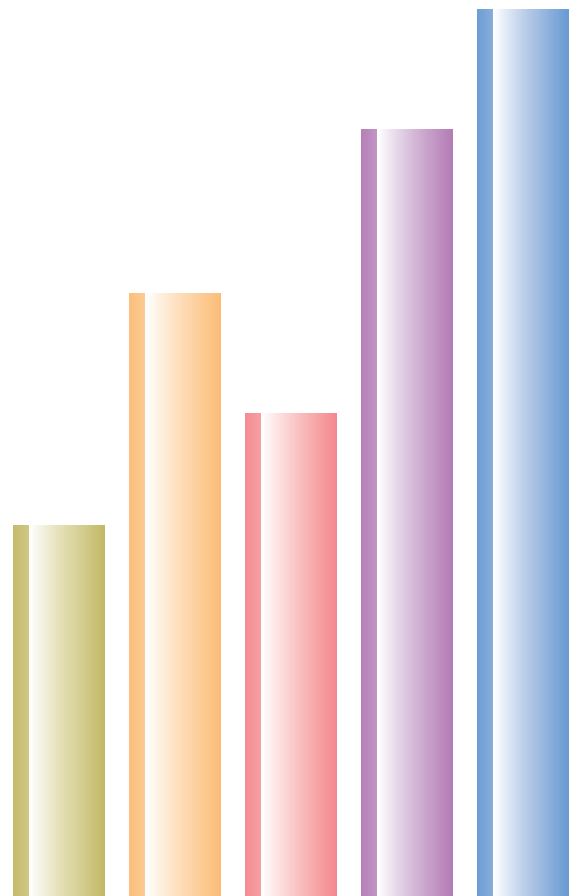


# Labor Situation in Japan and Analysis : Detailed Exposition 2009/2010



# 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 projects are now being conducted.

- (1) Research and Study of a Society in which All Demographics Could Participate in a Time of Population Decline
- (2) Research on Factors Changing the Regional Structure for Employment / Unemployment
- (3) Research on the Improvement of the Quality of Life in a Variety of Work Options
- (4) Research and Study of the Development of Social Systems and Employment Environments for Work-Life Balance
- (5) Comprehensive Research for Building Stable Labor and Management Relations in Individualized Labor Relations
- (6) Research on Human Resource Development and Career Support in the New Economic Society
- (7) Research and Development on the Strengthening of Supply and Demand Control Function and Career Support Function in the Labor Market

The Institute will also engage in collection and coordination of information on labor 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

**Labor Situation in Japan  
and Analysis:  
Detailed Exposition  
2009/2010**

**The Japan Institute for Labour Policy and Training**



# Foreword

The Japan Institute for Labour Policy and Training (JILPT) was established in October 2003 for the purpose of contribution to labor policymaking, effective and efficient promotion of labor policies, enhancement of workers' welfare and economic development by conducting comprehensive research for domestic and foreign labor issues and labor policies and providing training programs for administrative officers utilizing the research results. In order to accomplish the business purpose, JILPT has actively promoted international joint researches as well as forming a network with foreign research institutes and researchers and advancing policy researches from an international standpoint.

This publication, as one of our businesses establishing a basis for international research activities, describes the current situation of Japanese labor issues by subjects and adds analysis results. Authors are mainly JILPT researchers and the International Research Division is in charge of the compilation.

We have issued “general” and “particular” statements of this series biyearly in principle. “2006/2007 edition” issued in 2006 is a “general” statement covering basic items of Japanese labor issues and labor policies in full detail as much as possible.

On the other hand, “2009/2010 edition” issued this time is a “particular” statement covering the essence of the results of the following nine project researches in which JILPT has worked on in the first medium-term plan (October 2003 to March 2007): (i) A Study with Respect to Analyses on Regional Structure of Unemployment Summary, (ii) A Study with Respect to Restructuring of Determination System for Labor Conditions, (iii) A Study with Respect to Way of Japan's Employment Strategies, (iv) A Study with Respect to Working Conditions and a Safety Network Which Allow Diversification of Employment Formats, (v) A Study with Respect to Comprehensive Analysis of Companies' Management Strategies, Personnel System, Etc., (vi) A Study with Respect to Desirable Infrastructure Development for the Labor Market regarding Vocational Ability Development, (vii) A Study with Respect to Construction of a Social System Which Allows Balancing Work with Life, (viii) A Study on Comprehensive Occupational Information Database Development, and (ix) A Study with Respect to Support for Reemployment of Unemployed Middle-aged and Older Persons Centered on White-collar Workers.

We hope this publication will help its readers gain an understanding of labor issues in Japan.

March, 2009

The Japan Institute for Labour Policy and Training

# Contents

1. New Trends of Regional Employment Creation —A Study with Respect to Analyses on Regional Structure of Unemployment .....	1
2. Shrinking of Labor Unions and Need for a New Collective Influential Voice System in Japan .....	14
3. Employment Strategy .....	40
4. Current Situation and Challenges of Diversified Work Styles .....	73
5. Japanese Companies and Employment Human Resource Management in Japanese Companies Today .....	104
6. Human Resources Development and Improvement of the Educational Training Infrastructure in Japan .....	135
7. Work and Life —Toward Construction of Systematic Support for Balancing Work and Life .....	163
8. Tool Development Supporting Re-Employment of the Middle-Aged and Older Persons .....	183
9. General Information Website of Employment and Career —Research and Development of Career Matrix .....	193

# Contents for Tables and Figures

1-1	Total unemployment ratio and active opening ratio by prefecture in 2005 .....	2
1-2	Percentages of employees by industry between regions with difficult and favorable employment conditions in 2004.....	3
1-3	Year-to-year comparison of the number of employees by industry .....	4
1-4	The number of employees and value-added amounts of manufacturing industry.....	5
1-5	Trend of the number of built domestic plants and research institutes.....	6
1-6	Prefectural differences of unemployment rate (WASD).....	8
1-7	Differences of unemployment rate between prefectures .....	9
2-1	Changes in the Estimated Organization Rate and Number of Union Members .....	14
2-2	Existences or Absence of Labor Unions at Private Enterprises (With 10 or More Employees) .....	15
2-3	Shifts in the Estimated Organization Rate (Total and Among Private Enterprises) .....	17
2-4	Shifts in the Organization Rate by Enterprise Size (Among Private Enterprise) .....	17
2-5	Shifts in the Number of Labor Union Members by Enterprise Size (Among Private Enterprises) .....	18
2-6	Trend of Estimated Organization Rate of Regular Employees .....	18
2-7	Situation of Organizing Dispatched Workers .....	19
2-8	Existence of Labor Unions at Enterprise Level .....	19
2-9	Number of Labor Unions in a Enterprise .....	20
2-10	Existence of Labor Unions Organizing Majority of Employees .....	20
2-11	Establishments Unionizing Majority of Employees in One Labor Union .....	20
2-12	Ratio of Labor Unions by Organization Rate .....	20
2-13	Situation of Organization by Types of Workers .....	21
2-14	Expansion of Organization as a Priority Issue .....	21
2-15	Increase and Decrease in Part-time Workers, Etc., Ratio of Labor Unions by Effort .....	22
2-16	Ratio of Labor Unions by Contents of Efforts for Part-time Workers, Etc. ....	22
2-17	Attitude of Labor Unions Toward Introduction of Part-time Workers, Etc. ....	23
2-18	Situation of Concluding Union Shop Agreements .....	23
2-19	Changes in the Number of Union Members .....	25
2-20	Reasons for Increase in the Number of Union Members .....	25
2-21	Reasons for Decrease in the Number of Union Members .....	25
2-22	Change in Organization Rate .....	25
2-23	Scope of Union Members, Situation of Efforts for Organization, Etc. ....	26
2-24	Expansion of Organization as a Priority Issue .....	26
2-25	Increase and Decrease in Part-time Workers, Etc., Ratio of Labor Unions by Effort .....	27

2-26	Ratio of Labor Unions by Contents of Efforts for Part-time Workers, Etc. ....	28
2-27	Attitude of Labor Unions Toward Introduction of Part-time Workers, Etc. ....	28
2-28	Issues in Organizing Employees .....	30
2-29	Situation of Organization Part-time Workers by Industry .....	30
2-30	Consultations on Working Conditions for Part-time Workers .....	32
2-31	Legislative Movements Since 1987, Concerning the Majority Representative System, Labor-management Committee, Etc. ....	36
3-1	Transition of employment rate by age group .....	47
3-2	Start-up and closing rate of establishments in Japan.....	49
3-3	Number of people in the primary industry, the secondary industry and the tertiary industry .....	50
3-4	Trends in unemployment rate by region .....	52
3-5	Changes of percentages of non-regular staff/employees in total persons in employment .....	57
3-6	Changes in Gini coefficients of labor income .....	60
3-7	Wage disparity between part-time workers and full-time workers (Wage per hour).....	61
3-8	Off-the-job training and systematic on-the-job training carried out by employment status type ...	66
4-1	Labor Force Composition of Various Forms of Employment, Except Officers (Non-agriculture, Forestry and Fishery) .....	74
4-2	Dispatched Workers and Subcontracted Workers Sent from Separately Managed Businesses.....	76
4-3	Reasons for Hiring Non-regular Employees.....	77
4-4	Reasons why enterprises use non-regular staff: comparing employers indicating an increasing promotion of non-regular staff and those indicating almost none .....	78
4-5	Symbolically Expressed Factors Behind a Recent Surge in the Use of Non-regular Employees .....	80
4-6	Total Numbers of Regular Staff and Non-regular Staff .....	80
4-7	Proportions of Regular Staff and Non-regular Staff .....	84
4-8	Ratio of Regular Staff by Industry .....	84
4-9	Ratio of Regular Staff by Size of Enterprise.....	85
4-10	Numbers and Ratio of Young People (aged 15 to 34) Categorized by Gender and Working Styles ...	86
4-11	Reasons Why Young Non-regular Staff Selected Their Present Working Styles (Ratio in the Total Number of Non-regular Staff) .....	87
4-12	Overtime Working Hours per Week of Non-regular Workers by Gender and Working Styles .....	88
4-13	Wage Differences by Gender and Form of Employment .....	89
4-14	Actual Pseudo Hourly Wage Differences by Style of Employment (Based on Data for Regular Staff, Using an OLS Method).....	90
4-15	Ratio of Employers Providing the Coverage of Social Insurances and Other Fringe Benefits to Different Types of Workers.....	91
4-16	Ratio of NPOs Having Salaried Workers and Volunteers Categorized by Annual Income Level .....	99



5-1	Attitude to Long-term Employment for Regular Employees .....	107
5-2	Ratio of Companies Introducing Seikashugi by Company Size .....	108
5-3	Ideal Types of Employment System in Japanese Companies: Classification by Long-term Employment and Seikashugi .....	108
5-4	Factors that Influence Decisions of Human Resource Management: Strategies and Governance ...	109
5-5	Morale and Motivation Points to be Emphasized .....	110
5-6	Perceptions of Employees Working for Companies that have a Long-term Employment Policy ...	111
5-7	Perception Gap of Corporate Governance: Ideas on Emphasis on Shareholder Value .....	111
5-8	Employees' Perception Toward Shareholders and Management .....	112
5-9	The Proportion of Companies Reflecting Individual Achievement in Employee Wages .....	114
5-10	Reasons why Companies Introduced Seikashugi (Corporate Survey) .....	115
5-11	Types of Seikashugi Personnel and Wages .....	117
5-12	Trend of Annual Salary System Introduction Rate (1996-2002) .....	118
5-13	Fujitsu's Old-versus-new Wage Systems .....	119
5-14	Variations When Adding Performance-based Wage to Basic Salary .....	119
5-15	General Attitude Regarding Method for Determining an Employee's Salary .....	121
5-16	Workers' Attitude to Seikashugi Introduced in Their Companies .....	122
5-17	Problems When Managing Seikashugi in Current Companies .....	123
5-18	Categorization of Strategic Human Resource Management Theory .....	124
5-19	Verification on Seikashugi and Corporate Performance .....	125
5-20	Analysis Using the Rate of Change in the Sales per Employee (2004/1999) as a Dependent Variable (OLS) .....	126
5-21	Multiple Linear Regression Analysis Using the Rate of Change in the Sales per Employee (2004/1999) as a Dependent Variable (OLS): Companies that Introduced the PEP in 2000 or Later and Those that Did Not .....	127
5-22	Analysis Using the Rate of Change in the Sales per Employee (2004/1999) as a Dependent Variable (OLS) .....	128
5-23	Cost Leadership Strategy, Use of Non-regular Employees and External Work Forces and Rate of Change in the Sales Per Employee (OLS) .....	129
5-24	Logistic Regression Analysis Using Seikashugi as the Dependent Variable .....	130
5-25	Two Patterns of Business Strategy and HRM Practice .....	132
6-1	Worker's Career Paths and Vocational Development Activities .....	147
6-2	Viewpoints for Evaluating Individuals' Vocational Development .....	148
6-3	Policy Challenges Concerning Developing and Upgrading "the Infrastructure for Vocational Development" .....	154
6-4	Estimated Numbers of Facilities Conducting Vocational Training and the Total Numbers of Vocational Training Providers .....	157

6-5	Market Size Estimated Based on the Business Revenue	158
7-1	Balance between Work and Life	169
7-2	Support System for Balancing	177
8-1	Project Research Flow Chart	184
8-2	18 Management Function Scales	186
8-3	Structure of "Career In-site MC"	188
8-4	Construction of Story and Topics	190
8-5	Expressional Technique and Topics	190
9-1	Top Page of Career Matrix	198
9-2	Functions and roles of Career Matrix	201

### 1. Objective and Method of Study

Although there was a long-term recession in Japan following the burst of the bubble economy in 1990 having reached its worst level in 2002, Japan's economy is on a strong recovery trend and Japanese companies are facing a labor shortage. Areas clearly showing an economic recovery are metropolitan areas including Aichi Prefecture where favorable auto industries are collected, but many regional areas do not enjoy the benefits of economic recovery and the gap between metropolitan areas and regional areas are widening.

Japanese government has clearly specified the regional gap problem as one of important policy issues and the Ministry of Health, Labour and Welfare has also designated seven areas where the economic recovery is slow: Hokkaido, Aomori, Akita, Kochi, Nagasaki, Kagoshima and Okinawa, and is taking policy responses to enhance support measures for those areas. In response to changing such socioeconomic conditions, the project has conducted survey research from the viewpoint of industry/employment creation as well as analyzing unemployment structure.

In addition to analyses on regional structure of employment/unemployment, survey research methods taken to analyze current regional industry/employment creation are as follows:

At first, we analyzed regional structure of unemployment and employment by prefecture and by local authority in the past 20 years based on macro data such as “census statistics” and “corporation statistics”.

In tandem with such macro data analysis, we carried out a questionnaire survey of local municipalities. There were two kinds of questionnaire survey: one is of local municipalities which have been designated as industrial or employment-related special zones for one year and another one is of other municipalities. In the former case, we surveyed the employment creation effect. In the latter case, we surveyed what organization plans and implements the

employment creation measures. In addition, in tandem with such macro data analysis and questionnaire survey, we conducted hearings with prefectures, local municipalities, companies entering into local areas and local companies.

### 2. Current Regional Employment Conditions

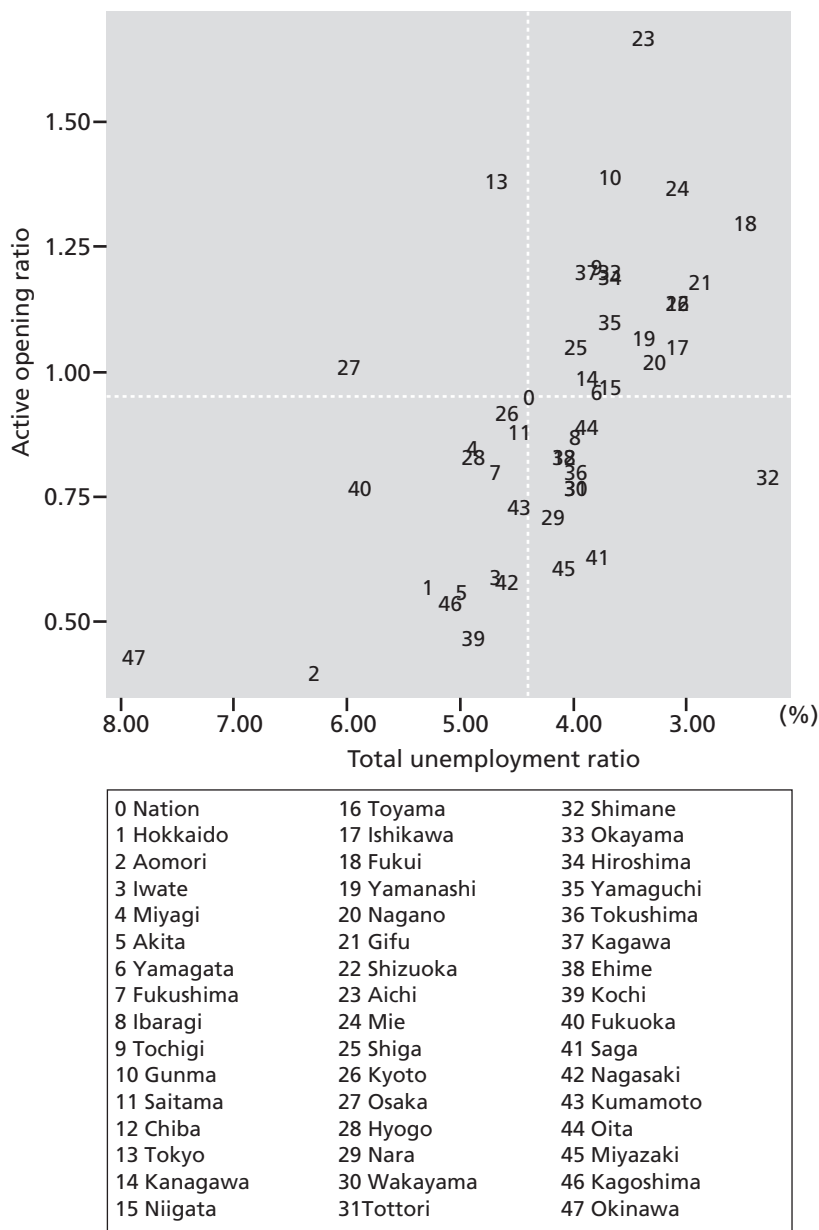
#### A. Regional Characteristics from the Viewpoint of Labor Supply and Demand

Since 1990, Japanese economy has been exposed to drastic changes accompanied by structural changes. Asset deflation caused by the collapse of bubble economy centered on land speculation triggered serious and long Japanese economy recession. Moreover, increased direct investment to China and other foreign countries since 1990s rapidly reduced domestic plants and workers and there was a big issue about “hollowing-out” of domestic manufacturing. Japanese economy rapidly weakened due to asset deflation and hollowing-out of domestic manufacturing caused by globalization and the unemployment rate which was about 1 to 2% before showed a sharp rise.

Total unemployment rate in 1990 was 2.1%, showed a gradual rise after that and swelled to 4.1% in 1998 when Yamaichi Securities Company, Limited, one of four major Japanese securities companies at that time, ran into financial difficulty and financial instability emerged. The unemployment rate continued to grow and swelled to 5.4% in 2002 when IT recession emerged.

Many companies faced three excesses; facilities, debts and employment, and therefore they took massive restructuring including job cuts and changed employment practices such as lifetime employment system and seniority system. Many companies introduced performance system, a personnel-system reform which emphasizes short-term performance evaluation.

Figure 1-1 Total unemployment ratio and active opening ratio by prefecture in 2005



Sources: Total unemployment ratio is from "Labor Force Survey" by Ministry of Internal Affairs and Communications. Active opening ratio is from "Report on Employment Service" by Ministry of Health, Labour and Welfare

Note: Some prefecture numbers on the upper right (37, 9, 33, 34, 16, 22) are overlapped.

Although employment and unemployment conditions were getting worse due to globalization, advance of IT and technologic innovation and personnel-system reforms such as restructuring and performance system, Japanese economy bottomed in 2002 and has gradually restored economic growth. Reduced government regulations and companies' restructuring have begun to exert their effects since

2003.

Many companies settled above three excesses and achieved a rapid earnings recovery. The main reason is a drastic cost reduction to rapidly lower their breakeven point. The rapid earnings recovery has encouraged capital investment and new domestic plants have been built even in manufacturing industry in which "hollowing-out" was a concern.

**Table 1-2 Percentages of employees by industry between regions with difficult and favorable employment conditions in 2004**

(%)

	agriculture, forestry and fishery	Mining	Building	Manufacturing	Electricity, gas, heat supply and water	Information and telecommunications	Traffic	wholesale and retail trade	Finance and insurance	Real estate	restaurants and lodging	medical and welfare	Education and learning assistance	Combined service	Services (others)
National average	0.4	0.1	8.4	19.1	0.4	2.7	5.4	23.5	2.7	1.9	9.3	8.0	2.6	0.7	14.9
Difficult regions average	1.2	0.2	11.3	11.9	0.4	1.5	5.6	25.1	2.8	1.6	9.9	10.5	2.1	1.3	14.7
Hokkaido	1.4	0.2	11.4	10.3	0.4	1.8	6.3	24.9	2.7	1.9	10.1	9.2	2.1	1.2	16.1
Aomori	1.2	0.2	12.6	13.2	0.4	0.9	5.4	26.0	3.0	1.3	9.0	9.6	1.9	1.4	14.3
Akita	0.9	0.3	12.8	19.5	0.3	1.0	4.6	23.8	2.5	0.8	8.1	9.1	1.4	1.5	13.4
Kochi	0.8	0.3	10.8	11.6	0.4	1.3	4.6	26.4	3.0	1.2	10.4	12.9	1.9	2.1	12.4
Nagasaki	1.2	0.1	10.4	12.8	0.4	0.9	5.2	25.7	3.0	1.3	9.3	13.0	2.1	1.2	13.3
Kagoshima	1.6	0.2	10.5	14.6	0.4	0.9	4.8	24.6	2.7	1.0	9.3	12.9	2.3	1.7	12.5
Okinawa	0.4	0.1	10.4	6.1	0.5	2.5	5.3	25.5	2.5	2.4	13.6	11.0	3.1	0.7	16.1
Favorable regions average	0.5	0.1	8.8	26.1	0.4	1.2	5.1	22.1	2.4	1.2	8.4	7.6	2.0	0.9	13.1
Gunma	0.4	0.1	8.5	28.5	0.3	1.0	4.8	21.4	2.2	1.3	8.5	7.3	1.8	0.8	13.0
Tochigi	0.5	0.2	8.5	27.3	0.3	1.0	4.7	21.0	2.1	1.2	8.5	7.1	2.4	0.7	14.6
Shizuoka	0.3	0.1	7.7	29.9	0.4	1.1	5.3	20.5	2.3	1.4	9.0	6.2	2.1	0.7	13.1
Gifu	0.5	0.1	9.0	27.5	0.2	0.9	4.0	22.3	2.4	1.1	9.4	6.8	2.2	1.0	12.5
Mie	0.7	0.1	8.5	28.0	0.4	0.8	5.3	21.1	2.2	1.1	8.6	7.3	1.9	1.0	12.7
Toyama	0.7	0.2	10.7	27.1	0.7	1.3	4.7	21.4	2.4	0.9	7.3	7.3	1.5	1.0	12.8
Fukui	0.3	0.1	11.2	25.0	0.9	1.4	4.6	22.4	2.5	0.8	8.3	7.7	1.5	1.2	12.0
Okayama	0.4	0.1	9.2	22.8	0.4	1.6	6.3	23.3	2.6	1.2	7.2	9.8	2.1	1.0	12.1
Hiroshima	0.5	0.1	8.8	20.0	0.5	1.8	5.8	24.8	2.7	1.5	7.8	8.9	2.3	0.7	14.0
Kagawa	0.5	0.1	9.8	19.4	0.6	1.4	5.5	25.3	3.0	1.4	8.3	8.8	1.9	0.9	13.0

Source: "Establishment and Enterprise census in 2004" by Ministry of Internal Affairs and Communications

Such economic recovery and sustained strong economic performance turned around employment and unemployment conditions. In December 2005, the active opening ratio became higher than 100%, 103%, and the labor market has been improved. However, there has been a wide gap of the labor market between regions.

Figure 1 shows a correlation between total unemployment ratio and active opening ratio by prefecture in 2005 and tells that there is a regional disparity on employment and unemployment conditions. Aichi, Mie, Gunma, Fukui, Gifu, Tochigi, Okayama, Hiroshima, Toyama, Shizuoka and Kagawa are placed on the upper right of the figure where employment conditions are favorable (low total unemployment ratio and high active opening ratio). Employment conditions in Chukyo/Tokai centered on Aichi, Kitakanto, Hokuriku and Sanyo regions have been largely improved.

On the other hand, Okinawa, Aomori, Kochi, Hokkaido, Fukuoka, Nagasaki, Kagoshima, Akita and

Iwate are placed on the lower left of the figure where employment conditions are the worst (high total unemployment ratio and low active opening ratio). There are many regions with difficult employment conditions in Hokkaido, Tohoku, Shikoku and Kyushu. Thus there is a regional disparity on employment and unemployment conditions and the economy recovery has not spread across a wide area.

Such regional disparity is largely caused by uneven distribution of industries. Table 1 verifies differences of regional industrial structures and compares the percentage of employees by industry between regions with difficult and favorable employment conditions except metropolitan areas.

Looking at percentages of total employees in difficult and favorable regions, industries with high percentage in the difficult region are agriculture, forestry and fisheries (0.7 percentage points), construction (2.5 percentage points), wholesale and retail trade (3.0 percentage points), eating and drinking place, accommodations (1.5 percentage

**Table 1-3 Year-to-year comparison of the number of employees by industry**

(%)

Term	Total industry	Construction	Manufacturing	Wholesale and retail trade	Medical, healthcare and welfare	Other Services	
2003	I	-0.1	0.0	-0.6	-0.1	0.3	-0.1
	II	0.3	-0.3	-0.6	-0.2	0.8	0.0
	III	-0.2	-0.4	-0.1	0.0	0.4	0.0
	IV	0.3	-0.2	-0.2	-0.1	0.6	0.0
2004	I	0.4	-0.3	-0.6	0.1	0.7	0.4
	II	0.7	0.0	-0.4	-0.3	0.3	0.9
	III	0.4	-0.4	-0.3	-0.1	0.6	0.6
	IV	0.1	-0.6	-0.6	-0.1	0.6	0.6
2005	I	0.0	-0.5	-0.4	0.2	0.3	0.3
	II	0.7	-0.2	-0.2	0.1	0.6	0.5
	III	0.9	-0.3	-0.2	0.1	0.3	0.9
	IV	1.3	-0.4	0.3	0.1	0.2	0.8

Source: "Labor Force Survey" by the Bureau of Statistics of Ministry of Internal Affairs and Communications

points), medical, health care and welfare (2.9 percentage points), services (not elsewhere classified) (1.6 percentage points), etc. On the other hand, an industry with high percentage in the favorable region is manufacturing (14.2 percentage points) only.

