more employees	20.0	51.5	43.5	38.8
1,000–4,999 employees	24.2	49.2	30.3	48.8
300–999 employees	21.5	45.6	26.3	53.6
100–299 employees	16.1	37.1	21.6	59.5
30–99 employees	7.3	23.2	13.0	51.0

Source: *Survey of Employment Management*, Ministry of Health, Labour and Welfare, 2001

III-5 Use of the Internet in Hiring Activities

(%)

	Yes	No	No Response
College (including graduate school) graduates			
Total of all companies	13.0	61.0	25.9
5,000 or more employees	94.1	4.4	1.5
1,000–4,999 employees	76.7	18.9	4.4
300–999 employees	48.1	43.0	8.9
100–299 employees	21.9	58.8	19.4
30–99 employees	5.2	64.7	30.1
Mid-career hires			
Total of all companies	9.3	80.3	10.4
5,000 or more employees	52.4	32.1	15.6
1,000–4,999 employees	38.8	43.2	18.0
300–999 employees	26.1	53.9	20.0
100–299 employees	14.0	72.1	13.9
30–99 employees	5.4	86.3	8.2

Source: *Survey of Employment Management*, Ministry of Health, Labour and Welfare, 2001

Methods of Recruiting and Hiring

The hiring of four-year university graduates in the humanities and social sciences is generally carried out in the following way. First, the hiring process starts with a request for materials from the company; some students begin requesting these materials during their junior year. The company will then hold a seminar or information session for the students who looked at the company materials, and proceed on to the written exam and interview stages. Ordinarily, conditional job offers are decided upon after two or three interviews. While this occurs between May and July in many cases, the decision period covers a long span of time and for some companies is becoming shorter (“Hiring of College Graduates and Human Resources Management in a Period of Reform,” Report No. 128, 2000, Japan Institute of Labour; 2001 Survey on Employment Management, Japan Institute of Labour). The hiring of graduates of four-year universities in the natural and physical sciences generally often takes the form of either an introduction and recommendation by the student’s academic advisor (i.e. university professor), or a request to the advisor from the company for introduction of a student.

With the increasing popularity here of the Internet over the last several years, the job search process for

university students (in the humanities) has been changing drastically. They seek organizational information not from company-made brochures, but on the company’s homepage. E-mail has become the standard method for registration, admission, and so on for events such as company information sessions. Many university students also use private-sector portal websites for job-hunting. Nevertheless, while usage of the Internet at large enterprises has topped 90%, we can see that there are also small and medium-sized businesses that are not using the Internet. Over half of large enterprises use the Internet even for the hiring of mid-career workers, while the percentage of small businesses not using it is predictably high.

The number of government and public offices as well as companies carrying out internship programs has been growing steadily, and some students work at companies through internships during the summer vacation of their junior year, etc. The number of students who have done internships is increasing rapidly but is still about 30,000 for all of Japan, due to companies’ limitations on the number of people that they accept (“Survey on Internships at Universities (2002),” Ministry of Education, Culture, Sports, Science and Technology, November 2003).

Figure III-6 shows the general methods of recruiting and hiring. For recruiting college graduates,

III-6 Methods of Recruiting New College Graduates and Mid-career Hires (multiple responses)

(%)

	First	Second	Third
College (including graduate school) graduates	Introduction or recommendation by teachers, etc. at school 38.4%	Company, etc. hosts a job fair or seminar 32.9%	Job search info-zine or job search website 29.8%
Mid-career hires	Public Employment Security Office, etc. 59.6%	"Help Wanted" advertisement or flier in the newspaper 31.3%	Personal connections 22.9%

Source: *Survey of Employment Management*, Ministry of Health, Labour and Welfare, 2001

methods such as "introduction or recommendation by professors, etc. at school," "company, etc. hosts a job fair or seminar," and "job search info-zine or job search website" are widely used. On the other hand, for mid-career hires the most common methods are "public employment security office, etc.," "help wanted" ad or flier in the newspaper," and "personal connections."

Points Taken Seriously in Hiring New Graduates and Mid-Career Workers

Table III-7 looks at the points considered important when hiring new college graduates. For each of the three job categories-clerical, technical/research, and non-clerical-the number one consideration is "enthusiasm and ambition." However, large differences can be seen in the number two and number three choices. For clerical positions, importance is attached to "gen-

III-7 Points Considered Important when Hiring Recent College Graduates (up to 3 multiple responses)

(%)

	First	Second	Third
Clerical	Enthusiasm, Ambition 74.0%	General common knowledge, Well educated and cultured 39.5%	Cooperative spirit, Sense of balance 39.2%
Technical, Research	Enthusiasm, Ambition 66.7%	Technical knowledge, skills 51.1%	Understanding, Judgment 33.6%
Non-Clerical	Enthusiasm, Ambition 76.5%	Drive, Executive ability 46.6%	Good health, Stamina 38.3%

Source: *Survey of Employment Management*, Ministry of Health, Labour and Welfare, 2001

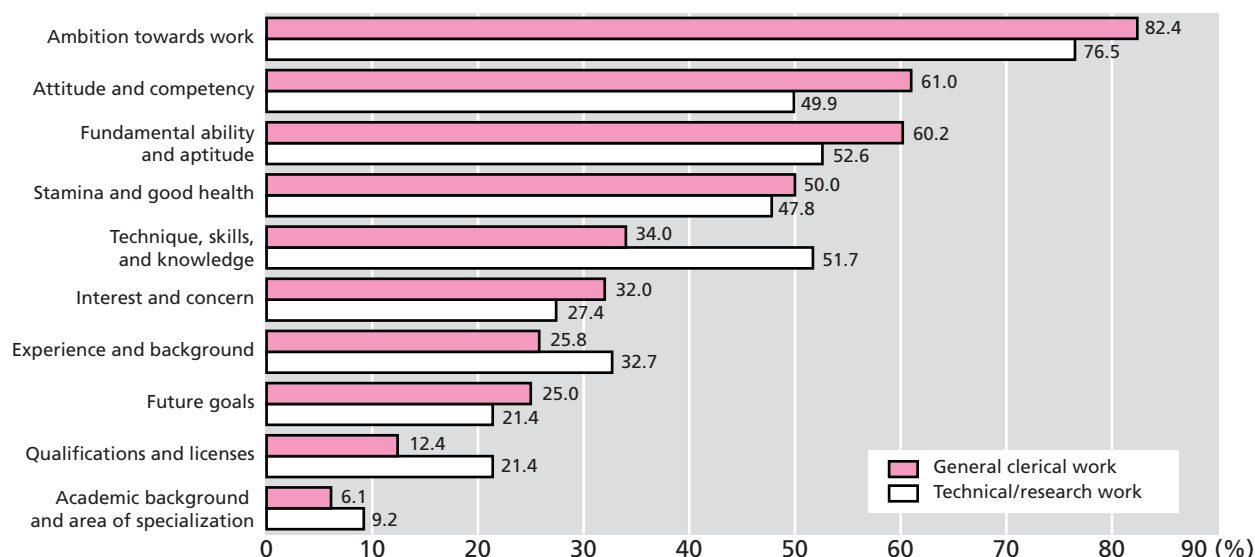
III-8 Points Considered Important when Hiring Mid-career Workers (up to 3 multiple responses)

(%)

	First	Second	Third
Management	Job experience 60.3%	Drive, Executive ability 45.3%	Technical knowledge, skills 43.9%
Clerical	Job experience 50.2%	Enthusiasm, Ambition 40.4%	Cooperative spirit, Sense of balance 31.3%
Technical, Research	Technical knowledge, skills 69.9%	Job experience 57.2%	Enthusiasm, Ambition 40.3%
Non-Clerical	Enthusiasm, Ambition 59.7%	Good health, Stamina 58.7%	Job experience 37.8%

Source: *Survey of Employment Management*, Ministry of Health, Labour and Welfare, 2001

III-9 Points Taken Seriously in Hiring New Graduates and Mid-Career Workers (1,222 companies, JILPT 2003)



Sources: Research on a New Occupational Information Network Designed to Place the Right Person in the Right Job (Research Report No.151, JIL, January 2003)

eral common knowledge, well educated and cultured” and “cooperative spirit and sense of balance”; “technical knowledge and skills” are seen as crucial for technical/research positions; and for non-clerical work “drive and executive ability” are viewed as assets.

Looking at points considered important when hiring mid-career workers (points with a rate over 50% in Table III-10), “job experience” is the top consideration for both management and clerical categories. “Technical knowledge and skills” and “job experi-

ence” rank high for technical/research positions, and for non-clerical workers the most desired attributes are “enthusiasm and ambition” and “good health and stamina.”

A survey carried out by the Japan Institute of Labour centering on the hiring of new college graduates (“Research on a New Occupational Information Network Designed to Place the Right Person in the Right Job,” Research Report No. 151, 2003, Japan Institute of Labour) shows similar results, with focus being placed on “ambition towards work,” “attitude

III-10 Reasons for Practicing the Hire of Mid-career Workers (multiple responses)

(%)

	Organizational, Management-related				Personnel Management			
	Expansion of existing business	Extension into new business or new field	Attempt to vitalize the organization by making the most of a variety of experienced persons	Request by parent company or affiliated company	Fill vacancies left by retirees	Compensate for lack of recent graduates hired	Remedy an imbalance in staff composition	Make use of ready skills and abilities
Management	19.0	10.8	44.9	13.0	23.5	0.0	3.0	53.7
Clerical	11.6	5.2	12.2	3.4	68.6	2.5	4.7	30.6
Technical, Research	23.2	10.4	26.3	4.3	39.1	4.4	3.9	56.3
Non-clerical	18.3	6.3	10.6	3.4	69.2	2.7	6.5	40.5

Source: Survey of Employment Management, Ministry of Health, Labour and Welfare, 2001

and competency,” “fundamental ability and aptitude,” and “stamina and good health.” Looking at the results by humanities-related jobs and science-related jobs, “attitude and competency” and “fundamental ability and aptitude” were considered as important for general clerical jobs, while “technique, skills, and knowledge” was considered important for engineering and technical/research jobs.

Reasons for Practicing the Hire of Mid-Career Workers

Looking back at the Survey on Employment Management, as reasons for practicing the hire of mid-career workers, “to make use of ready skills and abilities” was the most widely given reason for both management and technical/research candidates. Clerical and non-clerical mid-career workers are often hired “to fill vacancies left by retirees.”

The results of several surveys have shown that, as far as hiring directors for companies are concerned, the weight of new graduates in the job market will decrease in the future and more emphasis will be attached to hiring mid-career workers. However, looking at the actual numbers (“Survey of Employment Trends,” August 2003, Ministry of Health, Labour and Welfare), the rate of new hires due to change jobs (percentage among all hired employees of so-called mid-career workers) was 8.8% in 1992 and after slight rises and falls was the same 8.8% in 2002. The rate of new hires from non-workers (percentage among all hired employees of people without work experience such as new graduates) fell slightly from 7.0% in 1992 to 5.7%, an extremely slow change. The Changing Recruitment System.

3 Assignments and Transfers

The Changing Recruitment System

Japanese companies have come to place great importance on the regular hire of recent graduates when hiring new employees. Behind this practice is the human resource management policy that, under the long-term employment system, in-house training of workers having a high level of broad skills and techniques is best suited for business development. Managers are also strongly influenced by the philosophy that new graduates who are trained inhouse are more likely to fit into the corporate culture.

However, the employers capable of such regular hiring of recent graduates are the large and mid-tier corporations. Many recent graduates have a strong tendency to seek employment at these large and influential mid-sized companies, where the possibility of something like bankruptcy is low, management is stable, and wages and other working conditions are relatively high. Therefore, small and medium-sized companies have considerable difficulty in regularly hiring new graduates and so-compared with large and influential mid-sized companies—are increasingly looking

to workers in midcareer. Naturally, with the recent IT boom and other rapid developments in technical innovation, large enterprises too are unable to prepare the necessary human resources through in-house training, and are quickly coming to strengthen this trend of hiring mid-career experienced workers.

Human Resource Development and Promotion by Broad Rotation

New graduates are typically trained by experiencing different types of work in several departments within a company or corporate group. Most high-school graduates are posted to factories or other non-clerical departments where they gain experience in a variety of related functions and they become more versatile workers. University graduates experience a broad variety of departments and functions, which may even include being loaned to a group company; through such broad rotation, companies can evaluate employees' performance and determine the type of work for which they are best suited (see Table III-11). This kind of broad rotation is being carried out

III-11 Method to secure desired human resources/capacities

(multiple responses up to two, %)

Size of enterprise, industry	Companies, total	Respond by reassigning personnel, etc.	Strengthening capacity development of employees	Respond by hiring new graduates	Respond by hiring mid-career workers
Industries Surveyed, total	100.0	29.7	60.2	17.9	52.1
1,000 employees and over	100.0	39.7	69.7	38.9	37.7
100—999 employees	100.0	35.7	64.1	26.0	50.0
30—99 employees	100.0	27.3	58.5	14.4	53.3

Sources: Industrial Labour Survey, 2001 Ministry of Health, Labour and Management

actively by major companies, etc. (see Table III-12).

In addition, these assignments and transfers are carried out in conjunction with the management of promotions (see Figure III-13).

The promotion management of Japanese companies is known as the seniority-based promotion sys-

tem in which promotions are granted based on the order in which employees entered the company. It is not as mechanical as it seems since it allows for careful evaluation over time of an employee's abilities and achievements, and encourages long-term competition for promotion among employees. However, the

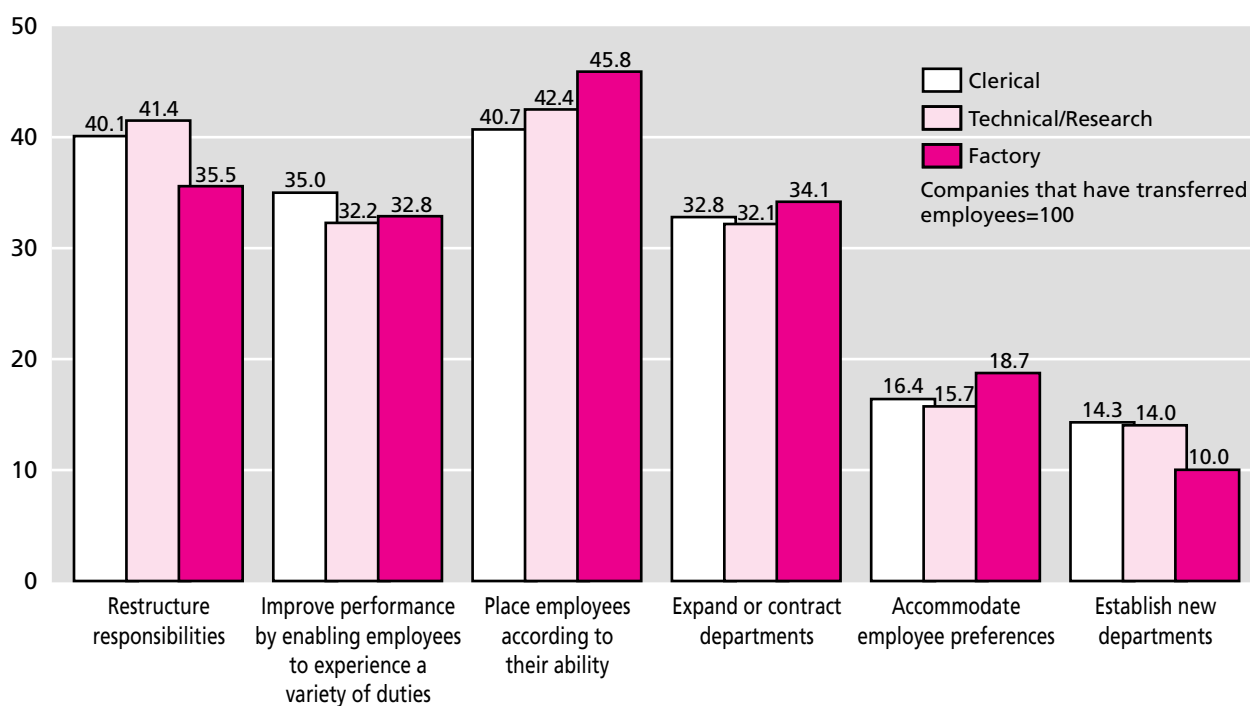
III-12 Ratio of Companies That Did/Did Not Reassign Employees

(%)

Size of enterprise, industry	All industries	Have reassigned employees (multiple answers)				Have not reassigned employees
		Total	Clerical work	Technical and research work	Shop-floor work	
Total	100.0	47.5	28.3	19.2	35.1	52.5
1) 5,000 employees	100.0	99.1	95.9	61.7	84.3	0.9
2) 1,000–4,999 employees	100.0	95.3	88.7	57.4	77.7	4.7
3) 300–999 employees	100.0	89.2	73.4	49.0	71.6	10.8
4) 100–299 employees	100.0	68.1	45.6	28.7	51.0	31.9
5) 30–99 employees	100.0	36.0	17.0	12.3	25.7	64.0

Sources: Survey on Employment Management 2002, Ministry of Health, Labour and Management

III-13 Reasons for Transferring Employees



Source: Survey of Employment Management, Ministry of Health, Labour and Welfare, 2002

Note: Respondents were permitted to provide up to three answers

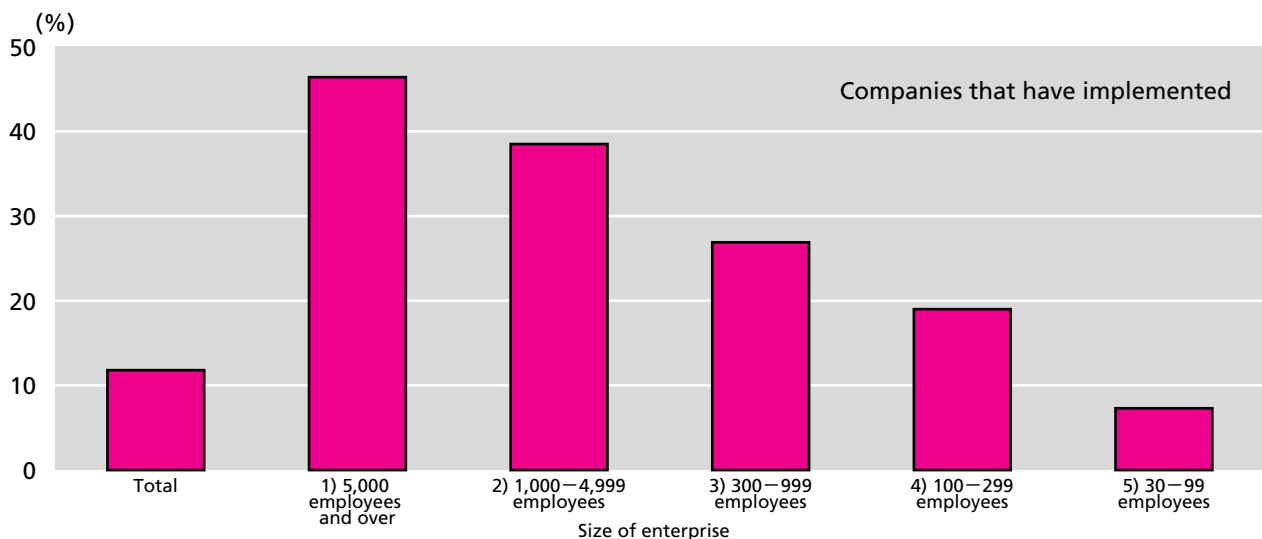
recent trend toward earlier promotions is prompting an increasing number of companies to adopt a more rapid advancement system.

More companies, especially large companies, are now introducing procedures that give serious consideration to employees' wishes when making assignments or transfers in connection with the long-term human resource training system. For instance, in the double-track personnel system, an additional course

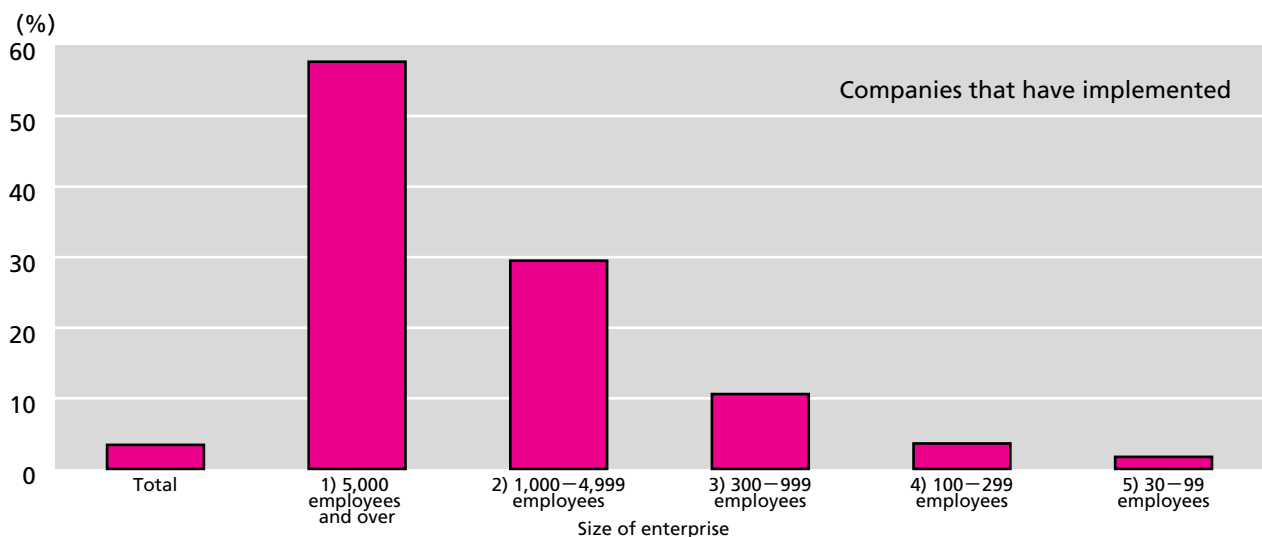
for the training of specialists in a particular field is being added to the management track that formed the heart of the old personnel system (see Figure III-14). The system of in-house solicitation of applicants enables companies to recruit from within the personnel they need with a new demand accompanying business expansions and new ventures, and allows for the selection of the most appropriate candidate from the employees who applied (see Figure III-14).

III-14 Ratio of Companies by Implementation Status of Various Personnel Management Systems and by Future Plans

(Multiple-track personnel management system)



(In-house open recruitment system)



Assignment, Transfer, and Employee Motivation

Assigning and transferring employees by the in-house solicitation of applicants differs from the existing system in its consideration of employees' wishes, rather than solely on company needs. From the company point of view, this system makes it easier to unearth hidden human resources, at the same time having the merit of serving as a motivational measure for employees.

Because an increasing number of companies is

using the Intranet to implement in-house recruitment systems emphasizing employee initiative, the number of recruitment opportunities and transfers is also rising. The number of companies introducing in-house venture systems that provide opportunities for establishing new businesses based on plans proposed by their employees is also rising. In addition to traditional company-initiated career development, independent career development attentive to employees' wishes is also becoming firmly established.

Seniority-based Wage System

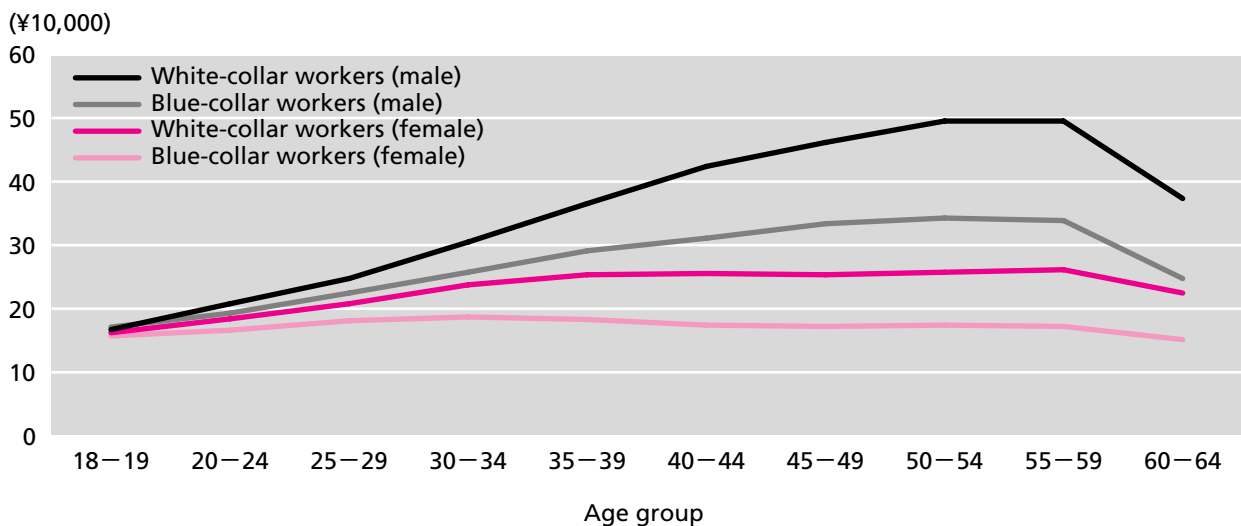
Wage systems that base remuneration on age or years of service are not unique to Japan, but it is said that these are characteristic of Japanese wage systems. This type of wage system is called a seniority-based wage system; but salary increases are not awarded based on age or years of service with total disregard of performance and ability. A merit rating is used to evaluate employees resulting in wage levels that reflect differences in performance or ability, even among employees with the same seniority.

The seniority-based wage system first appeared in Japan in the 1920s. Although considerable debate abounds regarding the reasons for its establishment, the seniority-based wage system was certainly a strategic move on the part of management who wanted to attract and retain employees. By staying at one firm, workers acquired skill with their employers' proprietary technology. Employers, in turn, used promotions to reward workers for their skill development. Additionally, the tendency of the cost of living to increase as employees aged further justified linking wages to seniority. Thus, promotions following

skill improvement and increases in cost of living were connected to longer years of service, and the seniority-based wage system was established to raise wages with advancing age and years of service.

The wage profile by age (and by years of service) charts the status of seniority-based wages by plotting wages for different age groups (and years of service). One characteristic of the Japanese wage profile is the phenomenon called "the white-collarization of blue collar workers" (however, this only applies to male workers). The phenomenon of the white-collar workers' wage profile rising with age is observable not only in Japan, but in Europe and the U.S. as well. However, the situation for blue-collar workers is completely different. In other nations, the wages of blue-collar workers rise a little with age, but these wage increases are all but invisible after age 30. In Japan, however, even though the wage profile for blue-collar workers does not rise as sharply as that of white-collar workers, the two curves are similarly shaped, indicating that wages increase as workers age (see Figure III-15).

III-15 Wage Profile by Age and Sex (manufacturing)



Source: Basic Survey on Wage Structure, Ministry of Health, Labour and Welfare, 2002
 Note: Monthly scheduled earnings are used for wages

Bonus System

Another distinctive aspect of the Japanese wage system is the bonus system. Japan is certainly not the only nation in which bonuses are paid, but the peculiarity of Japan's bonuses is said to be in their large size. Companies pay biannual bonuses equivalent to several months' salary in the summer and winter. They are not legally required to do so, but after World War II the practice of providing bonuses to all employees became customary at most companies.

Performance-related Salaries

Another aspect of Japan's Performance-related Salaries come to the fore recently is the introduction of a annual salary system linked to performance. With the heightening of competition due to globalization and predictions of the further aging of Japanese society, companies have become concerned about the burden imposed by the high salaries paid to the growing ranks of middle-aged and older employees. To create a better balance between those employees' salaries and their productivity, and to further motivate workers, an increasing number of companies—mainly large corporations—are adopting a salary system based on annual performance for managers. However, it is not easy to evaluate performance, and companies will need to set fair evaluation standards before performance-based wage systems can be implemented and utilized as measures to improve efficiency.

At this point, a growing number of companies are abolishing seniority-based wages and shifting toward performance-based wages. Until now, the majority of companies introduced performance-based wage systems for their management-level employees, but there is a movement, as in such companies as Sony, Matsushita Electric Industrial and Hitachi, to extend the application of their performance-based wage systems to include rank-and-file employees as well.

Wage Composition

Incidentally, the wage composition is another unique element in Japan's wage system. The wage composition refers to a series of wage items that composes the total salary paid to a worker. Normally, the wage composition consists of base pay (compensation for labor) plus various additional allowances, such as a

family allowance, commuting allowance, and housing allowance. The term "wage composition" became popular after its coinage under the Wage Control Ordinance during World War II. The "electrical power industry type of wage composition" acquired by All Japan Electric Workers Union in 1946 opposed the pre-war wage pattern based on management's internal class system. The Union forced management to adopt a unified pay scale for white collar and blue collar workers. This is well-known as a wage composition based on factors such as workers' living conditions (age, years of continuous employment, family structure and commuting distance), and served as the foundation for dissemination of subsequent wage compositions.

Retirement Benefits System

Finally, mention will be made of the retirement benefits system, which provides to employees either a lumpsum allowance upon retirement or pension, and is a major pillar of enterprise welfare measures. Retirement benefits are paid in proportion to the number of years of service at a specific company, but the scheme is such that differences in the payment amount arise depending on the reason for retirement. The amount paid is lower for those who retire for their own convenience, but higher for those who retire at the mandatory age after long service, or for those who retire at the companies request (such as during a period of recession). Thus, retirement benefits have become a factor promoting long-term continuous service by Japanese employees.

Until recently, the lump sum retirement allowance has been a large amount, and many workers have received this substantial benefit when retiring at the mandatory age. However, in recent years the percentage of workers receiving a retirement pension has been rising. Behind this development is the fact that the cost burden for companies has increased as the aging of employees leads to larger payments of lump sum retirement allowances. Added to that are the benefits of converting retirement benefits to a pension system, such as the advantages a company may receive through tax codes.

5 Working Hours

Japan's Working Hours Legislation—40 Hours

Japan's working hours legislation is provided in the Labor Standards Law, which has been in effect since 1947. Because the shortening of working hours became a big policy issue in the latter half of the 1980's, the traditional 48-hour workweek set by the law was gradually shortened since 1988. Now, aside from the 44-hour weeks served by workers at commerce, motion picture and theatre, health and hygiene, and service and entertainment workplaces of fewer than 9 employees, the workweek across all industries and business sizes has become 40 hours long.

Annual Total of Hours Actually Worked

Looking at Figure III-18, annual working hours short-

ened by about 400 hours from the 1960's, when the GDP growth rate was high, through the first half of the 1970's. After the oil crisis of the 1970's, working hours hovered at about the same level; but they began shortening gradually once again when the 1980's came to a close. It can be considered that the effect of shortening the working hours set by law played a large role in this decrease in working hours after the end of the 1980's.

Comparing the estimates of annual working hours for 1999 in Table III-16, Japan is just a little shorter than the U.S., and just a little longer than the U.K., but 300 to 400 hours longer than Germany and France. This difference between Japan, Germany and France mainly reflects differences in overtime and the number of annual paid vacation days taken.

III-16 International Comparison of Working Hours
(production workers in manufacturing industries: 2000)

	(hours)				
Working Hours	Japan	U.S.	U.K.	Germany	France
Annual Working Hours	1,970	1,986	1,902	1,525	1,589
Scheduled Working Hours	1,795	1,747	1,751	1,468	—
Overtime Hours	175	239	151	57	—

Source: Estimates made by the Working Hours Department of the Ministry of Health, Labor and Welfare's Labor Standards Bureau based on reports issued by the EU and each nation mentioned above.

Notes: 1) Size of workplaces surveyed: Japan, 5 employees or more; U.S., all sizes; Others, 10 employees or more

2) Includes regular part-time workers.

3) Scheduled working hours and overtime hours for France were unavailable

4) Data for Germany is from 1999

Annual Non-scheduled Hours Worked

Figure III-19 shows quarterly fluctuations in overtime hours. It is said that overtime hours in Japan increase and decrease in proportion to business fluctuations.

This illustrates that businesses make use of overtime hours as a primary means to adjust employment in the face of fluctuations in production demand. That is, rather than taking on new hires during times of prosperity, overtime hours for existing employees are increased; on the other hand, without immediately

resorting to measures such as layoffs when business is slow, the condition is dealt with through a reduction in overtime hours. Behind this is the fact that the cost of overtime allowances for existing employees is generally less than labor costs related to hiring additional employees. Non-scheduled overtime hours thus constantly exist in a large number of Japanese companies.

At present, an annual maximum of 360 overtime hours per worker is prescribed by the Labor

Standards Law; within this range, upper limits are set for fixed periods, such as 15 hours per week, 45 hours per month, and 120 hours per 3-month period. Further, the premium rate for these overtime hours is 25% in ordinary cases, 25% for nightwork (22-5), and 35% for holidays. For those working nightwork (22-5) that also happen to be overtime, the increment is 50%; and it is 60% in the case of a nightwork (22-5) worked on a holiday.

Annual Paid Vacation

Table III-17 examines the number of days of annual paid vacation given and taken, and, with those figures as denominator and numerator, the percentage of vacation days taken. According to the Labor Standards Law, 10 days vacation shall be granted to those workers with an 80% or greater attendance rate and at least 6 months of continuous service with a business, and 20 days shall be given upon reaching 6 years and 6 months of service. But unfortunately the average number of vacation days taken throughout

Japan in 2002 was 8.8. So, in actuality, only half of vacation days given were consumed.