For this reason, it may be no exaggeration to say that the industrial structure difference between difficult and favorable regions from the viewpoint of the number of employees is a difference of the percentage of manufacturing industry. In regions with difficult employment conditions, the share of manufacturing industry is low but the share of tertiary industries such as wholesale and retail trade, eating and drinking place and accommodations, services (not elsewhere classified) and the share of government-dependent industries such as construction related to public investments and medical, health care and welfare related to medical and nursing insurances are high.

### B. Employment Recovery in Manufacturing Industry

The industrial structure difference between regions with difficult and favorable employment conditions was largely caused by a difference of the percentage of manufacturing industry, and even

recent employment recovery is largely influenced by manufacturing industry.

As Japanese economy bottomed in 2002 and is back on a track to recovery, employment which had decreased for more than 10 years has recently increased. Looking at a trend in the number of employees since 2002, it bottomed in 2002 and has increased year by year. Job openings for recent high school graduates which had drastically decreased also bottomed in 2003 and have increased.

Moreover, looking at a trend in the number of employees by industry since 2003 (on a year-to-year comparison; see Table 2), it has continued to rise on a year-over-year basis in total industry since the period of October to December 2003. The service industry shows the most prominent increasing tendency followed by medical, health care and welfare. In the former case, the employment has increased in line with increase of service economy, but in the latter case, medical, health care and welfare, the employment has increased by introducing a nursing insurance system and sweeping relaxation of regulations.

Under such circumstances, manufacturing industry which had consistently decreased the number of employees increased it in the period of October to December 2005 and largely contributed to

**Table 1-4 The number of employees and value-added amounts of manufacturing industry**

Industry	Number of employees			Value-added amount (2005)	
	2005	Compared with 2003 (%)	Composition ratio (%)	Compared with 2003 (%)	Composition ratio (%)
Total manufacturing	8,534,938	-1.4	100.0	5.4	100.0
Food	1,132,379	-2.4	13.3	-2.4	8.1
Beverage, cigarette and feed	107,557	-4.7	1.3	-4.8	2.8
Textile, apparel and fiber products	440,107	-12.5	5.2	-12.2	2.0
Timber, wood product and furniture	301,704	-6.9	3.5	-5.5	1.9
Pulp, paper and paper converting	217,480	-4.8	2.5	-2.5	2.5
Printing	370,389	-5.8	4.3	-3.3	3.2
Chemical, petroleum and coal products	367,637	-1.1	4.3	0.6	11.4
Plastics (other than noted elsewhere)	450,450	0.9	5.3	7.1	4.2
Rubber products	128,433	1.9	1.5	2.3	1.3
Ceramic, soil and stone products	309,239	-5.7	3.6	-1.2	3.6
Steel	216,377	2.7	2.5	44.4	5.9
non-ferrous metal	135,380	1.2	1.6	22.5	1.8
Metallic products	709,726	-1.1	8.3	0.5	5.9
Machinery	1,028,432	4.0	12.0	15.6	11.6
Electric equipment	567,637	-2.7	6.7	4.3	6.3
Info-communications equipment	206,777	-9.3	2.4	4.1	3.1
Electronic parts/devices	494,457	-1.7	5.8	9.4	6.5
Machines for export	953,807	7.3	11.2	5.9	14.4
Precision machines	156,921	-2.0	1.8	5.8	1.6
other manufacturing	240,049	-3.7	2.8	5.4	2.0

Source: "Establishment and Enterprise Census Report" by the Bureau of Statistics of the Ministry of Internal Affairs and Communications

favorable turn of the labor market. Construction industry, however, has continued to show a decreasing trend due to cost reduction for public works caused by financial difficulties.

Looking at resurgent manufacturing industry from the viewpoints of the number of employees and value-added amounts (see table 3), it is polarized between industries showing a contractive tendency and returning to a growth track. The former matured and weakened industries are textile, lumber, etc., and industries returning to a growth track are steel, nonferrous metal, machinery, electronic parts, transport equipment, etc.

The matured and weakened industries such as textile and lumber have decreased both the number of employees and value-added amounts and are less competitive in price against products imported from Asian countries including China, and it is impossible

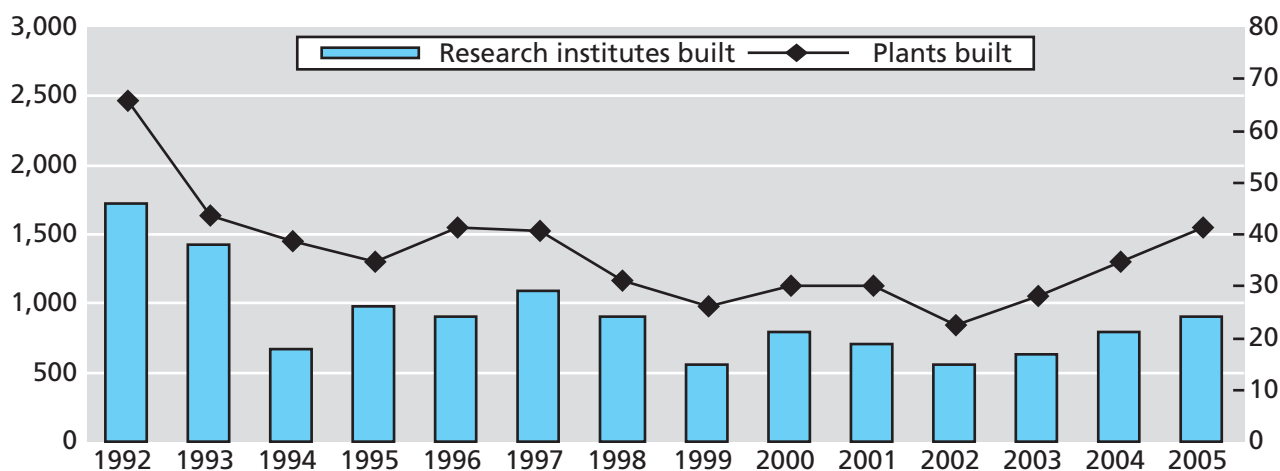
to restrain the contractive tendency. The general management strategy is to survive in the field of small-lot productions such as high quality goods and luxury grocery items, not mass-produced goods.

On the other hand, industries returning to a growth track have achieved a large growth with value-added amounts and some have increased the number of employees. Steel, nonferrous metal, machinery and transport equipment industries have increased both the number of employees and value-added amounts. These industries are all strongly-related to car industry, thus there is an inter-industrial relationship mechanism that the increased car production has increased production of related equipment and parts.

Specifically, the inter-industrial relationship on increased car production requires the steel industry to increase production of high-tensile steel plates for



**Figure 1-5 Trend of the number of built domestic plants and research institutes**



Source: "Plant Location Trend Survey" by Ministry of Economy, Trade and Industry

automotive body and the nonferrous metal manufacturing industry to increase production of special steel to be used for underbody. The car industry itself also requires the machinery manufacturing industry to increase production of machine tools to actively make capital investments for increased production. These industries have returned to a growth track by such car production-led inter-industrial relationship.

Meanwhile, both car and electronics industries are Japan's major export industries, but the electronics industry has not increased the growth potential unlike car industry. The electronics industry such as electric machines, info-communications equipment and electronic parts are still showing a decreasing trend of the number of employees and the growth rate of value-added amounts is not very high except electronic parts.

In the electronic industry, there are strong competitors, South Korea, Taiwan and China, and the price competition is very severe in a large area of products. Therefore, except electronics parts maintaining a strong position in capacity for technologic development and share of the market, the profit has not increased very much unlike increased production. Instead companies which were too late to cost reduction are operating deep in the red even though the production has increased.

### C. Manufacturing Industry's Return to Home

As shown above, recent employment recovery is largely caused by manufacturing industry's increased employment after its decline as well as increased employment in sustainable service industry. The employment recovery in the manufacturing industry is largely influenced by a strong trend of building new domestic plants, not overseas as well as facility expansion of existing plants. In addition, not only plants but also new research institutes have been actively built.

Figure 2 shows a trend of the number of built domestic plants and research institutes. The number of built plants had drastically decreased since 1992, bottomed in 2002 and has increased after that. The number of research institutes has also increased since 2002 after its decline though its decreasing trend was unlike plants.

Although an employment-creating effect by building new research institutes is limited, the building of new plants is highly likely accompanied by a large employment-creating effect and highly likely turns around regional employment at a stretch. As a result of a newly built Toyota Motors' assembly plant in Kyushu, 3,000 persons were newly employed. In addition, many car-associated parts manufacturers have entered into the periphery of the plant. There has been a great ripple effect of car plants.



Such trends of plants and research institutes returning to home are largely influenced by highly-developed and accelerated technologic innovation and product development. If we can afford to spend certain time for technologic innovation and product development, a system to separate development from production e.g., development in Japan and mass production in foreign plants such as China is effective.

As above, quality and quantity of required labor force greatly differ depending on businesses even in manufacturing industry. The increased regional employment depends heavily on what type and which companies or plants to be invited. If an assembly plant mass-producing digital electronic products is invited, irregular employments such as contract and temporary employments will have a high proportion of increased labor force. In addition, prices of products rapidly decline due to rapid technologic innovation and intensified international competition and therefore it is highly possible that merger, abolishment or overseas transfer of plants happens quite often. Therefore, it is unlikely that this type of plant invitation secures stable job opportunities in the region.

On the other hand, an invitation of machining plants and assembly plants for complex products has a smaller risk such as merger, abolishment and transfer of plants, an increased regular employment is expected and it is highly possible that this provides stable job opportunities in the region. If educational institutions such as universities, technical colleges and industrial high schools and job training institutions can establish a structure which responds appropriately to technological and personnel needs of companies moving into the region, it is highly possible that this promotes increased employment by inviting companies and plants.

In this section, regional differences of unemployment and employment rates by prefecture which control population attributes such as sex and age and attributes on labor supply and demand such as academic background and industrial structure were measured, and the factors causing such differences were examined by a basic technique. The results are summarized as below:

i. Nominal differences of regional unemployment

rate showed a trend of expansion from 1990 to 2000. However, regional differences which control regional labor supply and demand greatly narrowed in both 1990 and 2000 and it showed that regional differences have narrowed over a decade. Especially, regional differences of industrial structure tell many of dispersions of prefectural differences.

ii. As for differences of regional unemployment rate after the control, the effect of regional characteristics was largely controlled in 1990, but in 2000 after the collapse of bubble economy, regional differences of actual wages and unemployment rate due to regional declining demand have widened.

iii. Prefectural differences of non-labor force rate after removal of population attribute are strongly correlated with differences of unemployment rate after control. It is recognized that in regions with a higher unemployment rate or regions where the unemployment grew over the decade, “job-seeking demotivation effect”, an effect of letting job seekers give up job-seeking activities in the labor market, is greater.

iv. As far as young people’s job-seeking demotivation effect, there was no clear relationship between regional unemployment conditions and a rate of young people Not in Education, Employment or Training (NEET) in 1990, but it was recognized that the higher the unemployment rate was in the region after control, the higher the rate of NEET became in 2000. This trend is stronger in regions where the unemployment rate grew over the decade. The worse the labor market condition becomes, the more the young people become NEET.

Analysis results in this section that regional differences of unemployment rate greatly narrow after removal of the effect of labor supply and demand attribute indicate that Japan’s regional unemployment issues arise from “regional characteristics”, uneven distribution of labor force and industries, and it means that employment measures based on the situation in each region are necessary to solve regional employment issues.

### 3. Attribution analysis of prefectural differences of unemployment

According to public statistics counted by region, employment and unemployment conditions in each region show cyclic fluctuation repeatedly and the level of the differences continues to be flat. There are structural regional differences. In this section, regional differences of unemployment and employment rates by prefecture which control population attributes such as sex and age and attributes on labor supply and demand such as academic background and industrial structure were measured, and the factors causing such differences were examined by a basic technique.

#### A. Effect of labor supply and demand attributes

At first, estimate the following linear unemployment rate function before measuring prefectural differences of unemployment rate:

$$u_i = a_0 + a_1X + a_2D_i + \varepsilon_i \dots \dots \dots (1)$$

Where  $u_i$  is averaged unemployment rate of Group  $i$  calculated by labor force conditions by residential prefecture, sex, age and academic background,  $X_i$  is labor supply and demand attributes of the group (female dummy, age dummy, academic background dummy and percentage of employees by industry in each group),  $D_i$  is prefecture dummy,  $a_0$  is constant term and  $\varepsilon_i$  is error term.

Explanatory variables used here are as follows: for age group, a dummy variable consisting of five categories, 15 to 24 years old, 25 to 34 years old, 35 to 54 years old, 55 to 64 years old and 65 years old or older, is used. The academic background dummy consists of four categories, elementary school and

**Table 1-6 Prefectural differences of unemployment rate (WASD)**

Removed variable	1990	2000
Full-Control	1.830	0.571
Age	1.711	3.776
Sex	6.079	9.343
Academic background	7.024	9.022
Industry	9.344	12.940
No-Control	9.322	12.905

Note: See this paper and Footnote 7 for more details on Weight Adjusted Standard Deviation (WASD)

junior high school graduates, high school graduates, junior college and technical college graduates and university and graduate school graduates. The percentage of employees by industry in employees of each group is introduced as an index of regional differences of labor demand structure. Specifically, the ratio of employees in manufacturing industry is used as an index of low labor turnover rate and tight labor market and the ratio of employees in service industry and the ratio of employees in wholesale and retail trade and restaurants are used as a factor of high labor turnover ratio and to be likely to occur frictional unemployment.<sup>1</sup>

Data used for estimation are from census figures in 1990 and 2000 which can calculate prefectural unemployment rate by sex, age and academic background.<sup>2</sup> Since public statistics of census figures do not clearly specify academic background and labor force conditions of students in schools, samples are limited to graduates.<sup>3</sup>

By estimating the unemployment rate function in Formula (1) by the method of least squares, the estimation coefficient dispersion of the prefecture dummy can be considered as prefectural differences

1 Looking at the correlation between active opening ratio and the composition ratio of industrial employees by prefecture and age in 1990 and 2000, the ratio of manufacturing industry shows a significant correlation with active opening ratio in both years (0.516 in 1990 and 0.323 in 2000), but there is no significant correlation with the ratio of service industry. Although the ratios of wholesale and retail trade and restaurants show a sequential correlation with active opening ratio, industrial job turnover is high and the effect on increasing or decreasing unemployment rate is uncertain. However, there is a critical opinion against the effect of industrial structure on static regional differences (Sotodate, 1999). This section will only discuss the effect of industrial structure on unemployment rate by definition with industrial tight labor market and job turnover.

2 Therefore, the sample size per one survey year is: 47 (prefectures) × 2 (sexes) × 5 (age categories) × 4 (academic background categories)=1,880.

3 Missing samples of students in schools hold 1.4% in 1990 and 1.6% in 2000. By limiting samples, national average of unemployment rate slightly increases from 3.01 to 3.01% in 1990 and from 4.72 to 4.80% in 2000.

**Table 1-7 Differences of unemployment rate between prefectures**

	1990			2000			Changes over a decade	
	Real difference	Estimation 1	Estimation 2	Real difference	Estimation 1	Estimation 2	Real difference	Estimation 2
Hokkaido	0.62	0.47	-1.06	0.05	0.08	-1.42	-0.57	-0.36
Aomori	1.46	1.11	0.29	0.66	0.56	-0.19	-0.80	-0.48
Iwate	-0.39	-0.56	-0.37	-0.74	-0.78	-0.59	-0.35	-0.21
Miyagi	-0.28	-0.31	-0.81	0.18	0.17	-0.67	0.46	0.15
Akita	-0.30	-0.12	-0.22	-0.46	-0.33	-0.61	-0.15	-0.39
Yamagata	-1.28	-1.20	-0.41	-1.43	-1.41	-0.33	-0.15	0.08
Fukushima	-0.60	-0.68	0.08	-0.48	-0.56	0.35	0.12	0.27
Saitama	-0.34	-0.12	0.67	-0.01	0.10	0.69	0.33	0.02
Chiba	-0.35	-0.13	-0.12	-0.02	0.15	-0.45	0.33	-0.33
Tokyo	0.10	0.25	-0.68	0.14	0.31	-1.13	0.04	-0.46
Kanagawa	-0.03	0.32	0.33	0.11	0.33	-0.24	0.14	-0.57
Ibaragi	-0.64	-0.71	0.27	-0.51	-0.57	0.62	0.13	0.35
Tochigi	-0.76	-0.95	0.24	-0.64	-0.78	0.60	0.11	0.36
Gunma	-0.56	-0.76	0.36	-0.64	-0.85	0.70	-0.08	0.35
Yamanashi	-0.60	-0.65	0.80	-0.97	-0.98	0.64	-0.36	-0.16
Nagano	-1.29	-1.39	0.28	-1.67	-1.93	0.11	-0.38	-0.17
Niigata	-1.00	-1.13	-1.08	-0.91	-1.03	-0.77	0.09	0.31
Toyama	-1.03	-1.03	-0.36	-1.32	-1.64	-0.36	-0.29	0.00
Ishikawa	-0.76	-0.94	-1.06	-1.10	-1.22	-0.91	-0.34	0.15
Fukui	-1.13	-1.34	-0.21	-1.69	-2.05	-0.61	-0.56	-0.40
Gifu	-0.98	-1.25	-0.27	-1.03	-1.37	0.22	-0.05	0.49
Shizuoka	-0.66	-0.89	0.09	-0.97	-1.28	0.38	-0.31	0.29
Aichi	-0.55	-0.69	0.07	-0.07	-0.90	0.39	-0.15	0.32
Mie	-0.42	-0.76	-0.07	-0.89	-1.17	0.02	-0.47	0.08
Shiga	-0.86	-0.88	0.53	-1.08	-1.14	1.06	-0.22	0.53
Kyoto	-0.15	-0.11	-0.27	0.22	0.37	0.29	0.37	0.56
Osaka	1.24	1.27	0.88	2.34	2.29	1.93	1.11	1.05
Hyogo	0.33	0.37	0.33	0.65	0.75	0.95	0.32	0.62
Nara	-0.15	0.17	0.27	0.23	0.71	1.02	0.38	0.75
Wakayama	0.41	-0.06	-0.22	0.20	0.03	-0.07	-0.21	0.15
Tottori	-0.54	-0.51	0.15	-1.19	-1.57	-0.83	-0.65	-0.98
Shimane	-1.07	-1.31	-1.18	-1.81	-2.22	-2.13	-0.74	-0.95
Okayama	-0.08	-0.08	0.63	-0.40	-0.41	0.43	-0.32	-0.20
Hiroshima	-0.46	-0.51	-0.25	-0.46	-0.47	-0.27	0.00	-0.02
Yamaguchi	-0.18	-0.28	-0.26	-0.69	-0.78	-0.69	-0.52	-0.43
Tokushima	0.87	0.82	1.21	0.15	0.16	0.80	-0.72	-0.41
Kagawa	0.09	0.15	0.18	-0.02	-0.07	0.20	-0.10	0.02
Ehime	0.64	0.50	0.86	0.25	0.22	0.61	-0.39	-0.25
Kochi	1.74	1.26	0.12	0.57	0.31	-0.91	-1.17	-1.03
Fukuoka	1.48	1.66	0.42	1.17	1.36	-0.05	-0.31	-0.47
Saga	-0.26	-0.40	-0.59	-0.32	-0.26	-0.49	-0.07	0.10
Nagasaki	0.48	0.23	-1.04	0.10	0.14	-1.23	-0.38	-0.19
Kumamoto	0.17	0.19	-0.30	-0.32	-0.13	-0.69	-0.49	-0.40
Oita	0.32	0.43	-0.02	-0.30	-0.23	-0.63	-0.62	-0.61
Miyazaki	0.36	0.23	-0.29	0.24	0.28	-0.45	-0.12	-0.16
Kagoshima	0.37	0.50	-0.03	0.16	0.22	-0.58	-0.21	-0.55
Okinawa	4.73	4.04	1.58	4.71	4.12	1.43	-0.02	-0.15

Notes: 1) Difference means the difference from national average weighted by labor force population (unit: %).

2) Real difference is a difference from national average of unemployment rate by prefecture except students in schools.

3) Sex, age and academic background dummies are controlled in Estimation 1. Industrial employees composition ration is controlled as well as Estimation 1 in Estimation 2.

of unemployment rate. In this case, differences when using all explanatory variables (full-control), when either one of explanatory variables is missed and when using a prefecture dummy only (non-control) are compared. Weight Adjusted Standard Deviation (WASD) adjusted by labor force population share in each region was used as an index of the estimation coefficient dispersion of the prefecture dummy.<sup>4</sup> Calculation results are shown in Table 4:

Looking at WASD of No-Control, it was 9.322 in 1990 and 12.905 in 2000 showing that recent regional differences of unemployment was large. However, looking at Full-Control removing all effects of labor supply and demand attributes, it was 1.830 in 1990 and 0.571 in 2000 showing that controlled regional differences largely narrowed in both years (reduction rate of standard deviation was 80.4% in 1990 and 95.6% in 2000). In addition, results of Full-Control showed that recent regional differences of unemployment were narrower than before.

Combined with Table 4, it is understood which variables have an impact on regional differences. In 1990, the standard deviation became largest when the percentage of employees by industry was removed from Full-Control, followed by academic background, sex and age dummies in order. The impact of industrial structure variables was also largest in 2000, but followed by sex, academic background and age dummies in order. It tells that the impact of academic background attribute on narrowed regional differences weakened. This may be reflection on recently narrowed differences of unemployment rate between academic backgrounds due to high unemployment rate of highly-educated people such as graduates of universities and graduate schools.

## B. Level of controlled differences

Table 4 shows that many of nominal differences of unemployment rate are caused by regional differences

of labor supply and demand structure. It should be noted that when removing industrial structure factors, the regional differences largely narrow. Therefore, the level of regional differences of unemployment rate is examined when controlling sex, age and academic background (Estimation 1) and adding the percentage of employees by industry to explanatory variables with it (Estimation 2) as below. Since Estimation 1 and 2 normalize variables of estimated regional dummies (based on Nagano's lowest unemployment rate), the difference from averaged value weighted by prefectural labor force population.<sup>5</sup> The calculation results are shown in Table 5.

Looking at differences after removing the effect of labor supply attribute (Estimation 1), among younger people and people who are not highly educated, and in regions where unemployment rate is relatively higher, differences of unemployment rate after control is narrower than real differences. For instance, the real unemployment rate in Aomori in 1990 was 1.46 percentage points higher than national average, but after controlling the effect of raising net unemployment rate caused by sex, age and academic background factors, the differences narrow by about 0.3 percentage points. On the other hand, in Tokyo, Osaka, Fukuoka and their surrounding regions, since there are many younger people and highly-educated people who push unemployment down, the differences after control widen as a result. In the case of Tokyo in 1990, the real differences were 0.10 percentage points and differences after control became 0.25 percentage points.

According to the result of Estimation 1, there are still many regions where the difference from national average is more than 1 point. Estimation 2 shows differences of unemployment rate when controlling the effect of reducing unemployment rate by the ratio of manufacturing industry and the effect of increasing unemployment rate by the ratio of tertiary industry

4  $WASD = [\sum_j (s_j \beta_j - \sum_j s_j \beta_j)^2 - \sum_j s_j \delta_j^2]^{\frac{1}{2}}$  This is a difference index used heavily for positive analysis of wage differences between industries.  $s_j$  is a labor force weight of Prefecture  $j$ ,  $\beta_j$  is an estimate constant and  $\delta_j$  is a standard error. In this section, covariance between variables are not considered as same as *Krueger and Summers (1988)* who analyzed wage differences between industries.

5 The regional difference is calculated as  $d_i = \hat{\beta}_i - (\sum_j s_j \hat{\beta}_j)$  where  $d_i$  is a difference of unemployment in Prefecture  $i$  and  $\hat{\beta}$  is an estimate constant of the regional dummies. The second term of the right-hand side is a prefectural labor force weight ( $s_j$ ) showing an average of weighted regional dummy coefficient.

(wholesale and retail trade, eating and drinking place, and other services). According to the result, in regions where there are relatively more employees in the manufacturing industry and fewer employees in the tertiary industry, the unemployment rate after control increases. For instance, in the case of Aichi where manufacturing industries centered on car industry are accumulated and labor demand is strong (in 2000), the differences from averaged unemployment rate before and after controlling the industrial structure were -0.90 and 0.39 respectively, and the difference between them, 1.29, is considered as decreased unemployment rate due to slide towards manufacturing industry. Such trend is especially shown in Kitakanto, Koshin and Tokai regions, Yamagata and Fukushima in Tohoku regions, Shiga, Chugoku region (except Shimane and Yamaguchi) and Shikoku region (except Kochi) in western Japan.

On the other hand, in regions which are largely biased toward tertiary industry such as wholesale and retail trade, eating and drinking place, and other services, there is an effect of increasing unemployment rate by the industrial structure and the differences after control narrow as a result. Particularly, Okinawa where the ratio of employees in manufacturing industry is the lowest and the ratio of service industry is the highest in the nation strongly shows this trend. By controlling a relative slide towards tertiary industry, the difference from national average becomes less than half. Those regions have metropolitan areas which are centers of the surrounding areas such as Hokkaido, Miyagi, Tokyo, Kyoto, Osaka and Fukuoka. Other regions, Aomori, Kochi and prefectures in Kyushu, also have an effect of increasing unemployment ratio caused by industrial structure. It is believed that the slide

towards tertiary industry generates structural and frictional unemployment caused by a large turnover average by definition of the analysis. It may be important for such regions to strengthen matching functions through job placement services as one of measures to decrease regional unemployment rate.

### **C. Correlation with Other Regional Characteristics**

As above, it was considered that regional differences greatly narrow when controlling the labor supply and demand structure. However, this section's approach considers regional dummies only and does not clarify detailed regional factors. As shown in Table 5, there are some regions where differences between 1990 and 2000 after control widened. It is also necessary to consider the factor.

Therefore, we will consider correlations between controlled regional differences and various regional attributes which are not considered yet. As regional economic indicators, we will consider (i) a difference between the growth rate of real gross prefectural product per capita (natural logarithm) and the growth rate of real GDP per capita (%) in the previous five years, (ii) difference from the national average of growth rate of Industrial Production Index in the previous five years (%), (iii) a difference from the national average of "real" minimum wage by region revised in last October (natural logarithm)<sup>6</sup>, (iv) a yearly moving-in excess rate based on total prefectural population weighted by the prefectural population (%), (v) a difference between the prefectural employees ratio by industry and natural average ratio (specialization coefficient) and (vi) Hirshman-Herfindahl index which indicates the degree of specialization of industrial structure compared

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6 Regional Difference Index of Consumer Prices (nation total = 100) except imputed rent from "Nationwide Price Statistics Survey" by the Ministry of Internal Affairs and Communications in 1987 and 1997 was used to calculate regional real minimum wages. However, it is arguable that how much regional minimum wages have an impact on the labor market. In fact, according to *Abe (2001)*, although there is a sequential correlation between regional minimum wages and part-time workers' averaged wages, the difference between part-time workers' wages and minimum wages are dependent heavily on the prefecture, especially among D-ranked prefectures where the minimum wages are the lowest. In this section, therefore, minimum wages are used as a surrogate index of regional differences of averaged wages, not a variable to be politically controlled.



with national average.<sup>7</sup>

Since the number of pages is limited, we only introduce regional variables which show a significant correlation with regional differences after control at the level of 5%.

As for differences of the growth rate of per-capita real GDP, the correlation coefficient between the economic growth rate of regional real GDP and regional differences of unemployment rate from 1995 to 2000 was -0.2938 (significant correlation), and it was clarified that regional differences of declining demand in the late 1990s when Japan's economy was seriously going down causes recent differences of unemployment rate.

There is also a significant sequential correlation between differences of regional real minimum wage and differences of unemployment rate in 2000 (correlation coefficient is 0.5753). The minimum wage is higher in regions which have metropolitan areas, but nominal unemployment rate may be higher in those regions due to commuters from other prefectures. Therefore, regional differences of unemployment rate after controlling sex, age and industrial structure factors from data based on workplace in 2000 were calculated separately. The correlation coefficient with regional differences of real minimum wage is 0.5181 so there is still a significant correlation.<sup>8</sup> Although academic background factor is not controlled due to limited workplace data, there is still a sequential correlation between controlled differences and differences of real wages even allowing for commuting distance.

As for specialization coefficient by industry, regions which are strongly specialized in tertiary industry (less specialized in primary industry) show higher unemployment rate than national average, and such trend was especially pronounced in 2000.

However, there was no significant correlation between Hirshman-Herfindahl index which indicates a yearly moving-in excess rate and relative specialization trend of regional industrial structure and regional differences of unemployment rate in both years.

Next, the expansion (or narrowing) factor of regional differences of unemployment rate after control from 1990 to 2000 was considered. As a result, the correlation coefficient between regional differences of real economic growth rate and differences of unemployment rate after control from 1990 to 2000 was -0.3295 so there is a significant inverse correlation between them. Particularly, it was clarified that in Kinki region such as Hyogo, Kyoto and Osaka with continued high unemployment rate, the relative regional economic downturn was serious over a decade and the differences of unemployment rate became most widened. As for changes in other regional economic indicators in the same period, there was no significant correlation with differences of unemployment rate. The correlation coefficient with differences of the growth rate of real minimum wage from 1989 to 1999 was negative and insignificant (-0.0343) so we cannot say that increased regional minimum wage through 1990s widened regional differences of unemployment rate. In Kinki region where the unemployment rate increased after control, the growth rate of real minimum wage over a decade was rather less than national average. Therefore, it can be interpreted that since unemployment rate increased due to declining demand without change in real minimum wage, an above mentioned significant correlation emerged in 2000.

For above reasons, as for regional differences of unemployment rate after control estimated in the previous session, the effect of regional characteristics is mostly controlled in 1990, but recently since the

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7 Specialization coefficient  $f_{ij} = p_{ij} / p_i$ , where  $p_{ij}$  is a composition ratio of employees of industry  $i$  in Prefecture  $j$  and  $p_i$  is a national average composition ratio of industry  $i$ . Hirshman-Herfindahl index  $RS_j = \sum_j |p_{ij} - p_i|$  is a value between 0 and 2. If this value is larger, the degree of specialization of industrial structure in Prefecture  $j$  is relatively higher than national average. If this value is nearly 0, the industrial structure is similar to national average. Regions where industrial distribution narrows or there is a strong specialization trend are subject to the impact of such industry's demand. Some people have pointed out that they are at higher risk of high unemployment rate (Krugman (1993)).

8 The unemployment rate based on workplace was calculated as number of people who are without jobs divided by (number of people who are without jobs + number of employees at workplace). Please note that due to the limitation of survey items of census, the trial calculation values are based on a strongish assumption that "Jobless people seek their jobs only in their residential places" in this section.

collapse of bubble economy, regional differences of unemployment rate caused by regional differences of real wage costs and regional differences of declining demand in the period of low growth have widened.

This session's analysis result that after removal of the effect of labor supply and demand attribute, regional differences of unemployment rate largely narrow indicates that Japan's regional unemployment issues are caused by "regional characteristics", regionally-skewed distribution of labor force and industries and means that employment measures based on the situation in each region are necessary to solve regional employment issues. Regional industry

and employment measures are currently advanced by local governments such as prefectures and municipalities with progress in decentralization. It will be necessary to verify the availability of each measures based on individual cases in the future.

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(As of March, 2007)

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# Shrinking of Labor Unions and Need for a New Collective Influential Voice System in Japan

## 1. Problems (Dysfunction of Labor Union)

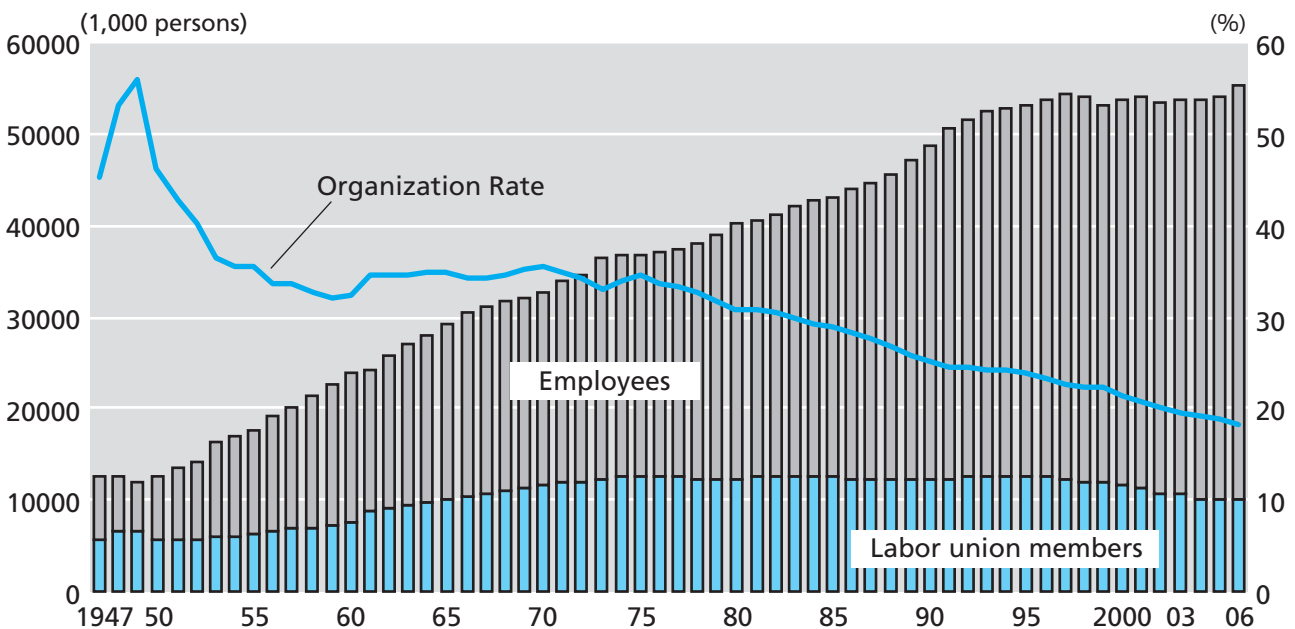
The labor legislation in developed countries faces a number of issues in the huge, universal trend of post-industrialization and economic globalization. One of the most significant issues is the decrease in the function of labor unions. In most of developed countries, the organization rate has consistently declined and such trend has caused the dysfunction of its traditional system for determining working conditions that worker protection laws stipulate minimum labor standards and labor conditions that are more favorable than these standards are fixed by labor negotiations.

The power of labor unions in Japan has also remarkably weakened. Figure 2-1 shows the long-term trends of estimated organization rate and union

member numbers researched by the Ministry of Health, Labour and Welfare. After peaking at 55.8% in 1949, the organization rate continued to decline until falling below 20% in 2003. It decreased further to 19.2% in 2004, 18.7% in 2005 and 18.2% in 2006, without showing any sign of recovery. Not only the organization rate but the number of union members is also experiencing an ongoing decline after reaching a peak of 12.70 million in 1994. It was 10.04 million in 2006—maintaining 10 million members by only a narrow margin.

Approximately 90% of Japanese labor unions are organized by enterprise-based<sup>1</sup>, unlike those organized by industry as often seen in Europe and the U.S. According to the “Basic Survey on Labor Unions” conducted by the Ministry of Labour in

**Figure 2-1 Changes in the Estimated Organization Rate and Number of Union Members**



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

<sup>1</sup> In terms of organizing labor unions, Japanese Labor Union Act takes the stance of free establishment, allowing workers to set up labor unions at their discretion without requiring any permission or application. However, the Labor Union Act requires a labor union to meet certain criteria so that it can be recognized as a legitimate body under the said law, and to have specific qualifications in order to be eligible to participate in the procedures provided in the Law and to be granted solutions.



1997, among Japanese labor unions, 95.8% were enterprise union and 85.9% of union members belong to ones established within the corporations where they are hired. Figure 2-2 shows the ratio of the enterprises where trade union exists and the ration of the enterprises where trade union does not exist. Less than 10% of enterprises with 10 or more workers have a labor union, leaving more than 90% without any such institution.

Based on the overall tendency of decrease in organization rates, I have already pointed out the deterioration of the function of collective negotiations for improving working conditions. Moreover, it is revealed that this system is not functioning properly, as shown by the fact that more than 90% among enterprises with 10 or more employees do not have a labor union.

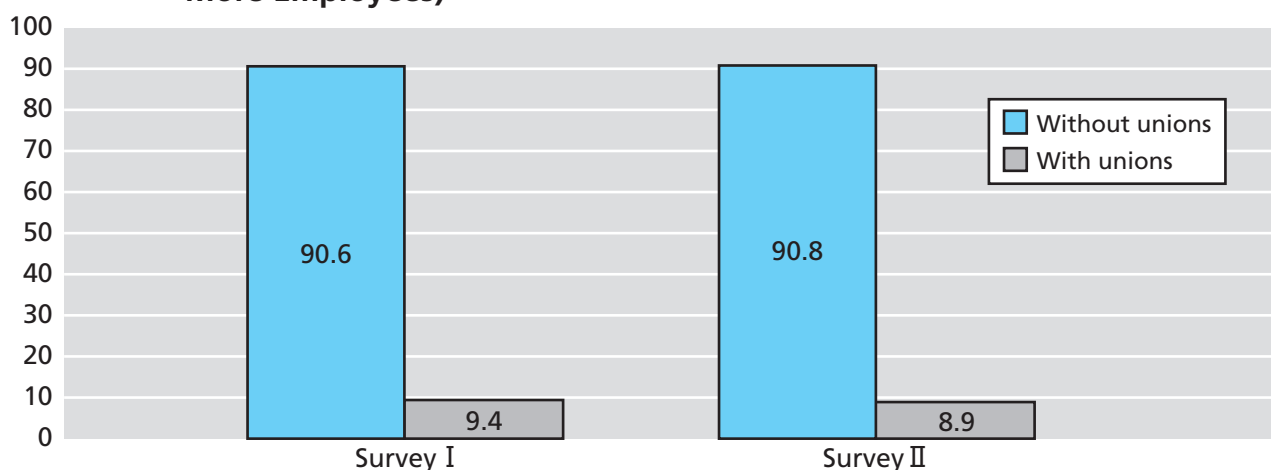
It is important for determining working conditions to secure a mechanism for labor-management negotiations on a practically equal footing by complementing bargaining strength as well as properly determining labor opinion. In a slow-growth economy, in order to respond toward diversification of employment patterns and diversity and complexity of enterprises and workers, especially in Japan, the collective influential voice system is expected to have the following functions as well as the function that realizes more favorable labor conditions than

minimum labor standards stipulated by worker protection laws. To face the reality that more than 90% among enterprises have no labor union, it is an extremely important issue how to reflect opinions from employees for determining working conditions in enterprises without labor union.

#### A. Reflection of opinions from employees against disadvantageous modification of working conditions

In the era of high-speed economic growth, the main issue was to improve working conditions as much as possible. When entering the era of low-speed economic growth, the main issue is shifted to disadvantageous modification of working conditions. Therefore, the collective system for determining working conditions is playing the role of not only improving working conditions but also setting unified working conditions through the coordination of advantages and disadvantages. In most cases, working conditions are collectively modified through changes in working regulations in Japan. According to Supreme Court's precedent, whether disadvantageous modification of working regulations is right or wrong shall be determined based on rationality and process of negotiations with labor union shall be one of criteria for the rationality to be determined in a comprehensive manner.

**Figure 2-2 Existences or Absence of Labor Unions at Private Enterprises (With 10 or More Employees)**



Source:

Survey I : JILPT 2005, *Survey on the Framework of Employee Relations, Employment and Retirement*.

Survey II: JILPT 2005, *Survey on the Establishment and Modification of Working Conditions and Human Resources Management*.

## **B. Realization of regulations reflecting diversity and complexity of enterprises, workers, etc.**

The realization of regulations reflecting diversity and complexity of enterprises, workers, etc., unlike conventional uniform regulations, becomes necessary. The deviation from legislation that requires labor-management agreements with majority representatives and decisions made in labor-management committees is expanding. This concept is to approve the deviation from nationally-established labor standards and take its procedure based on not individual agreements but collective agreements. Such requests are expected to continue to expand.

## **C. Response towards diversification of employment patterns**

It becomes necessary to determine working conditions that respond to the increase in part-time workers and diverse workers. Effective responses depending on circumstances of workplaces are expected by reflecting diverse workers' voices through collective influential voice systems.

## **2. Direction of Developing/Strengthening Workers' Collective Influential Voice System**

As above, the need for developing/strengthening workers' collective influential voice system in workplaces is increasing. There are three major fundamental directions for review of labor-management relations laws towards the realization of its system: (1) maintenance of the existing system, (2) strengthening/regeneration of labor unions, and (3) development/strengthening of workers' collective influential voice systems that are different from existing labor unions.

The concept of above (1) is to expect labor unions to make efforts within the framework of existing labor-management relations laws without any fundamental modification. For instance, labor union activities are protected by the system to deter unfair labor practices and labor unions can expand their power of influence by the extended application system of labor agreements even under the existing laws. At the most fundamental level, it is guaranteed

that labor unions go on strike to assert their opinions against employers. In fact, labor unions have already had legal rights so they can realize to extend their influence by their own effort under the existing laws.

The concept of above (2) is to expand policies for support of labor unions or amend the existing labor-management relations laws to regain their power and strengthen their functions.

The concept of above (3) is to develop/strengthen workers' collective influential voice systems that are different from existing labor unions by law. Note that while the system of collectively determining labor conditions is shrinking, the number of workers' collective influential voice systems that are different from existing labor unions is increasing.

It is preferable that labor unions that have rights of organization, collective bargaining and collective activities work positively to maintain and improve working conditions. There is a huge expectation for regaining the power of labor unions. However, to face the reality that the organization rate shows the long-term trends of decline without showing any sign of rapid recovery and more than 90% of enterprises have no labor union, I must say that it becomes important for determining working conditions to secure a mechanism for labor-management negotiations on a practically equal footing by complementing bargaining strength as well as properly determining labor opinion with development/strengthening of systems that are different from existing labor unions even for enterprises where labor union does not exist.

In this paper, therefore, I expect labor unions to regain their power and also make a detailed analysis of organizations and activities of labor unions based on the existing survey to examine the realities of above (1) and (2). On that basis, I will seek which is the most realistic among above three methods.

## **3. Realities of Labor Unions' Organization, Activities, Etc.**

### **A. Actual situation of organization**

#### **i. Comparison between private enterprises and public sectors**

Private enterprises and public sectors do not share the same level of organization rate. Figure 2-3 shows

shifts in the estimated rate both among all types of organizations and among private enterprises. It is obvious that the line indicating the rates among private enterprises always runs below the total line. This is because that the rates among public sectors are generally high. In 2006, for example, public sectors had a organization rate of 50%, while that among private enterprises was 16%. Values of private enterprises tell that this is a matter of concern.

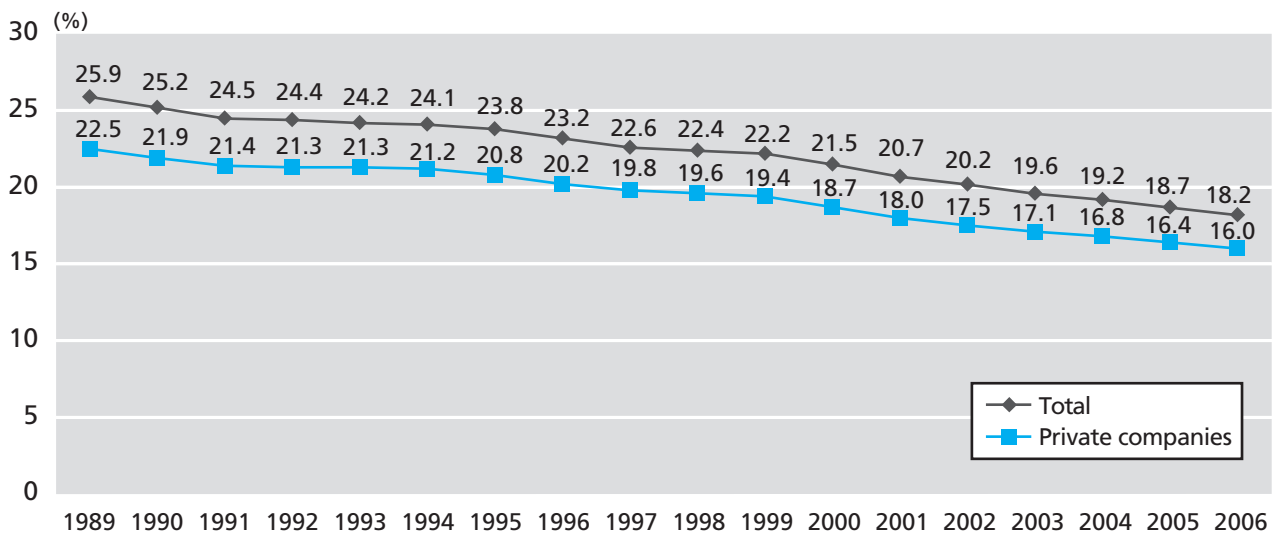
**ii. Situations by enterprise size (private sectors)**

Figure 2-4 indicates shifts in the estimated

organization rate, and Figure 5 shows those in the estimated number of union members, both among private enterprises by corporate size.

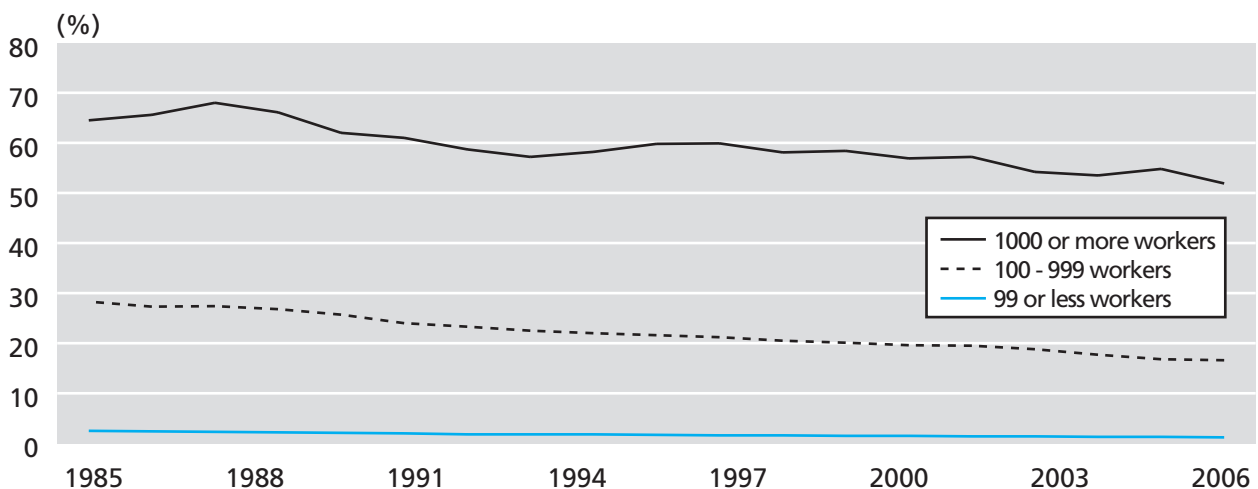
The organization rate is high among large-sized enterprises, and low in small-sized enterprises. In 2006, it was 46.7% among enterprises with 1,000 or more employees, 14.8% among those with 100 or more but less than 1,000, and as low as 1.1% among those with 99 or less. Similarly, the number of union member drops as the enterprise size grows smaller. It is apparent that situations regarding labor union organization vary significantly depending on the size

**Figure 2-3 Shifts in the Estimated Organization Rate (Total and Among Private Enterprises)**



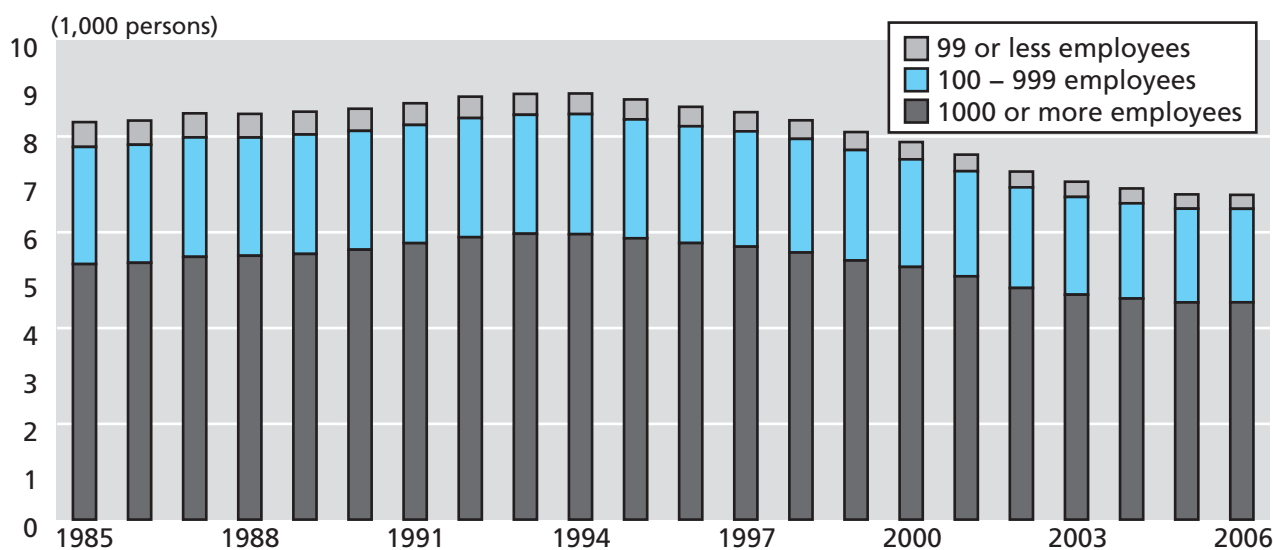
Source: Ministry of Health, Labour and Welfare, *Basic Survey on Labour Unions*.

**Figure 2-4 Shifts in the Organization Rate by Enterprise Size (Among Private Enterprise)**



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

**Figure 2-5 Shifts in the Number of Labor Union Members by Enterprise Size (Among Private Enterprises)**



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

**Table 2-6 Trend of Estimated Organization Rate of Regular Employees**

Year	(a) Number of union members (1,000)	(b) Number of part-time union members (1,000)	(c) (a)-(b) (1,000)	(d) Number of employees (10,000)	(e) Ratio of regular employees (%)	(f) (d)×(e) (10,000)	Organization rate (a)÷(d) (%)	Organization rate of regular employees (c)÷(f) (%)	(Ref.) Organization rate of part-time workers (%)
1994	12,699	168	12,531	5,279	77.2	4,075	24.1	30.8	2.0
1999	11,825	244	11,581	5,321	72.5	3,858	22.2	30.0	2.5
2003	10,531	331	10,200	5,373	65.4	3,514	19.6	29.0	3.0
2006	10,041	515	9,526	5,517			18.2		4.3

Source: Ministry of Health, Labour and Welfare, *Basic Survey on Labour Unions*, the Ministry of Internal Affairs and Communications, *Labour Force Survey* in every June, and the Ministry of Health, Labour and Welfare, *Survey of the Diversification of Employment Status*.

of the corporation.

### iii. Organization of non-regular workers Organization of part-time workers

The number of part-time workers union members is 515,000 in 2006, a 2.6-time increase in a decade from 196,000 in 1996. The percentage of part-time union members has also increased from 1.6% to 5.2% in a decade. The estimated organization rate of part-time workers has also increased from 2.2% to 4.3% in a decade. However, those percentages are much lower than whole estimated organization rate.

Table 2-6 shows that decrease in the estimated organization rate of regular employees is slower than that in the whole estimated organization rate. Given much low organization rate of part-time workers, the organization seems to be far behind even though the number of workers other than full-time ones is increasing.