Thus not many vacation days were taken. There is a variety of factors behind this such as that company personnel management do not presume that all the vacation days will be used, and that workers are often too busy with work to use vacation days.

Variable Scheduling System

Aside from that, the Labor Standards Law also provides a variable scheduling system. All within this system are: a system of monthly variation, a system of annual variation, flextime, and a free-style system of weekly variation. In the monthly and annual variation systems, the weekly scheduled working hours will be increased to over 40 hours for, respectively, a specified week(s) or specified month(s); all other weeks/months will be shorter. Therefore, this system can be applied to situations such as a manufacturing industry for which the exceptionally busy periods vary with season, and the corresponding clerical

III-17 Percentage of Annual Paid Vacation Days Consumed (2002)

(days, %)

Industry, Size of Company	Annual paid vacation per average worker		
	Days given (A)	Days taken (B)	Percent Consumed (B/A)
Overall Total	18.2	8.8	48.1
Businesses with 1000 employees or more	19.5	10.4	53.1
Businesses with 300–999 employees	18.1	8.2	45.2
Businesses with 100–299 employees	17.2	7.9	45.8
Businesses with 30–99 employees	17.0	7.3	43.1
Mining	18.6	10.4	56.2
Construction	18.3	6.4	35.1
Manufacturing	18.8	10.3	54.8
Electricity, gas, heat supply and water	19.7	15.1	76.7
Transport and communication	17.3	8.8	51.1
Wholesale and retail trade, eating and drinking places	17.5	6.5	36.8
Financing and Insurance	19.8	7.0	35.6
Real estate	16.9	7.9	46.9
Service industries	17.4	8.7	49.8
(Reference) Industry Totals			
1990	15.5	8.2	52.9
1995	17.2	9.5	55.2

Source: General Survey of Working Conditions, Ministry of Health, Labour and Welfare

Notes: 1) Annual Paid Vacation is the "Vacation" mentioned in Article 39 of the Labor Standards Law

2) Annual paid vacation days given, taken, and percent consumed per average worker are those from 2002, and do not include any days carried forward from the previous year.

fields. For the annual variation system, it has been possible since April 1999 to plan scheduled working hours flexibly for a period greater than one month, but maximums have been set at 10 hours per day and 52 hours per week. Flexitime is a system allowing workers self-management over their comings and goings to and from the workplace during a one-month settlement period. The free-style system of weekly variation was designed for types of businesses such as retail shops, restaurants, and Japanese-style inns, where business may slow down greatly on certain days of the week. This system provides for advance changes (made by the end of the previous week) in the scheduled working hours for a particular day or days, keeping the weekly scheduled hours at a fixed constant. In 2001, 14.8% of businesses adopted the monthly variation system, 42.8% the annual variation system, and 5.0% had accepted flexitime (General Survey of Working Conditions, Ministry of Health, Labour and Welfare).

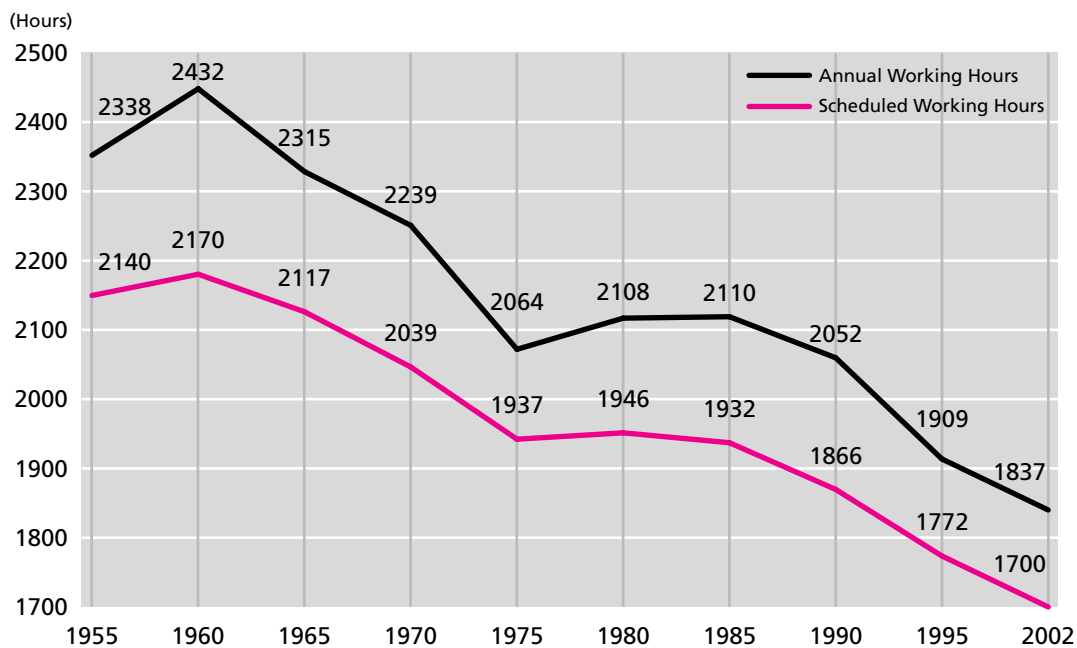
De-Facto Working Hours System

In addition, the Labor Standards Law provides for a “de-facto working hours.” To begin with, in the case of

mining work, the working hours are deemed to cover the entire time—including breaks—from the moment a worker enters the mine until that worker leaves the mine. Secondly, this system applies to “jobs for which calculation of working hours is difficult because work is done outside of the workplace and without specific command or supervision,” such as the sales and reporting (or information gathering) fields. Thirdly we have what is called a discretionary scheduling system. This is divided into a “discretionary scheduling system for specialized work” aimed at specialized work areas such as research and development, computer programmers, editors in mass communications, broadcast and movie directors, and designers; and a “discretionary scheduling system for planning work” aimed at those who are engaged in planning work (such as project planning) in white collar areas.

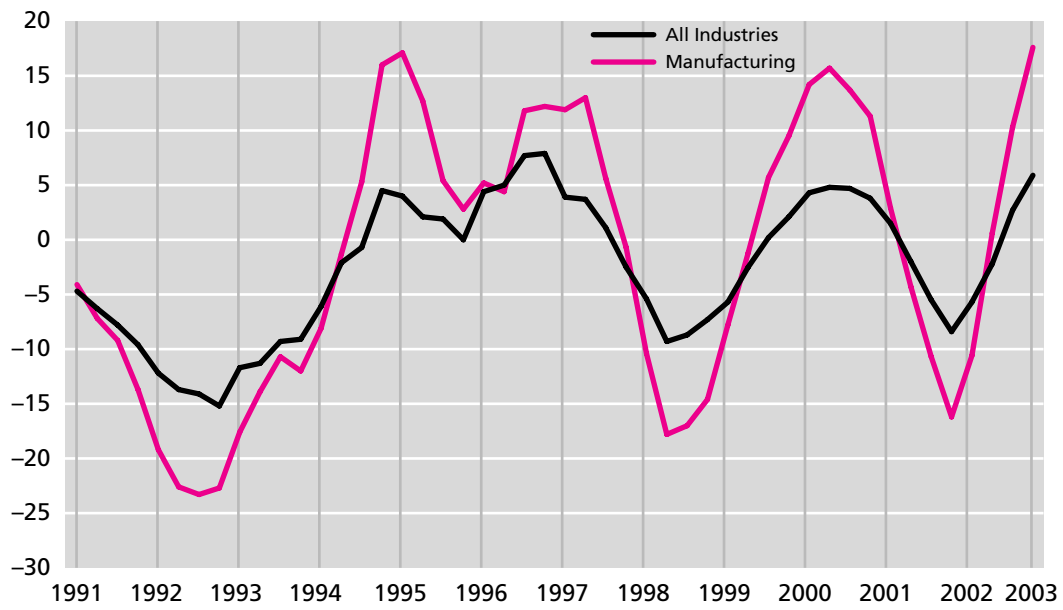
In 2001, the rate of recruitment for the discretionary scheduling system for specialized work was 1.2% for companies with 30 or more employees, and 0.9% for the discretionary scheduling system for planning work (General Survey of Working Conditions, of Ministry of Health, Labour and Welfare).

III-18 Changes in Average Annual Working Hours per Worker



Source: *Monthly Survey of Labor Statistics*, Ministry of Health, Labour and Welfare (former) Ministry of Labour
 Note: Study limited to businesses of 30 employees or more.

III-19 Percentage Fluctuations in Overtime Hours



Source: *Monthly Survey of Labor Statistics*, Ministry of Health, Labour and Welfare (former) Ministry of Labour

Notes: 1) Study limited to businesses of 5 employees or more

2) Fluctuations recorded on a quarterly basis

6 Company Benefits

Labor Cost Structure

Looking at the makeup of labor costs in Table III-20, wages occupy an 81.7% portion in Japan, and the U.S. is at about the same level. On the other hand, wages take up a relatively low percentage in the U.K., Germany and France, so that the percentage of labor costs aside from wages is high. In terms of these labor costs aside from wages, Japan's compulsory benefit costs are 9.3%—a little higher than the U.S., but lower than Germany and France. Costs for retirement benefits, etc. in Japan are 5.8% of total labor costs. The percentages for this item in the U.K., Germany and France are low; conversely, the portion of noncompulsory benefit costs in these countries is high.

Social Insurance Premium Rates

Table III-21 compares the social insurance premium rates in each country. In Japan the insurance premium rate is about 22% of total pay. This is a little higher than the rate in the U.S., and about the same as that in

the U.K., but lower than that in Germany, France and Sweden. The breakdown of Japan's 22.16% is as follows: medical insurance, 7.43%; pension insurance, 13.58%; and unemployment insurance, 1.15%. However, there is a further cost that only employers pay—the system of compensation for accidents at the workplace.

Compulsory Benefit Costs' Structure

Figure III-22 shows the composition of the average compulsory benefit costs per month per regular worker in 2001. Health insurance premiums are 31.7%, and employees' pension insurance premiums are 54.4%, so that these two compose about 86% of the compulsory benefit costs that organizations are paying out for employees. Labor insurance premium occupies 12.8%, broken down as 7.0% for unemployment insurance and 5.8% for workmen's compensation insurance.

III-20 Comparison of Labor Cost Structures by Cost Item (manufacturing)

(%)

Cost Item	Japan (2001)	U.S. (2001)	U.K. (2000)	Germany (2000)	France (2000)
Total labor costs	100.0	100.0	100.0	100.0	100.0
Total wages	81.7	80.7	76.8	75.8	64.8
Wages, salary therein	] (81.7)	(73.1)	(67.9)	(65.1)	(58.4)
Wages for vacation days and other paid days off		(7.6)	(9.4)	(10.7)	(6.5)
Total of other labor costs	18.3	19.3	23.2	24.2	35.2
Compulsory benefit costs therein	(9.3)	(8.0)	(8.3)	(15.7)	(20.5)
Non-compulsory benefit costs	(2.3)	] (11.3)	(8.7)	(7.0)	(8.9)
Cost of retirement benefits, etc.	(5.8)		(1.0)	(0.6)	(2.2)
Wages paid in kind	(0.3)		(2.3)	(0.4)	(0.1)
Vocational training expenses	(0.3)		(2.4)	(0.5)	(1.5)
All others	(0.4)		0.0	(0.3)	(2.1)

Sources: *General Survey of Wages and Working Hours Systems*, (former) Ministry of Labour
Employer Costs for Employee Compensation, Bureau of Labor Statistics
Labour Costs 1988-1999, Eurostat

Notes: 1) All workers at companies employing 30 or more persons in Japan, 1 or more in the U.S., and 10 or more in the EU.
 2) Numbers inside () are a breakdown of figures

Retirement Benefits System

The cost for retirement benefits, etc. in Japan is split into lump sum retirement allowances and retirement pensions. Retirement benefits are paid in proportion to the number of years of continuous service at a specific business, but differences exist based on the reason for retirement. The rate of payment for workers who retire for their own convenience will be lower, while this rate increases for those who retire at the mandatory age after long-term employment, or for workers who retire at a company's request, such as during a recession. For this reason, retirement benefits have become one factor in the perpetuation of long-term employment for Japanese workers.

Until recently, the lump sum retirement allowance

has been a large amount, and many workers have received this substantial benefit when retiring at the mandatory age. However, in recent years the percentage of workers receiving a retirement pension has been rising. Behind this development is the fact that the cost burden for companies has increased as the aging of employees leads to larger payments of lump sum retirement allowances. Added to that are the benefits of converting retirement benefits to a pension system, such as the advantages a company may receive through tax codes.

In addition, we are also proceeding with a gradual switchover to what is called the Defined Contribution Pension Plan, sometimes referred to as the Japanese edition 401k. This was triggered by the problems

III-21 Social Insurance Premium Rates (workers)

(%)

	Insurance Premium Rate	Portion Paid by Workers	Portion Paid by Employers	Breakdown
Japan (April 1999) ²	22.16%	10.89%	11.27%	Medical insurance (government-managed health insurance) 7.43% (standard salary monthly portion 8.5%, bonus portion 0.8%), Pension insurance (employees' pension) 13.58% (standard salary monthly portion 17.35%, bonus portion 1%), Unemployment insurance 1.15%
U.S. (1999) ³	15.30%	7.65%	7.65%	Old age/survivors/disability pension (OASDI) 12.4%, Medicare 2.9%
U.K. (April 1997)	20% maximum	10% maximum ⁴	10% maximum ⁵	National insurance (retirees pension, jobhunters-benefits, benefits for those unable to work, etc.)
Germany (1998)	42.20%	20.95%	21.25%	Pension insurance 20.3%, Illness insurance (average) 13.6%, Nursing care insurance 1.5%, Accident insurance 0.3% (average), Unemployment insurance 6.5%
France (January 1998) ⁶	41.58%	9.61%	31.97%	Illness insurance 13.55%, Pension insurance 16.35%, Widows' insurance 0.1%, Family benefits 5.4%, Unemployment insurance 6.18%
Sweden (1998)	35.53%	6.95%	28.58%	Pension insurance 20.38%, Medical insurance (sickness benefits, parent benefits, etc.) 7.93%, workmen's compensation insurance 1.38%, Unemployment insurance 5.42%, Others 0.42%

Source: *White Paper on Health and Welfare (1999)*, (former) Ministry of Health and Welfare.

Notes: 1) Basically insurance premium rates are based on total salary. In Japan's case, the premium rates for medical insurance (government managed health insurance) and pension insurance (employees' pension) use values calculated on the basis of total salary including bonuses. Figures are shown in () in the case of standard salary base.

2) In addition, there is also compensation for accidents at the workplace, but the insurance premium differs with type of business.

3) In addition, there are "social insurance" programs managed at the state level—unemployment insurance and accident compensation insurance—but the premium rates differ by state

4) Insurance rates differ with income. The insurance premium rates in the figure are those applying to any weekly pay over 64 Pounds.

5) Insurance rates differ with income. The insurance premium rates in the figure apply in cases when weekly pay is over 210 Pounds.

6) In addition, there are insurance premium rates paid by employers for compensation for industrial accidents and occupational diseases, but they differ by enterprise (4.0% on average). Premium rates for unemployment insurance differ with income. Also, in terms of expenses borne by workers, there is a general social contribution (7.5% of income) outside of the insurance premium paid. This is a kind of tax used specifically for illness insurance and family benefits.

with the conventional corporate pension (Employees' Pension Fund or Qualified Retirement Pension). In the old system, pension disbursement amounts were planned for the future (in the form of defined payments) and, because of low interest, etc. over long periods, investment profits dipped below planned levels and reserve funds were insufficient. In contrast, the Defined Contribution Pension Plan gives the responsibility of investing premium to the subscribers themselves, and the pension amounts receivable in old age change depending on the results. For companies, because they do not promise future disbursement amounts beforehand, no reserve fund insufficiencies or other additional burdens come about.

Diversification of Company Benefits

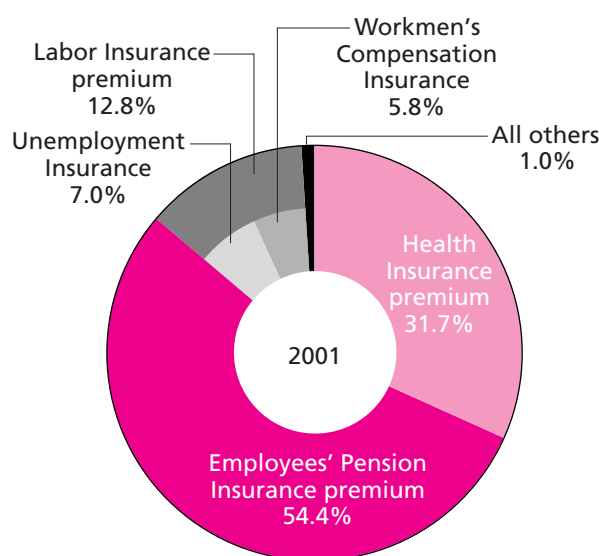
Lately, changes in corporate welfare have rested on matters like the increase in companies' cost burden for public welfare—and the diversification of employee needs—as well as the development of the social security system. Some new mechanisms are currently being introduced: 1) a retirement benefit pre-payment system will add the former welfare portion of labor costs to wages paid to individual workers; 2) a point system in retirement benefits can be combined with a merit-based wage system; and 3) a stock option sys-

tem is being popularized, allowing workers the choice of purchasing stock in their companies at a price fixed in advance. According to the 1999 General Survey of Wages and Working Hours Systems by the former Ministry of Labour, 4.0% of companies with 1,000 or more employees have introduced stock options. According to a survey conducted by Nikko Cordial Securities, after the revision of the Commercial Code in 1997, approximately 30% of all listed companies, 983, have introduced stock options (June 2002).

In addition, to mitigate the welfare cost burden and to satisfy the diversifying needs of employees, arrangements are being made for a variety of welfare choices, and a cafeteria-style plan that will allow employees to use features according to their needs is being gradually disseminated.

Furthermore, a "Family-Friendly Company" award has been created. This is to commend businesses with personnel management systems giving consideration to the household conditions of workers through such efforts as the creation of a vacation/leave system for child care and family care, and the establishment of a daycare center. The Ministry of Health, Labour and Welfare began honoring such enterprises in 1999.

III-22 Breakdown of Average Compulsory Benefit Costs per Regular Worker each Month



Sources: General Survey of Working Conditions, Ministry of Health, Labour and Welfare (2001)

7 Career Development through In-house Training and Education

OJT: Practical Training Predicated on Longterm Employment

A feature of professional education and training in Japan is that, predicated on the assumption that employees will stay at one company throughout their careers, in-house development of human resources at Japanese companies takes place over a long period. Inhouse training—central to this development—consists primarily of OJT (on-the-job training) which gives employees the opportunity to develop their skills through actual business experience. OJT fulfills an important role in educating both blue- and white-collar workers. In factories, for instance, OJT is used not only to teach personnel about the production process, but also to enable them to repair malfunctioning machinery and perform maintenance work. Clerical workers in accounting and other departments learn through OJT how to combat unreliability by, for example, analyzing divergences between budgeted and actual results.

Two Types of OJT

Because OJT often overlaps with the execution of everyday work, it is difficult to gain an understanding beyond surface appearances; however, we can divide OJT into two types—formal and informal. Formal OJT generally involves assigning instructors to train employees, and setting post-training evaluation standards. These points separate formal OJT from informal OJT.

Long-term Informal OJT Builds High-level Talent

The primary distinguishing features of human resource development in Japan are as follows.

- (1) Informal OJT performs a considerably greater role than formal OJT, which is given to newly hired workers to develop low-level skills, and does not extend beyond the initial skill improvement period following introduction to the company.
- (2) Informal OJT is widely used in Japan, but informal OJT carried out over the long-term is indispensable for employees to acquire high-level skills. Informal OJT usually takes the form of a gradual progression or work experiences from simple to more difficult tasks, or a rotation system that enables employees to serve in a variety of positions. OJT gives workers the opportunity to gain a wide range of experience, thus improving their business acumen.
- (3) Long-term informal OJT is widely popular at large corporations, but also at some small and medium-sized businesses.
- (4) OJT is not the exclusive source of training in Japan; it is interspersed with Off-JT (off-the-job training), e.g., training seminars at outside institutions. Off-JT gives added perspective to the experience employees gain through OJT, and helps them gain additional knowledge and theoretical skills that they can use to solve the problems that arise in everyday business situations.

OJT is Founded on Seniority-based Promotion and Promotional Management

This type of OJT functions effectively in Japan thanks to a promotion and pay raise management system that enables senior workers to smoothly pass skills on to subordinates. Senior workers are not reluctant to train their subordinates, since they are confident that the latter will not be promoted or given raises ahead of them; this, in turn, has reinforced teamwork within the workplace. This approach to human resource development has proven to be a positive way for employees to refine their skills, and is also an aspect of Japanese corporate culture that makes Japanese companies so competitive.

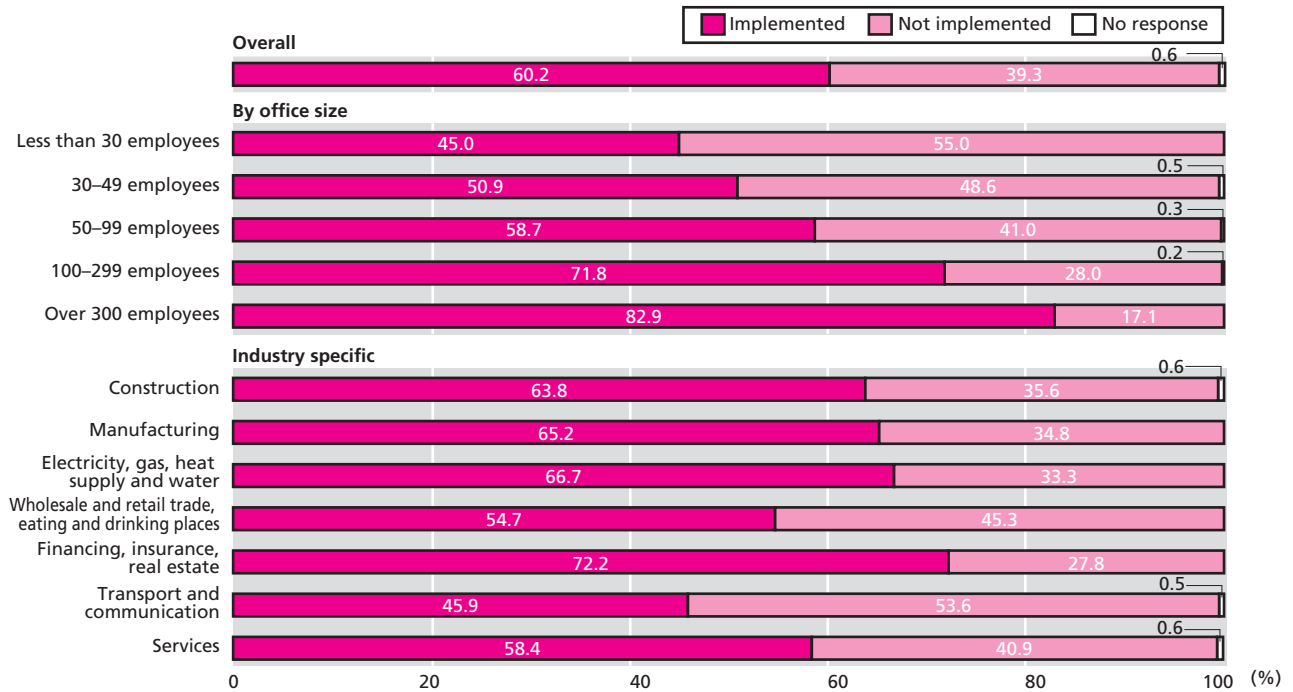
60.2% of Companies Implement Off-JT, and 44.8% Implement Planned OJT

According to the most comprehensive reference on Japanese in-house training, “Basic Survey of Human

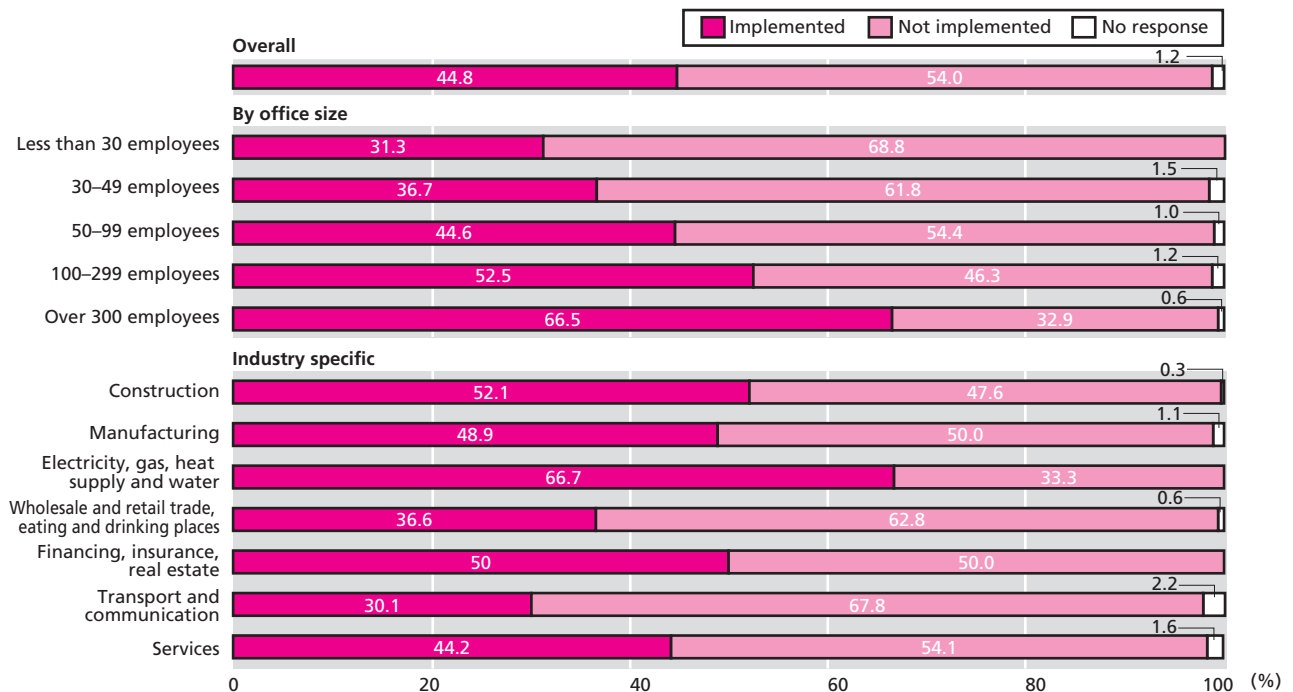
Resources Development” (Ministry of Health, Labour and Welfare), 60.2% of Japanese companies imple-

mented Off-JT in FY2001, and 44.8% implemented “planned OJT.”

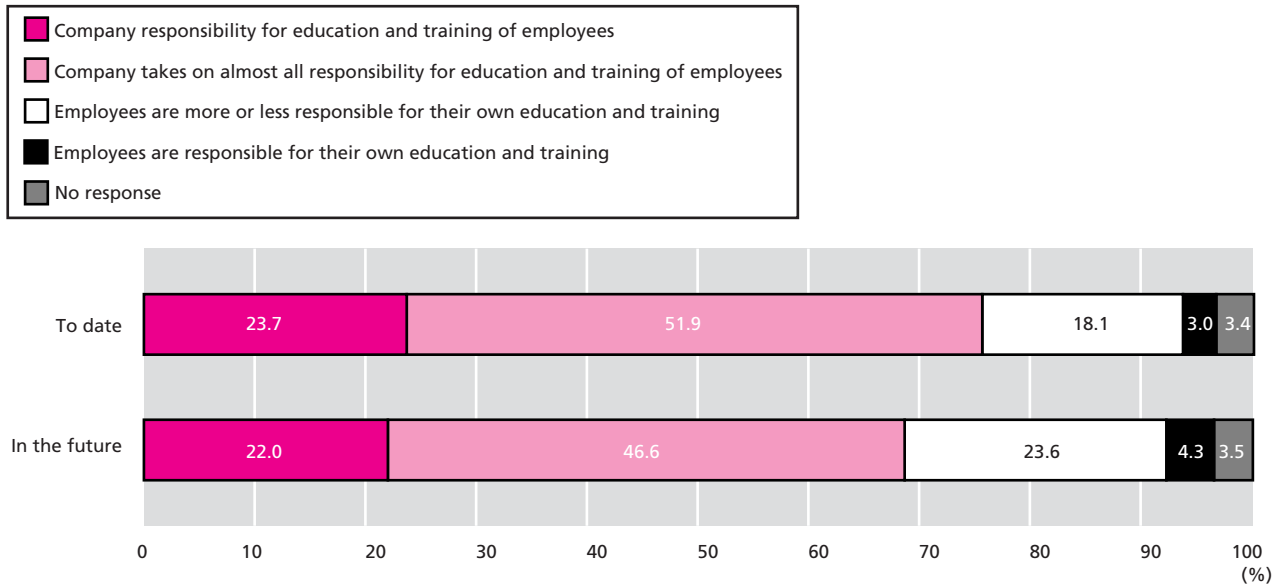
III-23 Current Situation of Off-JT Implementation



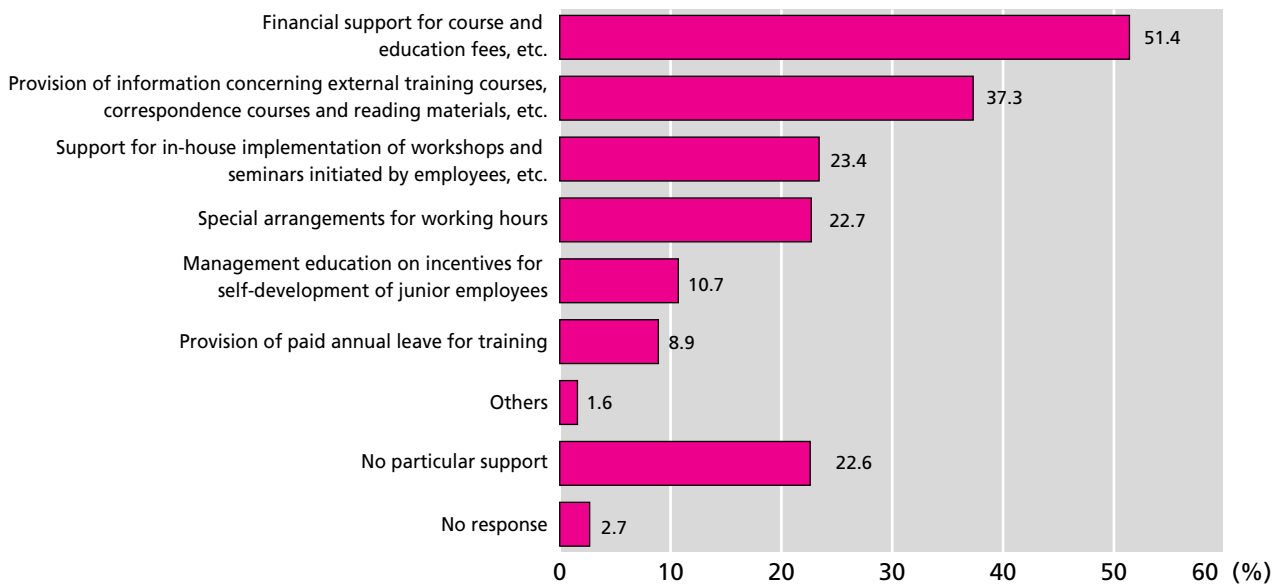
III-24 Current Situation of Planned OJT Implementation



III-25 Responsibility for Skills Development



III-26 Support for Self-development by Employees (multiple responses)



Source: Figure III-23~26 Basic Survey of Human Resources Development, Ministry of Health, Labour and Welfare, 2002

Resignation

“Retirement” is a cause for the cancellation of labor contract relations, and is a general term applying whenever an employee leaves the company where he or she is employed (excluding dismissals). There are different types of retirement: “general resignation” and “resignation for one’s own convenience” take place when the employee unilaterally cancels the labor contract relationship; “resignation by agreement,” “resignation by employee’s request,” and “voluntary retirement” all occur through consent between employee and employer; and “retirement at the mandatory age” comes about according to rules in the labor contract, work rules in the company or collective agreement.

Recent problems related to resignation that have arisen are advised resignations and preferential treatment when soliciting employees for early retirement with business restructuring.

Regarding the former, the wrongful urging of retirement such as through persistent pressing or violence is illegal, and employers are liable for damages. The actual situation is not clear, but looking at the operational statistics of the System for Resolution of Individual Labor Disputes, 10% to 15% of disputes that develop at the workplace are over bullying and harassment related to advised resignation or something closely connected to advised resignation.

Regarding the latter, there have been lawsuits in which employees seek to collect differences in money received from companies resulting from imbalanced preferential treatment depending on when employees resign. This type of preferential treatment has no legal basis, so when, to whom, and what kind of preferential treatment is given can basically be decided by companies. Thus in general, even though using such a system for preferential treatment, the issue of consent of users of the system and imbalances in preferential treatment become legal problems, unless these types of systems are acknowledged as being permanent, applying to all employees and being

clearly part of the conditions of employment, requests by employees for companies to make up for differences in pay are not recognized.