### Organization of dispatched workers

In recent years, easing of labor dispatch services such as expansion of target businesses have been repeated and the number of temporary workers is

**Table 2-7 Situation of Organizing Dispatched Workers**

(number of persons, %)

	Total	Do temporary agencies have labor unions?			Do enterprises dispatched have labor unions?			Other union members
		Yes (members)	No	Don't know	Yes (members)	No	Don't know	
Total	2,908	280 (173)	1,817	77	1,351(23)	706	748	(45)
%	100	9.6 (5.9)[61.8]	62.5	25.7	46.5 (0.8)[1.7]	24.3	25.7	(1.6)
Women	1,672	146 (93)	894	598	677 (10)	419	523	(25)
%	100	8.7 (5.6)[63.7]	53.5	35.8	40.5 (0.6)[1.5]	25.1	31.3	(1.5)
Men	1,229	134 (80)	922	148	673 (13)	287	223	(20)
%	100	10.9(6.5)[59.7]	75.0	12.0	54.8 (1.1)[1.9]	23.4	18.1	(1.6)
Dispatched workers	1,154	108 (62)	551	476	427 ( 8)	296	399	(17)
%	100	9.4 (5.4)[57.4]	47.8	41.3	37.0 (0.7)[1.9]	25.7	34.6	(1.5)
Regular employees	1,698	167 (106)	1,240	23	902 (14)	396	337	(27)
%	100	9.8 (6.2)[63.5]	73.0	14.9	53.1 (0.8)[1.6]	23.3	19.9	(1.6)

Source: Ministry of Health, Labour and Welfare, *Questionnaire Survey on Labour Demand-Supply System, 2005*.**Table 2-8 Existence of Labor Unions at Enterprise Level**

(%)

Size of enterprise	Exist		None	
	I	II	I	II
10 to 49 employees	9.4	8.9	90.6	90.8
50 to 99 employees	5.6	4.4	94.4	95.2
100 to 299 employees	14.8	16.3	85.2	83.6
300 to 999 employees	29.4	33.0	70.2	66.7
1000 or more employees	46.6	46.2	53.0	53.4

Source: Survey I and II by JILPT

increasing, but the organization of them is also slow.

According to the Ministry of Health, Labour and Welfare "Questionnaire Survey on Labor Demand-supply System" in 2005, 60% among temporary workers are unionized when temporary agencies have labor unions, but many of them have no labor union and the percentage of all unionized temporary workers in such case is only 5.9%. The organization rate of temporary workers in enterprises dispatched which have labor unions is also only 1.7% and the percentage of all unionized temporary workers in such case is only 0.8%. The percentage of temporary workers who join other labor unions is 1.6%. By simple arithmetic, the percentage of temporary workers who join any labor unions is 8.3% (see Table 2-7).

In addition, Table 2-7 shows that one-quarter temporary workers said they "don't know" if labor unions exist.

### Organization at enterprise level

Organization rates obtained by "Basic Survey on Labour Unions" are calculated by the number of union members divided by the number of employers based on "Survey on Labour Power" at labor level.

According to survey on organization rates at enterprise level by JILPT in 2004, less than 10% of enterprises with 10 or more workers have labor unions. According to enterprise size, more than 70% of enterprises with more than 1,000 workers have labor unions, but the smaller an enterprise is, the lower its percentage becomes. Only about 5% of enterprises with 10 to 49 workers have labor unions (see Table 2-8).

In addition, according to survey carried out by JILPT in 2006, only 1% among enterprises with 1 to 9 workers have labor unions. This tells us that there are very few labor unions in such size of enterprises.

According to Survey I and II by JIPT in 2004, 90% among enterprises that have labor unions said

one enterprise has one labor union. 70% among enterprises that have labor unions said their labor unions organize majority of employees. About 60% among enterprises said “all establishments” or “many establishments” have one labor union organizing majority of employees (see Table 2-9 to 2-11).

As above, it is clear that there is no labor union in most of small and medium-sized enterprises and especially micro enterprises. Those enterprises in which laws on the system for determining working conditions based on the existence of labor unions such as collective agreements between employers and labor unions and labor-management agreements with labor unions unionizing majority of employees can be applicable to are extremely rare.

## B. Realities of Activities

### i. Situation of organization activities

#### Scope of union members

Table 2-12 shows organization rates of labor unions

**Table 2-9 Number of Labor Unions in a Enterprise**

(%)

One	Two or more	Non-response
88.4	5.1	6.5
94.5	4.8	0.7

in establishments. Labor unions with 90% or higher of organization rate have the highest percentage; 30.2% in 2003. The lower a organization rate is, the lower the percentage becomes. In fact, as a characteristic of Japan’s labor union, the percentage of establishments organizing labor unions is low, but those establishments’ organization rate is extremely high.

Table 2-13 shows the scope of union members other than regular employees. It tells us that there are few labor unions which regard non-regular employees such as part-time workers and contract workers as targets for organization, and there are very few actual union members of such non-regular employees. For instance, 83% or more among labor unions whose establishments have part-time workers do not give part-time workers their union membership. Furthermore, though about 17% among labor unions give part-time workers their union membership, only 10% among those have actual union members of part-time workers. For dispatched workers, subcontract

**Table 2-10 Existence of Labor Unions Organizing Majority of Employees**

(%)

Exist	None	Don't know	Non-response
70.3	20.2	2.7	6.8
75.1	15.0	0.5	9.3

**Table 2-11 Establishments Unionizing Majority of Employees in One Labor Union**

(%)

All establishments	Many establishments	Few establishments	None	Don't know	Non-response
54.9	7.2	6.0	14.9	4.1	12.9
50.2	8.1	4.2	14.6	0.5	22.4

(Table 2-9 to 2-11) Source: Survey I and II by JILPT

**Table 2-12 Ratio of Labor Unions by Organization Rate**

(%)

	Less than 10%	10 to 30%	30 to 50%	50 to 70%	70 to 90%	90% or higher	Less than 50%	50% or more	With other unions	With union shops
1993	1.1	4.4	10.0	21.6	29.9	32.9	15.5	84.4	16.6	61.0
1998	1.2	5.3	9.7	22.6	31.0	30.2	16.2	83.8	13.9	58.7
2003	2.4	5.6	12.7	22.7	26.4	30.2	20.7	79.3	10.8	63.4

Source: Ministry of Health, Labour and Welfare, *Survey on Labour Union Activities*, every year

Notes: 1) Ratio of union members from all workers in establishments (in case of per unit union, all enterprises). “Less than 50%” and “50% or more” are obtained by simple calculation.

2) “With other unions” is in the case that there is another organizationally-independent labor union unionizing workers in the same establishment.

Table 2-13 Situation of Organization by Types of Workers

(%)

	(There are applicable workers)							
		Union members		Non-union members				
		There are actual union members	Multiple answers					
			Quasi union members	Making efforts to organize	Collaboration with organizations in which applicable workers join	Not making any effort for organization		
Managers/specialists other than representative of the interests	(67.0)	32.7	19.9	67.3	0.9	3.4	0.8	62.4
Part-time workers	(62.8)	16.6	10.9	83.4	1.0	9.4	0.6	72.3
Contract workers	(53.3)	15.0	6.5	85.0	1.9	6.9	1.0	75.2
Guest workers	(43.4)	6.1	1.2	93.9	1.1	6.1	0.6	86.1
Retired workers (no employment relationship)	(42.3)	6.9	3.2	93.1	3.5	3.5	1.3	84.8
Workers on loan to affiliated enterprises	(50.0)	84.7	38.0	15.3	0.8	0.9	0.8	12.9
Workers on loan from affiliated enterprises	(36.2)	14.7	5.3	85.3	1.1	1.0	12.2	71.0
Temporary workers	(44.6)	3.0	0.8	97.0	1.5	2.0	1.8	91.6
Subcontract workers	(28.5)	1.1	0.1	98.9	0.1	1.7	2.2	94.9
Foreign workers	(20.8)	23.8	11.3	76.2	0.4	0.6	—	75.2

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

Note: Values without parentheses are percentages with a score of 100 representing applicable workers.

Table 2-14 Expansion of Organization as a Priority Issue

(%)

		Dealing with it as a priority issue	Not dealing with it as a priority issue	Unknown
		24.8	74.3	1.0
		↓	↓	
<b>Target for expansion of organization</b>		<b>Reason for not dealing with it as a priority issue</b>		
(Multiple answers, %)		(Multiple answers, %)		
Existing unorganized regular employees	New graduate/mid-career regular employees	Part-time workers	Contract workers	Already organized
42.6	54.0	34.2	17.4	50.9
				Low chances of expansion
				32.1
				No money or personnel for organization
				18.6
				There are other priority issues
				23.7

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

workers, etc. who have no employment relationship with employers of such establishments, the percentages are less, and less than 1% among labor unions have actual union members of those workers

(see Table 2-13).

There are very few labor unions “making efforts to unionize” such non-regular employees. Less than 10% among labor unions whose establishments have



part-time workers make efforts to unionize part-time workers. Overwhelming majority of labor unions “do not make any effort for organization.” The reality is 72.3% among labor unions whose establishments have part-timer workers do not make any effort for organization.

Table 2-14 shows if expansion of organization is considered as a priority issue (multiple answers). 24.8% among labor unions are dealing with the expansion of organization as a priority issue during the number of union members is decreasing. Many of labor unions regard regular employees as a target for expansion of organization: “New graduate/mid-career regular employees” (54.0%) and “Existing unorganized regular employees” (42.6%). On the contrary, the ratio of labor

unions which regard non-regular employees as a target for expansion of organization is low; 34.2% and 17.4% among labor unions regard part-time workers and dispatched workers as targets for expansion of organization respectively.

Seventy-four point three percent among labor unions are not dealing with expansion of organization as a priority issue. The reasons for not dealing with it as a priority issue are: “Already organized” (50.9%) and “Low chance of expansion” (32.1%), etc.

Similarly, according to the Ministry of Health, Labour and Welfare “Survey on Labor Union Activities” in 2005, though the numbers of part-time workers, contract workers and dispatched workers in workplaces are on the increase, efforts of labor unions

**Table 2-15 Increase and Decrease in Part-time Workers, Etc., Ratio of Labor Unions by Effort**

(%)

	There are applicable workers					No applicable worker
	Compared with three years ago			Making efforts for applicable workers		
	Increased	No change	Decreased			
Part-time workers	64.7	(49.7)	(38.7)	(11.7)	(25.5)	35.3
Contract workers	53.5	(62.2)	(33.1)	( 4.7)	(30.0)	46.5
Temporary workers	66.7	(69.5)	(23.5)	( 7.0)	(14.9)	33.3

Source: Ministry of Health, Labour and Welfare, *Survey on Labour Union Activities*, 2005.

Note: Values in parentheses are percentages with a score of 100 representing applicable workers.

**Table 2-16 Ratio of Labor Unions by Contents of Efforts for Part-time Workers, Etc.**

(Multiple answers, %)

	Making efforts for applicable workers								Not making effort for applicable workers
	Creation of consultation services, check of realities by questionnaire, etc.	Holding of meetings/ study meetings on applicable workers	Strengthening of organization	Demands for improvement of working conditions/ benefits	Collaboration with organizations in which applicable workers join*	Labor-management consultations on introduction of applicable workers	Others		
Part-time workers	(25.5)	37.3	25.3	34.7	57.4	5.6	28.0	10.2	(74.5)
Contract workers	(30.0)	25.3	17.5	33.1	45.5	10.2	39.8	8.0	(70.0)
Temporary workers	(14.9)	25.5	10.6	8.9	17.6	10.1	57.3	14.8	(85.1)

Source: Ministry of Health, Labour and Welfare, *Survey on Labour Union Activities*, 2005.

Note: Values in parentheses are percentages with a score of 100 representing applicable workers.

Values without parentheses are percentages with a score of 100 representing labor unions making efforts for such workers.



**Table 2-17 Attitude of Labor Unions Toward Introduction of Part-time Workers, Etc.**

(Multiple answers, %)

	With diversity of attitude toward work, diverse ways of working are available	It is necessary for enterprises to survive	Negative effects on hiring of regular employees and working conditions are expected	Hiring of regular employee and working conditions should be secured when introducing	Thorough labor-management consultation on introduction should be carried out	Working conditions and benefits for these workers should be improved	These workers should be unionized	Others
Part-time workers	37.7	39.4	18.4	39.7	36.1	34.5	26.4	5.0
Contract workers	30.9	37.4	24.4	45.3	40.4	27.6	22.1	6.5
Temporary workers	29.7	39.9	30.2	44.3	40.6	20.9	15.0	6.7

Source: Ministry of Health, Labour and Welfare, *Survey on Labour Union Activities*, 2005.**Table 2-18 Situation of Concluding Union Shop Agreements**

(%)

**[By size of enterprise]**

	With agreement	No agreement
Total	63.4	36.6
5000 or more employees	67.9	32.1
1000 to 4999 employees	77.4	22.6
500 to 999 employees	64.8	35.2
300 to 499 employees	63.0	37.0
100 to 299 employees	52.1	47.9
30 to 99 employees	52.8	47.2

**[By organization rate]**

	With agreement	No agreement
90% or higher	72.8	27.2
70 to 90%	65.6	34.4
50 to 70%	57.5	42.5
30 to 50%	56.9	43.1
10 to 30%	53.7	46.3
Lower than 10%	33.1	66.9

**[By size of the number of union members]**

	With agreement	No agreement
5000 or more employees	93.5	6.5
1000 to 4999 employees	89.9	10.1
500 to 999 employees	77.1	22.9
300 to 499 employees	74.9	25.1
100 to 299 employees	70.8	29.2
30 to 99 employees	53.5	46.5

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

Note: Ration of union members from all workers in establishments (in case of per unit union, all enterprises).

for organization of these workers are insufficient.

There are not so many labor unions making some efforts for these workers. Even if labor unions make some efforts for those workers, majority of them do not deal with strengthening of the organization. For instance, only a quarter of labor unions make efforts for part-time workers even though there are part-time workers in the workplaces (see Table 2-15) and only one-third of them deal with strengthening of the organization (see Table 2-16). Though the necessity of unionizing part-time workers, etc. has been pointed out in recent years, this situation has never changed even in 2005.

Table 2-17 shows the attitude of labor unions towards introduction of part-time workers, etc. For introduction of non-regular employees into workplaces, a large proportion of labor unions answered “With diversity of attitude toward work, diverse ways of working are available.” and “It is necessary for enterprises to survive.” At the same time, however, a large proportion of labor unions also answered “Negative effects on hiring of regular employees and working conditions are expected.” and “Hiring of regular employee and working conditions should be secured when introducing.” In addition, only a quarter of labor unions answered that part-time workers “should be unionized.” Such ratio becomes less for contract and temporary workers.

Labor unions’ main interest on the introduction of these workers is to secure the employment of and working conditions for regular employees who are labor union members. Given this interest, it is very likely that many labor unions think that thorough consultations between labor and management on the introduction should be carried out.

As above stated, Japan’s labor unions are centered on regular employees, increase and decrease in the number of regular employees are directly connected to increase and decrease in the number of union members, and the expansion of organization is mainly for regular employees. In these circumstances, some labor unions are making efforts for organization of increasing part-time workers, etc., but large majority of labor unions are not forward enough to unionize them.

## ii. Relationship with union shop agreements

### Situation of concluded union shop agreements

Let’s see labor unions’ effort for organization from the viewpoint of concluded union shop agreements.

Table 2-18 shows the situation of concluded union shop agreements. The ratio of unions with union shop agreements is 63.4%. The ratio is especially high among large-sized enterprises; for instance, 67.9% among enterprises with 5,000 or more workers and 77.4% among those with 1,000 to 4,999 employees. As a matter of course, the more the number of union members and the higher the organization rate, the higher the ratio of unions becomes.

According to the survey in 1993, the most common reason for organization of workers was “due to union shop agreements” (76.1%). It clearly tells us that workers are not unionized by independent decision.

### Situation of efforts for organization

Table 2-19 to 2-21 show changes in the number of union members with or no union shop agreements. Fewer labor unions “with union shop agreements” answered “Increased” and “No change” and more of those answered “Decreased” compared with those with “no union shop agreement”. As for distinctive difference of reasons for increase in the number of union members, fewer labor unions “with union shop agreements” answered “Organization of existing regular employees” and “Organization of part-time workers, guest workers, etc.” and more of those answered “Organization of workers increased by enterprise integration, etc.” On the contrary, as for distinctive difference of reasons for decrease in the number of union members, more of those answered “Holding back on recruitment of regular employees” more and “Organization of new graduate/mid-career regular employees” and fewer of those answered “Existing workers’ leaving labor unions.”

More labor unions “with union shop agreements” answered the number of union members “Decreased” (see Table 2-19) but fewer of those answered the organization rate of establishments “Decreased” (Table 2-22) compared with those with “no union shop agreement.” It reflects that with corporate downsizing, the number of union members and the

number of workers other than union members decreased at the same time.

Table 2-23 shows the relationship between scope of union members and existence of union shop agreements. Among labor unions whose

establishments have part-time workers, 12.5% among labor unions “with union shop agreements” give part-time workers their union membership while 24.0% among those with “no union shop agreement.” It tells us that labor unions “with union shop agreements”

**Table 2-19 Changes in the Number of Union Members**

(%)

	Increased	No change	Decreased	Unknown
Total	16.0	14.6	68.8	0.6
With agreement	13.8	12.8	72.8	0.6
No agreement	19.8	17.7	62.0	0.6

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

Note: “Total” means total of unit labor union, “With agreement” means labor unions with union shop agreements, and “No agreement” means labor unions with no union shop agreement.

**Table 2-20 Reasons for Increase in the Number of Union Members**

(Multiple answers, %)

	Organization of new graduate/mid-career workers	Non organization of existing regular employees	Organization of part-time workers, guest workers, etc.	Organization of workers increased by enterprise integration, etc.	Others
Total	66.4	13.8	13.7	10.4	11.8
With agreement	67.7	67.7	15.6	11.7	14.0
No agreement	64.8	20.2	11.4	8.8	9.0

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

**Table 2-21 Reasons for Decrease in the Number of Union Members**

(Multiple answers, %)

	Holding back on recruitment of regular employees	Organization of new graduate/mid-career regular employees	Existing workers' leaving labor unions	Retirement of union members			Decreased the number of workers due to corporate breakup	Others
				Mandatory retirement	Voluntary retirement	Involuntary retirement		
Total	73.1	3.5	13.6	65.5	60.1	31.3	10.0	7.6
With agreement	75.9	1.0	9.4	66.0	62.2	31.4	9.5	7.9
No agreement	67.4	8.5	22.0	64.6	55.9	31.1	11.0	6.9

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

**Table 2-22 Change in Organization Rate**

(%)

	Increased	No change	Decreased	Unknown
Total	8.4	59.1	31.5	0.9
With agreement	7.3	61.9	29.7	1.1
No agreement	10.4	54.4	34.7	0.6

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

**Table 2-23 Scope of Union Members, Situation of Efforts for Organization, Etc.**

(%)

		(There are applicable workers)						
		Union members			Non-union members			
			There are actual union members	Multiple answers				
				Quasi union members	Making efforts to unionize	Not making any effort for organization		
Part-time workers	Total	(62.8)	16.6	10.9	83.4	1.0	9.4	72.3
	With agreement	(64.0)	12.5	8.5	87.5	1.3	11.2	74.2
	No agreement	(60.9)	24.0	15.3	76.0	0.6	6.2	68.9
Contract workers	Total	(53.3)	15.0	6.5	85.0	1.9	6.9	75.2
	With agreement	(56.9)	9.6	4.3	90.4	2.4	6.4	80.2
	No agreement	(47.1)	26.3	11.1	73.7	0.8	8.0	64.9

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

Note: Values without parentheses are percentages with a score of 100 representing applicable workers.

**Table 2-24 Expansion of Organization as a Priority Issue**

(%)

	Dealing with it as a priority issue	Not dealing with it as a priority issue	Unknown
Total	24.8	74.3	1.0
With agreement	17.9	80.9	1.2
No agreement	36.7	62.7	0.6

**Target for expansion of organization**

(Multiple answers, %)

	Existing unorganized regular employees	New graduate/mid-career regular employees	Part-time workers	Contract workers
Total	42.6	54.0	34.2	17.4
With agreement	23.9	36.1	43.8	22.5
No agreement	58.5	69.1	26.1	13.1

**Reason for not dealing with it as a priority issue**

(Multiple answers, %)

	Already organized	Low chances of expansion	No money or personnel for organization	There are other priority issues
Total	50.9	32.1	18.6	23.7
With agreement	56.4	26.4	17.2	24.2
No agreement	38.5	44.9	21.6	22.6

Source: Ministry of Health, Labour and Welfare, *Survey on Labour Union Activities*, 2003.

are behind in organization of part-time workers. Similarly, as for contract workers, 9.6% among labor unions “with union shop agreements” give their union membership while 26.3% among those with “no union shop agreement.” Labor unions “with union shop agreements” neglect to unionize non-regular

employees.

Table 2-24 shows the relationship between dealing with expansion of organization as a priority issue and existence of union shop agreements. The ratio of dealing with expansion of organization as a priority issue is low among labor unions “with union shop

agreements”; for instance, 17.9% among labor unions “with union shop agreements” while 36.7% among those with “no union shop agreement”. Fifty percent or more of labor unions “with union shop agreements” answered “Already unionized” as a reason for not dealing with expansion of organization. Given most of labor unions “with union shop agreements” maintain their union shop agreements, they can say “Already unionized.” As above stated, however, non-regular employees are not regarded as targets for union shop agreements by many of labor unions “with union shop agreements”. If they do not expand targets for union shop agreements, their organization cannot be expanded. Seventeen point nine percent among labor unions “with union shop agreements” dealing with expansion of organization as a priority issue regard “part-time workers” (43.8%) and “contract workers” (22.5%) as targets for expansion of organization. These are associated with expansion of targets for union shop agreements.

It is also clear that labor unions “with union shop agreements” are not forward enough to unionize part-time workers, etc. compared with those with “no union shop agreement” according to the Ministry of

Health, Labour and Welfare “Survey on Labour Union Activities” in 2005.

Table 2-25 to 2-27 show added values where union shop agreements exist/do not exist with values in above Table 2-15 to 2-17.

In terms of making efforts for real organization, the ratio of labor unions “with union shop agreements” making efforts to strengthen the organization is less than half of those with “no union shop agreement.” Similarly, labor unions with “no union shop agreement” are more active in the improvement of working conditions (see Table 2-26).

In addition, as for not only real efforts but also concepts, labor unions with “no union shop agreement” are more active in organization and improvement of benefits. As a whole, labor unions with “no union shop agreement” keenly feel the adverse effect of introducing these workers on union members, assess diversification of employment patterns as low and take a harsh view of enterprises that introduce those workers (see Table 2-27).

By concluding union shop agreements, labor unions can stably secure union members and maintain leverage over employers. As above,

**Table 2-25 Increase and Decrease in Part-time Workers, Etc., Ratio of Labor Unions by Effort**

(%)

		There are applicable workers					Making efforts for applicable workers	No applicable worker
		Compared with three years ago						
		Increased	No change	Decreased				
Part-time workers	Total	64.7	(49.7)	(38.7)	(11.7)	(25.5)	35.3	
	With agreement	64.5	(47.6)	(39.7)	(12.8)	(24.8)	35.5	
	No agreement	65.4	(56.2)	(35.6)	( 8.2)	(27.5)	34.6	
Contract workers	Total	53.5	(62.2)	(33.1)	( 4.7)	(30.0)	46.5	
	With agreement	52.6	(63.6)	(32.0)	( 4.4)	(28.4)	47.4	
	No agreement	56.5	(58.2)	(36.2)	( 5.6)	(34.8)	43.5	
Dispatched workers	Total	66.7	(69.5)	(23.5)	( 7.0)	(14.9)	33.3	
	With agreement	69.0	(70.8)	(21.1)	( 8.0)	(16.1)	31.0	
	No agreement	59.2	(64.5)	(32.2)	( 3.3)	(10.7)	40.8	

Note: Values in parentheses are ratios with a score of 100 representing applicable workers.

**Table 2-26 Ratio of Labor Unions by Contents of Efforts for Part-time Workers, Etc.**

(Multiple answers, %)

		Making efforts for applicable workers								Not making effort for applicable workers
		Creation of consultation services, check of realities by questionnaire, etc.	Holding of meetings/study meetings on applicable workers	Strengthening of organization	Demands for improvement of working conditions/benefits	Collaboration with organizations in which applicable workers join*	Labor-management consultations on introduction of applicable workers	Others		
Part-time workers	Total	(25.5)	37.3	25.3	34.7	57.4	5.6	28.0	10.2	(74.5)
	With agreement	(24.8)	40.0	24.0	28.2	54.7	5.5	33.0	12.5	(75.2)
	No agreement	(27.5)	29.4	28.8	52.9	65.1	5.8	13.8	3.8	(72.5)
Contract workers	Total	(30.0)	25.3	17.5	33.1	45.5	10.2	39.8	8.0	(70.0)
	With agreement	(28.4)	25.0	14.0	25.3	39.7	10.1	42.0	9.5	(71.6)
	No agreement	(34.8)	25.9	26.1	51.6	59.2	10.4	34.5	4.3	(65.2)
Dispatched workers	Total	(14.9)	25.5	10.6	8.9	17.6	10.1	57.3	14.8	(85.1)
	With agreement	(16.1)	24.3	9.7	3.6	14.6	11.2	58.9	16.6	(83.9)
	No agreement	(10.7)	31.8	15.8	38.0	34.4	3.8	48.2	4.5	(89.3)

Note: Values in parentheses are ratios with a score of 100 representing applicable workers.

Values without parentheses are ratios with a score of 100 representing labor unions making efforts for such workers.

**Table 2-27 Attitude of Labor Unions Toward Introduction of Part-time Workers, Etc.**

(Multiple answers, %)

		With diversity of attitude toward work, diverse ways of working are available	It is necessary for enterprises to survive	Negative effects on hiring of regular employees and working conditions are expected	Hiring of regular employee and working conditions should be secured when introducing	Thorough labor-management consultation on introduction should be carried out	Working conditions and benefits for these workers should be improved	These workers should be organized	Others
		Part-time workers	Total	37.7	39.4	18.4	39.7	36.1	34.5
With agreement	40.4		40.4	16.7	37.6	35.9	32.5	25.1	5.0
No agreement	29.3		36.5	23.7	46.5	36.5	40.8	30.6	5.2
Contract workers	Total	30.9	37.4	24.4	45.3	40.4	27.6	22.1	6.5
	With agreement	32.5	39.0	23.0	43.6	40.8	24.2	20.3	6.7
	No agreement	25.5	32.3	28.9	50.6	38.9	38.4	27.8	6.0
Dispatched workers	Total	29.7	39.9	30.2	44.3	40.6	20.9	15.0	6.7
	With agreement	32.1	42.3	28.9	42.4	40.4	17.4	12.5	6.7
	No agreement	22.1	32.1	34.3	50.2	41.0	32.0	23.0	6.6



however, according to several surveys, the organization of non-regular employees such as part-time workers doesn't show substantial progress while the decrease in targets for union shop agreements (regular employees) immediately brings the decrease in the number of union members.

Furthermore, even though the number of union members has decreased among labor unions with union shop agreements, they are not necessarily active in dealing with expansion of organization. Labor unions with union shop agreements are satisfied if a certain organization rate is secured and may have priority issues other than expansion of organization. However, while organizations are secured by union shop agreements, efforts toward expansion of organization do not show substantial progress. Even among labor unions with union shop agreements, some increased the number of union members by unionizing part-time workers, etc. and some will focus on the organization of part-time workers, etc. in the future. From the viewpoint of organization, however, labor unions with union shop agreements do not seem to positively respond to diversification of employment patterns as a whole.

### **iii. Relation with diversification of employment patterns**

#### **Diversification of employment patterns**

In a reflection of structural changes of the economy and employment and diversification of values among the people, employment patterns and working patterns have changed and people working in very diverse ways other than regular employment such as part-time working and temporary working are increasing.

According to the Ministry of Internal Affairs and Communications "Labour Force Survey (Detailed Tabulation) in January to March 2006, the numbers of regular employees and non-regular employees were 33,400,000 (66.8%) and 16,630,000 (33.2%) respectively out of the 50,020,000 employees except board members. The ratio of non-regular employees increased more than 10 points compared with 10 years ago. 7,830,000 part-time workers accounted for 47.1% of these non-regular employees (15.7% of employees except board members, a 31.8% increase

over 10 years ago.

According to the Ministry of Health, Labour and Welfare "General Survey on Diversified Types of Employment," the ratio of non-regular employees was on the increase (22.8% in 1994, 27.5% in 1999 and 34.6% in 2003), and the ratio of part-time workers, majority of non-regular employees, was 66.7% among non-regular employees in 2003.

#### **Situation of organizing non-regular employees**

As above, labor unions whose establishments have non-regular employees such as part-time workers, dispatched workers are not necessarily to have an incentive to unionize these workers. According to the Ministry of Health, Labour and Welfare "Survey on Labor Union" in 2003, labor unions dealing with expansion of organization as a priority issue were asked issues in unionizing regular employees or non-regular employees such as part-time workers.

Table 2-28 shows the answers about issues in unionizing regular employees from such labor unions: "Labor side has little interest in labor unions" (37.9%), "Labor side has no time for organization" (17.4%), etc. On the other hand, issues in unionizing non-regular employees were "Labor side has little interest in labor unions" (25.1%), "Consolidation is difficult due to unconventional contents of demands" (16.6%), and "It is difficult to set/collect union dues" (15.8%). That is, in case of unionizing part-time workers, etc., issues are mainly caused by differences with organization of regular employees. Labor unions look bewildered by organization of non-regular employees.

Non-regular employees such as part-time workers and dispatched workers have been essential both qualitatively and quantitatively in workplaces and labor unions cannot ignore them. If labor unions would not deal with organization of non-regular employees, they may not be regarded as representatives of workers. It is an important issue for labor unions to unionize non-regular employees.

#### **Organization of part-time workers**

The situation of unionizing part-time workers who consist mostly of non-regular employees is as follows:



### a. Situation

Though the number of part-time workers is significantly increasing, the organization rate of part-time workers is only 4.3%. In addition, the ratio of labor unions that have part-time union members is about 10% (see above Table 2-13).

According to the Ministry of Health, Labour and Welfare "Survey on Labor Agreements", as shown in Table 2-29, part-time workers are increasingly unionized in wholesale/retail, restaurant, transportation/communication and service industries, but few labor unions have part-time workers union members in manufacturing industry even though there are many establishments that have part-time workers. As for estimated organization rate of part-time workers

by industry, manufacturing industry shows low rate.

Table 2-29 shows estimated organization rates in 1996 and 2001. Though the organization rates in manufacturing industry were nearly 30% in both years, the organization rates of part-time workers were less than 1%. From the viewpoint of this organization rate, manufacturing industry falls far behind in the organization of part-time workers.

### b. Awareness of part-time workers

Labor unions firstly list "Non-regular employees such as part-time workers have little interest in labor unions" as a problem for the organization of part-time workers, etc (see Table 2-28). However, the low organization rate of part-time workers is not caused by

**Table 2-28 Issues in Organizing Employees**

(%)

	Labor side has little interest in labor unions	Labor side has no time for organization	Management side has no personnel or money for organization	Consolidation is difficult due to unconventional contents of demands	It is difficult to set/ collect union dues	Others	No problem	Unknown
Regular employees	37.9	17.4	13.8	6.1	4.5	8.8	14.7	29.2
Part-time Workers, etc.	25.1	11.3	7.6	16.6	15.8	8.2	9.7	41.4

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

**Table 2-29 Situation of Organization Part-time Workers by Industry**

(%)

Industry	Labor unions in establishments with part-time workers		Labor unions with part-time union members*		Estimated organization rate of part time workers (Numbers in parentheses are estimated organization rates of whole workers or workers in its industry.)	
	1996	2001	1996	2001	1996	2001
Total	65.9	71.2	14.4	14.0	2.23 (23.2)	2.72 (20.7)
Mining	41.2	43.2	14.3	4.4		
Construction	39.3	45.7	4.4	1.2		
Manufacturing	69.6	74.3	6.7	4.9	0.71 (28.8)	0.76 (27.5)
Electricity, gas, heat and water supply	61.8	61.1	10.5	7.4		
Transportation/communication	52.6	58.1	19.5	20.1		
Wholesale/retail and restaurant	74.6	84.3	34.2	29.5	4.10 ( 9.8)	4.27 ( 8.6)
Finance, insurance and real estate	69.0	74.4	2.4	4.1		
Service	74.7	75.0	19.0	19.6	1.49 (13.9)	2.28 (12.0)

Sources: Ministry of Health, Labour and Welfare, *Survey on Labour Agreements*, 1996 and 2001.

Ministry of Health, Labour and Welfare, *Basic Survey on Labour Unions*, 1996 and 2001. (estimated organization rates)

Note: Percentages with a score of 100 representing labor unions whose establishments have part-time workers.

the part-time workers even if they have little interest in labor unions. According to the Ministry of Labor “Survey on Labor-Management Communications” in 1999, the ratios of unorganized workers were 13.9% among general workers while 53.6% among part-time workers. This was not the result that part-time workers selected to be unorganized.

According to the above survey, part-time workers said the main reason for not joining labor unions was they are “not eligible to join” (81.8%). It tells us that part-time workers had been excluded from existing labor unions. This must be caused by labor unions.

Furthermore, nearly half of part-time workers confirm the necessity of labor unions. They are not necessarily to have little interest in labor unions. More part-time workers answered that “I don’t care the existence of labor unions.” and “Labor unions are not necessary.” compared with general workers. This may be because they were excluded from labor unions even though they expect labor unions and after all they thought labor unions are unrelated to them.

### c. Reason for unionizing/not unionizing

It is also pointed out that management side strongly resists unionizing part-time workers more than normal organization. Enterprises hiring part-time workers were asked about the organization of part-time workers and 59.3% among such enterprises answered “There is no advantage to unionizing for the enterprise,” much higher than that of other positive answers. In addition, 55.8% among enterprises which have labor unions but do not unionize non-regular employees answered “There is a problem in the organization.” while 30.5% among those answered “There is no problem in the organization.” according to the survey by JIL in 1996. It is also pointed out that management side strongly resists unionizing part-time workers especially concerned about cost increases such as wage increase according to the interview survey on organizations by industry. Since the main reason for hiring non-regular employees is to reduce costs such as wages and respond to fluctuation of work volume, they are wary of movements that disturb their purpose.

In addition, according to the survey of enterprise labor union (unit union) headquarters in “Survey on Organization of Part-time workers” in 2006 by JILPT,

labor unions unionizing part-time workers said the following as reasons for unionizing:

- 1 To improve working conditions for part-time workers: 60.9%
- 2 To empower negotiation capabilities of unions: 58.6%
- 3 The number of part-time workers in workplaces is increasing: 50.6%
- 4 To secure majority representatives in workplaces: 50.6%
- 5 To make better communications between regular employees and part-time workers: 40.2%

(Multiple answers. Top five are listed.) As above, many of reasons are directly related to the increase in part-time workers. As the same survey, labor unions not unionizing part-time workers said the following as reasons for not unionizing:

1. There is a strong opposition from enterprise: 38.7%
2. There is no room for unionizing part-time workers: 35.5%
3. It is difficult to harmonize the differing interests between regular employees and part-time workers: 25.8%
4. There seems to be no advantage for part-time workers to be union members: 25.8%
5. It is hard to improve working conditions for part-time workers: 22.6%

(Multiple answers. Top five are listed.) Most common answer was opposition from enterprise and other answers were related to interest with regular employees.

Advantages for part-timers such as improvement of working conditions by organizing seem to be difficult.

In addition, 44.8% among enterprise-based union headquarters unionizing part-time workers said that one of current issues is “to harmonize the differing interests between regular employees and part-time workers” (multiple answers).

### d. Little substantial progress on organization

It is said that the reasons for little substantial progress on organization of part-time workers are: it is difficult to harmonize the differing interests between

regular employees and part-time workers, labor unions' information activities for part-time workers are insufficient and management side strongly resists unionizing. The conflict of interests between regular employees and part-time workers are also related to the awareness of regular employees and labor unions.

As for the awareness of current labor unions and regular employees, enterprise unions centered on regular employees have a deeply-seated awareness that "It is natural that wages of non-regular employees are low and non-regular employees firstly become a target for restructuring." and non-regular employees also have a deep-seated distrust of such labor unions. There may be a strong tendency that

unit unions consisting of regular employees consciously do not organize based on such ideas.

#### e. Response of labor unions towards working conditions for part-time workers

About one-third of labor unions said "Working conditions and benefits for part-time workers should be improved" (see Table 2-27). In fact, however, it is rare that labor unions consult with management side on unorganized part-time workers. Among matters consulted between labor and management for the past three years, "working conditions for part-time workers/temporary workers" (23.9%) and "use of part-time workers/contract workers/temporary

**Table 2-30 Consultations on Working Conditions for Part-time Workers**

(%)

	Labor unions unionizing part-time workers		Labor unions not organizing part-time workers	
	Formal negotiation/ consultation matters with enterprise	Informal exchange of information/opinions with enterprise*	Formal negotiation/ consultation matters with enterprise	Informal exchange of information/opinions with enterprise*
	HQ (branches)	HQ (branches)	HQ (branches)	HQ (branches)
Raise of time wages	80.4 (77.7)	12.0 (10.0)	6.5 (12.1)	25.8 (34.8)
Introduction of regular raise and raise of wage increase	68.5 (68.5)	13.0 ( 7.5)	0.3 ( 9.1)	9.7 (22.7)
Introduction of lump sum and raise of allowance	71.7 (78.5)	10.9 (11.5)	6.5 ( 9.1)	16.1 (18.2)
Introduction of retirement allowance and raise of allowance	40.2 (46.9)	15.2 (20.8)	0.0 ( 1.5)	12.9 ( 7.6)
Introduction and improvement of evaluation system	66.3 (57.7)	20.7 (18.5)	19.4 (12.1)	22.6 (22.7)
Introduction and improvement of grade system	40.2 (46.2)	29.3 (11.5)	9.7 ( 7.6)	16.1 (12.1)
Appropriateness of working time	48.9 (45.4)	25.0 (20.0)	9.7 ( 7.6)	16.1 (24.7)
Improvement of holidays	57.6 (53.8)	16.3 (16.4)	3.2 ( 7.6)	22.5 (19.7)
Promotion to regular employees	43.5 (30.8)	30.4 (22.3)	12.9 (15.2)	25.5 (22.7)
Division of labor with regular employees	31.5 (23.1)	25.0 (27.7)	6.5 (12.1)	16.1 (22.7)
Change in job content	34.8 (34.6)	29.3 (26.2)	6.5 ( 9.1)	16.1 (24.2)
Continuation of employment	46.7 (53.1)	35.9 (16.2)	3.2 (15.2)	22.6 (27.3)

Source: JILPT (2006a)

Notes: 1)\* "Though these are not formal negotiation or consultation matters with enterprises, we have informally exchanged information and opinions."  
2) Values of unit union headquarters are out of parentheses, values of unit union branches are in parentheses.

workers” (26.8%) were the lowest. Few labor unions cited “benefits of part-time workers” as a priority matter of union activities, 3.9% of labor unions cited that as “a conventional priority matter,” the lowest among 13 choices as same as “others,” 6.1% of those cited that as “future priority matter,” the third lowest among the choices.

In the case of not unionizing part-time workers, it is rare that labor unions make a collective opinion of part-time workers for determining of working conditions for part-time workers and 70% among labor unions said they “do not collect opinions.” In the case of not unionizing part-time workers, it is also rare that working conditions for part-time workers become a subject to consultations, exchanges of information or exchanges of opinions whether formal or not (see Table 2-30).

According to various surveys, current labor unions that do not enroll part-time workers are not only reluctant to unionize them, but even seem to be cold towards them.

### C. Situation of collective labor-management disputes, etc.

#### i. Changes in the number of labor disputes

The number of industrial disputes, one of labor-management disputes, is basically on a declining trend after peaking in 1974, 10,462, despite the increase in the early 1980s. It fluctuated from 800 to over 1,000 after 1991 and reached over 700 for the second consecutive year; 737 in 2004 and 708 in 2005.

Among labor disputes, the number of disputes without industrial action (third-parties such as the Labor Relations Commission were involved for solution without industrial action) fluctuates nearly from 300 to over 800. It reached over 300 in the early 1990s, but increased to over 600 after that and was 579 in 2005. On the contrary, the number of labor disputes with industrial actions such as strikes is, as same as total number of labor disputes, basically on a

declining trend after peaking in 1974, 9,581, despite the increase in the early 1980s. It became less than 1,000 in 1991 and less than 500 in 1999 and was 129 in 2005. The number of work-days lost to strikes, etc. was nearly 10 million days in 1974, but sharply decreased after that, became less than 1 million days in 1980, less than 100,000 in some 1990s and less than 10,000 in 2003, and was 5,629 in 2005.

Though it might be too simplistic to make a connection between quantity of labor disputes or industrial actions and labor unions’ *raison d’être*, it can be understood that “the number of strikes has extremely decreased and quite a lot of labor unions in major private enterprises substitute labor-management consultations for collective negotiations” as a sign of decrease in “power and attitude of labor unions against employers.” In addition, there is concern that many labor unions “seem to have a vested interest to competitions with other enterprises in the same trade based on fundamental common interests between labor and management rather than operating to defend worker interests based on conflicts of interest between labor and management,” “labor unions’ own *raison d’être* is diluted more and more” and “workers themselves who should be central characters of labor unions heap blame on labor unions.”

#### ii. Changes in the number of cases handled by the Labor Relations Commission

In conjunction with the number of labor disputes, the number of adjusting labor disputes has also decreased.<sup>2</sup> The number of newly adjusted labor disputes was approximately more than 1,000 in 1970s. It became 2,249 in 1974, less than 1,000 in 1979, reduced to over 300 in the early 1990s but fluctuated from 500 to over 600 after that and was 564 in 2005.

The number of new requests to deter unfair labor practices<sup>3</sup> to the Labor Relations Commission

<sup>2</sup> Labor disputes are adjusted by the Prefectural Labor Relations Commissions and the Central Labour Relations Commission. Labor Relations Commissions are tripartite institutions. Adjustment consists of mediation, conciliation and arbitration and most of adjustments are mediation.

<sup>3</sup> Unfair labor practices are stipulated by the Labor Union Act to protect the right of organization. Employers are prohibited from doing unfair treatment of union members, concluding any yellow-dog contract, rejecting collective negotiations and predominantly intervening labor unions. If the employer carries out any of these prohibited acts, the labor union may seek redress from the Labor Relations Commissions.

reduced to over 500 after peaking in 1970s, over 900, except two years, 1970 and 1983, that were outstanding due to collective requests for incidents related to civil servants. It became less than 300 in the early 1990s, fluctuated approximately over 300 in the past 10 years and was 294 in 2005.

### iii. Increase in individual disputes

In contrast to decrease in the collective labor disputes combined with decline in the organization rate, the number of individual disputes between workers and enterprises are increasing.

The number of consultations received at the comprehensive labor consultation corner opened by the Ministry of Health, Labour and Welfare as a support of consultations under the law concerning promotion of individual dispute settlement has increased; for instance, 625,572 in FY2002, 734,257 in FY2003, 823,864 in FY2004 and 907,869 in FY2005.

Among those consultations, the number of civil individual disputes such as deteriorating working conditions and dismissal that do not violate the law of labor relations has also increased; for instance, 103,194 in FY2002, 140,822 in FY2003, 160,166 in FY2004 and 176,429 in FY2005. Compared with FY2004 and FY2005, total number of consultations shows a 10.2% increase and the number of civil individual disputes shows a 10.2% increase.

Furthermore (though lawsuits are not always related to labor disputes), the number of labor relations civil lawsuits that were newly received by district courts nationwide in 2005 was 2,446. It became 1,307 in 1993, kept over 1,500 for three years, increased from 1997 but decreased in 2005 from the previous year. It shows about 60% increase for the past ten years.

Among 2,446 civil lawsuits, more than 90%, 2,303 lawsuits are against employers for labors. By request type, the number of cases asking for payment of wages and allowance is 1,437 and the number of cases conflicting the presence of employment contract and the presence of position as employees is 525. These cases account for about 80%.

## D. Typical labor unions (Are labor unions promising?)

As above, it came to light that unions do not necessarily regard organization expansion as one of their major issues, saying organization has already been sufficiently achieved. This is despite the fact that the number of union members decreased due to, for instance, the managements' reluctance to hire regular employees, the ratio of union participants in the workplace fell, and financial conditions deteriorated. This tendency to be unwilling to admit non-regular workers in general can be more widely observed among those who have concluded union shop agreements.

The necessity of labor unions remains unchanged, and their positive effects cannot be denied. In the system of determining labor conditions, they have played a significant role in obtaining better working conditions than minimum standards through negotiations with the management. Their roles cannot be overlooked. Rather, expectations are still high for labor unions in the system of determining working conditions, and it is desired that they restore and expand their power of influence and use their energy to improve working conditions for workers. Nonetheless, looking at their current activities, we must admit that it is difficult to foresee their influence being recovered any time soon. On the contrary, it can be easily imagined that the decline in the organization rate and decrease in the number of union members will be further exacerbated.

Given these circumstances, it is possible, both theoretically and from the viewpoint of labor movements, to consider reinforcement of labor unions by reviewing labor-management relations laws with the aim of preventing the organization rate and number of union members from falling. From what we can see in their actual situations, however, it would be difficult to achieve social consensus for such measures. The existing labor-management relations laws offer systems to help labor unions expand their power of influence, by, for instance, protecting labor unions' right to organize with the system to deter unfair labor practices and by granting general binding force to labor arrangements. In this light, the question is rather how can labor unions



themselves regain and enhance their presence by making the most of the already-established labor-management relations acts.

When the overall system of determining working conditions is under review, we must pay close attention to labor unions' realities, and not their idealistic theories. In other words, we should now realize that it is time for us to give serious consideration to a new system to enable workers' voices to be reflected which should have as much practical influence as labor unions even in the case where trade unions do not exist.

#### **4. Expansion of Legislations Such as Majority Representative System, Labor-management Committee, Etc.**

During decline in the organization rate of labor unions and decrease in the number of union members, there are systems which can be evaluated as workers' collective influential voice systems distinct from labor unions under the current legal system: the majority representative system and the labor-management committee (and the Committee on Improvement of Working Time Arrangements).

The majority representatives system stems from the original articles in the enactment of the Labor Standards Act in 1947. The Law obliged employers to conclude and report to the authority an agreement concerning overtime work and work on holidays with majority representatives, as well as to conduct hearings from the majority representatives of workers when work rules are newly set or modified. Afterwards, regarding this majority representative system, only some regulations were added in the 1952 revision of the Labor Standards Act<sup>4</sup> and a few

rules were newly established in other acts than the Labor Standards Act<sup>5</sup>, until in 1987 when the Law was amended to introduce a flexible working hour system involving labor-management agreements with majority representatives of workers. Following this amendment, the legislation of the majority representative system has expanded, and a new system called labor-management committee (and the Committee on Improvement of Working Time Arrangements) was legislated (see Table 26).

These systems bring legal effects that allow employers to depart from a certain legal labor standards under the agreement between labor and management. As such background of allowing labor standards more flexible, the uniform legal labor standards cannot easily conform to, for instance, specificity of industries, circumstances of individual corporations, and diversification of workers as well as employment patterns, and workers themselves should select the regulation of protecting workers. That is, these systems are one of the two major pillars of the system to determine working conditions on the role of legal minimum standards fixed by worker protection laws and also reflect workers' collective opinion to realize flexible working conditions that conform to circumstances of workplaces and workers. Some researchers express their opinions that the majority representative system is definitely positioned as one of employee representative systems and the initial labor-management committee is regarded as "a step to the employee representative system ahead of the majority representative system."

The recent such trend of legislative expansion seems as if it had a negative correlation with decline in the organization rate of labor unions and decrease in

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4 In 1952, it was provided in the revision of Labor Standards Act that agreements with the majority representatives of workers on commissioned management of savings for workers (Article 18, Paragraph 2), payroll deduction (Article 24, Paragraph 1) and payment of wages during paid holidays under the Health Insurance Act, standard remuneration by the day (Article 39, proviso to paragraph 6) shall be concluded.

5 For instance, it was provided in the Industrial Safety and Health Act enacted in 1972 that the employer should have input from the majority representative when preparing a safety and health improvement plan (Article 78, Clause 2), the employer needs a recommendation of the majority representative for a half of members of the safety committee, health committee and safety and health committee (except those who supervise the business) (Article 17, Paragraph 4, Article 18, Paragraph 4, Article 19, Paragraph 4). In the 1978 revision of the Workers' Property Accumulation Promotion Act, a written agreement with the majority representative on conclusion of workers' property accumulation benefit contracts (Article 6-2 Paragraph 1), a written agreement with the majority representative on establishment of workers' property accumulation fund (Article 7-8, Paragraph 1) and an agreement with the majority representative on increase in the number of fund establishment places (Article 7-25, Paragraph 1).

**Table 2-31 Legislative Movements Since 1987, Concerning the Majority Representative System, Labor-management Committee, Etc.**

1987	Revision of Labor Standards Act	Labor-management agreement on variable scheduling system Labor-management agreement on flexitime system Labor-management agreement on discretionary scheduling system for specialized work Labor-management agreement
1991	Establishment of Child Care Leave Act	
1992	Establishment of Promotion of Shorter Working Hours Act	Promotion of shorter working hours committee
1995	Revision of Child and Family Care Leave Act	Labor-management agreement on Family Care Leave
1998	Revision of Labor Standards Act	Labor-management agreement on variable scheduling system Labor-management committee on discretionary scheduling system for planning work
2003	Revision of Labor Standards Act	Expansion of applied establishments to discretionary scheduling system for planning work Relaxation of decision requirements in labor-management committees
	Revision of Promotion of Shorter Working Hours Act (Revision of Worker Dispatching Act)	Relaxation of decision requirements in promotion of shorter working hours committee (Hearing from majority representatives on term for acceptance of the dispatch)
2004	Revision of Act Concerning Stabilization of Employment of Older Persons Revision of Child and Family Care Leave Act	Labor-management agreement on employment extension Labor-management agreement on nursing care leave
2005	Revision of Promotion of Shorter Working Hours Act arrangements [Act on Improvement of Working Time Arrangements]	Committee on improvement of working time (Health Committee etc. that meets requirements)

the number of union members. Given more than 90% of enterprises have no labor unions, the existence of these systems becomes much more significant.

Both labor-management agreements with the majority representatives and resolutions of the labor-management committee bring legal effects that allow employers to depart from a certain legal labor standards under the collective agreement with workers. The report of “Workshop on future working hour system”<sup>6</sup> tells us about the difference between them that “As for consultations between labor and management, the labor-management committee system is applied to the discretionary scheduling system for planning work and the labor-management agreement system is applied to the discretionary scheduling system for specialized work. The concept is that it is necessary for labor and management to discuss things in which the scope of the people

covered by the system is uncertain on an equal footing in the context of the actual enterprise situation. As for consultations between labor and management under a new autonomous working hour system, specific scope of workers covered by the system will be determined. Therefore, it is important to secure the framework of consultations between labor and management on a substantially equal footing by supplementing the bargaining power of workers as well as properly making a collective opinion of workers.”

The overview of lawmaking trend on the majority representative system and labor-management committee are as follows:

#### **(Legal system of working hours)**

Recently, for the purpose of making regulations concerning working hours more flexible, a series of

<sup>6</sup> Ministry of Health, Labour and Welfare announced on 27 January 2006.



amendments of the Labour Standards Act have been enforced. More precisely, the variable scheduling working-hours averaging system over the span of either three months or one week, the flextime system, and the discretionary scheduling system for specialized work and experts were introduced in 1987, under conditions of concluding labor-management agreements with a labor union organized by a majority of the workers at a workplace where such union exists or with a person representing a majority of the workers at a workplace where no such labor union exists.” This has significance for realizing the introduction of a flexible working hour system that conforms to the circumstances of workplaces and workers to such workplaces, and brings legal effects that allow employers to depart from a certain legal labor standards, 8 hours a day and 40 hours a week, under the conclusion of labor-management agreement with the majority representative. In 1993, the applicable span of the working-hours averaging system was extended from three months to a maximum of one year, with a prerequisite of a labor-management agreement with a majority representative. Again, with the same prerequisite, the variable scheduling system over the span of one month was also the conclusion of labor-management with the majority representative approved in 1998.

In addition, the same year’s amendment adopted the discretionary work system for management planning workers. It was decided that, upon introduction of this system, a unanimous decision would be required by a labor-management committee half of whose members are appointed by a majority representative of workers, and that decisions made by this committee can be substituted for labor-management agreements with majority representatives concerning working hours. This system also brings legal effects that allow employers to depart from a certain legal labor standards under the resolution of labor-management committee. In 2003, the range of enterprises applicable to the

discretionary work system for management planning workers was expanded, and one of the requirements imposed on the said labor-management committee was also relaxed (from a unanimous consent to a four-fifths agreement).