Mandatory Retirement

The Elderly Persons Employment Security Law stipulates that employers may not fix a mandatory retirement age under age 60 (Article 8). According to the 2002 survey* 92.2% of companies provide a mandatory retirement system; of those, 97.5% provide a uniform mandatory retirement system. Of the companies with a uniform mandatory retirement system, 89.2% have set the mandatory retirement age at 60 (see Table III-27).

The Elderly Persons Employment Security Law assigns to employers the obligation to make efforts toward developing a system of continuous employment to age 65 (Article 9). The previous survey shows, however, that 9.6% of companies have set the mandatory retirement age at 61 or above, and 7.0% have set it at age 65 or above (see Table III-27). Based on this, it does not appear that setting the mandatory retirement age to above 60 has become rooted in society.

On the other hand, even though a company may have set its mandatory retirement age at 60, it may have measures for continuous employment. According to the previous survey, 67.4% of companies have adopted some type of measures for continuous employment such as employment extension systems and reemployment systems (see Table III-28). However, 65.7% of companies have set conditions for the application of these in-company systems, such as “limited to employee whom the company accepts as particularly necessary” and “employee who have met certain standards set by the company.”

The percentage of companies which have set their mandatory retirement age to above 60 has risen slightly since the last survey, but continuous employment for elderly persons has still not spread (see Table III-29 regarding issues related to the raising of

the mandatory retirement age). The problem of the employment of elderly persons, originating from a variety of factors such as the gradual increase of the age at which the payment of pensions begins, is an important unresolved issue.

Incidentally, the mandatory retirement system ends the working relationship by reason of a worker reaching a specific age; and while there is strong opinion that this is unreasonable or contradicts the idea of employment security, in a long-term continuous employment system based on seniority, the mandatory system is generally held to be rational. In court, too, it has not been decided that the mandatory retirement system violates the law (it does not violate public order). However, the recent high unemployment rates and long periods of joblessness accompanying the prolonged recession—and in particular age restrictions on the recruiting side preventing reemployment of middle-aged person—have become social problems, and as a result, guidelines assigning to employers the obligation to make efforts to not assign age limitations when recruiting and hiring employees have been created.

In addition, beyond this, many people are still of the opinion that it is necessary to formulate new legislation prohibiting age discrimination. Since a large number of problems remain to be resolved such as how to handle the relationship between prohibiting age discrimination and companies' internal long-term and continuous employment systems, systems of treatment and evaluation, and the promotion of mobility in the labor market, no measures prohibiting age discrimination are expected to be realized at this point in time.

* Statistics and Information Department, Minister's Secretariat, Ministry of Health, Labour and Welfare. "2003 Survey of Employment Management – Retirement Management" (2003).

Dismissals

In Japan, according to enacted laws, employers have the freedom in principle to dismiss employees. Also, in the Labour Standards Law, dismissals are only prohibited 1) during a period of leave for an injury at the workplace or illness, and during the 30 days following, as well as 2) for women, during the period of

leave for pregnancy and delivery (Article 65), and during the 30 days following; but dismissal itself is not prohibited.

On the other hand, dismissal contrary to the legal principle of equal treatment between men and women goes against Article 90 of the Civil Code on public order and is therefore invalid. A further exception by law to the freedom of dismissal is that malicious or retaliatory dismissals, asserting or employing rights given by existing laws, are prohibited as disadvantageous treatment (Article 3 and Article 104, Item 2 of the Labour Standards Law; Article 13, Item 2 of the Equal Employment Opportunity Law; Articles 10 and 16 of the Child Care and Family Care Leave Law; Article 7 of the Trade Union Law).

Looking at dismissals in general, the restriction imposed by the legal principle of "abuse of dismissal rights" has attained an especially important role. This principle, which has been established by precedent of the Japanese Supreme Court from about the mid-1970s onward, is a legal theory that will examine and restrict the use of dismissal rights when an employer unilaterally cancels a labor contract with a employee. The Supreme Court stated, "the use of the right of dismissal by an employer shall become invalid, as an abuse of rights, when lacking in objectively rational pretext or when it cannot be approved as corresponding to any socially accepted idea," formulating the content of this principle. Further, the Court expressed that "even when there is a reason for general dismissal, the employer may not always be able to dismiss the employee. If the basis for dismissal in the specific situation concerned is remarkably unreasonable, or when it cannot be approved as corresponding to a socially accepted idea, the concerned expression of intention to dismiss shall be invalid as an abuse of the right of dismissal." The court went on to present specific requisites and methods for interpretation of the principle. In short, this principle urges the careful consideration of all favorable circumstances for the dismissed employee before judgment, so as to avoid merciless dismissals.

These legal principles are stated in an amendment to the Labour Standards Law in 2003. Behind this was the recognition that this legal principle should be stated because even though the principle has been

playing an important role in Japan's dismissal regulations, the fact that it was not a law made it socially ambiguous. There was also the recognition that by stating the principle, the easy dismissal of employees because of the recent economic recession should be stopped. The key to the future operation of this system is how society takes the message that lies in the making of written legal principles of the abuse of dismissal rights.

Collective Dismissals for Economic Reasons

The adjustment of employment in Japan is focused chiefly on the regulation of overtime, and is accomplished through measures not to bring grief to employees. As a step to eliminate permanent employees from the enterprise, this adjustment has not been made as long as the management situation is not terribly bad. The basis for this situation is that dismissals are, in actuality, difficult to carry out because Japanese companies have come to view long-term continuous employment as important, and the existence of the legal principle of "abuse of dismissal rights" supports this.

Regulations relating to collective dismissals are formed based on the above-mentioned legal principle of "abuse of dismissal rights," and the following criteria must be satisfied or the dismissal will be illegal and invalid.

1) Are personnel cuts necessary?—It is not necessary for conditions to get to the point that collective dismissals must be made or the continuing existence of the company is in danger; it is sufficient that the management situation worsens such that a rational manager can adequately consider implementing collective dismissals. However, actions inconsistent with personnel cuts may be considered requisites for the denial of such necessity. 2) Was every effort made to avoid dismissals?—Employers must look into implementing alternatives such as restrictions on overtime, reassignments and temporary transfers, freeze on new hires, layoffs, voluntary retirement, and cuts in part-time and other non-permanent positions. 3) Were the criteria reasonable for selection of dismissal candidates?—Criteria must be objective and impartial. Some examples are: numbers of late arrivals and

absences, existence of a history of behavior in violation of work rules in company, and low impact of economic blow to employees such as those with no dependents. 4) Was every effort made to talk the situation over with employees or the labor union?—This is of course necessary when the collective agreement contains an item guaranteeing discussion of personnel matters; even when no such item exists, it is understood as necessary from the position of loyalty to the labor contract or labor-management relations. Specifically, there shall be adequate explanation and hearing of opinions regarding the events leading up to the collective dismissals, and the term and method of carrying out such dismissals.

The four criteria above are called the legal principles of collective dismissals. As stated earlier, however, while the concept of the legal principles of collective dismissals is included in the legal principles of the abuse of dismissal rights, and in the amendment to the Labor Standards Law in which the legal principles of the abuse of dismissal rights were stated, the details of the principles are not explained. In the process of discussing the amendment, there were intensive discussions regarding whether the four criteria above should be specified, but in the end, due to a well-known representative court case related to the legal principles of collective dismissals, the principles were seen as limiting the easy downsizing of personnel. Given such responses only, whether the dismissal regulations will become more efficient is not without doubt.

Disciplinary Dismissals

Work rules in the company generally provide the heading "disciplinary actions" for handing down punishments to persons such as those who violate workplace orders. Disciplinary actions are the personal sanctions or punishments that a company carries out against its own employee for the reason that the employee disturbed the order of that company. These actions are, from the most minor: warning, reprimand, official reprimand, salary reduction, suspension, counseled dismissal, and disciplinary dismissal.

Dismissals lend a great disadvantage to workers, especially in the case of a disciplinary dismissal; because the worker receives the evaluation of a per-

son thrown out of a company for violating the order, that employee is at an extreme disadvantage when again looking for a job. However, if such a violator of the order is left in the company, it is possible that the productivity and daily business of the other employees may be hindered. Accordingly, an approach is being taken that, while considering the disadvantage to the employee and the benefits to the company, rigorously judges the legal validity of disciplinary actions including the personal sanctions of disciplinary dismissal. In short, the following are necessary in the event of a disciplinary dismissal: ①the reason for action, and the type and degree of action corresponding to this reason, are specified in the workplace regulations, etc.

(legal principle of *nulla poena sine lege*, or no punishment without a law), ②the issue has come up in the past, and the same type and degree of action were carried out (general principle of equal treatment), ③the substance of the action is appropriate when held up against the type and degree of violation, and other circumstances (general principle of equivalence), and ④the procedures of the action are fair (examination by a disciplinary committee, and an opportunity to defend given to the person in question). In addition, because disciplinary dismissals are also dismissals, the legal principles of the abuse of dismissal rights which are stated in the amendment to the Labour Standards Law apply, and these dismissals are regulated.

III-27 Ratio of Enterprises with Fixed Retirement Age System, by Retirement Age

(%)

Size of enterprise, industries	Enterprises with Fixed Retirement Age	Ages 59 or below	Age 60	Ages 61-64	Age 65	Ages 66 or over	Same as on left Ages 66 or over	Same as on left Ages 61 or over	Same as on left Ages 65 or over	
All Industries	[97.5]	100.0	1.1	89.2	2.7	6.8	0.1	98.9	9.6	7.0
Size of enterprise										
5,000 employees and over	[95.0]	100.0	—	98.4	1.3	0.3	—	100.0	1.6	0.3
1,000—4,999 employees	[97.8]	100.0	—	97.2	2.0	0.9	—	100.0	2.8	0.9
300—999 employees	[97.0]	100.0	0.2	93.3	3.1	3.1	0.4	99.8	6.5	3.5
100—299 employees	[97.6]	100.0	0.0	90.8	3.5	5.7	0.0	100.0	9.2	5.7
30—99 employees	[97.5]	100.0	1.6	88.0	2.4	7.8	0.1	98.4	10.4	8.0
Type of Industries										
Mining	[98.0]	100.0	—	91.9	2.0	6.1	—	100.0	8.1	6.1
Construction	[96.6]	100.0	1.3	87.8	3.6	7.3	—	98.7	10.9	7.3
Manufacturing	[99.0]	100.0	0.4	94.0	0.9	4.7	0.0	99.6	5.7	4.7
Electricity, gas, heat supply and water	[94.7]	100.0	—	98.5	1.5	—	—	100.0	1.5	—
Transport and communications	[96.4]	100.0	1.5	84.7	5.0	8.8	—	98.5	13.8	8.8
Wholesale and retail trade, eating and drinking places	[96.6]	100.0	2.6	89.2	3.2	5.0	—	97.4	8.1	5.0
Financing and insurance	[97.8]	100.0	—	95.6	3.5	1.0	—	100.0	4.4	1.0
Real estate	[91.9]	100.0	—	91.0	3.9	5.1	—	100.0	9.0	5.1
Services	[97.1]	100.0	0.8	84.0	3.4	11.2	0.5	99.2	15.1	11.7
2002 Survey Total	[96.0]	100.0	0.6	90.3	2.3	6.6	0.2	99.4	9.1	6.8

Source: Ministry of Health, Labour and Welfare, *Survey on Employment Management 2003*.

Note: Figures in [] shows the ratio of enterprises which adopt uniform retirement age system among the enterprises that adopt retirement age system.

III-28 Ratio of Enterprises by Industry, Enterprise Scale, Retirement Age Class in Fixed Retirement Age System, Presence of Absence of Employment Expansion System, Re-employment System, and Future Adoption

(%)

Size of enterprise, industries	Enterprises which have a uniform retirement age system		Enterprises with such system				Enterprises with no such system		(Same as on left) with such system	
			Total	Employment extension system only	Re-employment system only	with both re-employment and extended employment	Planning to introduce system	No Plans to introduce system	Employment extension system (incl. the both systems)	Re-employment system (incl. the both systems)
All Industries	[97.5]	100.0	67.4	14.3	42.5	10.7	3.4	29.1	24.9	53.1
Size of enterprise										
5,000 employees and over	[95.0]	100.0	77.5	4.9	71.3	1.3	5.2	17.3	6.2	72.6
1,000–4,999 employees	[97.8]	100.0	69.2	4.7	55.7	8.9	4.8	26.0	13.5	64.5
300–999 employees	[97.0]	100.0	69.0	5.4	52.7	10.9	3.4	27.6	16.3	63.6
100–299 employees	[97.6]	100.0	70.8	11.0	50.4	9.4	2.9	26.4	20.4	59.8
30–99 employees	[97.5]	100.0	66.0	16.6	38.2	11.2	3.6	30.4	27.8	49.4
Type of Industries										
Mining	[98.0]	100.0	74.7	13.1	51.5	10.1	2.0	23.2	23.2	61.6
Construction	[96.6]	100.0	79.7	20.4	44.9	14.3	1.6	18.7	34.8	59.3
Manufacturing	[99.0]	100.0	70.3	13.1	47.1	10.1	2.4	27.4	23.2	57.1
Electricity, gas, heat supply and water	[94.7]	100.0	71.6	3.0	65.5	3.0	—	28.4	6.1	68.5
Transport and communications	[96.4]	100.0	77.4	20.0	43.6	13.8	3.5	19.2	33.8	57.4
Wholesale and retail trade, eating and drinking places	[96.6]	100.0	59.5	13.5	37.5	8.5	5.0	35.5	22.0	46.0
Financing and insurance	[97.8]	100.0	61.1	6.4	48.3	6.5	1.6	37.3	12.8	54.7
Real estate	[91.9]	100.0	64.3	7.2	50.8	6.2	3.1	32.6	13.4	57.0
Services	[97.1]	100.0	59.2	11.6	37.0	10.6	4.8	36.0	22.2	47.6
2002 Survey Total	[96.0]	100.0	71.0	14.7	42.6	13.7	8.1	20.9	28.4	56.4

Source: Ministry of Health, Labour and Welfare, *Survey of Employment Management 2003*.

Note: Figures in [] shows the ratio of enterprises which adopt uniform retirement age system among the enterprises that adopt retirement age system.

III-29 Ratio of Enterprises by Challenge to Raising the Retirement Age to Early 60s (%)

Size of enterprise	Enterprises with fixed retirement age		Enterprises with such system											Nothing particular	No response	
			Total	Review of job descriptions and work environment	Review of working hours and forms of employment	Review of personnel management such as positions/titles	Review of wage structure	Review of retirement allowance system	Maintenance of work efficiency	Self-development	Retraining	Special arrangement with regard to health	Others			
All	[92.2]	100.0	84.0	(100.0)	(35.5)	(22.9)	(48.6)	(75.5)	(44.0)	(35.0)	(11.5)	(2.3)	(51.4)	(2.5)	9.5	6.5
5,000 employees and over	[100.0]	100.0	93.5	(100.0)	(52.3)	(45.0)	(81.1)	(89.4)	(71.9)	(30.1)	(10.9)	(5.3)	(49.7)	(6.6)	1.5	5.0
1,000–4,999 employees	[99.8]	100.0	93.1	(100.0)	(47.3)	(29.5)	(73.2)	(86.4)	(67.7)	(26.7)	(11.5)	(7.4)	(43.9)	(4.5)	3.6	3.3
300–999 employees	[99.4]	100.0	93.4	(100.0)	(41.1)	(19.4)	(68.1)	(81.6)	(57.8)	(32.0)	(11.0)	(4.4)	(46.1)	(2.7)	4.1	2.5
100–299 employees	[98.0]	100.0	86.1	(100.0)	(38.6)	(21.9)	(56.4)	(78.2)	(52.3)	(35.7)	(10.4)	(4.0)	(48.0)	(3.2)	8.3	5.5
30–99 employees	[89.6]	100.0	82.0	(100.0)	(33.2)	(23.4)	(42.5)	(73.4)	(38.5)	(35.4)	(12.0)	(1.2)	(53.5)	(2.1)	10.6	7.3

Source: Ministry of Health, Labour and Welfare, *Survey on Employment Management 2003*.

Note: Figures in [] shows the ratio of enterprises which adopt retirement age system among all enterprises

1 Labor-Management Relations in Japan

In-House Labor-Management Relations Play a Key Role

In Japan, there persisted an employment practice where dismissal of regular employees was kept to a minimum, and these employees were nurtured and utilized in the internal labor market over a long term. The various systems of employment relations have developed to adjust to this internal labor market. This phenomenon had been reflected in the characteristic of individual labor-management relations with (1) periodic recruitment of new graduates with the assumption of job security until retirement, (2) flexible reassignment of regular employees without specifying job contents and nurturing of employees through on-the-job training (OJT) and (3) personnel management by seniority for remuneration and promotion in accordance with accumulation of work performance.

The labor-management relations between employee groups and companies have also developed into enterprise labor-management relations by enterprise unions that adjusted to the internal labor market. Typically, one enterprise union is organized per company and the union officials are also employees. Since the managers and executives that represent the employees had once been ordinary employers as well before being promoted to their position, they share common interests with the union members.

Collective bargaining is conducted between enterprise unions and companies, and working conditions such as annual wage increase, lump-sum benefits, working hours, welfare issues and others are determined. Aside from collective bargaining, various labor-management consultations are conducted separately and formulation of management policy and

production plans, and others are discussed. With this labor-management consultation system at its base, stable labor-management relations are established.

Labor-Management Relations at Industry and National Levels

Nevertheless, it is difficult to determine the standards for working conditions across companies with enterprise-based labor-management relations. The enterprise unions do not possess the power to control the competition among companies, and rather have a tendency to control their speech and action, on problems of a reduction in their own company's competitive power. It could be said that labor-management relations in industry and at the national level have advanced so as to supplement this kind of limitation in the enterprise labor-management relations.

One of these is the Shunto (spring wage offensive) system, in which industrial trade unions of the labor unions organize a unified struggle spanning across companies, and national centers perform such tasks as strategic coordination between industrial trade unions and arousal of public sentiments. The Shunto system has created a system prevalent in society in which one set of labor and management as pattern setters determine the wage increase rate, which is used as a reference by other labor and management in their negotiations.

Furthermore, in many of the major industries, labor-management councils for each industry are established where information and opinion exchanges are conducted on problems related to the situation of the industry and working conditions. Rengo (Japanese Trade Union Confederation) and management organizations such as the Nippon Keidanren

(Japan Business Federation) have established a venue for periodic discussions and when their opinions regarding a problem are in accord, they unite to propose a policy to the Government.

The second important point is the role of labor management relations in industry and at the national level in formulating labor and social policies. Representatives of unions and management organizations participate in these councils and work for consensus building on policies.

Conventional Modality out of shape

The long-term employment practice is faltering due to changes in the labor market structure such as decreasing birth rate and rapidly aging society as well as long-term economic stagnation since the 1990s, and revision of the seniority-based wage system is being advanced.

A rapid increase in atypical workers such as part-time workers has imposed tremendous influence on

the modality of collective labor-management relations. The unionization rate did not reach 20% in 2003 (19.6%). The unionization rate of part-time workers amounts to only 3.0% (see Table IV-1). Labor unions mainly comprising regular employees have unquestionably fallen behind the organization of atypical workers. From the standpoint of the companies, holding talks with labor unions does not include the voices of atypical workers in the workplace and the question is being raised on whether labor unions actually represent the voice of the workplace.

Shortcomings can also be seen in the Shunto method. With international competition intensifying, large companies have restrained wage standard increases, and companies are also leaning toward making individual decisions. Wage increases consistent with the going wage have become difficult and their function of impacting society is weakening. Reconstruction of a wage negotiation system suitable to the new age is being sought.

IV-1 Changes in the Number of Union Members and the Estimated Unionization Rate for Part-time Workers (Unit labour union)

Year	Number of labor union members among part-time workers			Ratio to all union members	Number of short-time workers	Estimated unionization rate
		Year-on-year difference	Year-on-year difference ratio			
	in 1,000	in 1,000	%	%	in 10,000	%
1999	244	4	1.7	2.1	993	2.5
2000	260	16	6.6	2.3	1,017	2.6
2001	280	20	7.8	2.5	1,042	2.7
2002	292	13	4.5	2.7	1,097	2.7
2003	331	38	13.1	3.2	1,098	3.0

Source: Survey of Labour Unions, Ministry of Health and Welfare, 2003

Notes: 1) "Part-time workers" are those who work fewer hours than regular workers at the same business operation, or work regular working hours with a shorter workweek, and referred to as "part-time workers" at the workplace.

2) The number of short-time workers is the number of those who are classified as "employed" in the *Labour Force Survey* with less than 35 working hours per week.

3) Estimated unionization rate is calculated by the following formula: Number of union members among part-time workers ÷ Number of short-time workers.

2 Union Organization

Unionization Rate of 19.6%

According to the “Survey of Labor Unions” issued by the Ministry of Health, Labour and Welfare, as of June 30, 2003, there were 63,955 unit labor unions in Japan. The estimated unionization rate is 19.6%, with about 10.531 million out of a total of around 53.73 million employed workers belonging to unions.

The organizational structure of Japan’s labor unions is overwhelmingly dominated by enterprise unions. Craft unions and industry trade unions also exist- though in small numbers-but in Japan where longterm employment is common, over 90 percent of unions are enterprise unions.

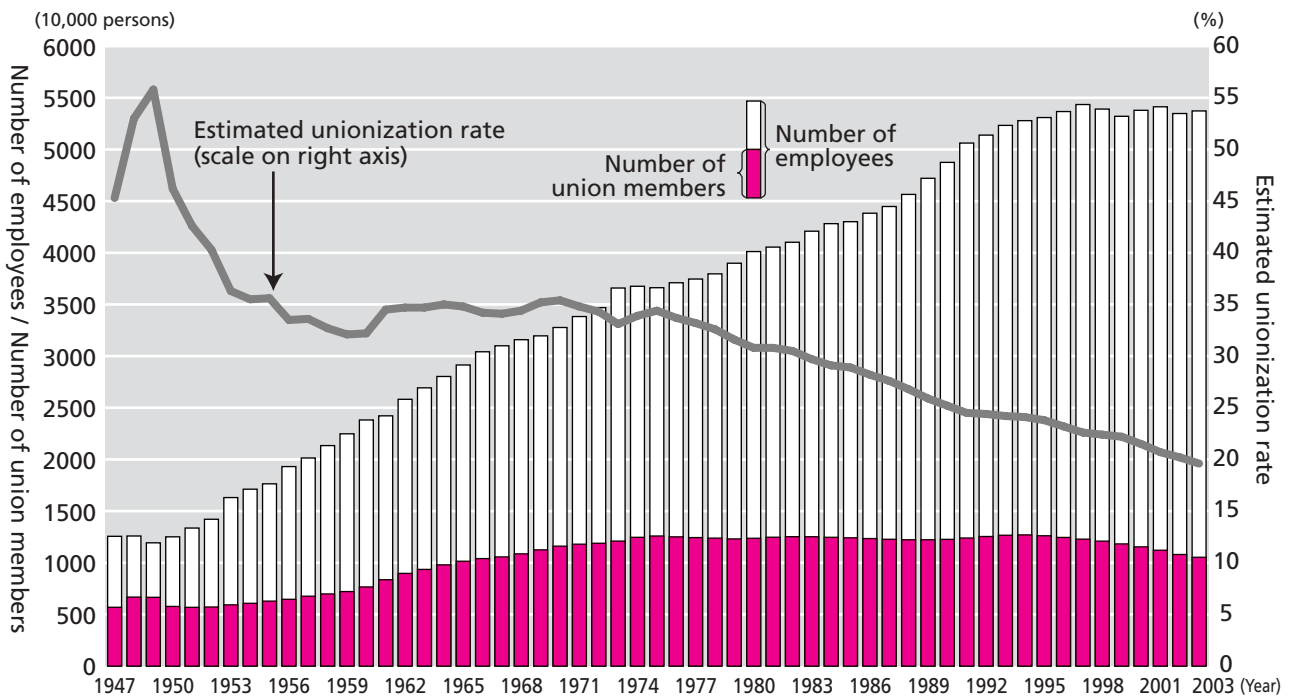
Unionization Rate has Shown a Steady Decline Since its Peak in 1949

Since its peak in 1949, the estimated unionization

rate has continuously declined because the growth in the number of union members has not kept up with the growth in numbers of employees. The unionization rate in 2003 under-performed its 2002 figure by 0.6% (see Figure IV-2).

Industry-specific unionization rates are high in public service (53.6%); electricity, gas, heat supply, and water (58.4%); and financing and insurance (51.7%). In contrast, unionization rates are low in agriculture, forestry and fisheries (3.8%); wholesale and retail trade (9.8%); food and beverage and hotel (2.9%); service industries (6.6%) and other sectors. (see Table IV-4).

IV-2 Changes in the Number of Employees and Union Members, and the Estimated Unionization Rate



Source: Survey of Labour Unions, Ministry of Health, Labour and Welfare, 2003

Primary Reasons for the Falling Unionization Rate are the Growth of the Service Sector and Increases in Part-time Workers

There are two factors behind the lack of growth in the number of labor union members: (1) the burgeoning of development in the service economy, thereby expanding the importance of commerce and service industries where the unionization rate has always been lower; and (2) resulting from the diversification of employment, increasing numbers of part-time and temporary workers who are difficult to organize. Japanese labor unions basically have a “triplicate structure.” That is, (1) enterprise labor unions organized at each business, (2) industrial trade unions organized as loose federations of enterprise union members gathered by industry, and (3) national centers (a typical example being the Japanese Trade Union Confederation) made up of the industry trade unions gathered at the national level.

IV-3 Unionization Rate by Company Size (%)

Company size	Percentage of the number of union members	Percentage of the number of employees	Estimated unionization rate (2001)
Total	100.0	100.0	17.1
More than 1,000 workers	57.6	19.0	51.9
300–999 workers	15.8	] 25.9	16.6
100–299 workers	9.2		
30–99 workers	3.4	] 54.5	1.2
Fewer than 29 workers	0.5		
Others	13.5	–	–

Source: *Survey of Labour Unions*, Ministry of Health, Labour and Welfare, 2003

- Notes: 1) The total number of unit labor unions
 2) “Others” includes members of unions that embrace more than one industry and unions whose size is not known.
 3) “Number of employees” represents workers employed by private enterprises, excluding agriculture and forestry.

IV-4 Unionization by Industry

Industry	Number of union members (1,000 persons)		Percentage (%)	Number of employees (10,000 persons)	Estimated unionization rate (2003) (%)
All industries	10,437	[2,922]	100.0	5,373	–
Agriculture, forestry, and fisheries	20	[2]	0.2	52	3.8
Mining	8	[1]	0.1	4	20.4
Construction	984	[67]	9.4	473	20.8
Manufacturing	2,917	[485]	28.0	1,101	26.5
Electricity, gas, heat supply and water	210	[28]	2.0	36	58.4
Information	377	[58]	3.6	175	21.5
Transportation	911	[68]	8.7	307	29.7
Wholesale and retail trade	977	[390]	9.4	996	9.8
Financing and insurance	786	[405]	7.5	152	51.7
Real estate	28	[5]	0.3	58	4.8
Food and beverage and hotel	73	[25]	0.7	255	2.9
Medical and welfare	438	[347]	4.2	475	9.2
Education and learning assistance	656	[333]	6.3	261	25.1
Combined services	341	[79]	3.3	84	40.6
Services	450	[132]	4.3	683	6.6
Public service	1,217	[482]	11.7	227	53.6
Other industries	42	[14]	0.4	–	–

Source: *Survey of Labour Unions*, Ministry of Health, Labour and Welfare, 2003

- Notes: 1) The total number of unit labor unions
 2) The “other industries” category covers members of unions that embrace more than one industry (excluding group enterprises) or whose industrial classification is unclear.
 3) Figures in brackets represent female union members.

Japanese labor unions basically have a “triplicate structure.” That is, (1) enterprise labor unions organized at each business, (2) industrial trade unions organized as loose federations of enterprise union members gathered by industry, and (3) national centers (a typical example being the Japanese Trade Union Confederation = Rengo) made up of the industry trade unions gathered at the national level.

Enterprise Labor Unions: Asserting Labor’s Basic Rights

Enterprise labor unions are Japan’s dominant form of labor organization because each enterprise union exercises labor’s three primary rights: the rights to organize, bargain collectively, and strike. Each enterprise union has most of the staff, funding, and other materials necessary to exercise labor’s three primary rights.

Labor unions play the role of maintaining and improving workers’ quality of life and working conditions. In order to do so, they engage in three primary activities: activities with management, activities within the unions, and activities outside the organization. First of all, as individual unions, enterprise unions maintain and improve working conditions as in Figure IV-5 and participate in management through collective bargaining and consultation with the management. Next, as for activities within the unions, enterprise unions not only deal with organizational operations but also provide their members with services through various kinds of mutual aid activities.

Finally, when it comes to activities outside the organization, enterprise unions individually seek to provide benefits to their members by using their influence for various policies on the regional, industrial, and national levels concerning employment and working conditions as well as quality of life of their members. In addition, recently, more and more labor unions are getting involved with community and volunteer activities in order to improve their public relations.

Incidentally, the enterprise unions are only intended for permanent staff employed at the concerned companies, and non-permanent employees are generally not included. The enterprise union is a mixed union organized as a single trade union for all permanent employees, without distinction between white-collar and blue-collar.

Industrial Trade Unions: The Mechanism and Roles

Enterprise unions are limited by their own resources to engage in the above-mentioned three activities. In order to expand their effectiveness, they have established industrial trade unions. Industrial trade unions support their member unions’ actions against business owners by consolidating requests concerning chief working conditions such as wages and working hours on the industrial level, collecting and providing information and basic materials, and coordinating negotiation strategies. In terms of activities within the organization, industrial trade unions provide their members with a variety of services through mutual aid activities, including life insurance, pension, medical insurance and so on. In addition, industrial trade unions participate in the formation and decision-making processes of national industrial policies, consult with economic organizations and develop international cooperation among labor unions.

National Centers: The Mechanism and Roles

National centers (mainly Rengo—the Japanese Trade Union Confederation) provide members with support for actions against business owners by, for example, deciding comprehensive standards for requests regarding working condition issues such as wages and working hours. However, the most important role of the national centers is their participation in national politics. Rengo, the largest of the national centers, maintains and improves workers’ quality of life by sending its members to various advisory bodies in the government, participating in the decisionmaking

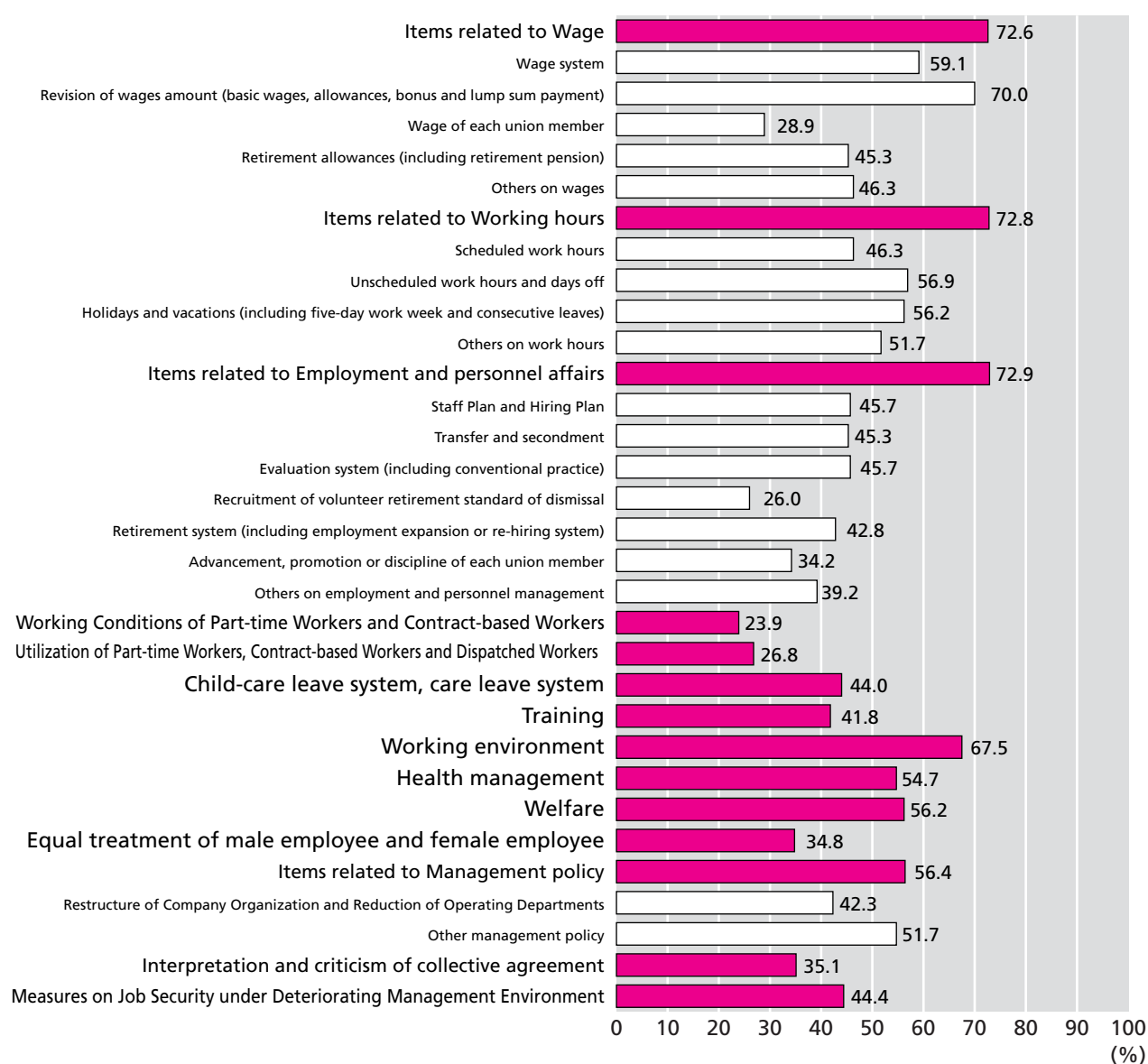
processes of government policy, and concluding and maintaining cooperative relations with political parties.