In addition, as for working hours, the Act on Temporary Measures Concerning Promotion of Shorter Working Hours was enacted and the Shorter Working Hours Promotion Committee was established in 1992.<sup>7</sup> If the requirements, e.g., a half of this committee members are nominated based on the recommendation of the majority representative, are satisfied, an exception of the provision on working hours of the Labor Standards Act shall be offered and if the committee decides, they shall be able to substitute it for the labor-management agreement with the majority representative on a flexible working hour system, etc.

In an attempt to improve workplace conditions, including working hours, in order that they can give consideration to workers' health and lifestyles and conform to a diverse range of employment patterns, the “Act on Special Measures Concerning on Improvement of the Setting of Working Hours, Etc.” was enacted in 2005. This allows decisions reached in the “Committee on Improvement of Working Time Arrangements” to substitute for labor-management agreements with majority representatives concerning working hours and other similar arrangements. It was also stipulated that, in workplaces where the “Committee on Improvement of Working Time Arrangements does not exist,” “the health committee” or “safety and health committee” established according to the Industrial Safety and Health Act can play the role of the said special committee, on condition that such committees satisfy certain requirements. One of these requirements is that at least half of the total committee members are appointed based on recommendations from majority representatives of workers, and that they are assigned to research and deliberate on issues regarding improvement on working hours, etc. and then to

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<sup>7</sup> As legal committees that are placed in workplaces and consist of labor and management, there are safety committee (Article 17), health committee (Article 18) and safety and health committee (Article 19) under the Industrial Safety and Health Act since the date of enactment in 1972.

present their views to the employers.

### (Laws in other areas)

The Child and Family Care Leave Act also relaxes uniform rules on the premise of concluding labor-management agreements with majority representatives of workers. Established in 1991, the Law permitted employers to refuse requests for child care leave from specific employees, as long as they have reached labor-management agreements with majority representatives of workers. Furthermore, its 1995 and 2004 amendments also allowed employers to refuse requests for child nursing care leave in 1995 and family care leave in 2004 from specific employees in the above-mentioned years respectively, again on condition that they have reached labor-management agreements with majority representatives of workers.

The revision of the Worker Dispatching Act in 2003 stipulated that an enterprise supplied with dispatched workers should fix the term of contract in advance when it intends to hire dispatched workers for more than one year and up to three years. In that case, it has to inform the majority representative of workers of the desired term and ask for his or her opinions. This is based on the following idea: “As the term which can be considered temporary or tentative apparently varies depending on the situations of the enterprise supplied with dispatched workers, it is appropriate for the employer of the hiring enterprise to individually judge if the term can be actually considered temporary or tentative even when it exceeds one year, after listening to opinions from the majority representative of employees working in the same enterprise.”

When the Law concerning Stabilization of Employment of Older Persons was revised in 2004 (enforced in April 2006), it was stated that, in cases where the employer fixes the retirement age at under 65 years old, he or she should conduct any one of the following measures, in order to secure stable employment for older workers until the age of 65: Raising the retirement age, introduction of a continuous employment system, or abolition of the retirement age. In relation to this rule, it was also stipulated that employers can be regarded as having implemented a continuous employment system when

they have designated standards concerning older persons who are subject to the continuous employment system and introduced a system based on the said standards, under a written agreement concluded with majority representative. This is based on the following idea: “In respect of the continuous employment system, as it is sometimes said that a uniform legislation cannot always properly reflect each enterprise’s management strategies and/or labor-management relationships, it is appropriate to allow enterprises that have designated standards concerning employees who are subject to the continuous employment system under a labor-management agreement to introduce a system applicable to workers who meet the said standards, so that enterprises can flexibly respond according to their individual circumstances incorporating innovative approaches adopted by both the labor and management.”

## 5. Issues in Making the Concept of Improving/Strengthening Workers’ Collective Influential Voice Systems

There are various opinions among researchers on enacting employee representative systems that are distinct from labor unions in Japan. The emerging legal issues are as follows:

- A. Relationship between labor unions and employee representatives
  - Does the enactment of employee representative system disturb the organization/activities of labor unions?
  - Coordination of roles/authorities between the two
  - Position of small labor unions under the employee representative system
- B. Is the establishment of employee representative organization obliged even if a majority labor union exists? (Concurrent employee representative system or complementary employee representative system)
- C. Form of employee representative organization (permanent and comprehensive)
- D. Selection of an employee representative
  - The legitimacy as a worker representative (How to fairly represent diversified worker benefits)
  - Selection procedure of an employee representative
- E. Functions/authorities of an employee representative

Based on these issues, according to actual examples on the relationship between labor unions and employee representative systems in foreign countries, Germany and France, it is clear that labor unions dominate the determining of working conditions. In addition, labor unions are allowed to intervene and get involved in the erection, operation, activities, etc. of the employee representative. However, note that those labor unions are organized by industry in such countries, but since most Japanese labor unions are organized by enterprise, labor unions and workers' collective influential voice system are in the same league. Furthermore, I point out that since detailed selection procedures of an employee representative are provided by law and the system reflects diversified opinions of workers in workplaces in Germany and France, there is no doubt about the reliability of the system. In addition, there are various securities for activities of an employee representative such as guarantee of status in both countries.

## **6. Concept of Improving/Strengthening Workers' Collective Influential Voice Systems (a Draft Proposal)**

When considering a specific system style, note that there have already been systems such as the majority representative system and labor-management committee and the enactment is expanding in Japan. Though operational problems of these systems are pointed out, they have already been built into the society as systems and have fulfilled their roles. Given these facts, the realistic legal policy

is to try to solve problems of existing majority representative system and labor-management committee system that are pointed out, and consider and develop the constitution, expansion of functions, relationship with labor unions, etc. in order to improve/strengthen collective systems distinct from labor unions.

Especially, when considering improvement/strengthening of workers' collective influential voice systems, it is important to build a system that has legitimacy as a real representative of workers. Especially, this is a problem associated with the selection method of a worker representative and fairness and transparency in the decision making process of the system. It is also an important viewpoint whether diversified workers' benefits are reflected or not. Yet, as for the current systems, various problems such as selection procedures and operations of the majority representative are pointed out from the legal and operational viewpoints. It is important to establish the reliability of the current systems in the future under the assumption that the current systems will be developed. Consequently, the urgent issue is to take measures to secure the fairness of selection procedures of an employee representative and decision making and the transparency of the system.

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## 1. What is employment strategy?

### A. Definition and features of employment strategy

The term “strategy” is originally a military term and originates from *strategos*, a Greek word. The term which initially meant “a way to allocate and apply military resources for the purpose of achieving national objectives” is today often used to convey a key concept to corporate management.

In Japan, it seems to us that it is still uncommon to refer to the term “strategy” associated with “employment.” In this paper, “employment strategy” is defined as “an indicator which represents a desirable future in employment and shows a path towards desired reform.” First of all, we will start by pointing out a number of employment strategies to demonstrate what employment strategy is like.

Employment strategy is made up of a combination of basic principle, strategic objectives in a medium- and long-term perspectives based on the basic ideas, a number of policies required for embodiment of the objectives, and procedures for implementing each of the policies.

The role of employment strategy is to enhance the effectiveness of each of the policies and to more efficiently achieve the strategic objectives by clearly showing the position and directions of the policies to those in administrative jobs as well as to those working for businesses and other workers.

Working is vital to economy, and accordingly, employment strategy will cover a variety of issues. What is important is these issues are consistent in the light of objectives. Usual socioeconomic changes may lead to changes at an individual policy level, but basic principle and objectives of the strategy will remain unchanged.

What we are describing as “a desirable society” in this writing is a rich and vibrant society where everyone can achieve excellence and play a part in its development with enthusiasm. In such a society, “to

work” does mean “being employed” as well as “managing one’s own business.”

Any policies concerning “working” in a broad sense need to be consistently integrated under basic principle of employment strategy.

Since employment strategy covers a medium-to long-term period, a forecasted socioeconomic development which is initially projected when the strategy is formulated, will be different from actual development. Accordingly, depending on circumstances, we have to, regularly and where appropriate, review contents and implementing procedures of policies and try to implement them effectively. For this reason, it is essential to recognize how each policy is evaluated as well as interactive effects of different policies, and if necessary, offsetting effects of different policies as well.

In order to survive drastic socioeconomic changes that are likely to take place in the future and in order to retain our socioeconomic vitality for improving living standards of an individual, accumulating and making better use of human resources, which generate added values, and accelerating their social participation are indispensable. Accordingly, persistent efforts of an individual will be more important than ever. However, what an individual can do with a rapidly changing society is quite limited, and there is a pressing need for support for an individual from enterprises, the national government and municipalities. What is needed is employment strategy, in other words, a guideline for a wide variety of people to follow in comprehensively dealing with situations not only in narrowly-defined employment but also in approaches to areas of other policies, with due consideration given to the directions of future socioeconomic changes based on a medium-to long-term perspective.

### B. Necessity of Employment Strategy

With economic globalization and rapidly developing information communication technology

(ICT), rising global competition, including those from Asian nations, has already been extended to every area including basic fields of manufacturing as well as fields which require sophisticated know-how, technology and skills. These trends will be further accelerated, resulting in more intense competition. Under such circumstances, in Japan too, a shift towards the era of diverse knowledge, which requires continuous innovation<sup>1</sup>, will be expected.

In this regard, what we have to emphasize is the unprecedented rate and degree of the technical innovation of ICT now we are experiencing.

In addition, Japan has already entered a phase of population decrease due to a rapidly declining birthrate and aging population<sup>2</sup>, and in the future, more intense resource constraint will be added in terms of labor force supply and financial resources. In particular, this will contribute to the decline of a region where the outflow of younger people is further accelerating demographic aging and of a region which has preciously been supported by resource allocation from the central government, leading to widening regional gaps.

In response to the prolonged economic slump in the post-bubble economy, enterprises have reviewed so called Japanese-style employment practices to cut costs, especially fixed expenses such as personnel expenses. This has resulted in an increase in temporary employees, mostly younger employees including new school graduates who have no choice but to unwillingly work in irregular employment. This has been widening disparity between regular and irregular employees, and regular employees have been increasingly burdened both quantitatively and qualitatively in an understaffed workplace. In addition, it is anticipated that these economic gaps will be perpetuated well into future. These difficulties start to affect people's living and life plans to no

small extent.

### C. Directions and basic principle of employment strategy

The Japanese society and economy, in a medium to long run, is facing environmental changes, including rapidly developing information communication technology (ICT), intensifying international competition in various fields including knowledge and technology due to globalization, transition to an age of diversified knowledge, and tighter resource constraint in terms of labor force supply and financial resources resulting from the full-scale population decline. In order to survive the changes, the country's socio-economy should (1) allow human resources, a source of added values, to be accumulated and to be better utilized, (2) encourage people to support society by themselves instead of being supported by society, and prevent social exclusion, (3) allow people to comfortably accumulate human resources in an environment where more sophisticated knowledge and skills are being needed and at the same time to contribute to the socioeconomic sustainability, and (4) allow the country's policies as a whole to be centered on "people," because "people" themselves are the most important factor for the generation of economic vitality. It is essential to ensure the socioeconomic sustainability as well as sustainability of individual's lifestyles and job so as to facilitate a smooth transition to an age of diverse knowledge essential to survive in intensifying international competition, by responding to situations mainly in the above manners.

Accordingly, every policy operation should focus on the accumulation and utilization of human resources based on social participation as well as on ensured socioeconomic sustainability, and it is necessary to operate every policy, including

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- 1 Essential innovation in this regard includes technical innovation that will generate new demands, technical strategy, production methods, management techniques and infrastructure development.
  - 2 The total population of Japan showed the first drop in 2005 since Population Census were first conducted in 1920, with the exception of 1945. The population as of the year 2004 is intercensal adjusted by the results of 2005 Population Census. A population estimate as of October 1, 2006 was almost unchanged.) Earlier, the productive age (aged 15 to 64) has already started declining after peaking in 1995. The labour force (people aged 15 or older who are willing to work) has been on the decline after peaking in 1998. (However, the year 2005 posted an increase for the first time in seven years, and the year 2006 also recorded an increase.)



employment policies, in a manner as uniform and coherent as possible in line with a fixed strategy.

In other words, one has to place people at the center of every policy to establish “a vigorous society where everyone can enhance and demonstrate his or her ability and participate, ensuring the sustainability of one’s livelihood.” In short, it is essential to formulate employment strategy of which basic principle are seeking “an affluent and active society where everyone can work with enthusiasm and can find brilliant self-fulfillment.”

#### **D. Strategic objectives, pillars in achieving basic principle of employment strategy**

What kind of strategic objectives we should have, which are important pillars in achieving the above mentioned basic principle of employment strategy? That may be summarized as follows:

i. With future socioeconomic structural changes, such as labor supply constraint due to a rapidly declining birthrate and an aging population and a shift towards the era of diverse knowledge in the middle of intensifying international competition, the scarcity value and importance of each and every citizen in the society will grow further.

In order to vitalize the country’s socio-economy in such environments, what is required are (1) infrastructure improvement that will further encourage everyone for social participation, including employment, and for ability development, (2) empowerment of everyone with willingness and abilities to work so that everyone will be more self-reliant and can support society through job opportunities, (3) empowerment of everyone so that every citizen will play a role in society, communication throughout the nation will be encouraged, and no one will be excluded from society, and (4) independent-minded economic revitalization initiatives through an increasing number of original employment opportunities created on a regional basis.

In order to address the above issues, and to allow as many people as possible to participate in society, mainly through employment and jobs, efforts of the entire society, including the national government, local public authorities, enterprises, labor unions,

non-profit organizations and ordinary citizens, are being required.

#### **(“Construction of society in which all participate based on employment promotion”)**

ii. Improvement of environment that allows people to work with enthusiasm will provide a basic framework for expanding high-quality labor supply and for enhancing labor productivity.

Accordingly, achieving the work-life harmony, in other words, encouraging people to flexibly allocate their time so that they can pursue good health and can enrich their personal life, to further increase their willingness to work which is stemming from their feeling of satisfaction with their entire lives, is essential.

Critical issues are (1) to provide more choices on diversified work styles, (2) to utilize advantages of long-term employment practices and at the same time, to reduce disparity in pays and benefits between regular employees and irregular employees who are outside of the traditional long-term employment, and (3) to establish a new comprehensive employment system in which society as a whole offers enough vocational development opportunities and labor mobility among different working styles such as permanent employees and temporary employees.

In addition, it is essential to offer chances to try again, to redistribute national income, and to ensure the balanced treatment and public systems which take into account diversified work styles, so that excessively widening income gaps will neither take away educational and vocational training opportunities nor deprive people of willingness to work, which will lead to more rigid social stratification and undermined dynamism and stability of the society.

#### **(“Enhancing quality of employment and incentive for work experience”)**

iii. With intensifying international competition due to globalization and a transition to a knowledge-based society, in order to bring innovation and to maintain a level of the country’s international competitiveness and national living standards, we

need to enhance our “employability” (i.e. the capability required to take part in and support society). Japanese production systems have been transformed from production on a large scale to high-mix low-volume production, and accordingly, more emphasis has been put on an individual’s creativity as well as on conventional large-scale entities’ organizational capability. Therefore, the importance of human resources development that activates individuals’ ability has increased all the more. In particular, it is essential to improve relevant infrastructures in ability development, giving careful attention to non-regular employees who have not attracted much attention so far in relation to ability development.

In the past, ability development was mainly carried out by enterprises, on an assumption that skill development should be identified as a part of human resources management while an organization is paying attention to its business activities. However, for the future, ability development has to strike a good balance between specialization and cooperation by individual workers’ self-help efforts, enterprises’ assistance, mutual assistance and governmental public assistance in line with the times.

In addition, a greater share of employability enhancement is now being borne by individuals. Yet not every aspect of employability can be easily enhanced by an individual’s self-help efforts, and in the medium-to long-run, it will be essential to consider a potential legal guarantee. In this way, the concept of “right to career”<sup>3</sup> is of a growing importance.

### **(“Employability enhancement and ‘right to career’”)**

It is needless to say that it is necessary to secure predictability in an uncertain future and to ease people’s concerns, in order to allow people to stay proactive and comfortably work hard.

In order to relieve these public concerns, ensuring economic stability and sustainability so as to dispel uncertainty as far as possible should be regarded as fundamental objectives in economic management,

including macroeconomic policies. This is an indispensable prerequisite for employment strategy.

## **2. Construction of society in which all participate based on employment promotion**

### **A. What is “society in which all participate”?**

Allowing everyone can take part in society, making better use of his or her skills and making his or her life worth living will lead to more active and stable society and more sound development.

In particular, to increase the number of people taking part in employment and supporting society is essential for maintaining the country’s socioeconomic dynamism and affluence, in the face of tighter labor supply constraint and financial constraint due to the falling birthrate and the aging population with an ever-decreasing population.

Moreover, allowing everyone to take part in society in some way other than work experience is a prerequisite for construction of society in which people with diverse values participate and every member is willing to support society itself. This is also a prerequisite for stabilizing and stimulating society through sharing common awareness of problems and strengthening mutual understanding at the national level, in the face of intensifying competition due to globalization and the global spread of information and communication technology (ICT) in an increasingly complex world. Broadening communication throughout the entire society will serve as a foundation for independent-minded efforts made by an individual member of society, including the central government, municipalities, enterprises, labor unions, nonprofit organizations and ordinary citizens, to resolve difficulties concerning employment and jobs.

### **B. Things to keep in mind when trying to invigorate the country’s socio-economy**

#### **i. Employment as a fundamental form of social participation**

In society in which all participate, employment is

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3 “right to career” will be described later.



considered as a fundamental form of social participation.

This is because society can be considered as a collective entity or a community made up of interacting and interconnecting people, and in order to make society work well and maintain society as it is, every member of society earning his or her own living (in other words, every member in employment) is seen as a basic element.<sup>4</sup> In such a society, everyone is required to be willing to work, more job opportunities have to be provided from both quantitative and qualitative aspects and smooth labor supply and demand has to be adjusted.

## **ii. Employment and employees as the most important source of economic growth**

Situations in Japan surrounding employment, in particular from the late 1990s to the beginning of the 21st century, have been economically difficult, with the disposal of non-performing loans in increasing economic globalization and rapidly developing information communication technology (ICT) that have further intensified global competition after the collapse of the asset-inflated economy. Under such circumstances, because every sector including government offices and other public offices and private enterprises have adopted management policies which place top priority on a fixed expenditure reduction, including a cut in personnel expenses, and due to people's changing attitude toward work, employment structures have radically changed and forms of employment and working arrangements have become increasingly diversified.

Then, lasting economic recovery has led to a record high level of business earnings and corporate sales in fiscal 2005 and the active job opening to applicant ratio for fiscal 2005 recorded above 1.0. However, partly due to changes in employment structures, the effective ratio of job openings/application ratio for permanent employees and middle aged and older job-seekers has accounted for only about half of the total. Furthermore, an increase in those who are ill-equipped for the working world,

mainly in younger generations, those in status of so called "Neets" (not in employment, education and training) and an increasing number of "Freeters" (part-time jobbers including part-time applicants), especially those who are involuntarily living as non-regular employees, are being considered as socially problematic.

In addition, recently, as a means of enhancing and maintaining international competitiveness, employers have been putting more emphasis on ensuring competitiveness through cost reduction, including payroll cost reduction which employers, traditionally keen to secure a stable source of manpower for maintaining organizational efficiency, were previously reluctant to get involved in. Furthermore, with an increasing ratio of foreign stockholders, and with widespread shareholder sovereignty which has been considered as a U.S.-style global standard, private businesses are putting more emphasis on earning higher profits in a short term perspective and on increasing stock dividends and upgrading stock prices.

Under such circumstance, at the beginning of the century, while the wage level of almost all companies decreased, all of dividends as well as salaries and bonuses for directors of large-sized businesses increased dramatically.

However, employees and retired employees are also consumers, and it should be remembered that they are being important players in private consumption in domestic markets which account for more than 50% of the country's GDP. In addition, there are concerns that foreseeable social polarization made up of a handful of high-income earners such as corporate managers and a vast number of poor people could lead to inactive consumption and downsized domestic markets due to skewed distribution of wealth, a decline in labor productivity and in economic efficiency due to a declining overall willingness to work and social destabilization.

If social polarization becomes the accepted norm, and as a result if, in especially among lower classes, due to unclear economic outlook, many lose

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4 Since the 1960s, Swedes, who implement active labor market policies, have adopted the concept that "employment is a key to supporting a normal lifestyle."

willingness to develop their vocational ability, and if so-called working poors, those who have jobs but earn less than the minimum living costs, become the accepted norm, they could lose willingness to work and hope for the future. Then, there is a fear that the quality of employment achievement would be degraded, resulting in a decreasing labor-force participation ratio and increased public burden concerning social security benefits, such as welfare payment, due to a decline in the number of people supporting society. In this way, in various aspects, this could have negative impacts on the country's macroeconomic framework. Accordingly, in addition to retaining and fostering a thick layer of middle class citizens, by securing working conditions that allow even non-skilled job workers and low-income earners to earn a decent living and by allowing wage growth achieved by employment to increase the net income after tax, policy management and corporate management have to enhance people's willingness to work.

Taking the above mentioned points into consideration, we should not place more importance on international cost competitiveness. Instead, we have to fully recognize that both people in jobs and those not in jobs are playing critical roles as a source of economic growth by stimulating consumption through their entire lives, and at the same time, by supplying high-quality products and services in the country. Moreover, in the first place, Japanese companies and governments have to always keep in mind that people themselves are the foundation to stand on and are a source of a vigorous nation. Recognizing the above and considering how capital markets work, we are required to develop employment strategy which allows every job seeker with employability to take part in workplaces, and gives them hope and a desire to work so as to ensure a decent quality of employment and lifestyles.

In doing so, we have to fully understand that smaller income disparity and traditional high-quality and uniform social security services have so far contributed to the formation of a thick layer of

middle class people, and we also have to appreciate a foundation of the country's positive socioeconomic features such as well-maintained public peace<sup>5</sup> and good public health represented by people's longevity, as well as a mechanism that underlies the foundation.

## C. Challenges and courses of action for realizing society in which all participate

### i. Encouraging social participation through employment

A prerequisite for encouraging social participation through jobs is appropriate working conditions which allow people to acquire necessary vocational skills and to work in accordance with their willingness and skills.

Accordingly, the principle for encouraging social participation through employment should be, based on ensured working conditions with which people are encouraged to enhance their willingness to work and to develop their vocational skills, improvement of the infrastructure which is open to everyone for developing his or her vocational skills. The principle should also include an enhanced ability to adjust labor supply and demand, including the upgrading of external labor markets, in parallel with the strengthening of the function to evaluate workers' and job-seekers' ability properly which will make it possible to provide appropriate information concerning a required level or quantity of vocational ability that enables an individual to be engaged in a job in accordance with his or her willingness and ability.

When trying to enhance ability to adjust labor supply and demand, it is necessary, in a labor supply and demand-coordinating institution and in corporate sections, to establish a system which appropriately evaluates job-seekers' vocational ability. Accordingly, vocational ability evaluation systems should be enhanced so that labor supply and demand adjusting agencies can more accurately evaluate job seekers' skills. For enabling a more effective matching between job-seekers and employers, the quality of related parties has to be also upgraded.

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5 In the United States, the security in urban areas was improved during the economic recovery in the late 1990s. Allegedly this is because of economic circumstances in which people tended to feel that working is better than committing a crime.

With progressing economic globalization and a shift toward the era of diverse knowledge, in order for everyone, who is willing to and skilled enough to work, to achieve economic independence by earning his or her living by himself/herself and to support society as a whole, it is necessary to minimize uncertainty concerning the future employment and living and to ensure that everyone has human resources development opportunities as occasion demands, and at the same time, it is essential that every job-seeker can obtain job opportunities in accordance with his or her willingness and ability.

For this reason, in addition to infrastructure improvement for human resources development such as support for human resources development tailored to fit the needs of an individual and assistance to employees' ability development which will serve as a source of corporate differentiation, it is important to enhance the labor supply and demand adjusting function, coupled with strengthening of workers' vocational ability evaluating function for allowing every job-seeker to be engaged in a job in accordance with his or her willingness and skills. In other words, what is required is the labor supply and demand adjusting function which can make better use of an appropriate combination of assistance by public bodies and mutual assistance, both of which have been traditionally respected in the area of human resources development, together with self-help.<sup>6</sup> In addition, the supply-demand adjusting function capable of contributing much to the satisfaction of both organizations and individuals is also required.

Meanwhile, due to the decreasing working-age population, the country's labor force has already declined, and since 2005 Japan has entered a phase of population decrease, facing a full-fledged population decline. So called "baby boomer generations" have started reaching the age of 60 since 2007<sup>7</sup> (and will reach the age of 65 in 2012) and the country will face

a declining population coupled with an aging society. Accordingly we are required not to let tighter labor supply constraint negatively affect socioeconomic dynamism. For this reason, it is necessary to carefully improve the country's environment and to support people in accordance with regional features and individuals' attributes in order to allow all of those who are able to work, to work with enthusiasm, live independently and support society. In doing so, basically we should promote people's willingness to work by ensuring appropriate working conditions, in particular, for younger generations, women and elderly persons that are more likely to provide additional labor supply (Refer to Table 3-1).

Moreover, a number of systems, including the taxation and social security (benefits and burdens) that could influence labor supply and demand activities and other factors affecting labor supply and demand are required to work as a means to encourage employment so that both the demand and supply for workforce will increase in both quantitative and qualitative senses.

In order to promote social participation through employment, as above mentioned, it should be noted that not only labor supply-side efforts such as enhancement of willingness to work and vocational ability, but also labor-demand side efforts, including improvement of working conditions as well as public-sector efforts should play significant roles. The public sector should improve labor supply and demand adjusting functions and undertake institutional design by reflecting the viewpoint of employment promotion, and should make other upgrading efforts concerning labor markets and relevant systems.

#### **a. How to respond to those who require some sociopolitical approaches**

From sociopolitical viewpoints, bringing those facing difficulty in finding employment, including the

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6 "Assistance by public bodies" in this paper means public-sector vocational ability development and public sector agencies' (Administrative agencies') support to vocational skill valuation conducted by private corporations or individual workers. "Mutual assistance" includes in-house vocational skills development provided to employees, corporate support for employee's vocational skill development and in-house vocational ability evaluation. "Self-help" includes individual-initiated vocational ability development.

7 Baby-boomers born from 1947 to 1949. So called "Dankai no Sedai (literally means "mass generation")" named after the title of Taichi Sakaiya's novel.