Acts of Labor Dispute Take Place at the Company Level

Japan's labor-management relations are basically

cooperative, but labor disputes do occur occasionally. In Figure IV-6, 6.0% of labor unions "have had labor disputes" between labor unions and employers in the last three years representing a decline from the figure of the previous survey. Looking at the ratio of labor unions with labor dispute by their size, while labor unions of all sizes were in the range of 5% to 6%,

IV-5 Ratio of Labour Unions by Items Regarding Subject between Labour and Management, whether or not Negotiation was Held and Session through which Negotiation was Held (in the past 3 years) Total Labour Unions=100, M. A.



Source: *Japanese Labor Unions Today II—Survey Results on Collective Bargaining and Labour Disputes*, Policy Planning and Research Department (2003).

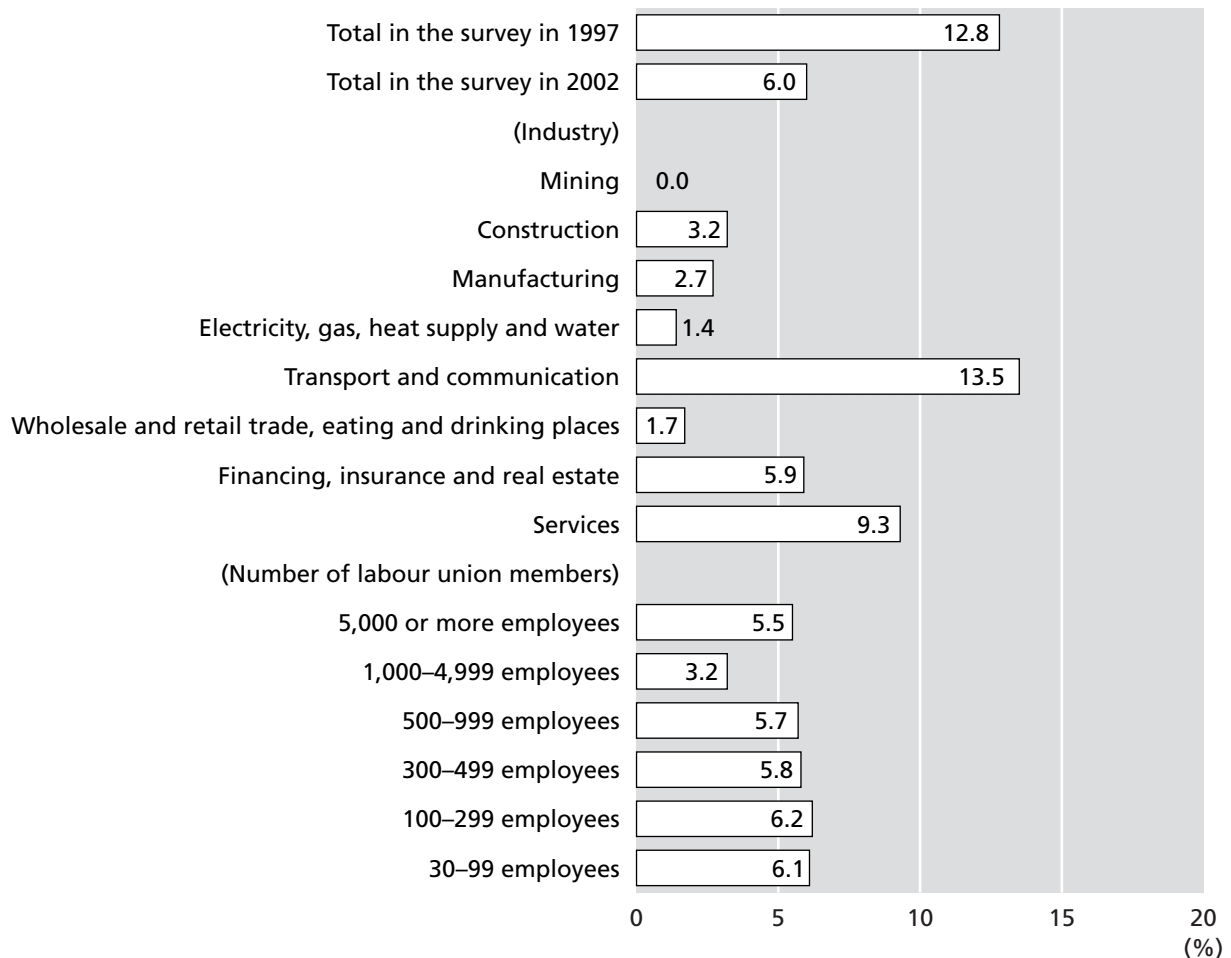
Note: The last 3 years means from July 1, 1999 to June 30, 2002.

labor unions with 1,000 to 4,999 members alone marked a lower rate of 3.2%. Furthermore, in industrial trade unions, more labor disputes occurred in the transport and communication industry than in other industries. Most labor disputes take place in enterprises.

Above we examined the structure and function of Japan's labor unions, and labor disputes, but enterprise unions are most familiar to their members and play the most immediate role in maintaining and improving their quality of life. Furthermore, enterprise unions serve as the foundation for relations with industrial unions and national centers. For example, staff and financial resources move from individual

enterprise unions to industrial unions in the form of dispatches and financial contributions, and then flow further from industrial unions to national centers. Accordingly, most board members of industrial trade unions and national centers are dispatched from enterprise unions, and hold positions at those enterprises. Moreover, union dues of major enterprise unions often exceed those of their affiliated industrial trade unions. Labor disputes occur almost exclusively at the enterprise level. However, there are also cases in which there is a reverse flow of information and policies from national centers, through industrial trade unions, to the individual enterprise unions.

IV-6 Ratio of Labour Unions by Existence of Labour Disputes (in the past 3 years)



Source: *Japanese Labor Unions Today II*—Survey Results on Collective Bargaining and Labour Disputes, Policy Planning and Research Department.
 Note: The last 3 years means from July 1, 1999 to June 30, 2002.

4

Collective Bargaining and the Labor-Management Consultation System

Collective Bargaining

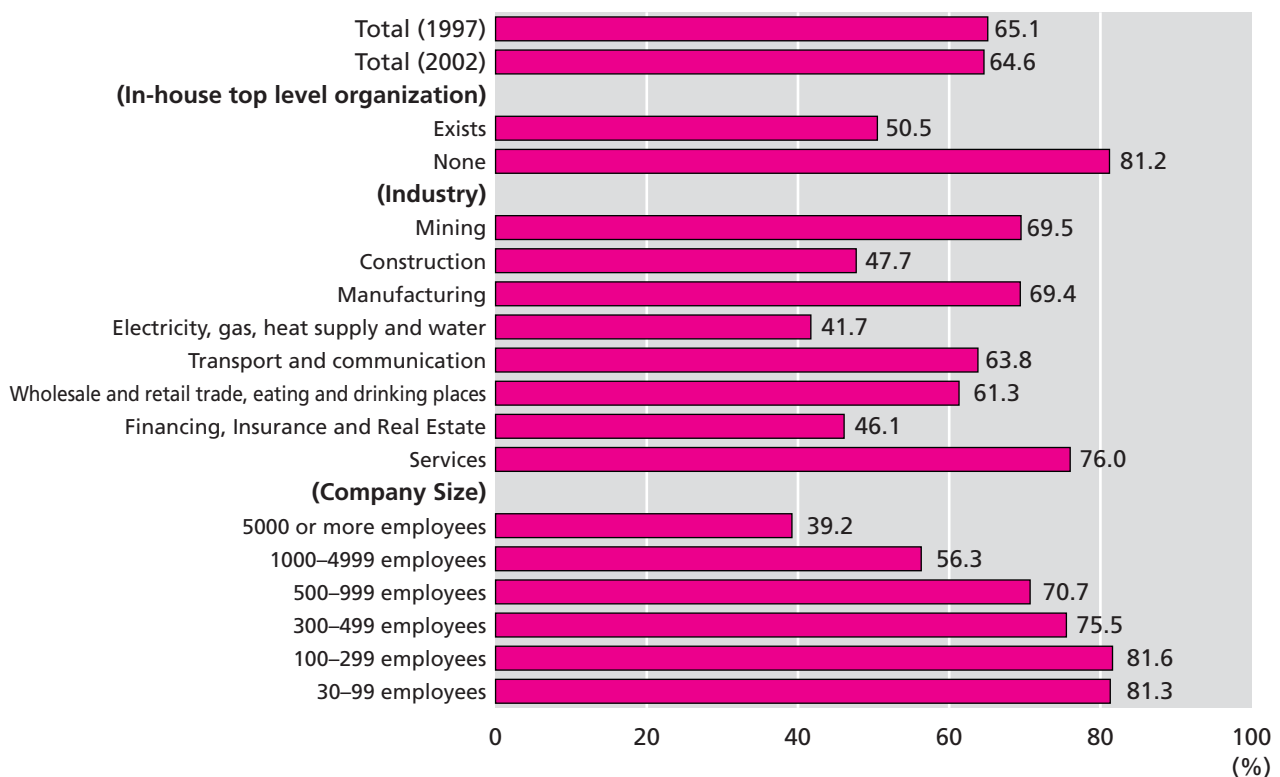
According to a 2002 survey*, 64.6% of all labor unions were engaged in collective bargaining during the preceding three years which is a slight decline from 65.1% of the previous survey.

By industry, “Services” had the highest percentage of unions carrying out collective bargaining (76.0%) followed by “Mining (69.5%)” and “Manufacturing (69.4%)”; at the other end of the scale, “Electricity, gas, heat supply and water” showed the lowest use

(41.7%) of collective bargaining.

Looking at the size of companies surveyed, the fewer the employees at a company, the greater the chance that company engages in collective bargaining, with 81.6% of companies with “100 to 299 employees” having used collective bargaining, as did 81.3% of companies with “30 to 99 employees.” On the other hand, 39.2% of companies reporting “5,000 or more employees” engaged in collective bargaining (see Figure IV-7).

IV-7 Percentages of Collective Bargaining Carried Out over the Past 3 Years (all labor unions = 100)



Source: Statistics and Information Department Ministers Secretariat, Ministry of Health, Labour and Welfare, *Survey Results on Collective Bargaining and Labor Disputes, 2002* (announcement of findings in newspapers on June 27, 2003).

Of those labor unions that carried out collective bargaining, 39.1% responded that collective bargaining was used on average “four or fewer times” per year in the last three years; “5 to 9 times” for 33.0%; “10 to 19 times” for 20.4%; and 7.4% of these companies responded that collective bargaining was used “20 or more times” per year.

With respect to the form of bargaining, the greater portion of those labor unions carrying out collective bargaining (91.1%) responded “bargaining was carried out by the labor union alone.” However, there were also unions responding “bargaining was carried out along with an in-house top level organization (11.5%),” “bargaining was carried out along with an external top level organization (by industry) (4.5%),” and “bargaining was carried out along with an external top level organization (by region) (1.3%).”

Examining the reasons of those labor unions that, in contrast to the above, did not engage in any collective bargaining during the last three years (35.4%), the most common response (52.0%) was “because the top level organization carries out all collective bargaining,” followed by “because negotiations have been established through a labor-management consultation organization” with a 35.4% share, while 9.4% responded “because the necessary collective agreement is well prepared.”

Taking a closer look at these reasons, from the point of whether there is an in-house top-level organization, unions where one “exists” responded “because the top level organization carries out all collective bargaining” at a high rate of 67.9%; in contrast, unions where there is “none” responded predominantly (79.1%) “because negotiations have been established through a labor-management consultation organization.”

When carrying out collective bargaining, 75.5% of unions have fixed opening procedures. In terms of the substance (M.A.) of these opening procedures, 56.2% of unions responded “after advance notice,” 39.7% conducted this “after prior arrangements,” and 25.6% “after labor-management consultation.” Looking specifically at the response “after labor-management consultation,” labor unions with a membership of fewer than 300 responded this way in about 24% of cases; but with an increase in membership size we see

a gradual rise in the rate of that response, so that for those with 5,000 or more members this was the preferred method in about 55% of cases. Moreover, separating respondents based on the presence of a labor-management consultation organization, 80.3% of unions where a “labor-management consultation organization exists” have fixed opening procedures while unions where “no labor-management consultation organization exists” trail, with only 58.3%**.

Further, when a labor union makes a request for collective bargaining, employers may not decline the request without good reason as this is considered an unfair labor practice; and beyond formal compliance with the bargaining, the employer must engage in the bargaining in good faith (Article 7(2) of the Trade Union Law).

Labor-Management Consultation System

The labor-management consultation system aims at allowing workers to participate in management, and has its origins in joint management councils that were beginning to be established after the war. Later, the labor-management consultation system gained popularity-in part because the Japan Productivity Center recommended its establishment to deal with the technological innovations taking place under a high economic growth rate, and from the standpoint of international competitiveness, and in part due to the changes in the environment surrounding businesses after the oil crisis. Still, there are no specific laws or regulations dealing with the labor-management consultation system, and it is run by the self-governance of labor and management.

According to a 2002 survey*, a labor-management consultation organization existed in 80.6% of labor unions, while the remaining 19.4% comprised unions without one. Looking at the percentage of labor-management consultation organization by the number of union members, it was 98.3% for unions with 5,000 or more members, 97.4% for 1,000 to 4,999 members, 94.3% for 500 to 999 members, 92.3% for 300 to 499 members, 86.5% for 100 to 299 members and 72.6% for 30 to 99 members and the rate seems to be higher in the order of the size of the union (see Table IV-8). However, according to a 1999 survey***, the more employees at a workplace, the

IV-8 Ratio of Labor Unions That Have/Do Not Have Labor-Management Consultation Organization

(%)

Size of labor union (number of members)	Total number of labor unions	Labour-Management consultation Organization	
		Have	Do not have
2002	100.0	80.6	19.4
5000 employees and over	100.0	98.3	1.7
1000-4999 employees	100.0	97.4	2.6
500-999 employees	100.0	94.3	5.7
300-499 employees	100.0	92.3	7.7
100-299 employees	100.0	86.5	13.5
30-99 employees	100.0	72.6	27.4
1997	100.0	78.1	21.9

Source: Statistics and Information Department Ministers Secretariat, Ministry of Health, Labour and Welfare. *Survey Results on Collective Bargaining and Labor Disputes, 2002* (announcement of findings in newspapers on June 27, 2003).

higher the rate of establishment (more than 60% of medium-sized businesses had a labor-management consultation organization); the fewer employees, the lower the rate of establishment (around 20-30% of small businesses). However, as can be seen in the 2002 survey, labor-management consultation organizations were established at 70% or more of the businesses—even small businesses—with labor unions. So it could be said that the establishment of labor-management consultation organizations is not a function of business size, but rather that businesses with labor unions have a high rate of establishment.

The ratios of labor-management consultation matters are as shown in the Table IV-10. Matters brought up for discussion are handled through levels of consultation ranging from a written explanation to agreement, and range broadly in content from concrete working conditions, to personnel systems, to matters relating to participation in management. For the facts on labor-management consultation, IV-9 and IV-11 show the statistics of where the negotiations actually took place. Even for the same matters, when a labor-management consultation organization exists, it is used by a higher percentage than collective bargaining.

With respect to the connection between labor-management consultation and collective bargaining, according to the 1997 survey**, 85.6% of labor unions with a labor-management consultation organi-

zation replied that they differentiate between matters handled through collective bargaining and through labor-management consultation. Of those, 70.8% responded that they “classify by subject matter,” 9.0% “classify by the possibility that an act of labor dispute may result,” and 41.4% replied that they prefer to “handle the matter through labor-management consultation first, then if necessary move the issue to collective bargaining” (M.A.). Therefore, labor-management consultation can be distinguished as taking such forms as split from, united with, or blended with collective bargaining, or it can be typified as “negotiations before collective bargaining,” “taking the place of collective bargaining,” and so on. Further, according to the 1999 survey***, 65% of employee representatives in labor-management consultation organizations are representatives of labor unions.

Labor-management consultation as a means to creating better communication between labor and management: according to the 1999 survey***, 63% of workplaces with a labor-management consultation organization estimate that “considerable results have been achieved” by the establishment of a labor-management consultation organization. It is particularly noteworthy that, of these workplaces, 63.9% claimed “communication with labor unions has improved.” A relatively high percentage (41.0%) also replied “the management of company activities has become smoother.”

IV-9 Ratio of Labour Unions by Whether They Had Labour-management Consultation Organization, Items Discussed and Platform where the Talk Were Held

(%)

Matters discussed	Have Labour-management Consultation Organization	Talks were held	(multiple answers)				Do not have Labour-management Consultation Organization	Talks were held	(multiple answers)		
			Collective bargaining	Labour-management Consultation Organization	Grievance handling organization	Others			Collective bargaining	Grievance handling organization	Others
Matters relating to salary	100.0	73.8	56.8	50.0	2.1	14.0	100.0	67.5	63.4	–	10.2
Matters relating to working hours	100.0	76.7	35.1	55.9	1.6	10.0	100.0	56.4	49.8	–	9.3
Matters relating to employment and personnel affairs	100.0	77.4	40.0	60.5	4.3	23.0	100.0	54.5	47.9	0.0	11.5
Working conditions relating to part-time workers and fixed term contract workers	100.0	26.7	7.4	14.4	0.3	7.3	100.0	12.2	8.7	–	3.8
Use of part-time workers, fixed term contract workers and dispatched workers	100.0	31.0	5.5	19.6	0.3	7.6	100.0	9.7	7.5	–	2.2
Child-care and family-care leave systems	100.0	47.2	18.1	28.0	0.4	6.5	100.0	30.9	24.4	–	6.7
Education and training	100.0	47.2	8.1	32.5	0.5	10.2	100.0	19.6	16.7	–	3.0
Work environment	100.0	74.5	18.5	51.8	1.9	13.5	100.0	38.8	30.7	–	9.3
Health management	100.0	61.4	9.1	43.2	0.5	13.4	100.0	27.2	19.6	–	7.9
Welfare issues	100.0	61.8	14.1	46.0	0.5	11.2	100.0	33.1	27.0	–	7.4
Equal treatment of men and women	100.0	38.1	9.1	25.0	1.0	7.2	100.0	21.3	17.9	–	4.9
Matters relating to management policies	100.0	61.5	20.4	46.7	0.4	8.2	100.0	35.0	28.6	–	8.2
Interpretation of, or doubt about, a collective agreement	100.0	39.1	12.5	25.4	0.2	6.3	100.0	18.5	15.1	–	3.9
Measures for securing employment under deteriorating management environment	100.0	48.4	19.6	35.3	0.3	5.4	100.0	28.0	23.3	–	6.0

Source: Statistics and Information Department, Ministry of Health; Labour and Welfare, *Survey Results on Collective Bargaining and Labor Disputes 2002*.

IV-10 Matters for Discussion, and Percentage of Workplaces Handling these Matters (by method of handling)

(%)

Matters	Labor-management consultation organization exists	Matters brought up for discussion					Matters not brought up for discussion	Unknown
		Written explanation	Hearing of Opinions	Labor-management consultation	Agreement			
Working hours, Days off, Leave	100.0	87.3	12.7	3.9	55.4	28.0	9.9	2.8
Change in working conditions	100.0	84.9	14.1	6.0	57.8	22.1	12.2	2.9
Health and safety in the workplace	100.0	83.1	14.3	16.4	57.9	11.4	14.1	2.8
Welfare issues	100.0	81.9	20.0	15.6	51.4	12.9	15.3	2.8
Wages, Lump sum benefits	100.0	80.4	14.3	3.7	55.3	26.7	16.9	2.8
Child-care and Family-care leave systems	100.0	78.6	21.6	6.4	48.3	23.7	18.4	3.0
Basic management policies	100.0	76.0	79.3	9.0	7.6	4.1	21.2	2.8
Overtime increment for after-hours work	100.0	75.6	16.0	2.6	54.6	26.8	21.6	2.8
Retirement age system	100.0	75.0	21.1	3.5	47.1	28.3	22.2	2.8
Temporary lay-off, Personnel cuts, Dismissal	100.0	73.3	16.4	11.4	49.2	23.0	23.7	3.0
Retirement benefits and Pension standards	100.0	73.3	16.5	3.3	54.5	25.6	23.9	2.9
Establishment or reorganization of corporate organizational structure	100.0	70.3	61.8	11.7	19.2	7.3	26.8	2.9
Basic plans for production, sales, etc.	100.0	68.8	72.5	12.1	11.7	3.6	28.3	2.9
Cultural and athletic activities	100.0	65.3	15.0	26.5	47.0	11.5	31.8	2.9
Change of assignment and Temporary transfer	100.0	64.0	37.7	14.5	30.6	17.1	33.1	2.8
Promotion and its criteria	100.0	60.6	54.6	13.8	20.3	11.2	36.6	2.8
Education and training plans	100.0	58.2	48.8	22.7	22.5	6.0	38.9	2.8
Recruitment and assignment criteria	100.0	57.0	64.8	12.6	15.8	6.9	40.1	2.9
Introduction of new technology and applied equipment, etc.	100.0	54.1	49.6	17.9	27.3	5.2	42.9	3.1
Rationalization of production and clerical work								

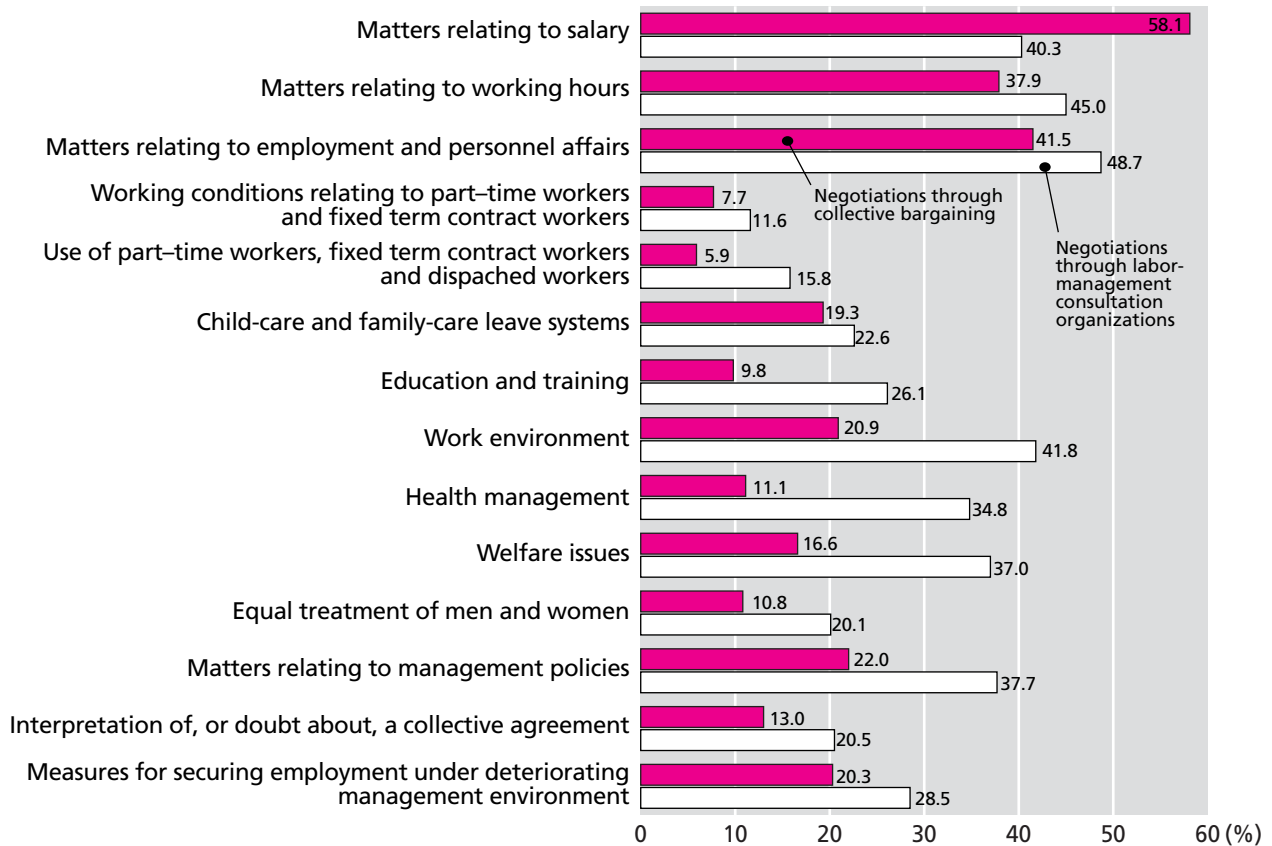
Source: Ministry of Labour, *Report on Results of the Labor-Management Communication Survey 1999* (announcement of findings in newspapers on Sept. 19, 2000).

Notes: * Statistics and Information Department, Minister's Secretariat, Ministry of Health, Labour and Welfare, *Outline of the 2002 Survey on Collective Bargaining and Labor Disputes* (announcement of findings in newspapers on June 27, 2003).

** Policy Planning and Research Department, Ministry of Labour, *Japanese Labor Unions Today II-Survey Results on Collective Bargaining and Labor Disputes, 1998 edition*.

*** Ministry of Labour, *Report on Results of the Labor-Management Communication Survey 1999*, (announcement of findings in newspapers on September 19, 2000).

IV-11 Ratio of Labour Unions by Items Discussed between Labour and Management, and Platform Where the Talks Were Held (in the past 3 years)



Source: Statistics and Information Department Ministers Secretariat, Ministry of Health, Labour and Welfare, *Survey Results on Collective Bargaining and Labor Disputes, 2002* (announcement of findings in newspapers on June 27, 2003).

5 Shunto: Spring Wage Offensive

The Beginning and Objective of Shunto

Shunto—the spring wage offensive—is a united campaign, mainly for higher wages, launched each spring by labor unions for each industry. In 1955, unions in the private sector established the Eight Federated Unions' Joint Struggle Council, whose membership consisted of the Japanese Federation of Synthetic Chemical Industry Workers' Unions, Japan Coal Miners' Union, General Federation of Private Railway Workers' Unions of Japan, All Japan Electric Workers Union, National Federation of Paper and Pulp Industry Workers' Union, National Federation of Metal Industry Workers Unions, Japanese Federation of Chemical Industry Workers' Unions, and the All Japan Federation of Electric Machine Workers' Unions. The National Council of Government and Public Workers' Unions joined the organization in the following year. Thereafter, it has become customary to conduct annual spring negotiations for wage increases on a national scale. Up to the present day, the major labor unions and businesses have been holding to this model.

The main objectives behind the establishment of Shunto in the first place were to compensate for enterprise unions' lack of bargaining power as individual entities and to distribute wage increases proportionately across companies and industries through simultaneous wage negotiations. Taking the wage increase rate set by the top firm in a major industry (or pattern setter) as the standard, the influence on wage increases spreads to the other large companies in the concerned industry, followed by large firms in other industries, government agencies, medium- and small-scale businesses, and finally to workers who are not union members. Wage levels are thereby standardized nationwide.

Pattern Setter

Initially, the pattern setter role rotated among businesses such as private railways, the Council of Public Corporations and Government Workers Unions, and

firms in the coal and steel industries. However, the formation of the IMF-JC (International Metalworkers' Federation–Japan Council) in 1964 served as a turning point, and four of its member industries (steel, shipbuilding, electric machinery, and automobiles) became central figures in determining the market wage rate. With the entry of the era of low economic growth—and the relative loss of competitiveness for businesses in industries like steel and shipbuilding—we can no longer find an industry capable of the strong leadership once seen in setting the wage rate of Shunto. However, the four above-mentioned metal industries producing goods for export still wield important influence in shaping the Shunto rate.

The Effect of Shunto

During the era of rapid economic growth, labor unions won substantial wage increases through Shunto, and an attempt was made to create level wage increases. Shunto was instrumental in raising the low standard of wages in industries and sectors that paid poorly. Annual negotiations between labor and management helped determine an appropriate wage level in the context of changing economic conditions. Consequently, management was able to adjust to those economic changes rather flexibly, and as a result Japan began to enjoy excellent economic performance.

Debate Over the Rethinking of Shunto

However, nominal wages in Japan today are among the highest in the world because of slow economic growth and the strong yen, and we can not count on Shunto for sizable wage increases. Moreover, differences in the business performance of Japanese companies have become conspicuous, a trend hindering the industry wide wage increases that could be expected in the past. Under conditions like these, there is considerable debate over the rethinking of Shunto. Since the huge amount of time and money

devoted to Shunto yield only minor wage increases, there are also cases in which Shunto is carried out every other year (multi-year arrangement). From the viewpoint of making corrections for age group, business, and regional differences, there is also an attempt to reconsider Shunto while maintaining Shunto's wage standardization function. This may be accomplished through such changes as a revision of the former "system of average wage increases," by moving toward an "individual wage system" that will clearly express how much the wage level of the model worker is raised.

Shift of Shunto Policy

Given today's austere economic climate in which wage increases are difficult, Shunto is also making a large shift from its former policy of wage increases as the highest priority matter, to job security as the matter of utmost importance with both labor and management in accord on "job security and maintenance." Looking at the trend in wage increase, Rengo, which is the national center of labor unions, has deferred the request for a wage base-up in consideration of the severe employment situation. On the side of management, there are movements toward a "wage reduction" such as reconsidering annual wage increases, wage cuts and postponement of wage increases. Furthermore, Rengo is promoting improvement in and equal treatment of part-time worker and others, and advocating the eradication of unpaid overtime work (service overtime) and others. Shunto is at a significant turning point.

Notes: 1) System of Average Wage Increases

One method of request for higher wages by a labor union, also called the "base-up system." A method of requesting a wage increase amount (or wage increase rate) based on a broad increase in average payment per employee, dividing the total payment by number of employees or by number of union members.

2) Model Worker

Model workers are established based on the ideal of a person who serves at one company for a long period of time after graduation, with no experience of service at another company. During Shunto the labor unions create model wages, and model workers are the workers for whose benefit these model wages are created.

3) Individual Wage System

One method of request for higher wages. When making the wage request, the request is not for an average raise in the wage amount or an average increase in the wage rate; rather, it is a system for requesting wage increases for either workers on an individual basis or for established groups of workers. Generally this method involves requests for wage increases of a certain yen amount or percentage, and for a fixed group of model workers sharing a certain age or number of years of service.

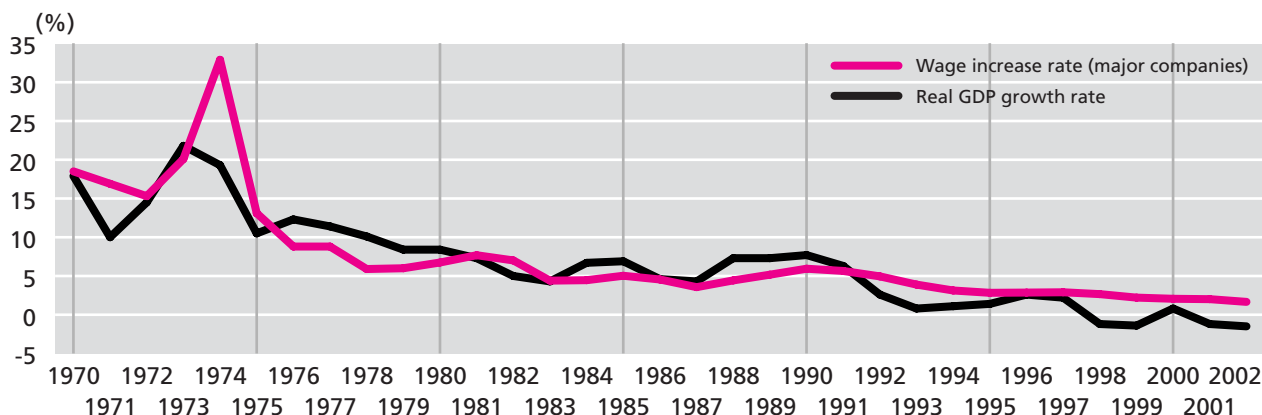
4) Base-up

Wage increase is generally classified into "base-up" and "annual wage raise." "Base-up" refers to the wage increase amount that occurs with changes in the pay scale when incorporating increases in commodity price and strong business performance. Therefore, despite retaining the same position as in the previous year, the wage will be higher than in the previous year due to the amount added to the wage which accompanies the change in the pay scale.

5) Annual wage raise.

"Annual wage raise" refers to the wage increase amount in accordance with development of capacity or age (or length of service) of each individual employee.

IV-12 Relation between Economic Growth Rate and Rate of Wage Increases



Sources: Ministry of Health, Labour and Welfare; Cabinet Office

1 Employment Measures and Relief for the Unemployed

The Japanese Government implements employment policies to respond to changes in economic and social conditions. High priority is assigned to measures designed to provide employment opportunities, prevent unemployment, and facilitate re-employment so that all workers can make maximal use of their abilities.

As an indicator of the direction of mid-term employment policies, in August 1999 the Cabinet approved the “Ninth Project for the Stabilization of Employment and Creation of New Employment Opportunities,” which will remain in effect until 2009. To respond accurately to structural changes in the labor market, the goals of the project are to stabilize employment and create new employment opportunities while motivating workers and enabling them to make effective use of their skills. To achieve those goals, a concerted effort will be made to promote the following comprehensive measures:

- (1) Stabilization of employment and the creation of new jobs in accurate response to changes in economic and industrial structures.
- (2) Along with the upgrading of workers’ skills, promoting human resource training to support socioeconomic development.
- (3) Aiming for the realization of a society in which people can make the most of their ambition and abilities.
- (4) Developing employment policies from a global perspective.

The Labor Situation 2003

The current employment and unemployment situation remains in a severe state with the overall unemployment rate hovering at high levels, yet with the rise in

the ratio of active openings to applicants, some signs of recovery can be seen.

The Japanese Government, in response to this situation, compiled the Comprehensive Measures to Accelerate Reforms in October 2002, established the Program to Accelerate Reforms in December 2002, and in the FY2002 supplementary budget and FY2003 budget, took measures such as the following:

- (i) Providing subsidies to companies which employ people aged 30 or older and below 60 who are forced to leave their work in relation to the disposal of non-performing loans, either directly or through trial employment
- (ii) Establishing corporations to carry out services which contribute to the region, and establishing support measures for cases in which places of employment for people aged 30 and above and below 65 are created
- (iii) Improving and effectively utilizing the Emergency Regional Employment Creation Special Grants Works, in which local authorities create temporary and short-term employment opportunities according to the regional situation
- (iv) Taking following measures in Hello Work:
 - Detailed consulting with career consultants
 - One-on-one systematic and planned support of early reemployment through full-time support personnel.

With the prolonged severe employment and unemployment situation, in order to respond accurately to structural changes in the economic society and secure stable management of the employment insurance system, the Law Concerning Partial Amendment to the Employment Insurance Law was established at the 156th ordinary session of the Diet and put into effect on May 1, 2003. Regarding bene-

fits, this Law (i) promotes early reemployment, (ii) responds to the diversification of forms of work, and (iii) puts emphasis on addressing the difficult situation of reemployment as well as raises the insurance rate by the minimum amount needed for stable management of the system in consideration of alleviating the rapid increase of burden on labor and management.

Also, in order to respond to the severe employment and unemployment situation and the diversification of forms of work, the Law Concerning Partial Amendment to the Employment Security Law and the Worker Dispatching Law was enacted at the 156th ordinary session of the Diet, and currently the necessary efforts toward putting it into effect on

March 1, 2004 have been carried out. In order for job introduction services and the temporary labor agency to be able to promptly smoothly and accurately tie labor force demand to supply, the Law stipulates (i) enabling free job introduction services by notification to take place by corporations established through special laws of the Chamber of Commerce and Industry, Japan Agricultural Cooperatives, and other organizations when they are carried out for their members or carried out by local authorities, (ii) enabling dispatch of employees to places of manufacturing which has been prohibited, and (iii) extending the uniform limit on dispatch time, which was set at one to three years.

2

Policies Designed to Secure Employment for Older and Disabled Workers

Helping Older Workers Find Employment

The rapid aging of Japan's population is a phenomenon as yet unobserved anywhere else in the world. And also in 2007, the baby boom generation will be entering its sixth decade. In terms of total population, approximately one person in three will be over 60 years of age, while in the labor force that ratio will be approximately one person in five. To maintain socio-economic vitality under these circumstances, it will be necessary for as many elderly as possible to take an active part in supporting society and the economy. To realize this in the future, we need to create a society in which motivated and able persons can continue to work, regardless of age.

With this fundamental understanding, the government is enacting the following measures. Over the next ten years, we will endeavor to raise the standard retirement age to 65. At the very least, it is necessary for employers to hire or rehire older people who are willing and able to work, and retain them until age 65. We are, therefore, placing priority on long-term, comprehensive policies designed to secure employment for older workers, as described below, which we will promote aggressively in FY2002.

Securing Employment for Persons Up to Age 65 to Benefit from Their Knowledge and Experience

Aid is being provided to employers who engage in guidance and assistance by Public Employment Security Offices, and the promotion and establishment of continuous employment in order to secure employment for persons up to age 65 through raising the mandatory retirement age and introduction of the continuous employment system.

In addition, beginning in FY2003 business owners' associations have been entrusted in making efforts towards continuous employment in collaboration with administrative and economic organizations, labor organizations and other relevant institutions. Projects to achieve continuous employment to the age

of 65 are being carried out that establish implementation plans aimed at the introduction of the system and provide group guidance and counseling for subsidiary companies.

Assisting and Promoting the Re-employment of Middle-Aged and Older Workers

Request is being made to employers for the creation of reemployment assistance planning and aid is being provided to employers and others who carry out reemployment assistance, in order to promote corrective guidance regarding age limitations when recruiting or hiring based on the Employment Measures Law and the smooth reemployment of elderly workers who have been forced to leave work.

Regarding the reemployment of middle-aged workers, such as the heads of households, for whom reemployment is particularly urgent, reemployment support has been carried out beginning in FY2003. This includes the implementation of trial employment with the aim that workers will be able to make the transition from trial employment to regular employment; employment support seminars and counseling for unemployed middle-aged workers utilizing the know-how of the private sector; and exchanges between job seekers regarding their experiences, etc.

Promoting Diverse Work and Social Participation for the Elderly

Silver Human Resource Centers, which provide local community-based work for elderly persons who desire to do temporary or short-term or other light jobs, are being promoted in order to support an active aged society by supporting a variety of social participation activities. Also, beginning in 2003, Silver Human Resource Centers will carry out child-care support for taking care of children. This will include caring for infants and taking children to and from child-care facilities. In addition, at the Federation of Silver Human Resource Centers, Senior Work Programs will be carried out which sponsor skills

training, group interviews, etc. in an integrated manner with the cooperation of business owners' associations and public employment security institutions. (As of the end of March 2003, there were a total of 1,790 Silver Human Resource Centers with approximately 730,000 members.)

Furthermore, support is being given to elderly persons who establish new businesses using their experience by subsidizing a part of the cost for relevant businesses, when elderly persons start a new business and hire workers which will create and manage places of continuous employment.

Employment Measures for Persons with Disabilities

Several programs aim to help persons with disabilities lead normal lives, such as the New Long-Term Project for Support of the Disabled (formulated in March 1993), and the Seven-Year Normalization Plan for the Disabled (formulated in December 1995). These programs are designed to help persons with disabilities achieve "equality and full participation in society," which was the motto of the International Year of the Handicapped, by enabling them to participate in the same activities as other members of society. Those objectives are best attained by finding job for the disabled. It is important for persons with disabilities to hold the same jobs as workers without disabilities, as far as possible. Our policies are based on this principle, as well as on the provisions of the Law for Employment Promotion, etc. of the Disabled, and Fundamental Policy for Employment Measures for Disabled Persons.

Employment Quota System for Disabled Persons and Levy and Grant System for Employing Persons with Disabilities

The Law for Employment Promotion, etc. of the Disabled stipulates that quotas be established for the hiring of the physically and or intellectually disabled, specifying the percentage of a company's workforce to be occupied by persons with disabilities. Business owners are required to hire persons with disabilities in numbers equivalent to or greater than the legally mandated quota.

The current legal employment quotas are:

- Private corporations: 1.8%
- Special government corporations: 2.1%
- National and local public corporations: 2.1%
- Designated school boards: 2.0%

Public Employment Security Offices promote the employment of persons with disabilities by directing the following to submit a hiring plan: (1) business owners whose hiring practices fall significantly below the quota, (2) business owners who need to meet the quota by hiring a large number of persons with disabilities, and (3) business owners in the private sector who plan to hire a large number of workers in the future. A warning is issued to any business owner who does not implement a submitted plan.

The Levy and Grant System for Employing Persons with Disabilities was established to ease the economic burden on business owners who hire persons with disabilities, and to increase job opportunities for the disabled. Levies are collected from companies that fail to fulfill the employment quota, and distributed as bonuses to companies that employ more physically or intellectually disabled persons than the quota. A number of grants are also awarded to encourage the hiring of the disabled. By informing business owners of these requirements and dispensing grants, we seek to stabilize employment of persons with disabilities and maximize their employment opportunities.

Future Direction of Measures for the Employment of Disabled Workers

Amid current severe employment conditions, the number of applicants with disabilities is expected to remain at a high level. This requires urgent attention to provide support for the disabled who are unemployed by enabling them to find new jobs as soon as possible.

To create employment opportunities for persons with disabilities, we have been making every effort by assigning people to find job offers for the disabled and sponsoring group interviews etc. In addition, we started "Program for Creating Employment Opportunities" from fiscal year 2001, which supports probationary employment for three months.

In the medium and long term, in accordance with "The Fundamental Policy for Employment Measures

for Disabled Persons”, etc., we will make additional efforts to promote the employment of the physically and intellectually disabled persons by strictly enforcing the above employment quotas, and we also need to gradually and systematically advance comprehen-

sive and through polices that meet the needs of persons with all types of disabilities, such as establishing environments to promote the employment of the mentally disabled persons and to maintain their employment relationship.

V-1 System of Employment Measures for Elderly Persons

1. Measures to secure employment for people aged up to 65, tapping their expertise and experience

- **Promotion of a raised retirement age and or the introduction, etc. of a continuous employment system**
 - Guidance and careful consultation and assistance for employers by Public Employment Security Offices
 - Promotion of job development for elderly persons through collaboration with regional economic organizations and strengthening guidance and assistance aimed at raising the percentage of companies which have introduced continuous employment systems for people aged up to 65 (projects to achieve continuous employment up to the age of 65)
 - Subsidy measures for business owners who raised the mandatory retirement age and introduced a continuous employment system (Subsidy for Promotion and Establishment of Continued Employment)

2. Support and Promotion of Reemployment of Elderly Persons

- **Guidance and assistance for employers, etc. who assisted in the rehiring of retired persons and middle-aged workers who were forced to leave work**
 - Promotion of support of employers for current middle-aged workers who are planning to leave work (popularization of a system of reemployment assistance plans, promotion of their effective use)
 - Subsidy measures for employers, etc. who assisted in the reemployment of middle-aged workers who were planning to leave work (Subsidy to Help Workers in Office Find Employment)
 - Subsidy measures for employers who accept middle-aged workers within the enterprise group (employment security subsidies for the transfer of elderly workers)
- **Job counseling and introduction of work at Public Employment Security Offices**
- **Promotion of trial employment services for middle-aged workers**
- **Integrated reemployment support by the public and private sectors for long-term unemployed middle-aged workers (enhancement of career exchange services)**

3. Promotion of Social Participation of Elderly Persons

- **Promotion of business at Silver Human Resource Centers**
 - Promotion of local community-based services such as child-care support
 - Senior work programs (implementation of skills training, group interviews, and workplace experience courses with employer groups)
- **Support for older persons starting their own enterprises**
 - Support measures for businesses started by three or more elderly persons. etc. (subsidies to create joint employment opportunities for elderly persons)

V-2 System of Employment Measures for Persons with Disabilities

Comprehensive promotion of employment measures for disabled persons, aiming at the realization of a society in which persons with disabilities and persons without can participate similarly in their places of employment, according to ability and aptitude.

Basic Plan for Persons with Disabilities and Five-Year Plan for Implementation of Priority Measures

The Fundamental Policy for Employment Measures for Disabled Persons

Comprehensive Promotion of Employment Measures for Persons with Disabilities

(1) Guidance and assistance for business owners

- **Employment quota system for disabled persons**
 - Stipulated employment rate
Private enterprise: General—1.8%, Special government corporations—2.1%
National, Local government: 2.1% (selected school boards—2.0%)
 - Guidance in fulfilling quotas through order to prepare “A Plan for Hiring Disabled Persons”
- **Support, etc. for employers through the system of levy and grant system for employing persons with disabilities.**
 - Adjustment of the imbalance of economic burden between employers by levy and grant system for employing persons with disabilities
 - Support for employers who improve facilities, equipment and so on for disabled employees; assign assistants; give consideration toward housing and transportation; and continue to employ persons who become disabled while on the job
 - Assistance in paying wages through bounty for the employment development for specified job applicants
- **Provision of expertise regarding employment for persons with disabilities**
 - Provision of positive examples and employment administration expertise regarding employment for persons with disabilities

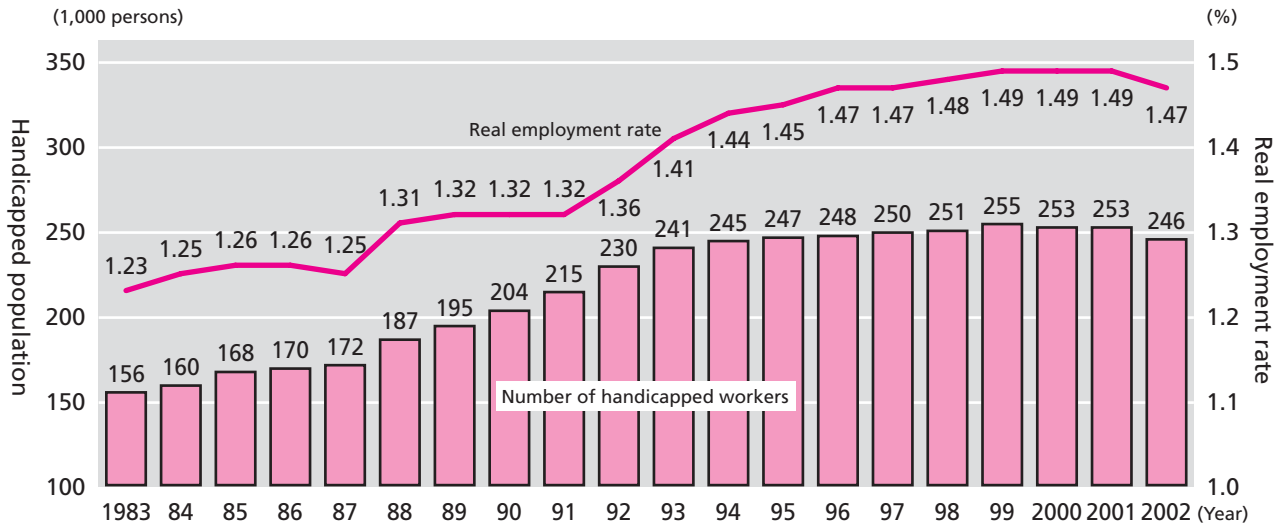
(2) Implementation of occupational rehabilitation based on the characteristics of each persons with disabilities

- Offer of advice, referrals, and guidance for adaptation to the workplace according to the needs of persons with disabilities, at Public Employment Security Offices
- Provision of specialized occupational rehabilitation services to persons with disabilities (e.g. performance evaluations) at vocational centers for persons with disabilities (operated by the Japan Organization for Employment of the Elderly and Persons with Disabilities)
 - Personal support by Job Coaches for adjustment in the workplace
- Promote the combined assistance of employment and living support within the living area
- Strengthening of cooperation with institutions related to health, welfare, etc.

(3) Education related to employment of persons with disabilities

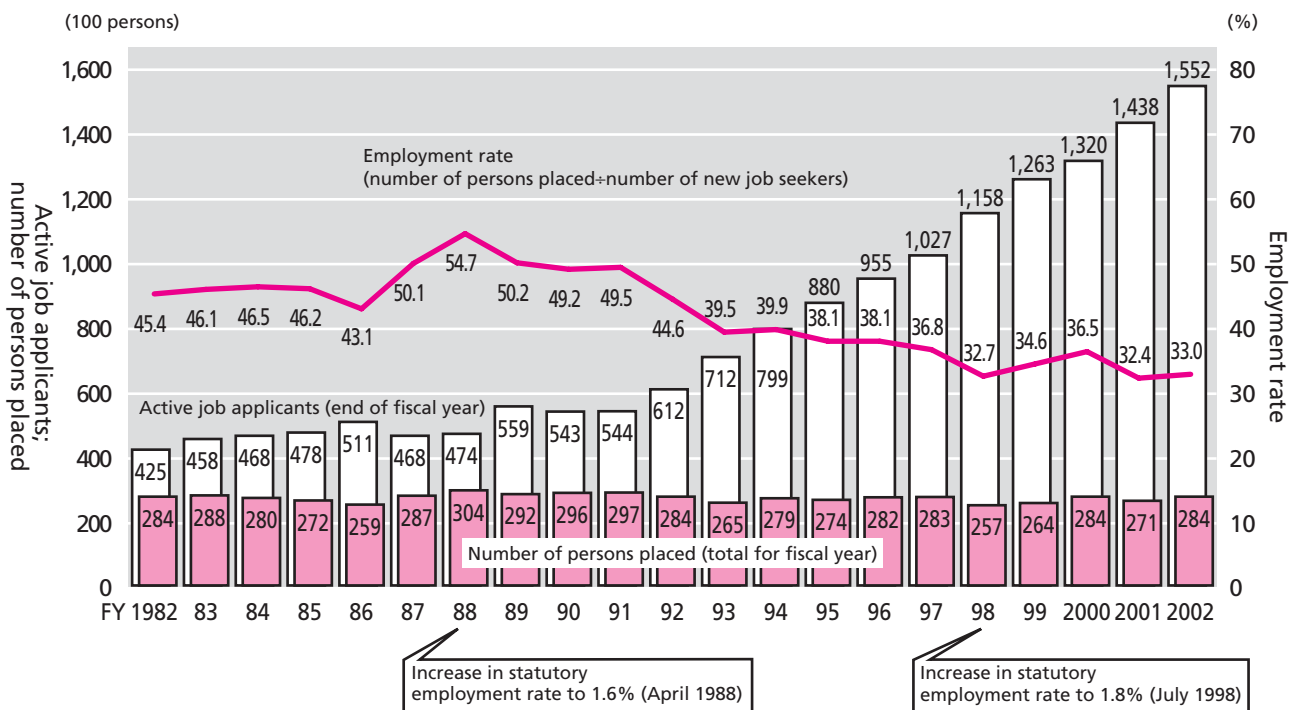
- Creation of an opportunity for enterprises to employ persons with disabilities through trial employment
- Institution of a promotional month for the employment of persons with disabilities
- Cooperation with the disabled groups in public information and education activities

V-3 Employment Situation of Disabled Persons (report on employment conditions, 1 June each year)



Sources: Employment Security Bureau Statistics, Ministry of Health, Labour and Welfare

V-4 Employment Situation of Disabled Persons (transactions handled by public employment security offices)



Sources: Employment Security Bureau Statistics, Ministry of Health, Labour and Welfare

The basic purposes of Public Employment Security Offices, which are located in approximately 600 locations all over Japan (including branch offices), are to provide job seekers with the most suitable job opportunities according to their wishes and abilities and to introduce the most appropriate personnel to employers who are looking for employees.

The Public Employment Security Offices are connected online throughout Japan, and offer service using the Comprehensive Employment Information System to provide information about job vacancies and job searches immediately through computers.

In addition, in order to make appropriate responses to various needs in recent years, we have strengthened our agencies by introducing services such as the following:

(1) Bank of Human Resources

The Public Employment Security Offices established 26 Banks of Human Resources in major cities to introduce able personnel to medium- and small-sized companies and to promote the employment of the elderly. The Bank of Human Resources deals primarily with administrative, professional, and technical positions.

(2) Part-time Job Bank and Part-time Job Satellite

The Public Employment Security Offices established 97 Part-time Job Banks and 117 Part-time Job Satellites in convenient areas, such as station terminals in major cities, in order to offer comprehensive job introduction services for part-time employment.

(3) Hello Work to Support Combining Work and Family

The Public Employment Security Offices changed “Ladies’ Hello Work,” established in 1999, in both name and services offered to form Hello Work to Support Combining Work and Family. The Public Employment Security Offices established a Hello Work to Support Combining Work and Family at 12 locations throughout the country to support users in the combination of childcare, nursing care, domestic duties, and work. This service is geared toward those who have the willingness and ability to work but cannot do so because of responsibilities related to child care, nursing care, and domestic duties.

(4) Hello Work Information Plaza

The Public Employment Security Offices began establishing Hello Work Information Plazas in each prefecture in 1999 to help job seekers find employment. Job seekers may easily and effectively find job information by using searchable devices for themselves at the Hello Work Information Plazas.

(5) Comprehensive Employment Support Center for Students, Employment Center for Students, and Counseling Room for Students

The Public Employment Security Offices established these institutions for the specific purpose of providing employment support to graduating students as well as unemployed graduates. These institutions offer employment counseling to provide not only a variety of employment information but also to offer supplemental assistance to job introduction services offered by universities and other institutions.

V-5 The Organization and Functions of the Public Employment Service Institutions (as of March 31, 2003)

The Public Employment Security Offices

Main offices (478 offices)

Branch offices (109 offices)

Supplementary offices (27 offices)

- A. Employment counseling and assistance, job introduction (for the general public, the elderly, graduates, the disabled, day workers, etc.)
- B. Job instruction (providing employment information, implementing vocational aptitude tests, etc.), instruction about vocational training
- C. Instruction to improve employment management (providing and managing employment information, continued employment system for the elderly, employment of the disabled, securing personnel for small and medium-sized businesses, etc.)
- D. Providing information on employment, job seeking, and the labor market
- E. Business transactions concerning employment insurance (applicability and payment)
- F. Business transactions concerning subsidies
- G. Business transactions concerning demand-supply coordination among the private labor force (acceptance of application of job introduction project for fees, etc.), and others

Institutions to provide specific services

Bank of Human Resources (26 Banks)

The Bank of Human Resources introduces able personnel to small and medium-sized companies and promotes the employment of the elderly. The Bank of Human Resources focuses primarily on administrative, professional, and technical positions, offers job consultation, provides information, etc.

Part-time Job Bank (97 Banks) and Part-time Job Satellite (117 Satellites)

The Part-time Job Bank and Part-time Job Satellite implement job introduction, job consultation, information sharing, and vocational training for the benefit of part-time workers.

Hello Work to Support Combining Work and Family (12 institutions)

The Hello Work to Support Combining Work and Family implements job introduction, job consultation, information sharing, and other services to those who have the willingness and the ability to work, but cannot do so immediately because of responsibilities for child care, nursing care, and other duties.

Hello Work Information Plaza (47 institutions)

Job seekers can find a wide range of job information by using searchable devices at the Hello Work Information Plaza.

The Comprehensive Employment Support Center for Students (1 center), Employment Centers for Students (6 centers), and Counseling Rooms for Students (40 centers)

These institutions implement job introduction, job counseling, information sharing, vocational aptitude tests, etc. for the benefit of newly graduating students as well as unemployed graduates.

Note: In addition to the institutions listed above, there are Local Region Employment Support Centers and Employment Service Centers for Foreigners.

4 Measures to Shorten Working Hours

Working Hours

During the era of rapid economic growth, annual working hours steadily declined due to a tight labor market and higher productivity. In the mid-1970's, this trend leveled off. Since the revised Labor Standards Law became effective in 1988, establishing a 40-hour workweek as the norm, working hours have continued to decrease.

In FY2002, scheduled working hours remained at 1,702 a decrease of 8 hours while overtime hours were 139 (an increase of 8 hours over the previous fiscal year), so that total working hours increased by 2 to 1,841 hours.

The five-day workweek is gradually taking root in Japan, with 91.3% of all workers on that schedule in FY2002. However, only 57.1% of all employers have adopted it on a regular basis; small and medium-sized businesses have made little progress in this direction.

Most workers use less than 50% of the paid holidays and vacation days to which they are entitled each year. In FY2002, the average worker was entitled to 18.2 paid annual leave, but generally used only 8.8 days (48.1%).

Efforts by Public Administration to Shorten Working Hours

The entire nation must address the issue of reduction of working hours since leisure time is crucial to a comfortable lifestyle. The government has set a firm goal of a 1,800-working-hour year (in economic plans, for example). To this end, it has placed importance on encouraging workers to take paid annual leave and reducing the number of overtime hours, and is coping with these issues now.

The Cabinet issued a resolution entitled "Advancement Plan for Reducing working Hours

(Cabinet decision)." The resolution, as an important policy recommends shortening the number of working hours to 1,800 per annum by curtailing overtime work.

The revised Labor Standards Law prescribes that legal working hours be gradually shortened.

Accordingly, all but exempt businesses would shift to a 40-hour work week beginning in April 1997. The government has encouraged the adoption of the Variable Scheduling System (note 1) and the Discretionary Scheduling System (note 2) in some sectors, to limit working hours to 40 per week.

In addition, with the goal of public consensus on the widespread application of extended vacation time, the "National Convention on Extended Holidays and its Effect on Home Life" was held five times since January 2000, and a report on the topic was issued in July of the same year. Currently, we are aiming at realizing the long-term holiday (L Holiday) system referred to in that report within a short time, and are striving to promote its popularization with the understanding and cooperation of interested parties, starting with labor and management.

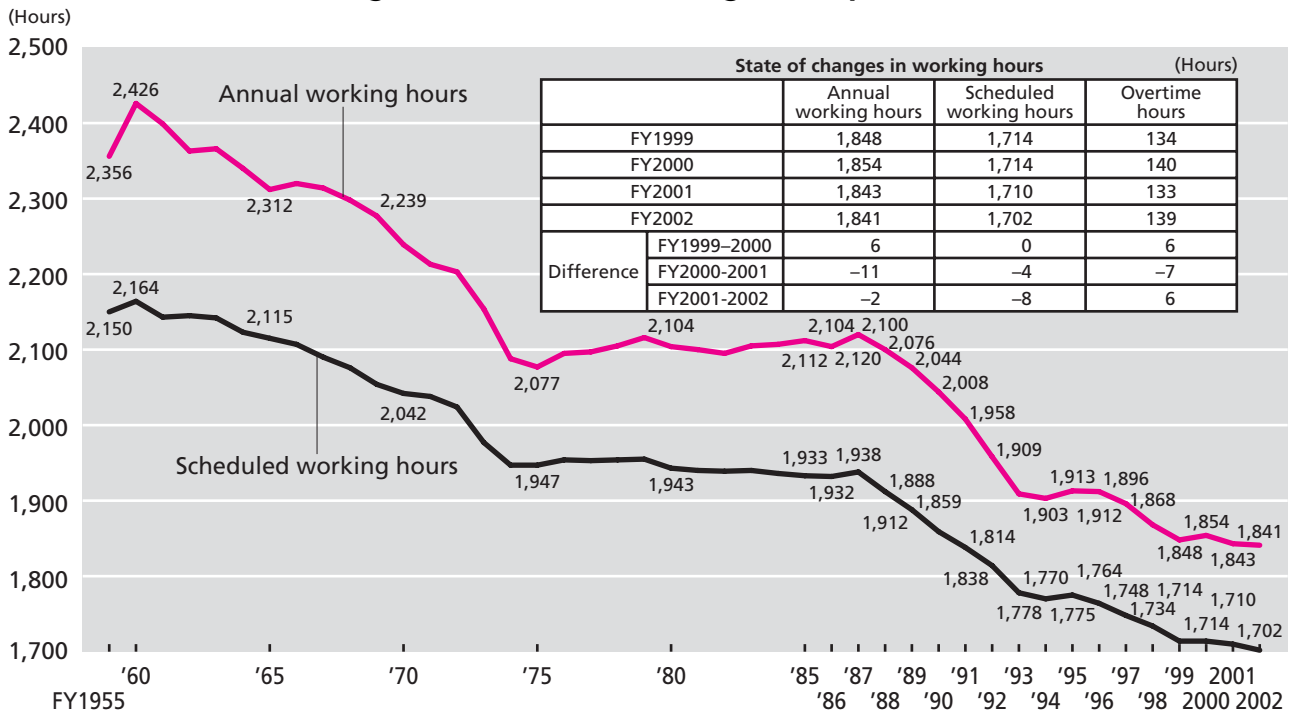
Notes: 1) Variable Scheduling System

This system involves distributing working hours over a fixed time period, thus accommodating business priorities and ensuring that the total number of hours worked per week does not exceed 40.

2) Discretionary Scheduling System

Working hours are determined in this system based on a collective agreement rather than setting a fixed schedule, when the duties in question require significant worker discretion. It can apply to both specialized work and creative work.

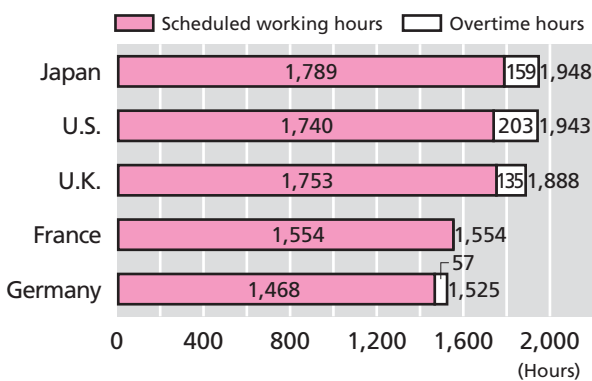
V-6 Shifts in Average Total Annual Working Hours per Worker (FY, finalized)



Source: *Monthly Survey of Labour Statistics*, Ministry of Health, Labour and Welfare

- Notes: 1) This study was limited to businesses that employ more than 30 workers.
- 2) Figures were obtained by multiplying monthly averages by 12.
- 3) Overtime hours were obtained by subtracting prescribed working hours from annual working hours.
- 4) Figures from FY1983 and earlier were obtained by adding up all monthly figures.

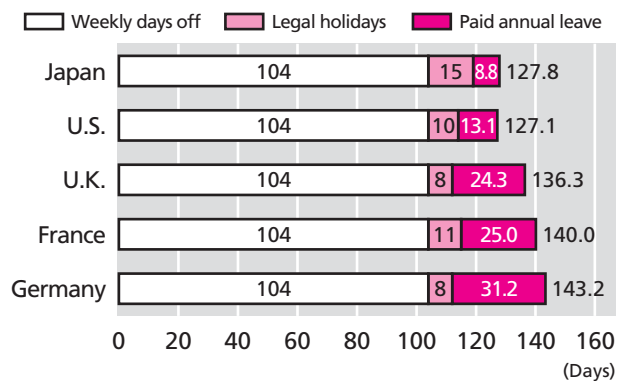
V-7 International Comparison of Annual Working Hours (workers in the manufacturing industry: 2001)



Source: Estimates were made by the Working Hours Division, Working Hours Department, Labour Standards Bureau, Ministry of Health, Labour and Welfare, based on reports issued by the EU and the other nations listed above.

- Notes: Figures for Germany are from 1999. Overtime hours for France were not available.

V-8 International Comparison of Annual Holidays



Sources: Working Conditions. Estimates based on statistics from the EU and reports from other nations, compiled by the Working Hours Division, Working Hours Department, Labour Standards Bureau, Ministry of Health, Labour and Welfare.

- Notes: 1) "Weekly days off" refers to company-prescribed weekly days off, e.g., Saturday and Sunday, under the assumption that employees are allowed two days off per week.
- 2) "Paid annual leave" refers to the number of vacation days granted to employees. Figures for some countries were estimated by the Working Hours Division. Figures for Japan represent the number of vacation days granted.
- 3) Survey dates for paid annual leave are as follows.

Japan	2001
U.S.	1997
U.K.	1996
France	1992
Germany	1996

5 The Minimum Wage System

The Minimum Wage Law

With the enactment of the Minimum Wage Law, drafted to improve working conditions and guarantee a minimum wage to low-paid workers, Japan's minimum wage system came into being in 1959. The law also sought to promote the sound development of the national economy by raising the quality of the labor force and fostering fair competition among companies.

Setting Minimum Wages

Minimum wages are determined in Japan through (1) Minimum Wages Councils, composed of members representing labor, management, and the public interest, that set minimum wages subsequent to research and deliberation; and (2) local minimum wages set by collective agreements.

When minimum wages are determined by (1) above, details such as how much the minimum wage should be, and how widely it should be applied, will be decided based on discussion by a Minimum Wages Council composed of members representing labor, management, and the public interest.

In its deliberations, a Minimum Wages Council will examine statistical data to ascertain the current wages earned by workers under consideration for a particular minimum wage. Its members also visit and inspect workplaces to investigate prevailing working conditions and wages. They ask workers and their employers for their opinions. The Council makes a decision after considering the local cost of living, starting salaries paid to new graduates, any collective agreement on minimum wage, the distribution of workers along the wage scale, and the effects of setting a minimum wage.

Since FY1978, the Central Minimum Wages Council has been providing guidelines to prefectural Minimum Wages Councils for minimum wage increases to ensure national uniformity. The local councils, in turn, use the guidelines to revise minimum wages to accord with the local situation. The

majority of minimum wages are set as described in (1) above (296 cases). Only two cases have been set in accordance with (2).

Types of Minimum Wage

Minimum Wages Councils rule on two types of minimum wage—local and industry-specific minimum wages.

One local minimum wage is determined for each prefecture, regardless of the type of industry or occupation. Usually, the minimum wage in a given prefecture applies to all workers in all workplaces in that prefecture, and to all employers who have one or more workers.