**Table 3-1 Transition of employment rate by age group**

(%)

		1993	94	95	96	97	98	99	2000	01	02	03	04	05
Grand	Total	62.2	61.8	61.4	61.4	61.5	60.7	59.9	59.5	58.9	57.9	57.6	57.6	57.7
	15-64	69.5	69.3	69.2	69.5	70.0	69.5	68.9	68.9	68.8	68.3	68.4	68.7	69.3
total	15-19	16.9	16.3	15.6	15.8	16.3	16.1	15.5	15.5	15.6	15.1	14.6	14.4	14.7
	20-24	71.3	70.8	69.9	69.7	69.5	68.6	66.3	66.6	65.5	64.1	63.2	62.6	63.5
	25-34	75.9	75.8	75.9	76.7	76.8	76.1	75.8	76.1	76.1	75.8	76.2	77.0	77.3
	35-59	80.2	79.8	79.5	79.7	80.2	79.5	78.8	78.6	78.4	77.9	78.0	78.2	78.6
	60-64	54.6	53.6	53.4	52.6	53.1	52.5	52.0	51.0	50.7	50.6	50.7	51.5	52.0
	Total	76.1	75.6	75.2	75.1	75.1	74.1	73.2	72.7	71.7	70.6	70.1	69.8	69.9
Male	15-64	82.3	81.9	81.8	82.1	82.4	81.7	81.1	81.0	80.5	79.9	79.8	80.0	80.4
	15-19	17.5	16.8	16.1	16.5	17.2	16.4	15.7	15.8	15.6	15.4	14.4	14.3	14.7
	20-24	71.9	71.1	69.9	70.0	70.3	68.8	66.2	65.7	64.6	64.1	62.9	61.5	62.2
	25-34	95.0	94.5	94.1	94.3	94.0	92.8	91.9	91.9	91.1	90.1	89.9	90.0	90.0
	35-59	95.7	95.2	95.0	95.1	95.1	94.3	93.7	93.5	92.9	92.2	92.3	92.4	92.5
	60-64	71.0	69.6	69.3	68.5	68.3	67.3	66.5	65.1	64.6	64.0	64.7	65.4	65.9
Female	Total	49.0	48.7	48.4	48.3	48.6	48.1	47.4	47.1	46.8	46.1	45.9	46.1	46.3
	15-64	56.5	56.5	56.4	56.8	57.5	57.2	56.7	56.7	57.0	56.5	56.8	57.4	58.1
	15-19	16.3	15.8	14.8	14.9	15.3	15.7	15.2	15.0	15.6	14.7	14.9	14.5	14.9
	20-24	70.7	70.5	69.8	69.2	68.9	68.4	66.7	67.3	66.1	64.5	63.4	63.6	65.0
	25-34	56.2	56.8	57.3	58.5	59.2	59.1	59.4	59.7	60.7	61.1	62.0	63.5	64.1
	35-59	64.7	64.4	64.1	64.4	65.3	64.7	63.9	63.9	64.1	63.5	63.8	64.1	64.7
	60-64	39.3	38.6	38.7	38.0	38.8	38.8	38.5	37.8	37.7	37.5	37.5	38.4	39.0

Source: Ministry of Internal Affairs and Communications Statistics Bureau, "Labour Force Survey"

long-term unemployed, unemployed youths, persons with disabilities who are long-term unemployed and a part of welfare recipients and others who have employability yet have lost willingness to work, back into workforce is one of the important challenges. In this context, fine-tuned support for both labor supply sides and labor demand sides, including vocational ability granted to job seekers, is required.

## ii. Ensuring and creating job opportunities

Just enhancing people's willingness and ability to work and increasing labor supply will not lead to more people in jobs and a higher employment rate. Social participation encouraged through employment can be achieved only by labor demand matching aggregate labor supply. In addition, it is desirable that

the workforce demands should be ensured in both quantitative and qualitative terms.

Furthermore, in order to ensure the sufficient workforce demand in both quantitative and qualitative terms and to ensure sustainability of people's living, including their jobs, enhancing added values of the country's entire industry as well as realizing stable economic growth will be required. In this context, personnel costs, which is recently often labeled as "wasteful fixed costs traditionally considered as a sanctuary for no reason," must be once again recognized as "basic requirement to ensure sustainability of people's living and costs essential for encouraging sound development of the country's vigorous socio-economy."<sup>8</sup>

Accordingly, whether a business or an individual,

<sup>8</sup> Like in the most recent economic recovery since January 2002, there are concerns that private consumption will remain weak due to slow income growth in spite of prolonged business recovery and that the economic structure will be more dependent on unstable and unsustainable factors such as foreign demand and equipment investment.

the entire nation is required to free itself from a deflation-oriented mind-set that places the top priority on pursuing a further price reduction mainly by additionally downsizing payroll costs, in an economic climate where everyone makes efforts to offer extremely low priced products and services. In addition, we should consider jobs essential to supporting the smooth operation of country's socio-economy as sectors on which tax revenue as well as public-sector efforts should be focused from the standpoint of society as a whole, instead of the standpoint of a business.<sup>9</sup>

In order to encourage social participation by creating job opportunities, top priority should be given to improvement of the employment rate by enhancing job satisfaction and inspiring job-seekers' willingness to work.

However, a questionnaire survey on corporate employees conducted by The Japan Institute for Labour Policy and Training<sup>10</sup> shows that both permanent employees and non-permanent employees indicate low satisfaction, as low as approximately 40%, with their "jobs in general." While permanent employees indicate higher satisfaction with "job security" and "a steady income," non-permanent employees show higher satisfaction in terms of "the substance of work," "working hours" and "job-related anxiety and troubles and job stress." While both permanent and non-permanent employees show low satisfaction with their jobs as a whole, in particular, we should take note of the fact that permanent employees, who are responsible for core corporate activities, have lower satisfaction than non-permanent employees with the substance of work and working hours. The above data can be interpreted to point out problems with the workforce demand in qualitative terms (apart from quantitative terms) that may negatively affect

willingness to work and productivity.

Accordingly, when securing and creating job opportunities in the future, it is hoped that, by making job experience more attractive for as many people as possible by enhancing the satisfaction of people in jobs not only in quantitative terms but also in qualitative terms, the sustainability of the country's socio-economy will be enhanced.

Meanwhile, when considering the workforce demand accompanied by changing economic structures, in order to promote social participation through employment, we believe that the importance of ensured job opportunities, for example by encouraging business start-ups, will grow all the more, and that more pressure such as intensifying international competition and shorter cycles of technological innovation is likely to shorten the life of a business itself.

The basic direction of employment policies also shifted from "employment stability" and "labor mobility without unemployment" based on traditional long-term employment practices to policies based on "job creation" and "smooth labor mobility" during an economic structural transition at the end of 20<sup>th</sup> century when the working-population began to decline. Furthermore, in employment policies, as indicators of labor supply and demand, the employment rate, which indicates the number of working people as a percentage of the total population, as well as the total unemployment ratio, has come to be considered as a useful measure.<sup>11</sup>

Accordingly, employment maintenance and more job opportunities through existing industries' structural switch, scale expansion and development of new business fields should be emphasized as before, at the same time for achieving a higher employment rate, it is increasingly required to make more

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9 For example, the government has accepted the introduction of foreign workers to make up for a national shortage of labor for nurses and care workers. However, these sectors are often criticized as "in spite of sufficient domestic labor supply, the labor demand cannot be met because of constraint concerning working conditions, such as working hours and wage levels." Accordingly, in sectors that are social necessity, it should be effective to establish working conditions when needed, so that people underutilized in the country will be encouraged to join the workforce.

10 The Japan Institute for Labour Policy and Training (2006n)

11 *Rodo Seisaku Kennkyu Kai* (2005)



proactive measures by putting more emphasis on job opportunities other than employees. The measures include support for business start ups, including creation of self-employment, as a part of the government's employment policies.<sup>12</sup> (Refer to Table 3-2)

In addition, with changes in the industrial structure due to productivity growth in the manufacturing industry and the sophistication of socioeconomic structures, the importance of efforts to further stimulate demand and to enhance productivity in some sectors, where the ratio of people in jobs has increased, will further grow for ensuring and creating job opportunities.

While the population and percentage of people working in the tertiary industry have increased, many of those engaged in the tertiary industry are working in low-productivity sectors. However, in the future, first, highly productive sectors with international competitive edge will be required to generate added values for the country as a whole. Then, in addition to productivity enhancement in the tertiary industry including service sectors that will upgrade people's living standards and convenience, the construction of a cycle is required in which the added values generated are allocated to the consumption of the

tertiary industry's products and services. Such a cycle would enable people to maintain high living standards regardless of occupation, and would achieve a more appropriate economy (Figure 3-3).

In order to realize such an economic structure, what is needed are demand stimulation by differentiating and innovating products and services offered by service sectors and other tertiary industries, productivity enhancement in terms of added values, and infrastructure development that will enable the demand stimulation and enhanced productivity. This would further upgrade the quality of employment and increase the workforce demand through demand growth in the industry. Furthermore, the improved quality of employment in a sector with an increasing labor demand could facilitate labor mobility from other sectors.

### iii. Development of new safety nets for employment and job security

Ensuring and providing appropriate job opportunities is a prerequisite for encouraging social participation through job experiences, and at the same time for remaining economically independent as far as possible even when one loses his or her job. It is also essential for taking on new challenges.

**Table 3-2 Start-up and closing rate of establishments in Japan**

(% / year)

Year	Increase of establishments	Start-up rate	Closing rate
1975-78	2.8	6.0	3.2
1978-81	2.3	5.9	3.5
1981-86	0.7	4.3	3.6
1986-91	0.1	3.7	3.6
1991-96	-0.1	3.1	3.2
1996-2001	-1.2	3.2	4.4

Source: "Statistic Survey of Institutes and Companies," Ministry of Internal Affairs and Communications, Statistics Bureau

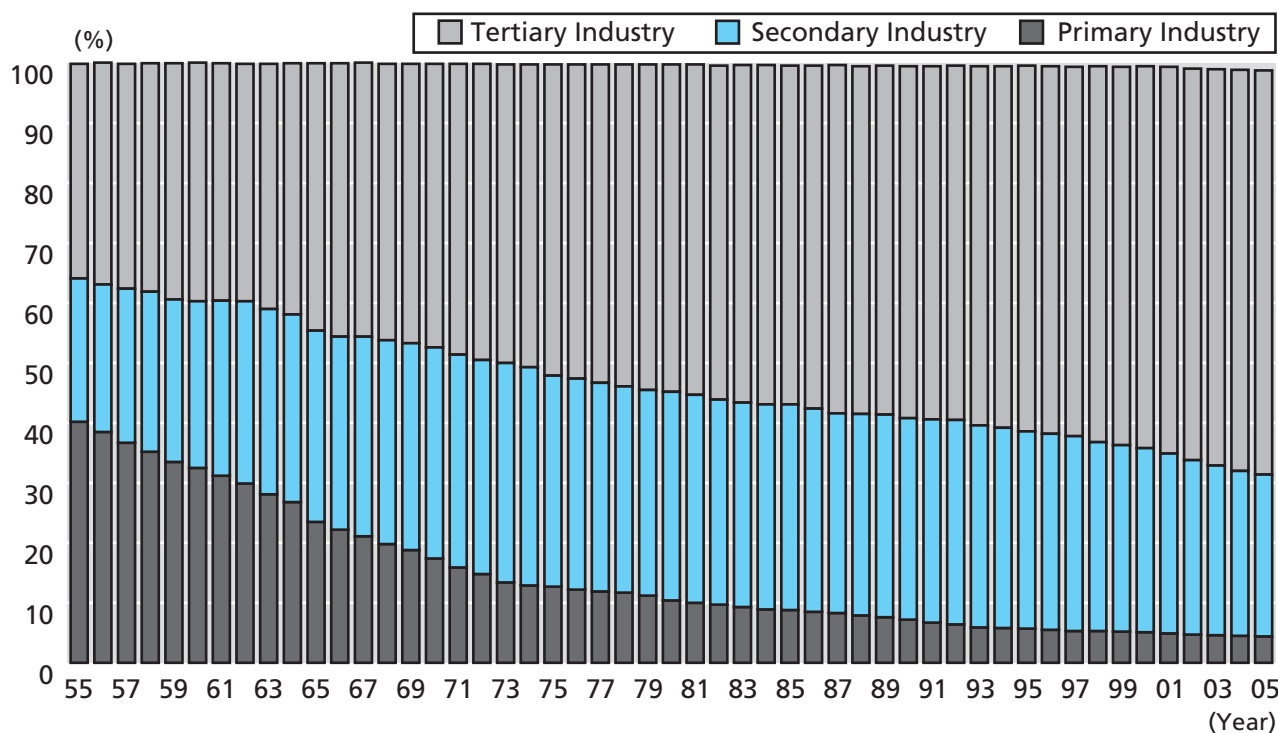
Note: Establishments start-up rate=Number of establishments opened during the investigation period/Number of establishments identified during the previous period

Establishments closing rate=establishments start-up rate-Increase of establishments

The figures for year 1991 are made up of data on privately owned establishments excluding Shimabara city and Fukaecho, Nagasaki Prefecture.

<sup>12</sup> At present Ministry of Health, Labour and Welfare subsidizes new business start-ups which will provide new employment opportunities, through the subsidy for business start-ups by those eligible for unemployment insurance benefits, the subsidy for business start-ups by three or more elderly persons that create job opportunities, and the subsidy for business start ups for regional economy revitalization. In particular, the subsidy for business start ups for regional economy revitalization is designed to support priority industries identified by municipalities as regional-contribution projects.

**Figure 3-3 Number of people in the primary industry, the secondary industry and the tertiary industry**



Source: Ministry of Internal Affairs and Communications Statistics Bureau, "Labour Force Survey"

Accordingly, basically, any and every job-seeker should be given easy and unrestricted access to employment and work experiences.

In the age of economic globalization and the era of diverse knowledge, it is believed that due to intensifying competition in various aspects and accelerated changes in technologies and clients' needs, there will be more pressure to shorten the life of a business and faster changes both in the industrial structure and in knowledge and skills necessary for jobs. In addition, on an individual business level, there will be an increasing number of non-regular employees for which an employer is more reluctant to invest in human resource development. Furthermore, with more diversified ways of thinking, labor mobility is likely to be higher. For these reasons, it will be more difficult to construct a conventional safety net for employment security based on traditional so-called corporate "lifetime employment."

Accordingly, even in the case of labor mobility, the need of upgrading a safety net is growing, which is designed mainly to maintain practical employment,

avoid joblessness as far as possible and shorten a jobless period if any. In particular, ensuring job security and improving the employment rate by enhancing an external labor market and by connecting external and internal labor markets will be essential. For this reason, developing a system for an external labor market to function properly, as well as enhancing labor supply and demand adjusting functions in accordance with the system development will be extremely important for making better use of human resources.

Therefore, in order to shorten a jobless period accompanied by labor mobility and retain and upgrade vocational skills, what is essential are (1) development of an infrastructure capable of explicitly showing an individual's vocational ability and vocational skills needed in workplace based on objective criteria, (2) provision of opportunities for developing vocational ability that will lead to upgraded vocational skills in the age of increasing labor mobility, (3) provision of accurate information on labor market (or job openings) to everyone, and



(4) enhanced labor supply and demand adjusting functions accompanied by an appropriate perception of job seekers' willingness and vocational skills, with an increasing number of options resulting from development of an external labor market.

That is, for safety nets in "the era of diverse knowledge," a function capable of enhancing and making better use of the quality of human resources such as human resources development and vocational ability evaluation will be of increasing importance more than ever.

#### **iv. Everyone being engaged in society and society-wide communication**

Ensuring society-wide communication is a basic prerequisite for the formation of society-wide shared awareness and mutual understanding. Ensuring such communication will serve as a foundation for promoting a variety of social participation including one through job experience, and essential for the smooth operation of the socio-economy.

In years to come, in the socio-economy in the era of diverse knowledge, society-wide diversification, including a variety of views on employment and jobs, is expected to further intensify. Under such circumstances, in order to ensure the smooth operation of and stability in society, what is important is response which places special attention to smooth communication among the national government, local authorities, enterprises, labor unions, non-profit organizations and each citizen and on the formation of society-wide shared awareness.

For every ordinary citizen in each community, it may be important to let everyone connect to society through smooth communication, for example by revitalizing local communities (or places where people foster mutual understanding through conversation) at each municipality. In this case, promoting communication concerning various issues through regional activities as well as making better use of non-profitable activities conducted by volunteers and non-profit organizations and community businesses will be also effective.

Education at schools and in-company will be expected to show model cases that allow one to recognize the necessary of social participation and

job experiences through smooth communication, for example, at a workplace or at school, in particular for younger generations who are often facing trouble in being involved in an organization and society, and then, by following these practices, others will also appropriately respond to these issues at each stage.

Communication has to be encouraged, at a business, between employees and employers and, in society between the central and local governments, businesses, labor unions, non-profit organizations, volunteer organizations and ordinary people.

Effective communication ensured at every stage in society will achieve close collaboration in taking precautions against possible social problems and stabilize the socio-economy, by raising shared awareness and common problem consciousness among people at every stage on a society-wide scale and by enhancing public recognition. This will also serve as a foundation for facilitating social participation at various stages and for appropriate response to challenges.

#### **v. Local employment strategy**

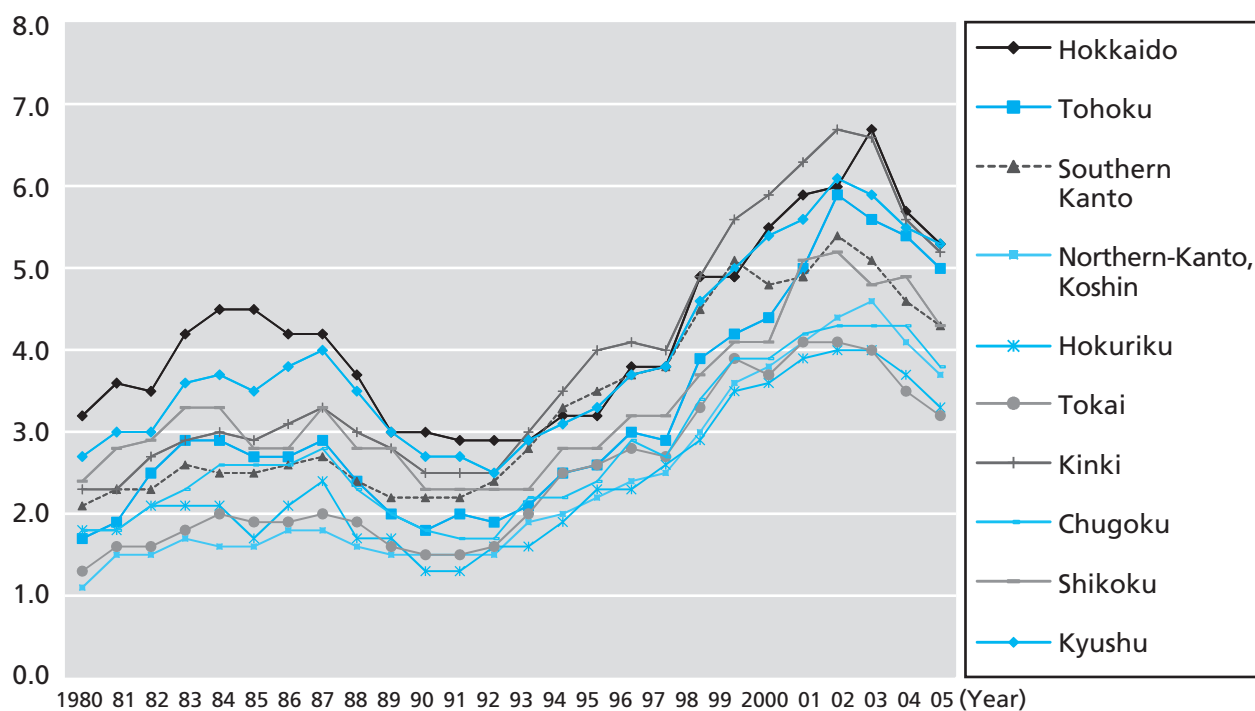
At present, with tighter fiscal constraint at the central government due to a slowdown in economic growth as well as decentralization now being promoted, the income transfer from the central government to municipalities through the implementation of public work projects has been reduced, and this has been deteriorating economic and employment conditions in a region which has few industries capable of providing employment opportunities or having strong competitiveness, and slowing down the improvement of employment conditions during an economic recovery. (Refer to Figure 3-4)

In particular, in a rural environment which lacks job opportunities, it should be noted that, such conditions will increase pressure on municipalities' finances not only through the lack of job opportunities but also through declining regional vitality, and in the medium to long run, this may widen regional disparities in economic and employment conditions, and further could contribute to the devastation of the country.

In the face of the environmental changes, at each

Figure 3-4 Trends in unemployment rate by region

(%)



Source: Ministry of Internal Affairs and Communications, Statistics Bureau, "Labour Force Survey"

regional level, building a society in which people can feel affluence and comfort and nurturing distinctive and vibrant local communities are required. With increasing resource constraint, for achieving these goals in all parts of the country, we have to stimulate regional society and economy basically by revitalizing local residents' everyday lives in a manner consistent in the medium to long-term, and by setting the following three goals:

First, we should provide sufficient job opportunities and ensure the quality of employment. This will allow more people to support a local society by encouraging social participation through employment, and will also allow people to really feel comfort and affluence.

Secondly, a local community itself should play a major part to revitalize its economy so as to secure job opportunities in terms of both quality and quantity that will serve as a foundation for local residents to feel comfort and affluence.

Thirdly, we should establish a foundation which will help everyone to take part in society by facilitating community-wide communication.

### 3. Enhancing quality of employment and incentive for work experience

#### A. Necessity of enhancing quality of employment and incentive for work experience

##### i. Necessity of enhancing quality of employment and incentive for work experience

###### a. Ensured "quality jobs" essential for workers, enterprises and society

For a business, it is necessary to empower its employees to generate higher added values, for the purpose of achieving technical innovation and upgrading the industrial structure. Accordingly, developing working conditions that will foster workers' willingness and ability in order to enhance corporate performance and productivity will be critical for a business. Workers require jobs worth doing at every workplace, reflecting changes in mindset about job experience. Working conditions that can enhance workers' willingness and ability and offer satisfying work will be important for both businesses and workers. Then, corporate productivity improved through better working conditions will also

contribute to socio-economic revitalization.

In order to retain socio-economic dynamism in the face of a declining population and decreasing labor force, it is essential to increase the workforce by encouraging those who have willingness and ability to work to land jobs and take part in society. In addition, how to make better use of hard-to-find workforce and how to enhance productivity by drawing out willingness and creativity from each worker and by enhancing his or her ability are equally essential. In particular, utilization of women, elderly persons and younger generations who have willingness and ability to work but have been underutilized in the past will be important for businesses and society.

Accordingly, efforts to improve working environment that will enhance workers' willingness to work, satisfaction, and ability, or in other words, efforts to enhance the "quality of employment" are important.

This will serve as a factor attracting job applicants (quantitatively securing labor supply), and at the same time, will contribute to labor productivity enhancement through improved willingness to work, and through demonstration of initiative and creativity. In this way, we can say that this will contribute to the upgrading of job quality and income.

#### **b. Necessity of "quality of employment"**

**ensured in accordance with stages in the life**

What is important is job opportunities that allow everyone to land a job in accordance with their willingness and ability as well as stages of his or her life (for example, graduation from school/university, job placement and employment, job change, mandatory retirement age and retirement) and lifestyle, so that each job applicant can land a job, demonstrating his or her abilities at a position which needs his or her potential, feeling content through job experience and finding self-fulfillment.

We can define efforts to improve workplace

environment for achieving the above mentioned targets as ensured "quality of employment" and enhancing workers' willingness and ability to work as "work incentive enhancement." Ensuring "quality of employment" and enhancing work incentive are goals of labor policies and they will achieve maintained socio-economic dynamism and sustainable growth.

In addition, for allowing every worker to demonstrate his or her willingness and ability through his or her life and find self-fulfillment, ensured "quality of employment" is necessary not only in internal labor markets covering only corporate employees, but also in diversified work styles including entrepreneurial experience, self-employment businesses, home working, as well as volunteer activities, local community participation and other social participation and in an external labor market.

Accordingly, each of individual workers and job seekers, businesses and authorities are required to develop appropriate response. For example, would-be-workers are now required to autonomously and voluntarily land a job, and make efforts for vocational development.

#### **c. Ensured quality of employment and life and "quality of employment"**

We can say that what is important for workers are rewarding job experience (social cognition and self-fulfillment) and job satisfaction as well as job security and peace of mind.<sup>13</sup> In addition, an increasing number of people are seeking better balance between work and personal life,<sup>14</sup> and enjoying life outside work (family life, local community) and discovering values in activities outside job experience are essential for affluence of workers. Furthermore, allowing workers to enjoy higher living standards through enabling them to land jobs which meet reasonable working conditions, or ensuring a decent quality of life (and improving living standards) is one of the most important

13 Cabinet Office, "Opinion poll on people's living" and the NHK Broadcasting Culture Research Institute, "Attitude survey of Japanese people"

14 The NHK Broadcasting Culture Research Institute, "Attitude survey of Japanese people"

challenges for labor policies, and a prerequisite for ensuring decent “quality of employment.”

## ii. Features of “quality of employment”

“Quality of employment” seems difficult to be defined. For example, we cannot simply say that any job which pays above a certain wage level is a job “of good quality.” However, it may be possible to define the concept of “quality of employment” by considering the following working conditions. In addition, setting policy objectives for each point to be checked, including development and upgrading of an external labor market, seems to be possible.

From the standpoint of economy as a whole, ensuring “quality of employment” would refer to efforts to ensure an increasing number of better jobs. In this sense, we can say that this also means efforts to achieve full employment in terms of both quality and quantity.

### a. What is “quality of employment”?

Here is a list of key features of working conditions and working environment that can be used to identify “a good quality job.”

- (1) A sufficient number of employment opportunities are maintained.  
(2) to (8) below are mainly concerned about an internal labor market.
- (2) (Of course in compliance with labor relation related legislation) fundamental and minimum working conditions are being ensured.
- (3) Workers are able to make better use of their willingness and ability and feel job satisfaction in accordance with their ability and life stages, in terms of working conditions (wages, working hours, safety and health, welfare programs), job content, overall personnel and labor management (including ability development opportunities, and career assistance)
- (4) Harmony between work and personal life (work-life balance) is being maintained.
- (5) Ability development opportunities and career assistance have been provided in accordance with an individual’s willingness to work and job status
- (6) Equal treatment and balanced treatment are being ensured in accordance with willingness and

ability to work and job status, and diversification of employment status (diversified work styles) is also being ensured.