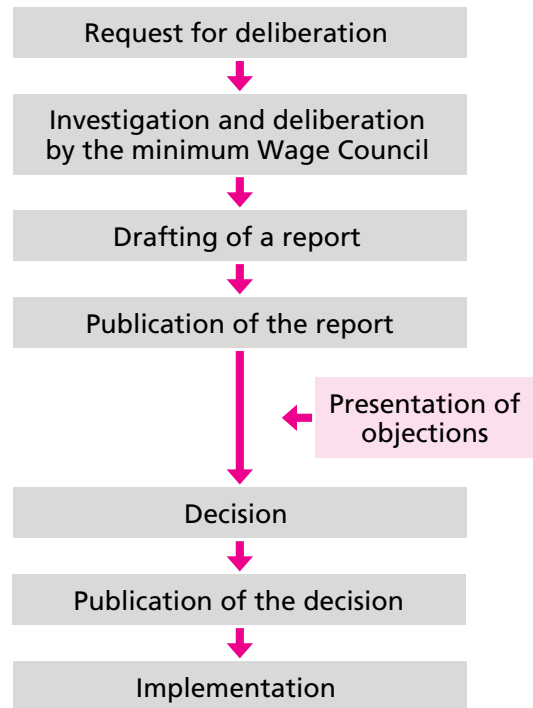
There are two types of industry-specific minimum wages: prefectural and national. The prefectural industry-specific wage is determined by prefectural labor authorities for certain industries, while the national industry-specific minimum wage applies nationwide. Both are limited to particular industries, as the terms imply.

Minimum Wages vs. Actual Wages

The current minimum wages are determined at the Local Minimum Wages Council, based on the guidelines on wage increase amount issued by the Central Minimum Wages Council, and by comprehensively calculating three elements: workers' cost of living, wages earned by other workers engaged in similar employment, and employers' ability to pay. Currently, regional minimum wages are all set only by hour. However, industrial minimum wages may be divided into those set by hour alone or by both day and hour.

Of the minimum wages set as mentioned above, minimum wages set only by hour apply to all workers. Minimum daily wages set both by day and hour apply mainly to workers who are paid according to methods other than by the hour (e.g. day or month), and minimum hourly wages apply mainly to workers who are paid by the hour.

**V-9 Methods Used to Set Minimum Wages
(minimum wages set through minimum wage council investigation and deliberation)**



**V-10 Minimum Wages
(weighted national average)**

(As of March 31, 2003; yen)

	Hourly rate
Minimum wage by prefecture	664
Minimum wage by industry	756

6 Industrial Safety and Health

Occupational Accidents

Though occupational accidents have steadily been decreasing in a long run, there are still approximately 530,000 cases annually.

The number of deaths in these cases was 1889 in FY2002, a decrease of 132 compared with FY2001, resulting in the fifth consecutive year with fewer than 2000 deaths.

According to the results of periodical health screening test, more than 40% of all workers have some positive-findings. It is also observed that there are more than 60% of workers who feel some kind of stress on their job.

Present Conditions and Issues in Industrial Safety and Health Measures

Since 1958, the Ministry of Labor has implemented eight 5-year plans to prevent industrial accidents. In accordance with the Ninth Industrial Accident Prevention Plan (1998-2003), we are striving toward the following goals:

- (1) Eradication of fatal accidents at the workplace
- (2) Assuring safety and health in small and medium-scale enterprises
- (3) Assuring safety and health as aging society develops
- (4) Introduction of new safety and health management methods

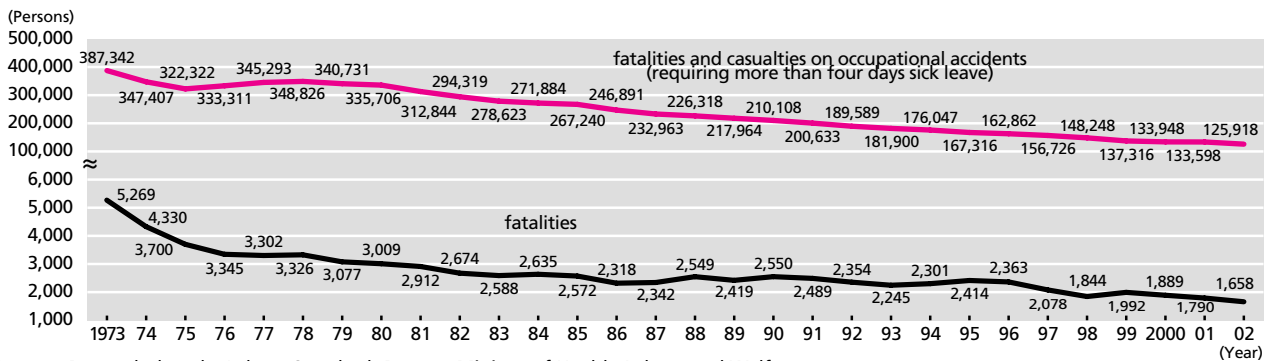
Workers' Compensation Insurance System

This government insurance system pays the necessary insurance benefits to workers to give them prompt and equitable protection against injury, illness, disability, death, etc. resulting from employment or commutation. The system also provides welfare services to injured workers to promote their smooth return to society (see Figure V-12).

(1) Eligibility

Any business that employs workers may participate in the Workers' Compensation Insurance system, excluding government employees (except local government part-time employees engaged in bluecollar labor) and seamen who are eligible for the Mariners Law. Certain businesses engaged in agriculture, forestry or fishery, and employing five or fewer workers may be eligible on a temporary basis. Additionally, special enrollment may be granted to smaller business owners and their family employees, sole proprietorships, and workers dispatched on overseas assignments. In those cases, they are entitled to receive benefits for injuries sustained at the workplace and, in some circumstances, for injuries sustained while commuting to or from the workplace.

V-11 Changes in Reported Cases of Occupational Accidents



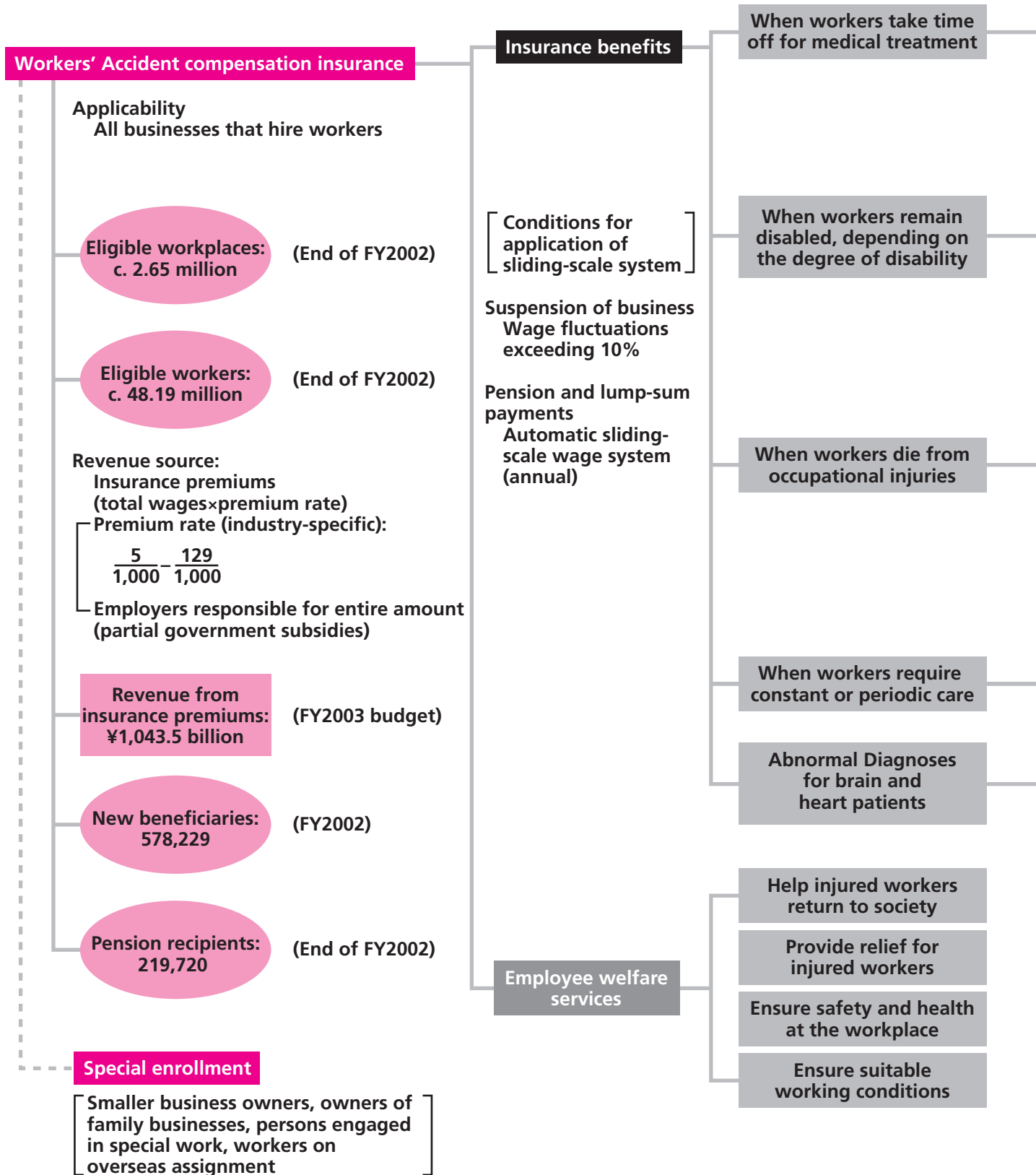
Sources: Research done by Labour Standards Bureau, Ministry of Health, Labour and Welfare

(2) Insurance Premiums and the Burden of Expenses

Employers are required to pay insurance premiums, which are calculated by multiplying total payable wages by the Worker's Compensation Insurance rate determined by the accident rate of each business cate-

gory (5/1,000-129/1,000). Companies larger than a specific size may participate in a so-called merit system, whereby premium rates or total premium (excluding those related to accidents occurring while in commute or benefits for a second physical exam) are based on relevant accident rates at each company.

V-12 Outline of Workers' Compensation Insurance System



Compensation for medical expenses	[All medical expenses]	
Compensation for missed work	[60% of standard benefits per day of work missed, beginning on the fourth day of absence]	+ Additional special benefits * Special benefits for missed work * Special lump-sum payments * Special pensions
Compensation for illnesses or injuries (pension)	[Payment ranging from 245 (Class 3) to 313 (Class 1) days' worth of pension at standard daily rate to those who have not recovered from illnesses or injuries after 18 months of treatment]	
Compensation for disabilities (pension)	[Payment ranging from 131 (Class 7) to 313 (Class 1) days' worth of pension at standard daily rate]	
Compensation for disabilities (lump sum)	[Payment ranging from 56 (Class 14) to 503 (Class 8) days' worth of pension at standard daily rate]	
Compensation to survivors (pension)	[Payment ranging from 153 days to 245 days' worth of pension at standard daily rate, according to number of survivors]	
Compensation to survivors (lump sum)	[Lump-sum payment amounting to 1,000 days' worth of standard pension to survivors not eligible for pensions]	
Compensation to Funeral expenses (Full payment)	[¥315,000 + 30 days of standard compensation (minimum compensation: 60 days' worth at standard daily rate)]	
Compensation for nursing care	[Up to ¥106,100 for constant care and ¥53,050 for occasional care, per month]	
Payment for a second medical exam	[Second exam to ascertain cardio vascular or heart condition and special health guidance by a doctor]	

(Provision of artificial limbs, establishment and administration of industrial accident hospitals)

(Special benefits for injured workers; benefits to defray the cost of educating injured workers' children)

(Implementation of measures for preventing accidents at the workplace and promoting occupational medicine)

(Compensation for unpaid wages)

- Notes: 1) Standard daily rate is calculated by dividing total wages paid to a worker during the three calendar months preceding the injury by the number of calendar days in that period. (minimum compensation: ¥4,180).
2) Minimum and maximum standard daily rates for pensions and long-term (18 months) medical treatment are determined according to age group.

The role of women in society has become more prominent as in increasing numbers they enter the labor force and participate in community activities. Changes in the social environment are therefore necessary to facilitate their participation in the labor force while providing working conditions that enable them to achieve a reasonable balance between their careers and family lives.

Over ten years have elapsed since the Law on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment (hereinafter referred to as the Equal Employment Opportunity Law) was enacted in 1986. Now that more women are in the work force and increasing the length of their careers, the public attitude toward working women has altered dramatically, along with employers' efforts to undertake their full participation. However, women are not afforded the same opportunities as their male counterparts in some instances.

Accordingly, the Equal Employment Opportunity Law was revised and strengthened in June 1997. While it had previously been employers' obligation to direct efforts toward the prohibition of discrimination against women in recruiting, hiring, assignment and promotion, the new version promotes positive action and the establishment of rules for the prevention of sexual harassment in the workplace. In addition, a system was created whereby violating organizations' names will be made public. Brought into effect everywhere in April 1999, the law also revises the mediation process, nullifies regulations against female employees' working overtime, on holidays, and graveyard shift, and respects the necessity of maternity leave.

In order to ensure the execution of the revised Equal Employment Opportunity Law, the Equal

Employment Opportunity Departments of the Prefectural Labor Bureaus-branch offices the Ministry of Health, Labor and Welfare established in each prefecture-have implemented the following measures:

- (1) The Department disseminates the Equal Employment Opportunity Law thoroughly, and also provides counseling about sexual discrimination in recruitment, employment, assignment, promotion, education and training, minimum welfare, retirement and dismissal, as well as sexual harassment in the workplace.
- (2) Advice and guidance will be provided by the Director of the Prefectural Labor Bureau, or mediation by the Equal Opportunity Mediation Committee, to ensure prompt resolution of individual disputes between female workers and their employers regarding equal treatment.
- (3) The Bureau actively provides positive administrative guidance based on the Equal Employment Opportunity Law to grasp the real state of a company's employment management and to help private companies treat men and women as equally as possible.

Further, the Ministry and the Bureau encourage understanding among the top echelon of management and consensus within companies to promote positive action for the dissolution of the existing gap between male and female workers caused by employment management based on customary practices and a static sense of sex roles. In cooperation with management groups, we have hosted the "Positive Action Promotion Council" and are promoting efforts for companies themselves to take this positive action independently.

8 Assistance Measures to Balance Work and Family

The development of rapid decline of birth rate is thought to impose a significant effect on the future society and economy of Japan through decrease in the labor force population, effects on social security system and changes in the childrearing environment of the family and the region. For such reason, the Japanese Government decided on “Policies and Measures to Support Fostering Next-Generation Youths” (at the Ministerial Meeting on the Promotion of Measures Against Declining Birth Rate) on March 14, 2003 to institute effective measures to change the trend of declining birth rates.

In it, as “review of work styles including that of men” is established the target percentage of workers taking child care leave by gender (see Table V-13) to promote assistance for balance between work and family including the reduction of overtime work during the child-rearing period and promotion of fathers taking a five-day leave when a child is born. Measures to create an environment where people are able to bring up children in comfort are actively being pursued while in line with “Measures Against Declining Birth Rate: Plus One” and “Policies and Measures to Support Fostering Next-Generation Youths.”

In accordance with these “Policies and Measures to Support Fostering Next-Generation Youths,” a Bill to Promote Measures Fostering Next-Generation Youths, which aims to develop the framework in which local governments and enterprises formulate

an action plan to promote intensive and systematic measures for ten years on policies for fostering next-generation youths, was submitted to the Diet on March 17, 2003 and the said law was established on July 9.

Furthermore, with regard to revisions on child care leave and others to create a more efficient system, considerations will be made at the Equal Employment Opportunity Sectional Meeting of the Labor Policy Council from April 2003 and based on the conclusion drawn at the meeting, necessary measures will be taken.

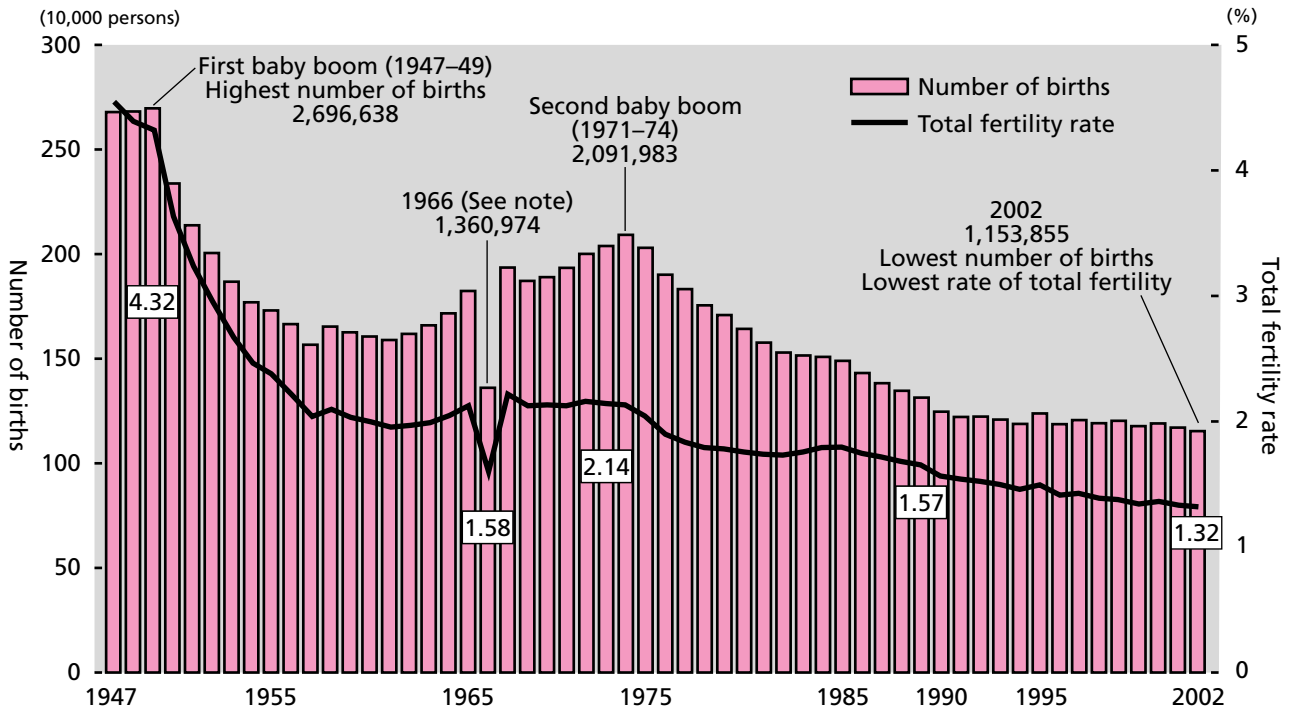
In addition to publicizing the Child Care and Family Care Leave Law to develop an environment comfortable to continue working in while bringing up children or taking care of family members, the Ministry of Health, Labour and Welfare has been promoting the spread of family-friendly companies that develop an employment environment in which workers are able to maintain a balance between work and family by promoting the use of a balance index, which indicates “ease of attaining balance between work and family” at companies, and implementation of company awards. Furthermore, the Ministry of Health, Labour and Welfare is assisting employers that develop employment environments in which workers can comfortably continue to work while bringing up children or taking care of family members through the use of various subsidy measures, etc.

V-13 Target Value of Percentage of Workers Taking Child Care Leave included in the “Policies and Measures to Support Fostering Next-Generation Youths”

Item	Target Value	FY2002	FY1999
Percentage of men taking child care leave	10%	0.33%	0.42%
Percentage of women taking child care leave	80%	64.0%	56.4%
Diffusion rate of leave system to attend to a sick child	25%	10.3%	8.0%
Diffusion rate of measures such as work hour reduction until the child starts attending primary school	25%	9.6%	7.0%

Note: The figure for FY1999 and FY2002 are based on the *Basic Survey on Employment for Women*, Ministry of Health, Labour and Welfare.

V-14 Changes in Number of Births and the Total Fertility Rate



Source: *Vital Statistics*, Ministry of Health, Labour and Welfare

Note: Total fertility rate: The sum of fertility rates by age of women between the ages of 15 and 49, and represents the number of children a woman is likely to bear in her lifetime if the trend of the survey year continues.

9 Part-time Work Policies

1. Current Status of Part-time Workers

The number of part-time workers has been rapidly increasing, and they play a major role in Japan's economic society. This can be seen in the extension of the years of continuous employment and an expansion of fields of work.

2. Current Measures for part-time workers

In order to create an employment structure for part-time work in which workers can effectively use their abilities, the Ministry of Health, Labour and Welfare has been enhancing the welfare of part-time workers through publicizing the Part-Time Work Law and guidelines, carrying out appointment and recommendation of employment managers for part-time workers, and promoting voluntary efforts of labor and management regarding employment management which takes into consideration the balance with regular workers.

- (2) When creating or changing work regulations relating to part-time workers, the employer shall make an effort to listen to a person who is representative of the opinions of the majority of part-time workers.
- (3) The Minister of Health, Labour and Welfare will establish and publicize the necessary guidelines related to measures for the improvement of employment management that should be taken by employers.
- (4) The Minister of Health, Labour and Welfare, when deemed necessary, will be able to collect reports from employers and to provide advice, guidance and recommendations.

Outline of the Law concerning the Improvement of the Employment Management, etc. of Part-time Workers

1 Definition

“Part-time workers” are workers for whom the scheduled working hours per week at a place of work is shorter than that for regular workers at that place of work.

2 Measures concerning the Improvement of Employment Management, etc.

- (1) When employing a part-time worker, the employer shall make an effort to quickly issue a clear statement in writing of the working hours and other work conditions.

Outline of Guidelines concerning the Measures for the Improvement of Employment Management, etc. Which Should Be Taken by Employers

- I In addition to complying with the Labour Standards Law, the Minimum Wages Law, the Industrial safety and Health Law, the Worker's Accident Compensation Insurance Law, the Law regarding the Guarantee of Equal Opportunity and Treatment between Men and Women in Employment, the Law Concerning the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave and the Employment Insurance Law, and other legislation protecting workers, with regard to part-time workers, employers shall deal with part-time workers considering the actual work conditions and balance with regular workers, etc. Especially for part-time workers whose job descriptions are the same as regular workers, employers should take

into account the following concepts when considering the balance between part-time and regular workers.

- (1) Regarding part-time workers whose status is not significantly different than that for regular workers with regards to the extent and frequency of personnel transfers, changes in roles, personnel training and other personnel utilization mechanisms, and operation, etc., employers shall make efforts to secure balance with regular workers by treating relevant part-time workers according to their ambition, ability, experience, and accomplishments, upon taking measures to make the methods for determining the treatment of workers the same for both relevant part-time and regular workers.
- (2) Regarding part-time workers whose status is different than that for regular workers with regards to the extent and frequency of personnel transfers, changes in roles, personnel training and other personnel utilization mechanisms and operation, keeping in mind the degree of difference, employers shall make efforts to secure balance between part-time and regular workers by taking measures, etc. related to the treatment of part-time workers based on their ambition, ability, experience, and accomplishments, etc.

II Based on the basic concepts above, employers should take appropriate measures with regard to the following points.

- 1 Securing appropriate work conditions for part-time workers
 - (1) Issuing a written statement clarifying wages, working hours and other work conditions.
 - (2) Making working regulation based on the Labour standards Law which are applied for part-time workers and listening to opinions from a person who is recognized as representing the majority of part-time workers when they are to be made or amended regarding part-time workers.

- (3) Setting working hours and working days considering the situation of the part-time worker and avoid having part-time worker work non-scheduled hours and non-scheduled days.
- (4) Granting annual paid vacation based on the Labour Standards Law.
- (5) Taking measures concerning clarification on availability of renewals at the time of concluding a contract, etc., notification of the termination of employment, clarification of the reasons for termination of employment, and consideration for the contract period according to the standards based on the Labour Standards Law.
- (6) Providing notice at least 30 days in advance when dismissing part-time workers.
- (7) Issuing a certificate to part-time workers when requested in case part-time workers resign.
- (8) Determining wages, bonuses and retirement benefits considering the actual work conditions of part-time workers and balance with regular workers.
- (9) Carrying out medical examinations based on the Industrial Safety and Health Law.
- (10) Taking measures during a worker's pregnancy and after child-bearing.

2 Implementation of Education and Training, Enhancement of Welfare, and Other Improvement of Employment Management for Part-time Workers.

- (1) Implementation of education and training according to the actual work conditions.
- (2) Treating part-time workers the same way as regular workers with regard to the use of welfare facilities.
- (3) Necessary measures based on the Law for Child Care and Family Care Leave.
- (4) Application of employment insurance based on the Employment Insurance Law for part-time workers who qualify as insured persons by employment insurance.
- (5) Providing an appropriate place of work for

elderly persons who wish to do part-time work.

- (6) Preferential granting of opportunities for part-time workers to apply for regular workers, etc.
- (7) Improving conditions for part-time workers to become regular workers.

3 Employers shall make efforts to take measures related to the treatment of part-time workers based on the contents of their job description, ambition, ability, experience and accomplishments.

4 Employers shall make efforts to appropriately treat part-time workers as regular workers for those whose scheduled working hours are almost the same as regular workers and, despite the fact that the actual work condition is the same, are treated differently

than regular workers on work conditions, benefits, etc.

5 Implementation of Measures for the Promotion of Communication between Labor and Management.

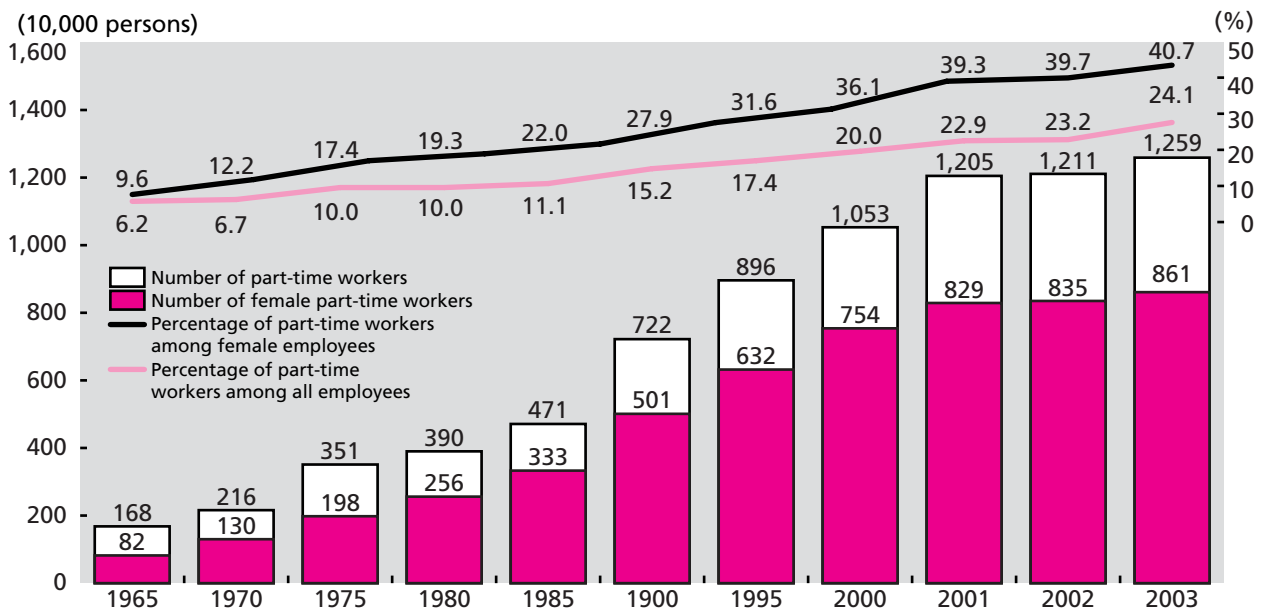
(1) When requested by part-time workers, employers shall make efforts to explain the way they treat part-time workers.

(2) Employers shall make efforts to think of appropriate ways to establish opportunities to listen to the opinions of part-time workers.

(3) Employers shall make efforts to voluntarily resolve complaints by utilizing mechanisms for handling complaints, etc.

6 Employers shall make efforts to appoint a manager for part-time workers for places of business which constantly employ ten or more part-time workers, and publicize the name of the manager.

V-15 Changes in the Number and Percentage of Part-time Employees (people who work less than 35 hours per week) in Industries besides Agriculture and Forestry



Sources: Labour Force Survey, Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications

Notes: Excludes employees on leave.

Percentage of women among part-time workers 68.4%

Percentage of part-time workers among female employees 40.7%

Percentage of part-time workers among all employees 24.1%

10 Public Vocational Training Policies

The term “public vocational training,” in a narrow sense, refers to vocational training conducted at public vocational capacity development facilities. However, more broadly, public vocational training includes the disbursement of subsidies to defray educational expenses, and is based on the following three policies:

- (1) Providing vocational training at public vocational capacity development facilities (the narrow definition of public vocational training).
- (2) Encouraging employers and employer associations in the private sector to offer vocational training by awarding subsidies, disseminating information, and providing consulting services.
- (3) Motivating workers to acquire skills voluntarily by granting subsidies and providing informational and consulting services.

Table V-17 shows the ways in which public vocational training has been implemented in Japan. Young people are offered mainly long-term training lasting one to two years, while persons separated from their jobs receive mostly training of six months or less and persons currently employed primarily receive short-term training of only a few days. By law, vocational training is offered to those changing occupations (and currently unemployed) and the physically disabled free of charge, but the cost of texts and other materials is borne by trainees. Some training courses for those changing occupations (and currently unemployed) are entrusted to private education and training institutions. Training subjects taught at public vocational capacity development facilities are mostly vocational and technical subjects for industries such as manufacturing and construction, but among the training commissioned to the private sector, courses are established in various subjects like computers and social welfare. Short-term vocational training for the employed is implemented based on the needs of employers or employers’ associations of the region. There are also universities that specialize in skill development, educating the vocational training

instructors of the future and preparing textbooks for that purpose. Furthermore, among the facilities illustrated in Table V-17 is the Lifelong Human Resources Development Promotion Center, which acts as a central base facility for the human resource development of white-collar workers.

Steps taken to promote education and training in the private sector are outlined in Figure V-16. The Subsidy to Promote Career Development appearing therein is intended to promote effective career development for employees within the organization. Employers will be subsidized to cover part of the wages and expenses associated with the conduction of educational and training activities etc. they provide, based on a vocational ability development plan created within the business, for the workers employed there. The financial resources for the Subsidy to Promote Career Development come from a separate body established under the employment insurance umbrella and, being funds collected universally from business owners, shall be returned (again, universally) to Employers in the form of subsidies for education and training.

In terms of support for self-education, Figure V-16 also shows the Education and Training Benefits System introduced in December 1998. This is for workers who have been enrolled in unemployment insurance for at least three years, and provides assistance to the amount of 40% of class expenses with a maximum of 200,000 yen (and in the case of an unemployment insurance period of at least three years and less than five years, assistance of 20% with a maximum of 100,000 yen) paid by workers who attended and completed education and training designated by the Minister of Health, Labour and Welfare.

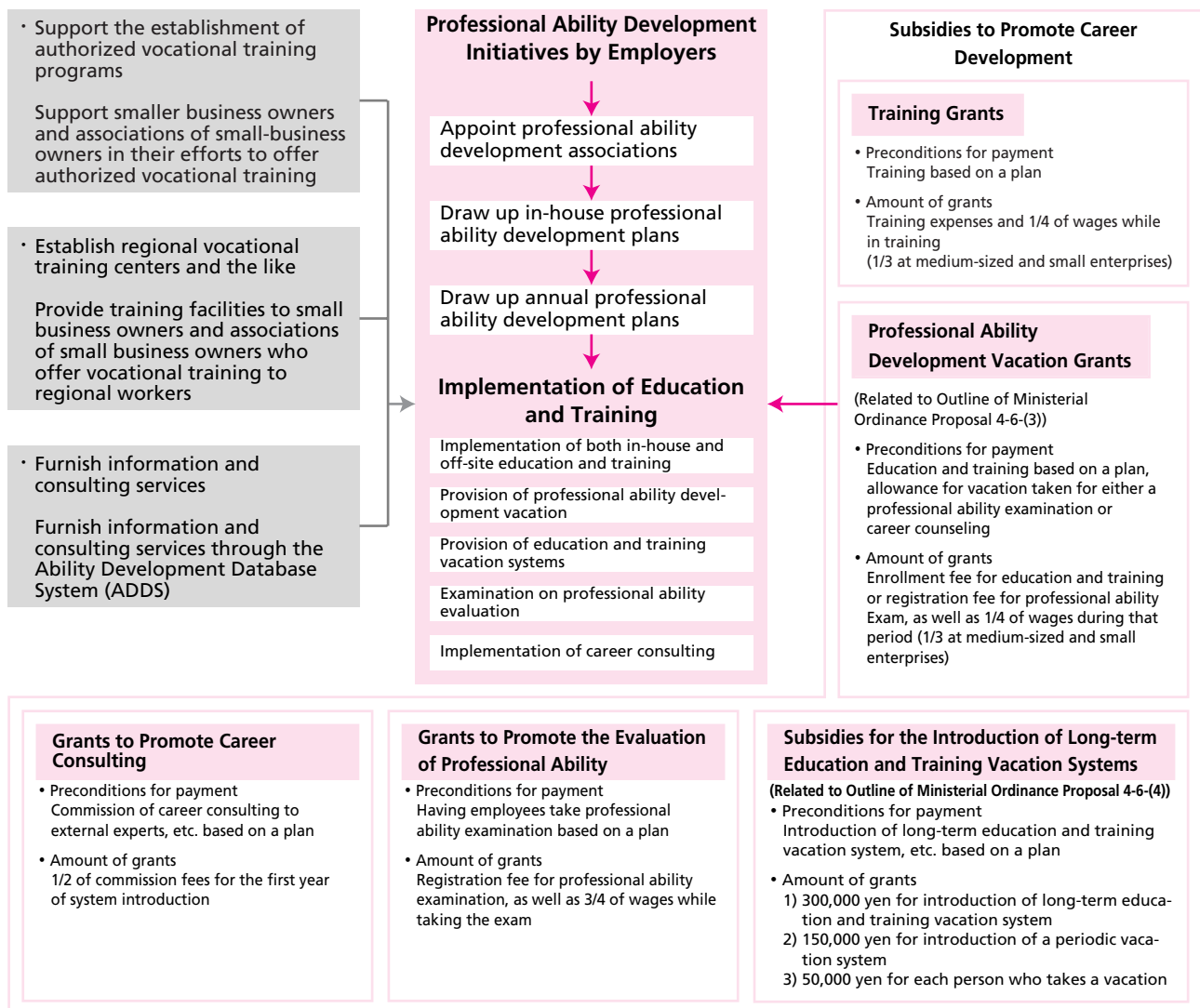
As of October 2003, eligible courses numbered 16,104 at 3,584 facilities, and it has become possible to receive benefits for many courses, such as in computers and bookkeeping, as well as preparation for a variety of certifications. Furthermore, starting in April 2002, we are trying to launch the construction

of a new system for human resources training- Pushing ahead with Leading Efforts to Create a human resources superpower-with cooperation etc. of industry, academia, and the government.

In addition, the Comprehensive Employment Measures were laid down in September 2001; the three main Programs are creation of employment opportunities by fostering the development of new markets and new industries, corrections in employment mismatches, and improvement of the employment safety net. On the development of professional ability, certain measures have already been put into effect. For example, the promotion of professional capacity development, making use of all educational

and training resources such as private education and training institutions, universities and graduate schools, business owners and non-profit organizations. Another measure is the placement at public employment security offices of advisors to support development of abilities. These advisors will do such things as provide consultation for job seekers on capacity development connected with the job search process, based on understanding their work experience and aptitude. Additionally, there will be placement of further advisors who clarify the abilities required to provide such services to job seekers as consultation support operations for the promotion of information disclosure on the required professional ability.

V-16 Outline of Self-education and Training in the Private Sector



V-17 Public Vocational Training Programs

					Facility	Human resource development centers	
					Established by	Prefectural government	
					Number of facilities	201	
Category	Courses offered	Objectives	Training period	Total hours	Number of trainees (total available slots per year)		
General	General courses	Provide middle- and high-school graduates with long-term training enabling them to acquire the basic skills and knowledge needed to secure employment	One year (high-school graduates); two years (middle-school graduates)	At least 1,400 hours, At least 2,800 hours		19,820	
	Short courses	Provide the employed and unemployed with short-term training enabling them to acquire the basic skills and knowledge needed to retain or find the jobs	Six months or less	At least 12 hours (at least 10 hours for management courses)		131,951	
	Technical courses	Provide new graduates with short-term training enabling them to acquire the basic skills needed for technical work	Six months (high-school graduates); one year (middle-school graduates)	800 hours At least 1,600 hours		6,260	
Advanced	Special courses	Provide high-school graduates with long-term training enabling them to acquire basic skills and knowledge necessary for their future careers	Two years (high-school graduates)	At least 2,800 hours		—	
	Applied courses	Provide persons who have completed special technical courses with the technical and applied skills necessary for future careers as high-level technical workers	Two years (persons who have completed technical courses)	At least 2,800 hours		—	
	Short special courses	Provide workers with short-term training enabling them to acquire advanced skills or knowledge	Six months or less	At least 12 hours		—	
	Short applied courses	Provide workers with the advanced technical and applied skills necessary for the jobs	One year or less	At least 60 hours		—	
Total							158,031

Junior colleges		Junior colleges	Job skill development promotion centers	Human resource development centers for the disabled		Total
Employment and Human Resources Development Organization of Japan	Prefectural government	Employment and Human Resources Development Organization of Japan	Employment and Human Resources Development Organization of Japan	National government	Prefectural governments	
1	7	10	62	13	6	300
—	—	—	100	2,370	380	22,670
180	—	8,670	243,203	1,700	—	385,524
—	—	—	—	—	—	6,260
160	1,400	4,460	—	—	—	6,020
—	—	1,360	—	—	—	1,360
720	—	15,040	50,590	—	—	66,350
—	—	6,240	—	—	—	6,240
880	1,400	35,770	293,893	4,070	380	494,424

1 The Subject of Japan's Social Security System

Dwindling Birthrates and Aging Population

The social security system draws upon tax and social insurance for its revenue, and is a system that carries out social welfare programs to cope with the various risks in life faced by people such as those whose health has been damaged by illness or disability, and those who have been deprived of their source of income as a result of job loss or retirement. Japan's social security system is similar to those in Europe and the U.S. in that, to satisfy each stage of people's lives, it is composed of such elements as medical insurance, public health services, social welfare services, income maintenance, and employment measures (see Figure VI-1). Of these, medical insurance, health systems for the elderly, long-term care insurance and pension systems—as well as unemployment insurance and workmen's compensation insurance—are social insurance programs. In contrast, child welfare, welfare for single mothers and widows, welfare for the elderly, welfare for the physically disabled, welfare for the poor and public health services are all public policies drawing upon taxes for funding.

Social Security Cost

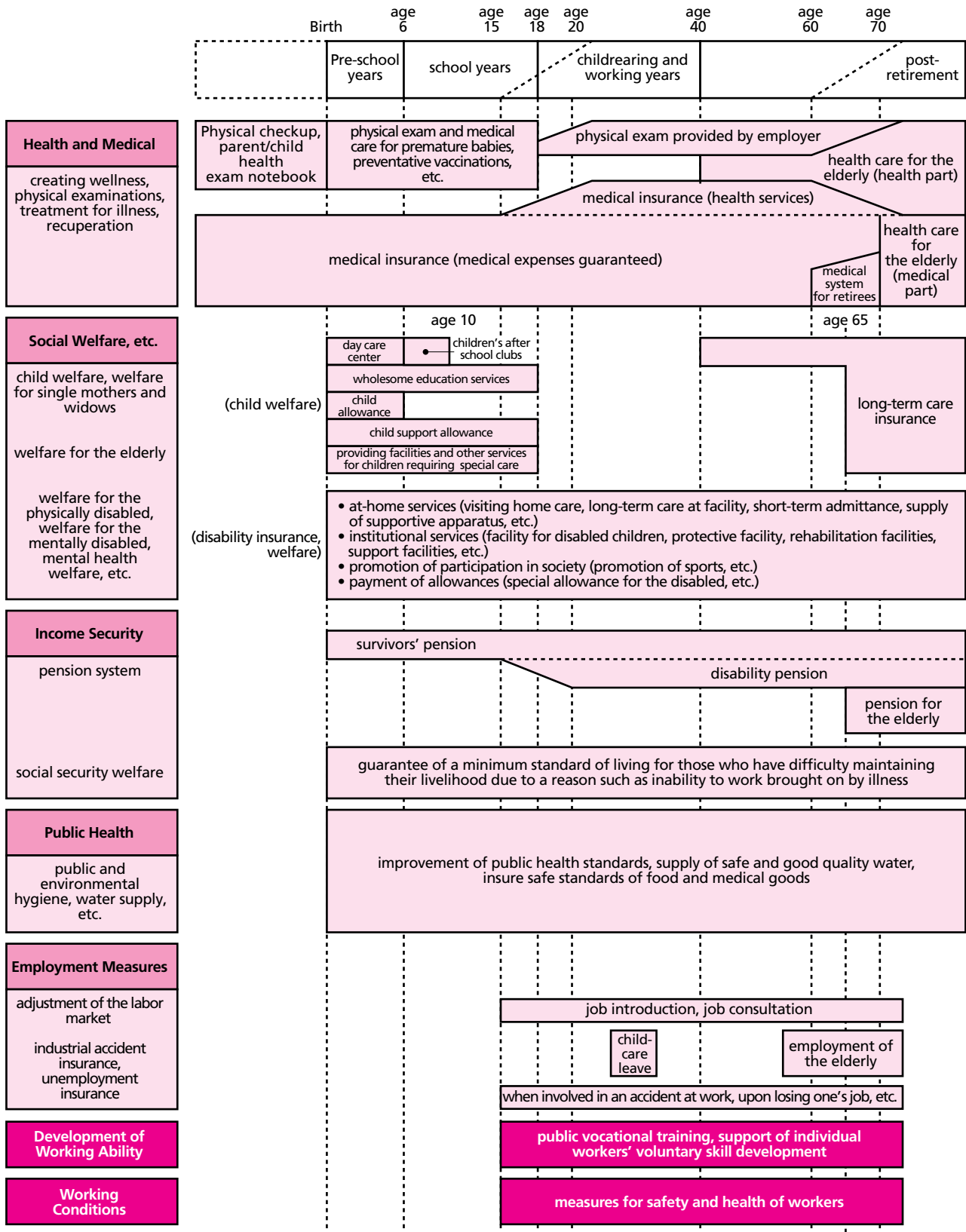
In order to make an international comparison on the trend of social security, the Organisation for Economic Co-operation and Development (OECD) is disclosing information on indices of social expenditure that includes pension funds, medical care and welfare for the poor, child allowance that gets transferred, social security benefits from expenditures on welfare services and expenditures such as expenses for facility development that do not get transferred directly to individuals (OECD Social Expenditure Database 2001). Based on this, international compari-

son of national income becomes possible, and looking at the percentage of Japan's national income occupied by social expenditure in 1998, since the portion of elderly persons in the total population increased (see Figure VI-3), and correspondingly the expenditures on pension benefits and medical benefits increased (see Figure VI-4), it is low when compared with that in European countries and also somewhat lower than in the U.S. (see Table VI-2). In contrast, the percentage of national income occupied by social security costs is low when compared with that in Germany and Sweden, but about the same as in the U.S. (see Table VI-2). However, when taking a look at the potential national burden ratio, which considers the tax burden in order to return the government deficit in the future, Japan has a higher standard than the U.S. The total fertility rate was 2.13 in 1970—close to the rate for maintaining population—but by 2001 it had fallen off to 1.31. Consequently, according to the 2000 census, the portion of elderly persons (age 65 or older), the portion of young population and the portion of working age in Japan's total population (128.15 million) were 17.4%, 14.6% and 68.1% respectively. However, the percentage of the elderly in the total population is forecast to increase into the future—reaching the 25% mark in 2014—so that one out of every four persons in Japan will be aged 65 or older (*January 2002 Future Population Projection*, National Institute of Population and Social Security Research) (see Figure VI-3).

The Relationship Between Social Security Benefits and Cost Burden

As Figure VI-4 shows, since the aging of Japan brings about increased social security outlays, the

VI-1 The Social Security System by Life Stage



Sources: 2001 Ministry of Health, Labour and Welfare White Paper, Figure 3-1-1

decreasing percentage of working population implies that the per-person social security cost burden for the working generation will continue to rise, assuming per-person benefit costs for the retired generation are constant. Furthermore, due to increase in income disparity in the 1990s (See Gini index of initial income in Table VI-5), the need to increase income redistribution effects (see Redistribution Effects by Social Security in Table VI-5) through social security in response to this has been acknowledged in recent years. Therefore, to

avoid this kind of inter-generational inequity in the relationship between social security benefits and costs and to correct income disparity, “An Outline of Principles for the Aging Society” (Cabinet Office) created in December 2001 provided guidelines for the future of the social security system to plan for balance between benefits and costs that consider inter-generational equity, and to request a fair cost burden from those who have the ability to pay social security costs, corresponding to their ability to pay.

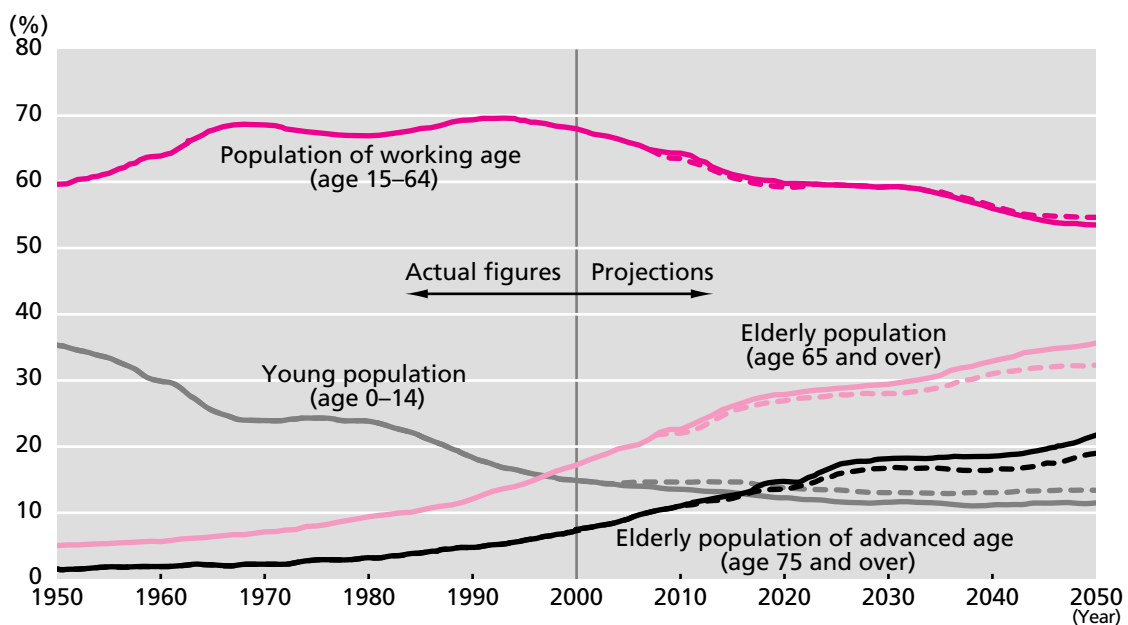
VI-2 Percentage of National Income Occupied by Social Security Benefits and Social Security Costs

(%)

	Japan (FY 1998)	U.S. (1998)	U.K. (1998)	Germany (1998)	France (1998)	Sweden (1998)
Ratio of Social Expenditure (by the OECD Standards) to National Income	15.9	20.9	17.2	27.7	25.5	31.7
	Japan (FY 2003)	U.S. (1997)	U.K. (2000)	Germany (2000)	France (2000)	Sweden (2000)
Ratio of Social security cost to national income	15.2	9.8	9.8	25.3	25	22.1
(for reference) Tax burden ratio	20.9	26.2	41.4	31.2	39.8	54.4
(for reference) National burden ratio	36.1	36	51.2	56.6	64.8	76.5
(for reference) Potential national burden ratio	47.1	37.1	51.2	56.5	66.6	76.5

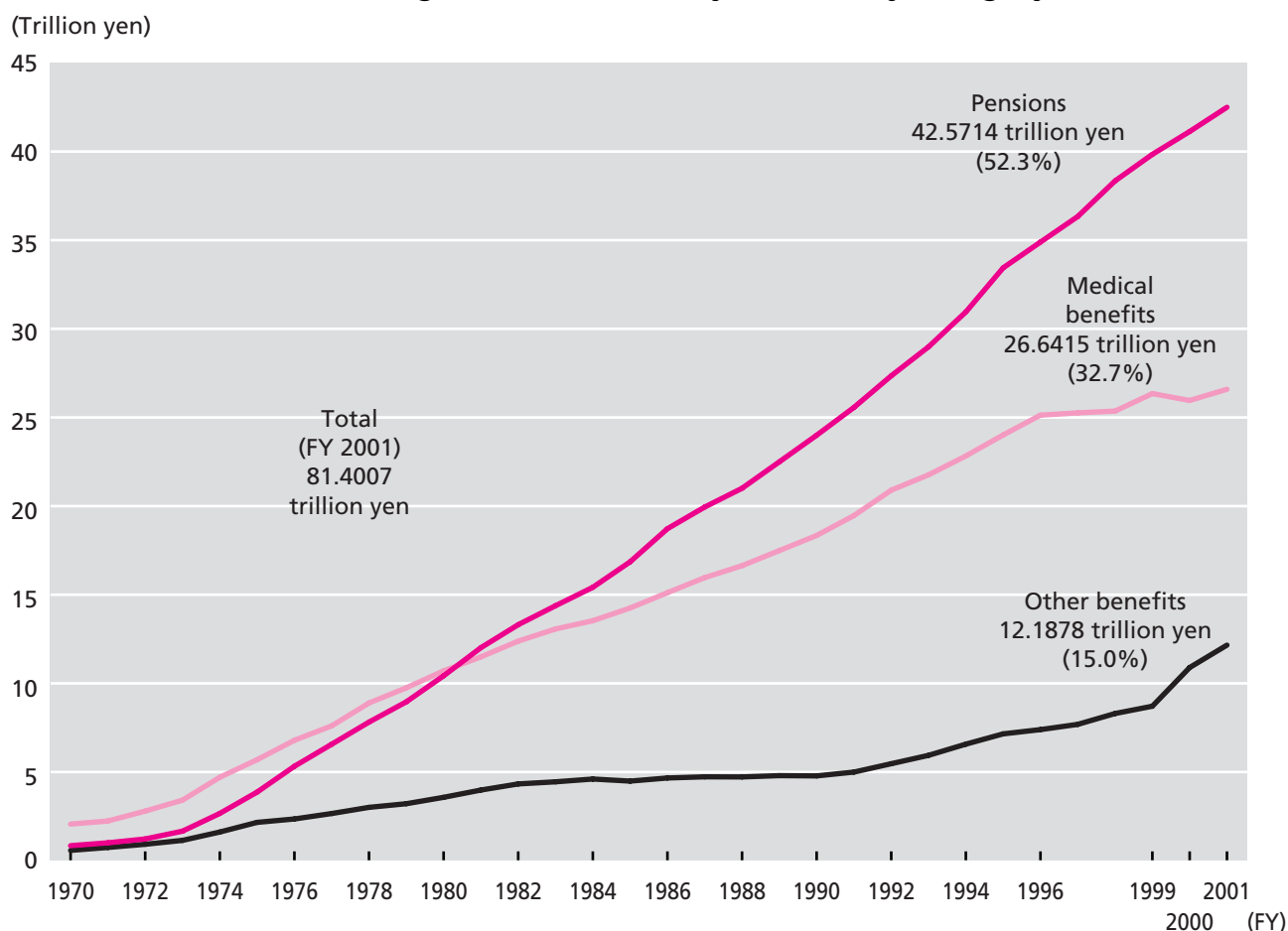
Sources: (1) *Cost of Social Security in Japan: FY2001*, Reference material (National Institute of Population and Social Security Research)
 (2) 3rd Meeting, Working Party on Pension, Social Security Council, References/Reference Material 2-2

VI-3 Changes in Percentage of Population by 3 Age Groups: Average Projections



Sources: *Population Projections for Japan (Jan. 2002 Estimates)*, National Institute of Population and Social Security Research
 Notes: Dotted line is the previous average

VI-4 Changes in Social Security Benefits by Category



Sources: 2001 Social Security Benefit Costs, National Institute of Population and Social Security Research

VI-5 Current Status of Income Disparity and Redistribution Effects by Social Security (Gini index)

	Initial income	Redistributed income		Income redistribution by tax (initial income – tax)		Income redistribution by social security (initial income + medical cost + social security benefits – social insurance premium)	
	Gini index (A)	Gini index (B)	Improvement rate $\left(\frac{A-B}{A}\right)$	Gini index (C)	Improvement rate $\left(\frac{A-C}{A}\right)$	Gini index (D)	Improvement rate $\left(\frac{A-D}{A}\right)$
			%		%		%
1987	0.4049	0.3382	16.5	0.3879	4.2	0.3564	12.0
1990	0.4334	0.3643	15.9	0.4207	2.9	0.3791	12.5
1993	0.4394	0.3645	17.0	0.4255	3.2	0.3812	13.2
1997	0.4412	0.3606	18.3	0.4338	1.7	0.3721	15.7
1999	0.4720	0.3814	19.2	0.4660	1.3	0.3912	17.1

Sources: Annual Report on Health and Welfare 2002, Ministry of Health, Labour and Welfare

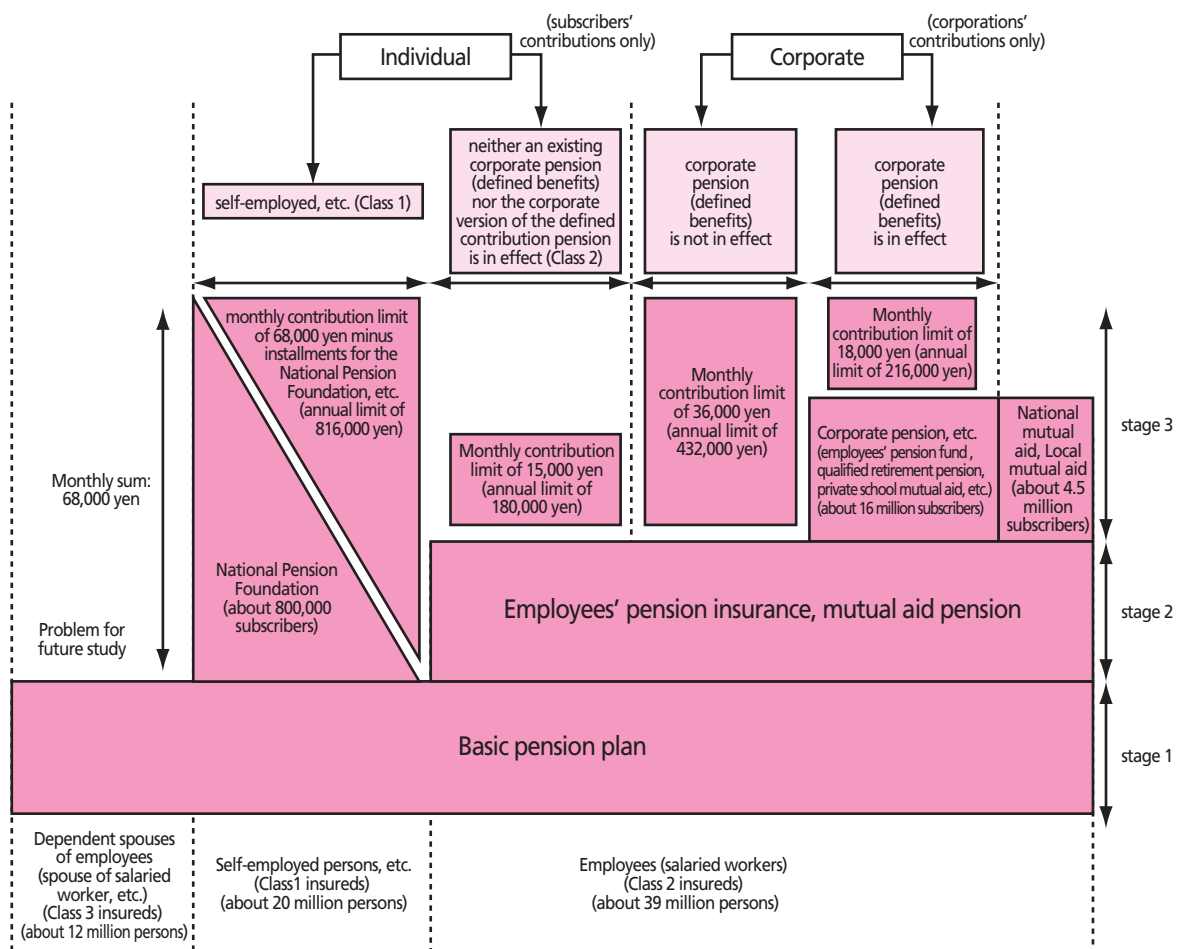
2 Pension System

The Characteristic of Japan's Pension System

All Japanese citizens are insured in the medical insurance and pension systems, which are run under the principle (insurance for all, pensions for all) that medical services or pension benefits be receivable upon becoming ill or reaching old age. Within Japan's pension system (see Figure VI-6) is a basic pension; all citizens (persons aged 20 to 59) become members of this basic pension plan and receive pension benefits upon reaching the age for payment of benefits to begin (age 60 at present, age 65 for men

from 2013, and age 65 for women from 2018). For salaried workers and government employees, respectively, there are employees' pensions and mutual aid pensions to provide pension monies proportionate to salaries in addition to the basic pension. While basic pension premiums for the self-employed are fixed amounts (monthly rate of 13,300 yen in 2002), the pension premium rate for salaried workers and government employees are covered equally by the labor and management, and is 17.35% of their salaries, or 1% of their bonuses (in 2002).

VI-6 The Pension System



Sources: Annual Report on Health, Labour and Welfare, 2002, Ministry of Health, Labour and Welfare

In terms of corporate pension plans to supplement these public pensions, up to now there were the Employees' Pension Fund and tax-qualified pensions for salaried workers. Added to these, to more fully protect persons with the right to receive corporate pension benefits and to substantiate portability of reserve funds, a defined payment corporate pension and defined contribution corporate pension were introduced in 2001. Also, for the self-employed, there is the National Pension Foundation—equivalent to the corporate pension system—to supplement the basic pension. Further, there is a survivors' pension for the bereaved families of pension plan subscribers or of pension beneficiaries; and disability pensions may be provided under specific conditions when subscribers have disabilities. Developments in the numbers of pension beneficiaries and benefit amounts are as in Table VI-7. The average pension benefit amount of employees' pension for both old-age pension and basic pension per person for FY2001 was 163,000 yen and 66,000 yen respectively.

The characteristic of Japan's pension system relating to the labor market is the point that it cooperates with unemployment insurance. That is, for older workers between ages 60 and 64, elderly employment continuation benefits and elderly re-employment benefits are provided when wages fall below 85% of his

or her wage around retirement at 60. Further, to support female workers' combining of childrearing and work activities, payment of employees' pension insurance premium is excused for both the worker and employer during the period of child care leave (see Chapter V-8 for Assistance Measures to Balance Work and Family).

Pension Reform Plan of 2004

This type of Japanese pension system is amended every five years upon recalculation of pension financing. Two reform plans have been submitted on pension reform for 2004. One is to increase the premium burden in the future in exchange for maintaining the portion of pension benefits to income of the current generation at a certain level as in the current system. The other is, as introduced in "An Outline of Principles for the Aging Society," to make adjustments to the benefit standards in correlation to the economic situation and progress of the aging society in exchange with fixing a certain level of premium burden (20% in the case of employees' pension) in the future to obtain equality between generations. The Working Party on Pension, Social Security Council noted that while drawing upon the pension reform of Sweden in 2001, making consideration with the latter plan at its core is desirable.

VI-7 Annual Changes in Numbers of Public Pension Plan Subscribers and Public Pension Recipients

	Number of Public Pension Plan Subscribers					Number of Public Pension Recipients				
	Total	Class 1 Insureds	Class 2 Insureds		Class 3 Insureds	Total	National Pension	Employees' Pension	Mutual-aid Association	Welfare Pension
		(self-employed, etc.)	Employees' Pension (salaried workers)	Mutual aid Pension (government workers)	(dependent spouses of salaried workers)					
1987	64,105	19,292	28,216	5,299	11,299	22,523	10,077	8,910	2,048	1,488
1990	66,313	17,579	31,493	5,285	11,956	25,001	11,001	10,643	2,390	964
1995	69,952	19,104	33,275	5,327	12,201	32,363	14,751	14,254	2,958	400
1996	70,195	19,356	33,462	5,362	12,015	33,940	15,611	14,956	3,044	329
1997	70,344	19,589	33,468	5,339	11,949	35,765	16,585	15,778	3,134	268
1998	70,502	20,426	32,957	5,302	11,818	37,404	17,469	16,503	3,218	215
1999	70,616	21,175	32,481	5,273	11,686	39,062	18,362	17,233	3,296	171
2000	70,491	21,537	32,192	5,031	11,531	40,906	19,304	18,074	3,392	137

Sources: *Annual Report on Health, Labour and Welfare, 2002*, Ministry of Health, Labour and Welfare

Features of the Medical Insurance System

Within Japan's medical insurance there is association-managed health insurance for employees (and their families) of workplaces of five or more workers, government-managed health insurance for employees (and their families) of workplaces with fewer than five workers, national health insurance for the self-employed, etc., and medical insurance provided by mutual aid associations for national government employees and local government employees (see Figure VI-8, upper part). Subscribers in medical insurance programs pay the insurance premium themselves, but the subscribers themselves and their families may receive medical services at the medical institution of their choice by paying only a portion of the medical expense. Moreover, the health insurance association, government-managed health insurance association, and national health insurance have an elderly insurance system for elderly aged 65 or over requiring long-term care and for all elderly aged 70 or over. In this system (see Figure VI-8, lower part), the medical cost burden borne by the elderly is mitigated by contributions from the respective insurance associations, according to the number of elderly subscribers to each system; the fewer the elderly subscribers, the greater the contributions.

As Figure VI-4 shows, due to the continuing rise in medical expenses, medical insurance finances have gone into deficit status, and lively discussion on health insurance reform is taking place with stress on elements such as the strengthening of the function of insurers, regulation of risk structures, and raising the portion of expenses paid by recipients of medical care.

Medical Insurance and Long-Term Care Insurance

Under such a condition, the elderly insurance system since October 2002 has followed the guidelines of "An Outline of Principles for the Aging Society," and the portion of medical costs borne by a typical elderly is 10%, but the portion for which elderly with high income is held responsible has been raised to 20%. Furthermore, in April 2003, the portion for which the subscribers of health insurance targeting workers are held responsible has been raised from 20% of medical benefits to 30%, the same as national health insurance.

Long-Term Care Insurance System

Long-term care insurance has been in operation since April 2000 to provide public assistance to lighten the care burden for long-term care recipients' families. This assistance makes it easier for bedridden elderly and other elderly requiring long-term care to receive this care at home, and for others to receive long-term care at a facility outside of home. Under the long-term care insurance system, citizens aged 40 and older pay long-term care insurance premium. In return, persons 65 and older who need long-term care may receive specific long-term care services, such as the dispatch of a home helper, according to the assessment of committees established locally to approve the necessity of long-term care. While the insurance premiums and standards for approval of long-term care necessity are determined uniformly by the national government, the above-mentioned local committees do the approving based on these standards.

For the provision of long-term care services as

VI-8 The Medical Insurance System

Plan			Insurer (As of 31 March 2001)	Subscribers (As of 31 March 2001) and subscriber's dependents (Unit: 1,000 persons)	Insurance Benefits			Financial resources																		
					Medical Benefits		Cash Benefits	Insurance premiums (As of 31 March 2000)	Government subsidies (2000 budget)																	
					Payment in part (Age 3-69)	High-Cost Medical Care Benefits																				
Health insurance	Ordinary employees	Government-managed	National government	36,758 [19,451 17,307]	<ul style="list-style-type: none"> ○Subscriber— 20 percent Family— inpatient 20 percent outpatient 30 percent ○Outpatient medicine (children under 6 exempt) <ul style="list-style-type: none"> • internal use medicine, per prescription: <ul style="list-style-type: none"> Daily portion <ul style="list-style-type: none"> 1 type 0 yen 2-3 types 30 yen 4-5 types 60 yen 6 or more types 100 yen • external use medicine, per prescription: <ul style="list-style-type: none"> 1 type 50 yen 2 types 100 yen 3 or more types 150 yen • one-shot medicine, per administration: <ul style="list-style-type: none"> per type 10 yen ○Children below 3 20% 	<ul style="list-style-type: none"> • Sickness benefits • Lump-sum payment for childbirth, child care etc. 	8.5% Special insurance premiums 1%	13.0% of benefits (16.4% of benefits for the elderly)																		
		Association-managed	Health insurance associations 1,756	31,677 [15,182 16,495]					<ul style="list-style-type: none"> • Burden reduction for households frequently eligible for reimbursement • If a household has been eligible for reimbursement three times or more within a 12-month period, the amount of payment in part from the fourth time will be: <ul style="list-style-type: none"> (Low income persons) 35,400 yen (Average income persons) 72,300 yen + (medical costs - 361,500 yen) x 1% (High income persons) 139,800 yen + (medical costs - 699,000 yen) x 1% 	Same as above (additional benefits)	Approx. 8.5% (Association-wide) average	Subsidies (Budgetary Aid)														
	Insured parties, as stipulated in Article 69, Par. 7, Health Insurance Law	National government	47 [31 15]	<ul style="list-style-type: none"> • Burden reduction for households frequently eligible for reimbursement • If a household has been eligible for reimbursement three times or more within a 12-month period, the amount of payment in part from the fourth time will be: <ul style="list-style-type: none"> (Low income persons) 24,600 yen (Average income persons) 40,200 yen (High income persons) 77,700 yen 					<ul style="list-style-type: none"> • Sickness benefits • Lump-sum payment for childbirth, child care etc. 	Daily rate (Class 1) ¥140 Daily rate (Class 13) ¥2,750	13.0% of benefits (16.4% of benefits for the elderly)															
Seamen's insurance		National government	228 [84 145]	<ul style="list-style-type: none"> • Aggregation of households • If there are multiple payments of more than 21,000 yen in the same month, reimbursement is calculated on the basis of their sum. 	Same as above	8.8%	Subsidies																			
Mutual aid insurance	National government employees	Mutual aid associations (23)	10,031 [4,494 5,591]	<ul style="list-style-type: none"> • Burden reduction for households frequently eligible for reimbursement • If a household has been eligible for reimbursement three times or more within a 12-month period, the amount of payment in part from the fourth time will be: <ul style="list-style-type: none"> (Low income persons) 24,600 yen (Average income persons) 40,200 yen (High income persons) 77,700 yen 	Same as above (additional benefits)	Approx. 7.8% Approx. 8.6% Approx. 8.5%	None																			
	Local government employees	Mutual aid associations (54)																								
	Private school instructors	Mutual aid associations (1)																								
National health insurance	Farmers; the self-employed	Municipalities 3,242	47,628	<ul style="list-style-type: none"> • 30 percent ○Outpatient medicine (children under 6 exempt) *same substance as health insurance 	<ul style="list-style-type: none"> • Burden reduction for patients with diseases requiring long-term high-cost medical care • The amount that patients with hemophilia or with chronic kidney failure undergoing dialysis treatment, etc. need to bear is: 10,000 yen per month 	<ul style="list-style-type: none"> • Lump-sum payment for childbirth, child care • Funeral Expenses etc. 	Each household is assessed a fixed amount based on ability to pay	50% of benefits																		
		Health insurance associations 166	Municipalities 43,374																							
	Retired workers eligible for employees' insurance benefits	Municipalities 3,242	Health insurance associations 4,254	<ul style="list-style-type: none"> • 20 percent Family— inpatient 20 percent outpatient 30 percent ○Outpatient medicine (children under 6 exempt) *same substance as health insurance 				(conditional benefits)	Calculations vary somewhat according to insurer	None																
Mutual aid associations for the elderly (aged 75 or older)	[Administrator] Municipalities	As of 31 March 2001 15,138 Employees' insurance 3,419 National Health insurance 11,719	10% (20% for those whose income exceeds a certain level)	<ul style="list-style-type: none"> • If a household's payment in part exceeds the amount stated below, the excessive amount is reimbursed upon application. (In case of hospitalization, benefit in kind is provided.) 	<table border="1"> <thead> <tr> <th></th> <th>Maximum amount of payment in part</th> <th>Outpatient care (per person)</th> </tr> </thead> <tbody> <tr> <td>(Very low income among low income persons)</td> <td>15,000 yen</td> <td>8,000 yen</td> </tr> <tr> <td>(Low income persons)</td> <td>24,600 yen</td> <td>8,000 yen</td> </tr> <tr> <td>(Average income persons)</td> <td>40,200 yen</td> <td>12,000 yen</td> </tr> <tr> <td>(Persons with income exceeding a certain income)</td> <td>72,300 yen + (medical cost - 361,500 yen) x 1%</td> <td>40,200 yen</td> </tr> <tr> <td>(In case of frequent reimbursement)</td> <td>(40,200 yen)</td> <td></td> </tr> </tbody> </table>		Maximum amount of payment in part	Outpatient care (per person)	(Very low income among low income persons)	15,000 yen	8,000 yen	(Low income persons)	24,600 yen	8,000 yen	(Average income persons)	40,200 yen	12,000 yen	(Persons with income exceeding a certain income)	72,300 yen + (medical cost - 361,500 yen) x 1%	40,200 yen	(In case of frequent reimbursement)	(40,200 yen)		Provided by each medical insurance provider	<ul style="list-style-type: none"> • [Bearer of expenses] • National government 136/600 • Prefectures 34/600 • Municipalities 34/600 • Insurers 346/600 	(Until the end of September 2003)
	Maximum amount of payment in part	Outpatient care (per person)																								
(Very low income among low income persons)	15,000 yen	8,000 yen																								
(Low income persons)	24,600 yen	8,000 yen																								
(Average income persons)	40,200 yen	12,000 yen																								
(Persons with income exceeding a certain income)	72,300 yen + (medical cost - 361,500 yen) x 1%	40,200 yen																								
(In case of frequent reimbursement)	(40,200 yen)																									

Sources: Annual Report on Health, Labour and Welfare, 2002, Ministry of Health, Labour and Welfare

Notes: 1) Anyone aged 75 or older (persons who turned 70 on or before 30 September 2002 are also included as exceptions) who subscribes to a medical insurance plan (excluding members of a household receiving Welfare, to whom the National Health Insurance Law does not apply), as well as those aged 65-69 who have been bedridden for an extended period of time, is eligible for health and medical-care services for the elderly.

2) Insurance premium rates for each type of mutual aid are as of March, 2000.

3) Fixed-rate government subsidies granted to persons who subscribed after September 1, 1997 after having been deemed ineligible for medical insurance, and their dependents, are equivalent to [government employee benefits].

4) Low Income Earners: Beneficiaries of old-age welfare pensions who belong to households exempt from municipal taxes.

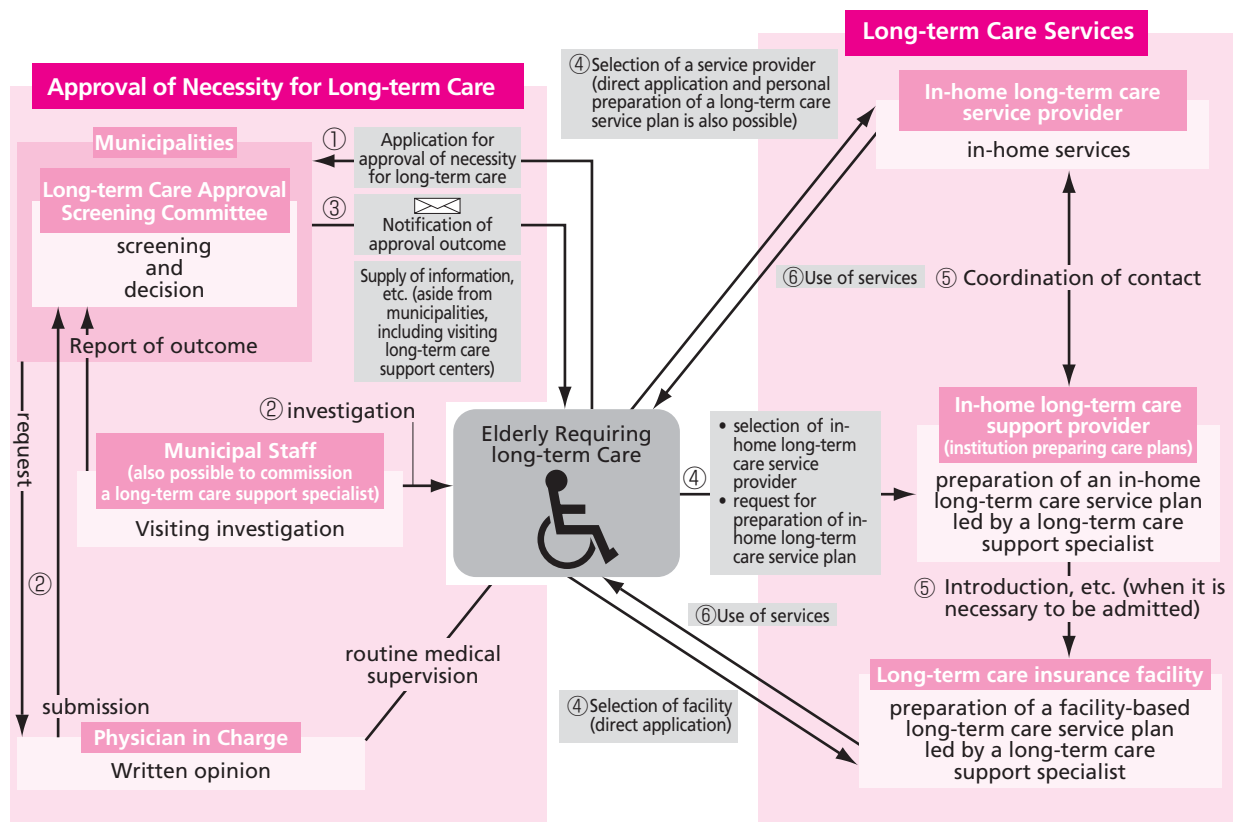
5) The number of persons in the Health Service System for the Elderly and the ratio of those covered by the system to the total population are preliminary figures.

benefits in kind, selection by the person requiring long-term care shall be regarded highly; services will be carried out by a provider chosen by the recipient of the care from a list of locally approved long-term care service providers (see Figure VI-9).

Users with certification of long-term care need are responsible for 10% of the care service expenses. However, there are limits to the amount for which the users are held responsible so that the burden does not become a significant amount, and for amounts exceeding this limit, the high long-term care service

cost is provided by the municipalities, as their insurers. The number of subscribers to the long-term care insurance in FY2001 was 43 million for those aged 40 to 64, and 23 million for those aged 65 and above. As of April 2002, the number of people with certification of long-term care need or need for support amounts to 2.98 million, and there are 1.64 million recipients of long-term care (support) service at home and 670,000 recipients of long-term care service in institutions.

VI-9 Long-term Care Insurance: Approval of the Necessity for Long-term Care and Method of Using Services



Source: Annual Report on Health and Welfare, 1999, Ministry of Health and Welfare

Appendix (International Comparisons)

Appendix 1 Population, Labour Force and Labour Force Participation Rate by Gender and Age

(1,000 persons, 1,000 persons, %)

JAPAN ¹⁾ 2002 (10,000 persons, 10,000 persons, %)						
Age Group	Population		Labour Force		Labour Force Participation Rate	
	Men	Women	Men	Women	Men	Women
0-9	607	578	—	—	—	—
10-14	320	304	—	—	—	—
15-19	369	351	66	59	17.8	16.7
20-24	410	391	294	276	71.4	70.1
25-29	479	465	456	336	94.6	71.8
30-34	479	470	463	282	96.9	60.3
35-39	416	410	401	251	97.3	61.8
40-44	392	388	381	272	97.4	70.5
45-49	409	406	400	297	97.1	72.4
50-54	529	532	514	364	96.3	67.7
55-59	426	439	394	252	93.8	58.1
60-64	393	417	279	163	71.2	39.2
65-	996	1,367	308	179	31.1	13.2
Total (15-)	5,298	5,636	3,956	2,733	74.7	48.5
Total	6,255	6,518				

UNITED STATES OF AMERICA ²⁾ 2001						
Age Group	Population		Labour Force		Labour Force Participation Rate	
	Men	Women	Men	Women	Men	Women
0-15	—	—	—	—	—	—
16-19	8,199	7,947	4,153	3,924	50.7	49.4
20-24	9,366	9,514	7,629	6,936	81.5	72.9
25-29	8,579	8,956	7,861	6,813	91.6	76.1
30-34	9,568	9,952	8,956	7,514	93.6	75.5
35-39	10,613	10,996	8,959	8,368	92.9	76.1
40-44	11,250	11,531	10,363	9,884	92.1	78.0
45-49	10,010	10,451	9,039	8,201	90.3	78.5
50-54	8,708	9,173	7,535	6,788	86.5	74.0
55-59	6,471	7,010	5,000	4,317	77.3	61.6
60-64	5,073	5,650	2,866	2,396	56.5	42.4
65-69	4,298	4,999	1,301	1,000	30.3	20.0
70-74	3,766	4,694	682	509	18.1	10.8
75-	5,958	9,135	500	313	8.4	3.4
Total (16-)	101,858	110,007	75,743	66,071	74.4	60.1

UNITED KINGDOM ³⁾ 2001						
Age Group	Population		Labour Force		Labour Force Participation Rate	
	Men	Women	Men	Women	Men	Women
0-9	3,755	3,574	—	—	—	—
10-15	2,392	2,271	—	—	—	—
16-19	1,494	1,421	931	828	62.3	58.3
20-24	1,811	1,736	1,450	1,199	80.1	69.1
25-34	4,431	4,228	4,128	3,174	93.2	75.1
35-49	6,491	6,378	5,952	4,991	91.7	78.3
50-	8,832	10,249	3,965	3,019	44.9	29.5
Total	29,207	29,856	16,427	13,212	56.2	44.3

GERMANY ³⁾ 2001						
Age Group	Population		Labour Force		Labour Force Participation Rate	
	Men	Women	Men	Women	Men	Women
0-4	6,393	6,058	—	—	—	—
15-19	2,357	2,228	811	635	34.4	28.5
20-24	2,349	2,196	1,810	1,484	77.1	67.6
25-29	2,324	2,225	2,028	1,668	87.3	75.0
30-34	3,130	3,057	2,971	2,338	94.9	76.5
35-39	3,548	3,366	3,402	2,651	95.9	78.8
40-44	3,206	3,119	3,063	2,531	95.5	81.1
45-49	2,890	2,886	2,718	2,323	94.0	80.5
50-54	2,698	2,667	2,427	1,932	90.0	72.4
55-59	2,526	2,491	1,939	1,425	76.8	57.2
60-64	2,987	3,062	957	447	32.0	14.6
65-69	2,142	2,345	159	92	7.4	3.6
70-74	1,690	2,146	68	35	4.0	1.6
75-	1,922	4,269	30	22	1.6	0.5
Total(15-)	33,769	36,057	22,383	17,583	66.3	48.8
Total	40,162	36,057	22,383	17,583	55.7	41.7

FRANCE ³⁾ 2000						
Age Group	Population		Labour Force		Labour Force Participation Rate	
	Men	Women	Men	Women	Men	Women
0-14	5,683	5,419	—	—	—	—
15-19	1,994	1,910	228	114	11.4	5.9
20-24	1,898	1,859	1,053	872	55.5	46.9
25-29	2,045	2,038	1,876	1,616	91.7	79.3
30-34	2,104	2,121	2,012	1,651	95.6	77.9
35-39	2,156	2,194	2,076	1,738	96.3	79.2
40-44	2,096	2,152	2,001	1,736	95.5	80.6
45-49	2,063	2,112	1,958	1,676	94.9	79.3
50-54	2,090	2,104	1,899	1,552	90.8	73.8
55-59	1,401	1,420	922	739	65.8	52.0
60-64	1,283	1,379	199	186	15.5	13.5
65-69	1,234	1,446	46	36	3.7	2.5
70-74	1,072	1,396	18	8	1.7	0.5
75-	1,559	2,812	10	8	0.6	0.3
Total(15-)	22,995	24,943	14,296	11,930	62.2	47.8
Total	28,668	30,362	14,296	11,930	49.9	39.3

ITALY ³⁾ 2001						
Age Group	Population		Labour Force		Labour Force Participation Rate	
	Men	Women	Men	Women	Men	Women
0-14	4,254	4,011	—	—	—	—
15-19	1,557	1,483	308	208	19.8	14.0
20-24	1,793	1,758	1,113	850	62.1	48.4
25-29	2,200	2,165	1,783	1,359	81.0	62.8
30-34	2,367	2,317	2,205	1,515	93.2	65.4
35-39	2,341	2,300	2,240	1,465	95.7	63.7
40-44	2,044	2,031	1,963	1,255	96.0	61.8
45-49	1,872	1,883	1,765	1,062	94.3	56.4
50-54	1,939	1,973	1,626	862	83.9	43.7
55-59	1,614	1,685	868	434	53.8	25.8
60-64	1,649	1,793	512	156	31.0	8.7
65-69	1,423	1,652	160	45	11.2	2.7
70-74	1,201	1,553	54	22	4.5	1.4
75-	1,628	2,861	43	29	2.6	1.0
Total(15-)	23,628	25,454	14,640	9,262	62.0	36.4
Total	27,884	29,465	14,640	9,261	52.5	31.4

REPUBLIC OF KOREA ⁴⁾ 2001						
Age Group	Population		Labour Force		Labour Force Participation Rate	
	Men	Women	Men	Women	Men	Women
15-19	1,828	1,722	197	217	10.8	12.6
20-24	1,202	1,776	601	1,092	50.0	61.5
25-29	1,917	1,809	1,595	1,044	83.2	57.7
30-34	1,911	1,879	1,810	917	94.7	48.8
35-39	2,071	2,016	1,972	1,200	95.2	59.5
40-44	2,143	2,091	2,018	1,325	94.2	63.4
45-49	1,660	1,694	1,537	1,087	92.6	64.2
50-54	1,380	1,267	1,213	712	87.9	56.2
55-59	1,028	1,085	799	547	77.7	50.4
60-64	1,000	1,066	647	483	64.7	45.3
65-	1,538	2,402	622	545	40.4	22.7
Total(15-)	17,678	18,807	13,011	9,169	73.6	48.8
Total	-	-	13,012	9,169	-	-

SINGAPORE ⁵⁾ 2000						
Age Group	Population		Labour Force		Labour Force Participation Rate	
	Men	Women	Men	Women	Men	Women
15-19	123	117	22	24	18.0	20.1
20-24	162	181	123	143	75.9	78.7
25-29	240	212	232	180	96.5	84.9
30-34	230	190	226	140	98.3	73.6
35-39	211	181	208	114	98.2	63.0
40-44	181	168	176	102	97.5	60.8
45-49	143	138	138	79	96.3	57.4
50-54	111	110	101	51	91.3	46.7
55-59	67	69	50	20	74.4	29.6
60-64	57	62	28	10	49.6	15.3
65-69	44	49	13	4	29.5	7.6
70-	63	88	7	2	10.8	2.2
Total (15-)	1,633	1,564	1,327	868	81.3	55.5
Total	-	-	1,324	868	-	-

INDONESIA ⁶⁾ 1999						
Age Group	Population		Labour Force		Labour Force Participation Rate	
	Men	Women	Men	Women	Men	Women
15-19	11,130	10,417	5,059	3,495	45.5	33.6
20-24	8,483	9,111	7,688	4,901	90.6	53.8
25-29	8,155	9,221	7,688	4,901	94.3	53.2
30-34	7,577	8,144	7,407	4,607	97.8	56.6
35-39	7,807	8,178	7,690	4,926	98.5	60.2
40-44	6,703	6,127	6,622	3,831	98.8	62.5
45-49	5,630	5,244	5,517	3,261	98.0	62.2
50-54	4,120	4,027	3,943	2,415	95.7	60.0
55-59	3,233	3,245	2,831	1,762	87.6	54.3
60-	7,086	7,461	4,708	2,540	66.4	34.0
Total (15-)	69,922	71,174	59,153	36,640	84.6	51.5
Total	-	-	59,153	36,640	-	-

Source: Annual Report on Labour Force Survey, Statistics Bureau, Ministry of Public Management, Home Affairs, Post and Telecommunications. EU: Eurostat "Labour Force Survey Result 1997" Others: ILO Yearbook of Labour Statistics

- Notes: 1) Population figures are provided by the Statistics Bureau of the Ministry of Public Management, Home Affairs, Post and Telecommunications in "Population Estimates-The Population Estimate of 1 October 2002." Labour force figures are provided by the Ministry of Public Management, Home Affairs, Post and Telecommunications in "Annual Report on Labour Force Survey."
- 2) Excludes military.
- 3) Labour force is the total numbers of employed and unemployed persons.
- 4) Labour Force Survey (Sample survey). Excludes resident foreigners and military.
- 5) Labour Force Survey (Sample survey). Includes persons of no fixed abode.
- 6) Labour Force Survey (Sample survey).

Appendix 2 Ratio of Part-time Workers¹⁾ to Number of Employed

(%)

Country		1980	1985	1990	1995	1997	1998	1999	2000	2001
JAPAN	Total	15.7	16.6	19.2	20.1	23.3	23.6	24.1	23.1	24.9
	Male	7.5	7.8	9.5	10.0	12.9	12.9	13.4	11.8	13.7
	Female	28.6	30.0	33.4	34.9	38.3	39.0	39.7	39.4	41.0
UNITED STATES OF AMERICA	Total	14.2	14.4	13.8	14.1	13.6	13.4	13.3	12.8	13.0
	Male	8.1	8.4	8.3	8.4	8.3	8.2	8.1	7.9	8.1
	Female	21.9	21.5	20.0	20.3	19.5	19.1	19.0	18.2	18.2
CANADA	Total	14.4	17.0	17.0	18.6	19.1	18.9	18.5	18.1	18.1
	Male	6.8	8.8	9.1	10.6	10.5	10.6	10.3	10.3	10.4
	Female	25.9	28.2	26.8	28.2	29.4	28.8	28.0	27.3	27.1
UNITED KINGDOM	Total		19.7		22.3	22.9	23.0	22.9	23.0	
	Male		4.3	5.3	7.3	8.2	8.2	8.5	8.4	
	Female		41.1		40.7	40.9	41.2	40.6	40.8	
GERMANY	Total		11.0	13.4	14.2	15.8	16.6	17.1	17.6	
	Male		1.7	2.3	3.4	4.1	4.6	4.8	4.8	
	Female		25.4	29.8	29.1	31.4	32.4	33.1	33.9	
FRANCE	Total		11.2	12.2	14.2	14.9	14.8	14.7	14.2	13.8
	Male		4.3	4.4	5.6	5.9	5.8	5.8	5.3	5.1
	Female		20.3	21.7	24.3	25.2	25.0	24.7	24.3	23.8
ITALY	Total		7.5	8.8	10.5	11.3	11.2	11.8	12.2	12.2
	Male		3.5	3.9	4.8	5.1	4.9	5.3	5.7	5.4
	Female		16.0	18.2	21.1	22.2	22.4	23.2	23.4	23.7
SWEDEN	Total			14.5	15.1	14.2	13.5	14.5	14.0	17.8
	Male			5.3	6.8	6.5	5.6	7.3	7.3	7.1
	Female			24.5	24.1	22.6	22.0	22.3	21.4	29.3
REPUBLIC OF KOREA	Total		4.5	4.4	5.1	6.8	7.8	7.1	7.5	
	Male		3.1	2.9	3.3	5.1	5.9	5.2	5.3	
	Female		6.5	6.7	7.8	9.2	10.5	9.9	10.5	
AUSTRALIA	Total	18.1	20.4	22.6	25.0	26.0	25.9	26.1	26.2	27.2
	Male	8.3	10.1	11.3	13.5	14.6	14.4	14.3	14.8	15.8
	Female	34.9	36.9	38.5	40.2	41.0	40.7	41.4	40.7	41.6

Source: OECD "Labour Force Statistics"

Note: 1) "Part-time workers" refers to those who usually work less than 30 hours per week in their main job. However, figures for Australia are based on actual working hours. Figures for Japan are for those who have less than 35 actual working hours per week. Figures for the United States of America are for wage and salaried workers.

Appendix 3 Unemployment Rate (levels announced by each country)

(%)

Country	1985	1990	1995	1999	2000	2001	2002
JAPAN	2.6	2.1	3.2	4.7	4.7	5.0	5.4
UNITED STATES OF AMERICA ²⁾	7.2	5.6	5.6	4.2	4.0	4.8	
CANADA	10.5	8.1	9.5	7.6	6.8	7.2	
UNITED KINGDOM ²⁾	—	6.9	8.8	6.1	5.7	4.9	5.2
GERMANY ^{1), 4)}	8.2	6.4	10.1	8.8	7.9	7.9	
FRANCE	10.2	8.9	11.4	10.8	9.5	8.7	
ITALY ²⁾	10.3	11.0	11.3	11.4	10.5	9.5	
SWEDEN ^{2),3)}	2.8	1.6	7.7	5.6	4.7	4.0	
RUSSIA ²⁾	—	—	9.5	12.6	9.7	8.7	8.6
CHINA ^{4),5)}	1.8	2.5	2.9	3.1	3.1	—	
CHINA, HONG KONG SAR	3.2	1.3	3.2	6.2	4.9	5.1	
TAIWAN	2.9	1.7	1.8	2.9	3.0	4.6	
REPUBLIC OF KOREA	4.0	2.4	2.0	6.3	4.1	—	
SINGAPORE ^{4),6)}	4.1	1.7	2.7	4.6	4.4	3.4	
MALAYSIA ⁴⁾	6.9	5.1	2.8	3.4	3.1	3.9	
THAILAND ^{2),3),4)}	3.7	3.5	1.7	4.2	3.6	3.3	
INDONESIA ⁷⁾	—	2.8	7.2	6.4	6.1	8.1	
PHILIPPINES ⁴⁾	6.1	8.1	8.4	9.6	10.1	9.8	
AUSTRALIA ⁸⁾	8.3	6.9	8.4	7.0	6.4	6.8	
NEW ZEALAND ^{3),9)}	4.0	7.8	6.3	6.8	6.0	5.3	
BRAZIL ^{2),4),10)}	3.4	3.7	6.1	9.6	—	—	

Sources: ILO "Yearbook of Labour Statistics"

Russia and Indonesia: Cabinet Office "Overseas Economic Data"

Bureau of Statistics, Ministry of Public Management, Home Affairs, and Posts and Telecommunications, Japan "Labour Force Survey"

United Kingdom National Statistics "Labour Market Trends"

Notes: 1) 1985 and 1990 figures are for the former West Germany.

2) Ages: United States Of America and United Kingdom, 16 and above; Thailand, 13 and above; Brazil, 10 and above; Sweden, 16–64; Russia, 15–72; Malaysia, 15–64; all other countries, 15 and above.

3) 1985 ages: Sweden, 16–74; Thailand, 11 and above; New Zealand, 15–60.

4) Figures: China, as of December; Singapore, as of June; Philippines, as of October (fourth quarter in 1985); Brazil, as of September; Thailand, as of August; Indonesia, as of May; Germany, as of April.

5) Figures in urban areas.

6) 1990 figures are based on population survey.

7) Figures obtained by subtracting employment rate from 100%.

8) 1985 figures include unpaid family business working less than 15 hours 1995 figures are estimates based on national census

9) 1985 figures include students on vacation seeking jobs.

10) Average among the six largest cities

Appendix 4 Wages (manufacturing industries)

(Total Male/Female)

Country, Region	1985	1990	1995	1999	2000	2001
JAPAN (E) ²⁾ (Yen/month)	299,531	352,020	390,600	399,088	406,707	406,089
(Yen/day)	14,129	17,006	19,727	20,362	20,645	20,719
(Yen/hour)	1,667	1,909	2,383	2,465	2,469	2,493
UNITED STATES OF AMERICA (E) ³⁾ (Dollars/hour)	9.54	10.83	12.37	13.90	14.37	14.83
CANADA (E) ⁴⁾ (Dollars/hour)	11.64	14.20	16.62	17.82	18.29	18.58
UNITED KINGDOM (E) ⁵⁾ (Pounds/hour)	3.64	6.05	7.85	9.49	9.86	10.49
GERMANY (E) ⁶⁾ (Marks/hour)	16.20	20.07	25.48	27.53	27.78	14.42
FRANCE (E) ⁷⁾ (Francs/hour)	37.75	45.46	52.78	—	—	—
ITALY (R) ⁸⁾ (1990 figure = 100)	—	100.0	128.7	110.9	113.1	115.2
SWEDEN (E) ⁹⁾ (Kroners/hour)	58.58	87.33	106.95	106.85	111.30	114.90
RUSSIA (E) ¹⁰⁾ (Rubles/month)	—	—	464,792	—	—	—
CHINA (E) (Yuan/month)	92.58	172.25	430.75	649.50	729.00	—
CHINA, HONG KONG SAR (R) (Dollars/day)	98.3	179.5	278.0	334.7	335.4	342.6
REPUBLIC OF KOREA (E) ¹¹⁾ (Won/month)	270.00	590.8	1,123.9	1,475.5	1,601.5	1,702.4
SINGAPORE (E) ¹²⁾ (Dollars/month)	—	1,395	2,157	2,803	3,036	3,117
THAILAND (R) ¹³⁾ (Baht/month)	2,826	3,357	4,994	5,907	—	—
PHILIPPINES (E) ¹⁴⁾ (Pesos/month)	1,951	4,263	6,654	—	—	—
INDIA (E) (Rupees/month)	740.2	988.4	1,211.0	—	—	—
AUSTRALIA (E) ¹⁵⁾ (Dollars/hour)	9.45	12.89	15.59	—	—	—
NEW ZEALAND (E) ¹⁶⁾ (Dollars/hour)	8.36	13.31	14.78	16.90	16.98	17.53
BRAZIL ¹⁷⁾ (Real/month)	1,607.20	26.08	631.00	730.32	762.55	846.00

Sources: ILO "Yearbook of Labour Statistics"

Ministry of Health, Labour and Welfare "Monthly Labour Survey"

Notes: 1) (E) = Actual wages (R) = Wage ratio

- 2) Regular employees at establishments with more than 30 employees according to the Monthly Labour Survey. Special wages such as bonuses are included. Working hours are the total actual working hours.
- 3) Manufacturing and construction workers on a non-management level in the private sector (from 1985). From 1988 the industrial classifications were changed.
- 4) Employees paid an hourly wage.
- 5) Figures for April each year, showing the wage ratio for adult, full-time employees, excluding Northern Ireland, but including quarry workers (1985).
- 6) Figures prior to 1998 are for the former West Germany, including family allowances paid directly by the employer. From 2001, on a Euro basis 1 Euro = 1.95583 mark
- 7) Figures for October each year. From 1988 the method of survey was changed.
- 8) Using 1990 = 100, from 1996, December 1995 = 100.
- 9) Figures are for adult employees in the second quarter each year, and before 1996 include holiday allowances, allowances for sick leave and appraisal value for wages in kind. From 1993 the industrial classifications were changed.
- 10) From 1997 the figures are for the new ruble.
- 11) In units of 1,000 (from 1985). Includes appraisal value for wages in kind and family allowances. From 1993 the industrial classifications were changed.
- 12) From 1998 the industrial classifications were changed.
- 13) Figures for March each year. Wage ratio against fixed working hours, excluding publicly owned enterprises (from 1994).
- 14) Companies with more than 10 employees. Calculation based on annual salary.
- 15) Figures for May each year for full-time non-management staff (from 1990). Figures for 1985 are for November. In 1994 and from 1996 the industrial classifications were changed.
- 16) Companies with more than 0.5 (equivalent) full-time employees (from 2000). Figures from 1989 to 1999 are for companies with more than 1 (equivalent) full-time employee. Figures prior to 1988 are for companies with more than 2 (equivalent) full-time employees. From 1994 the industrial classifications were changed.
- 17) Unit of 1,000 (prior to 1990). Figures prior to 1994 are Cruzeiro.

Appendix 5 Yearly Actual Working Hours (estimates, in principle for manufacturing industry and production labourers)

(Hours)

Year	Japan	US	UK	Germany	France
1980	2,162 (209)	1,893 (146)	1,883 (125)	1,719 (104)	1,759
1985	2,168 (230)	1,929 (172)	1,910 (161)	1,663 (83)	1,644
1990	2,124 (219)	1,948 (192)	1,953 (187)	1,598 (99)	1,683
1995	1,975 (152)	1,986 (234)	1,943 (198)	1,550 (88)	1,680
1996	1,993 (168)	1,986 (234)	1,929 (182)	1,517 (68)	1,679
1997	1,983 (179)	2,005 (250)	1,934 (187)	1,517 (68)	1,677
1998	1,947 (152)	1,991 (239)	1,925 (177)	1,525 (57)	1,672
1999	1,942 (155)	1,991 (239)	1,902 (151)	1,525 (57)	1,650
2000	1,970 (175)	1,986 (239)	1,902 (151)	—	1,589
2001	1,948 (159)	1,943 (203)	1,888 (135)	—	1,554

Sources: Ministry of Health, Labour and Welfare "Monthly Labour Survey;" statistics of EU and other countries; estimates by Wages and Working Hours Division, Labour Standards Bureau, Ministry of Health, Labour and Welfare.

Notes: 1) Figures in parentheses are hours worked out of fixed working hours. The figure for this is not available for France.

2) The scale of enterprises included is in Japan: companies with over 5 employees, in the USA: all companies, and in other countries: companies with over 10 employees.

Appendix 6 Unionization Rate

(1,000 persons, %)

Country		1985	1990	1995	1999	2000	2001	2002
JAPAN	Members	12,418	12,265	12,614	11,825	11,539	11,212	10,801
	Unionization Rate	28.9	25.2	23.8	22.2	21.5	20.7	20.2
UNITED STATE OF AMERICA	Members	16,996	16,740	16,360	16,447	16,258	—	—
	Unionization Rate	18.0	16.1	14.9	13.9	13.5	13.5	—
UNITED KINGDOM	Members	—	8,835	7,309	7,257	—	—	—
	Unionization Rate	—	38.1	32.1	29.5	29.4	28.8	—
GERMANY ¹⁾	Members	9,324	9,619	11,242	—	—	—	—
	Unionization Rate	41.9	37.7	36.0	30.0	29.0	—	—
REPUBLIC OF KOREA	Members	1,004	1,887	1,615	1,481	—	—	—
	Unionization Rate	12.4	18.4	13.8	12.6	12.0	—	—
SINGAPORE	Members	—	—	235	290	—	—	—
	Unionization Rate	—	—	13.8	15.3	15.0	—	—
THAILAND	Members	—	309	242	—	—	—	—
	Unionization Rate	—	3.8	2.3	—	—	—	—
PHILIPPINES	Members	—	3,055	3,587	3,731	3,778	—	—
	Unionization Rate	—	—	—	27.1	27.2	—	—
AUSTRALIA	Members	—	2,660	2,252	1,878	—	—	—
	Unionization Rate	—	41.0	32.7	25.7	24.7	—	—

Sources: Japan: Basic Survey of Labour Unions, Ministry of Health, Labour and Welfare

Others: Kaigai Jousei Houkoku, Ministry of Health, Labour and Welfare

Note: 1) Prior to 1990 data refer to F.R. of Germany.

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