- (7) Fair, transparent and persuasive evaluation and treatment are being ensured.
- (8) Communication between labor and management and workplace communication have been enhanced and good labor-management relations have been established.

## iii. Productivity, corporate performance and quality of employment (A good cycle of productivity and quality of jobs)

### a. Workers’ ability development and realization of one’s potential essential for productivity growth

In the face of a declining population, the falling birthrate and the aging population, productivity enhancement is also essential for maintaining socio-economic dynamism. The key to increase in productivity are workers’ ability development, creativity through enhanced willingness to work, and realization of one’s potential. What is important for realization of workers’ potential are corporate human resource development and employment management efforts. In other words, upgrading of quality of employment will be required.

### b. Mutually complementary relationship among productivity, corporate performance, workers’ willingness to work and quality of employment

What is important for enhancing productivity of the country as a whole are revitalization of each corporate activity and productivity enhancement. Then, for achieving productivity growth at each company or sector, equipment investment is important, and enhancement of total factor productivity (TFP: a productivity measure that focuses on technical progress, corporate management, streamlined capital allocation, and quality enhancement of production factors) is still more important. Accordingly, development of human resources that will be in charge of technical innovation, quality of equipment investment, efficiency enhancement, improvement of corporate

structures and job structures, technical innovation as well as realization of their potential are important. Corporate efforts both in employment management that will enhance workers' willingness and ability to work and will develop human resources and in the accumulation of human capital, better labor mobility inside and outside of a corporate structure and appropriate staff deployment will equally lead to productivity enhancement, corporate performance improvement and more productive human resource investment. Creating this kind of a productive cycle, made up of "productivity" and "quality of employment," is essential. Enhancing both "the quality of employment" and "the quality of workforce" is being required. We might refer this kind of situation as a win-win model for both businesses and workers.

Even at present, a business actively developing employees' ability and a business creatively devising employment management systems enjoy good corporate performance and competitive edges, when seen from the eyes of other businesses.<sup>15</sup> We can also attribute their active efforts in human resource development and improvement of employment management to their better corporate performance. Yet, we can conclude that proactive human resource development and efforts in improving employment management systems will surely contribute to productivity enhancement. In addition, those at a workplace which has achieved high labor productivity have also higher willingness to work and higher job satisfaction. An employer who has achieved improved labor productivity and higher ratio of ordinary profits to sales also enjoys a longer average year of continuous employment. And it would appear that, this contributes to realization of workers' potential and labor productivity enhancement. If this also contributes to corporate profits, it could be said that, workers will be more likely to feel job satisfaction and stay in the same job longer.

When considering the co-relationship among workers' willingness to work and job satisfaction and corporate activities and performance, first of all,

workers' willingness to work and job satisfaction are closely related to the content of a job, and also linked to treatment including wages, and working hours.

Businesses have made various efforts concerning wages and treatment systems. Indeed, at a enterprise adopting a system that respects workers' own will (by letting workers have a say), at a workplace introducing a persuasive performance appraisal system for enhancing ability development and at a workplace paying special attention to improvement in workplace communication, workers have higher willingness to work and job satisfaction. Those working for a business achieving improved business results have higher willingness to work and job satisfaction, and we can say that enhanced willingness to work and corporate performance have positively influenced each other. A business which has achieved improved business results has made active efforts in improvement of employment management systems, ability development and in-house human resource development, introducing an increasing number of systems that will facilitate work experience such as flexible working hours, and a system that helps workers to balance their work and family. Consequently, we can say that enhanced willingness to work and development of workers' potential have contributed to better business results.

In addition, a business in which female workers have autonomy and handle responsibilities and a business making efforts to realize female workers' potential have better corporate performance, according to an analytic survey. In addition, appropriate treatment, ability development and job transfer systems provided by an employer have also enhanced non-permanent employees' willingness to work and job satisfaction. It is expected that employment management systems and welfare programs will be also amended so as not to discourage workers' willingness. (For example, income limitation for benefit receivers of the spouse allowance should be abolished.)

### c. How to enhance productivity

In order to enhance productivity of Japan as a

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15 Ministry of Health, Labour and Welfare (2004a), "Basic Survey of Human Resources Development for Fiscal 2005"



whole, what is necessary is appropriate resource allocation to sections with higher productivity or higher added values as well as productivity enhancement at each workplace. Accordingly, environmental improvement (including human resource development), which allows change of business to promising sectors or sectors with higher productivity and more flexible labor mobility, is needed. In addition, a comprehensive view of promising sectors and jobs, and coordinated efforts among industrial policies, regional policies and employment policies are equally important. At the same time, it should be noted that, not all of the sectors with high employment demand are enjoying high productivity.

#### d. New challenges in human resource development

With issues concerning how to retain and develop those in charge of corporate strategies and sophisticated human resource, with issues concerning ability development, employment management, development of skilled workers who play supporting roles in manufacturing and technology transfer from retiring baby boomers to younger generations, and with rapidly developing ICT, retention of middle-ranking workers who have been supposed to constitute core strength of Japanese businesses as well as general improvement in lower ranking workers would be new challenges in human resource development for years to come.

## 2. Necessity for ensuring more diversified work styles

In the face of the falling birthrate and an aging and declining population, the trend toward service economy, shift to the era of diverse knowledge, increasing use of ICT, globalization, intensifying inter-corporate competition, and increasingly value-

added products and services, effective utilization of human resource and enhanced “ability for human resource development” are required more than ever. In addition, an increasing number of women and elderly persons are making up of the labor force, and workers’ attitudes and needs for jobs and lives have been increasingly diversified. In addition, businesses are trying to place right persons for right jobs, utilizing diverse human resources.<sup>16</sup> In this way, “working styles” are increasingly “diversified.”

“Increasingly diversified working styles” include diversification of employment status and work styles, individualization, diversification and increasing autonomy in permanent employees’ and other workers’ treatment (including individualization and diversification of wages and personnel systems such as diversified promotion in rank and treatment [specialist systems and in-house staff recruitment systems included] and more flexible working hours) as well as diversification in terms of working hours and workplaces, such as entrepreneurial experience, self-employment businesses, and home working, as well as volunteer activities, non-profit organization activities, local community participation and other social participation.

This kind of “increasingly diversified working styles” is likely to expand in years to come due to individualization and diversification of employers’ and workers’ needs for employment, while the diversity is also attributable partly to cost reduction efforts in particular since the economic stagnation in the 1990s. In addition, more recently, as one of features of the latest diversification of employment status we can point out an increasing number of non-regular employees, mainly in younger generations, due to economic downturn. (Refer to Figure 3).<sup>17</sup>

An increasing number of non-regular employees are often seen as a controversial issue concerning diverse working styles, because of an increasing

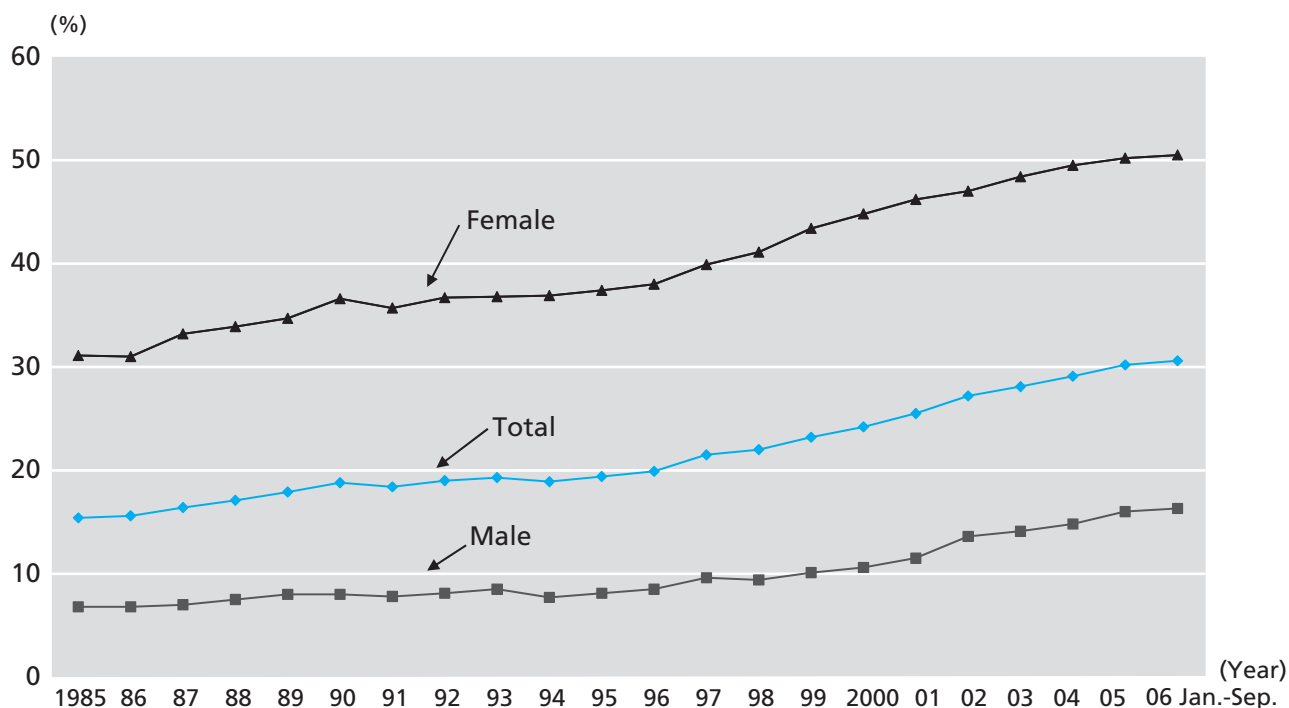
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16 Recent development concerning workers and corporate activities is summarized in Footnote 1, as well as in The Japan Institute for Labour Policy and Training (2005b), (2005f), (2006p) and Ministry of Health, Labour and Welfare’s (2003), (2004a) and (2006d).

17 Current circumstances, problems and remedies concerning the diversification are described in details in The Japan Institute for Labour Policy and Training Project Research Series, “Study on working conditions and safety nets which allow diverse working styles: final report” and The Japan Institute for Labour Policy and Training (2006 j), Ministry of Health, Labour and Welfare (2003) and (2006d).



**Figure 3-5 Changes of percentages of non-regular staff/employees in total persons in employment**



Source: Ministry of Internal Affairs and Communications Statistics Bureau "the Special Survey of the Labour Force Survey " (conducted in every February from 1985 to 2001), and "Labour Force Survey detailed Tabulation" ( Annual average from 2002 to 2006)

Note 1: Percentage in the total persons in employment including executive of company or cooperation

Note 2: Non-regular staff/employees include part-time workers, albeit's temporary workers, dispatched workers, contract workers, entrusted workers and other non-regular workers. Their employment type is according to how they are called at their workplaces.

number of those having no choice but to work as irregular staff, unaddressed disparity in treatment between regular and irregular employees, and difficulty for irregular employees to find permanent jobs, though temporary employees are sometimes treated as core workforce. At the same time, with regular employees' longer working hours and increasing diversity in attitudes toward jobs and working styles, some have pointed out problems concerning the diversification, including an increase in individual labor-management disputes.

It is important to realize a society where a variety of individuals can adopt diverse working styles (a society where diversified work styles are ensured) in accordance to their willingness and ability to work, recognizing diversity and heterogeneity in people.

### 3. Necessity of harmony between work and personal life in wage-earners' lives

#### A. Necessity of harmony between work and personal life

##### i. Current circumstances and challenges concerning harmony between work and personal life

With diversified work styles and polarization in working hours (increases in both short-time workers and prolonged-time workers), at present, long working hours have caused some negative effects, including an increase in overwork and job stress as well as reduction in hours spent in study and personal life. The negative effects also include an increasing number of recipients of workers' accident compensation

insurance benefits who have suffered from illness attributable to job experience, which may lead to death from overwork, including brain or cardiac diseases or psychiatric disorders (depression included), as well as disparities in job opportunities and treatment between regular workers and non-regular workers, difficulties in maintaining a balance between work and personal life (work life conflicts), difficulty of combining family life and career, and lack of ability development opportunities. In particular, an increasing proportion of permanent male employees in their most productive years are working more than 60 hours a week. It is feared that overworking employees may negatively affect job sustainability.<sup>18</sup>

Meanwhile, it is also feared that individual workers have only limited and fixed options concerning working styles, and workers' realization of their potential and creation of corporate added values may be, therefore, constrained. Accordingly, what is important is that each worker can comfortably choose a well-balanced work style, by combining a variety of "jobs" and "activities other than jobs" (including family life, local community, activities and study) at each stage of his or her life-career. In other words, achievement of "harmony between work and personal life" is important.<sup>19</sup>

## ii. Merits of harmony between work and personal life

Achievement of harmony between work and personal life will need additional cost burden on employers in the short run, but it will offer significant merits for both workers and businesses. The harmony will allow workers to select their own working styles with peace of mind and satisfaction, so as to allocate their working hours, living hours and ability development efforts by giving consideration to their own life stages. This will surely enhance their sustainability in their living and working and facilitate realization of their potential both physically

and mentally. On the other hand, employers will also be able to expect productivity enhancement through making the best use of workers' willingness and ability, and this will contribute to corporate vitality enhancement. This will contribute to society as a whole, by enriching family life and revitalizing local communities, leading to sustainable growth and support to the fostering of next generations. This will further contribute to dealing with the falling birthrate and the aging population, and, in the face of a declining population, to realization of a society in which all participate as well.

## 4. Necessity of establishing a new employment system

### A. Features of Japan's employment system

It has been said that features of Japan's employment system include long-term employment, a seniority system (and an company-based labor union). Advantages of the employment system are that, from a viewpoint of economy as a whole, it mitigates fluctuations in employment and stabilize economy as a whole, controlling costs of unemployment benefits paid. At the same time, it may also prevent a smooth conversion of the industrial structure.

For businesses, Japan's employment system has the advantage that they can conduct development and evaluation of their employees' vocational ability from a longer viewpoint, and the system itself contributes to employees' morale improvement, deepens their cooperative close relationship, improves efficiency through information sharing, deepens employee's sense of belonging to their employers and morale enhancement, allows flexible staff reshuffling, and controls costs concerning recruitment, employment and vocational training. On the other hand, it may also hinder flexible corporate management or change of business capable of timely responding to changing

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18 For current circumstances and negative effects concerning long working hours, refer to papers prepared by The Japan Institute for Labour Policy and Training (2005a). For workers' accident compensation insurance, refer to Ministry of Health, Labour and Welfare "Compensation for industrial accidents concerning brain disorders and cardiac diseases".

19 The Japan Institute for Labour Policy and Training Project Research Series "Study on working conditions and safety nets that allow diversified work styles" final reports also refer to current situations and challenges concerning permanent employees' working styles (working hour's management).

economic climates, and may also increase wage and salary costs with the advent of an aging society, if a seniority system remains unchanged.

The Japan's traditional employment system provides workers with employment security which stabilizes their livelihood and allows them to easily design lifelong living plans. Yet under such a system, employees' skills have often been tailored to in-house needs, which makes their job-changing and outplacement more difficult. The system also plays a role in maintaining long working hours and company-oriented lifestyles, and is often disadvantageous for women and elderly persons who are difficult to adapt to long-term employment practices. In addition, it should be also noted that a rapidly increasing irregular employees have been excluded from long-term employment practices.<sup>20</sup>

However, Japan's employment system has been established so far through long-term labor and management steady efforts, and it is believed that we should inherit many of its advantages, in particular, employment stability under a long-term employment system, human resource development from a long-term viewpoint, and smooth cooperative work through fine-tuned workplace communication.

## B. Reform directions of Japan's employment system

According to an analytic survey<sup>21</sup> on evaluation and reform of Japan's employment system, many of corporate policies concerning employment still maintain long-term employment systems, and many of workers also want the maintenance of the status quo. Yet, employers have already reviewed a seniority system and introduced performance-based wage and treatment systems.

With changing corporate governance, businesses have already enhanced collaboration between personnel strategy (human resource management) and management strategy, and at the same time have also used outside personnel. (Development of personnel resource portfolio strategy)

The greatest number of the businesses surveyed aim at introducing a combination of a long-term employment and a pay-per-performance system, and the second largest number prefer a combination of a long-term employment and a non-pay-per-performance system. Among them, businesses adopting a combination of a long-term employment and a pay-per-performance system enjoy good business results and employees' high job satisfaction. This probably indicates the importance of long term employment in system reforms to be conducted in future. In addition, we can point out the importance of in-house human resource development, which is suggested by the fact that employers putting emphasis on vocational education and training for all employees have enjoyed employees' enhanced morale. Meanwhile, there has been difference in awareness toward human resources management policies between labor and management.

In years to come, in the face of the changing socio-economy, it will be essential to establish a new system that allows diversity in workforce, including workers such as women and elderly persons who have diverse needs for employment beyond traditional employment system frameworks as well as non-regular workers who are not covered by traditional long-term employment, by making the best use of advantages of the traditional system such as long-term job security and human resource development.

## 5. Disparities and treatment

### A. Current circumstances concerning disparities

#### i. Disparities in income, consumption expenditure and assets, and people's awareness

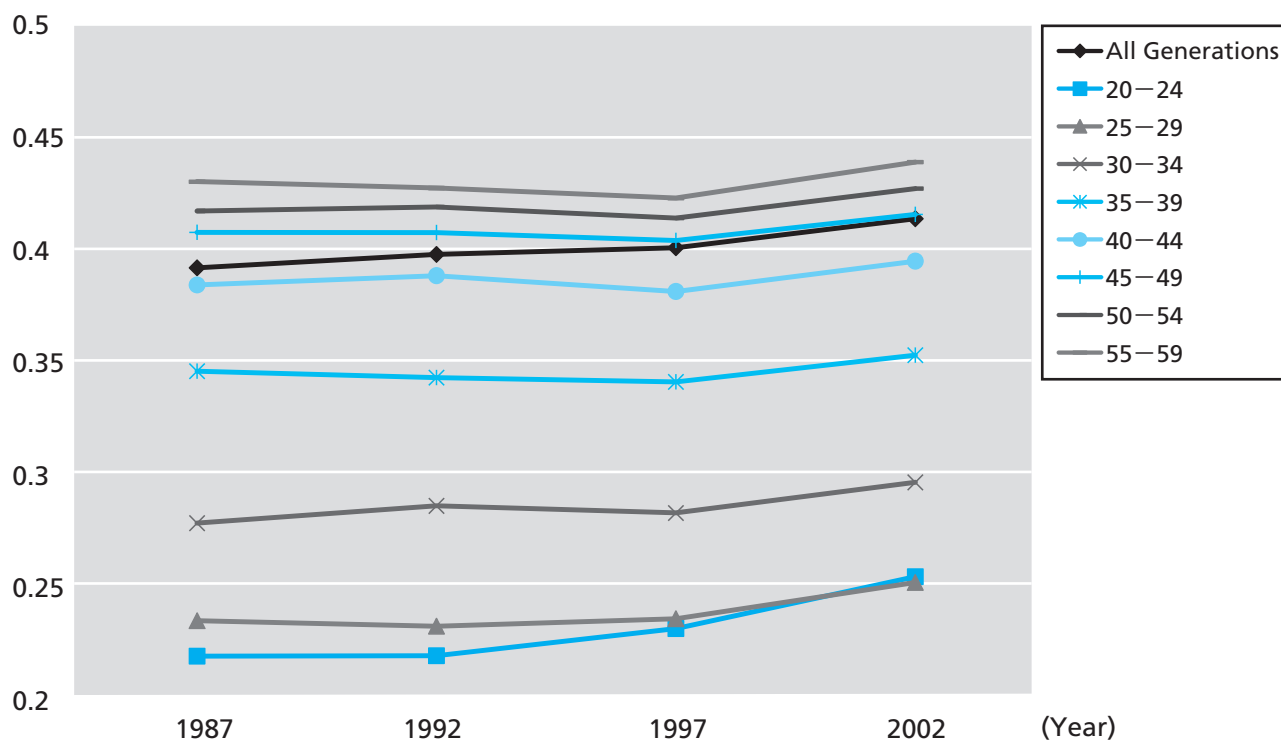
##### a. Disparities in income, consumption expenditure and assets

In the long run, income disparity among households have widened, mainly due to an aging

20 The advantages and disadvantages of Japan's employment system listed above are presented in Ministry of Health, Labour and Welfare (1999).

21 The Japan Institute for Labour Policy and Training (2005b), (2005e), (2005f), (2006g) and Ministry of Health, Labour and Welfare (2003), (2004a), (2005) and (2006d).

**Figure 3-6 Changes in Gini coefficients of labor income**



All generations, Aged 20 to 24, Aged 25 to 29, Aged 30 to 34, Aged 35 to 39, Aged 40 to 44, Aged 45 to 49, Aged 50 to 54, Aged 55 to 59  
 Source: Ministry of Internal Affairs and Communications Statistics Bureau, "Basic survey on employment structures" specially edited by Cabinet Office (Cabinet Office "Annual Report on Japanese Economy and Public Finance 2006")

society and changes in household composition, and other increasingly influential factors. However, in our immediate surroundings, there has been a slowdown in the income gap expansion. When adjusted by size of household, the data indicates a slowdown in the income gap expansion compared to the pre-adjusted figures. When focusing on attributes, we can notice that the income gap is widening in younger generations and narrowing in old generations. Among low income earners, a drop in income is being observed. Due to economic slowdowns and an aging society, the percentage of low income households is recently increasing. The number of public assistance recipient families is also on the rise.

According to the panel data of the Institute for Research on Household Economics, the boundaries between economic strata have been increasing fixed.

While the consumption expenditure disparity has been expanding, it has been widening among younger generations and narrowing among elderly people. The asset disparity is greater than the income disparity.

Real asset disparity, including disparity in terms of real estate values, have been shrinking since the collapse of bubble economy. Disparity in financial assets have been widening, especially among younger generations, probably due to succession of property. At the same time, the proportion of households that have no saving at all is increasing.

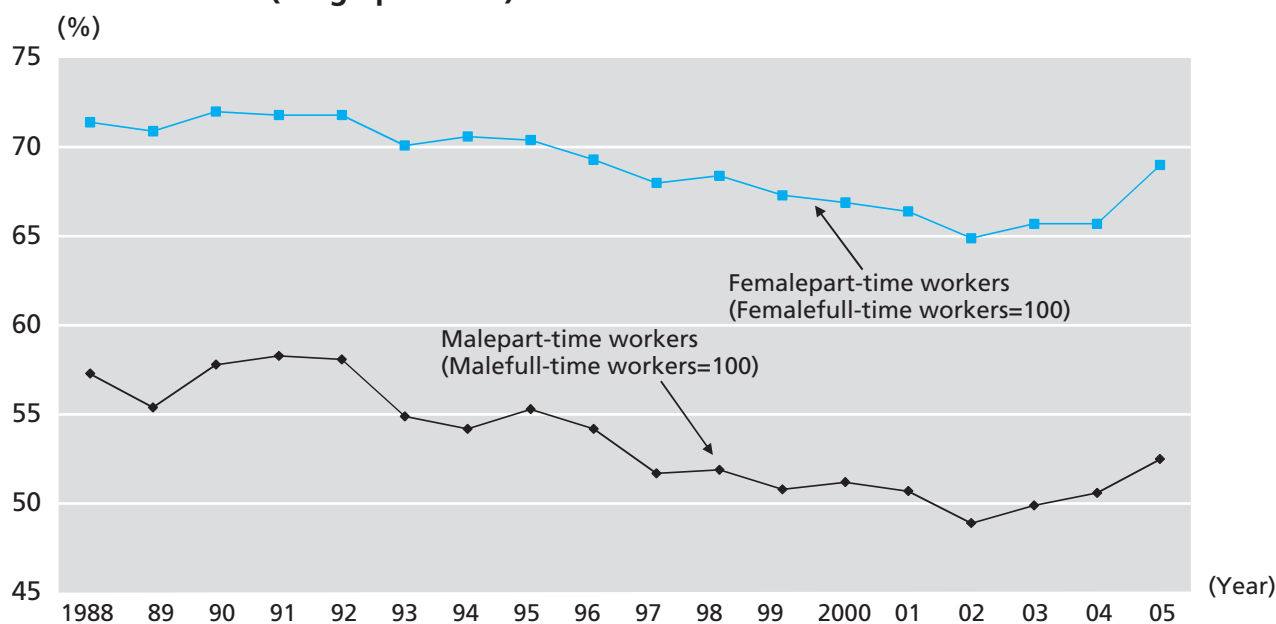
#### b. Awareness about disparities

People's awareness and dissatisfaction toward income and asset disparity are on the rise. There has been no significant change in the proportion of people who claim to belong to the middle class in terms of living standards. There have been generational differences in attitudes towards disparities.

#### ii. Wage disparity

Generally, wage disparity have been widening, especially among young people. (Refer to Figure 4). This is mainly due to two factors: an increasing

**Figure 3-7 Wage disparity between part-time workers and full-time workers (Wage per hour)**



Source: Ministry of Health, Labour and Welfare "Basic statistic survey on wages" (Prepared based on published values)

Male part-time workers (The wage of male full-time workers is assumed to be 100.)

Female part-time workers (The wage of female full-time workers is assumed to be 100.)

Note: Part-time workers refer to workers whose daily scheduled working hours are shorter than those of full-time workers, or workers whose weekly scheduled working days are shorter than full-time workers even if their daily scheduled working hours are equal to those of full-time workers.

proportion of low-income non-regular workers and widening wage disparity between regular and non-regular workers. Many of younger generations in low-wage occupations who are on the rise are living with their parents. Accordingly, at present it is believed that this will not directly lead to widening income disparity among households.

Wage disparity between regular and non-regular workers are widening.

The cause of the wage disparity is thought to be differences between attributes and job types (non-regular workers are more likely to be engaged in low-wage occupations, and indeed, the number of non-regular workers has noticeably increased in these occupations), lack of evaluation of non-regular workers in terms of their length of service, and differences in their job duties and roles. It is believed that employment adjustment has played a role as

well. It should be noted that, non-regular workers are more diverse in job status, attitudes towards jobs, and life stages, and that not all of non-regular workers who are being engaged in autonomous jobs or jobs equivalent to those of permanent employees are rewarded by balanced treatment in line with their work.<sup>22</sup>

Disparity among permanent employees are slightly widening, especially among male white-collar workers in their middle age and older generations. This is probably due to introduction of a pay-per-performance wage system.

On the other hand, regarding workers' attitude toward "the principle of allocation," the largest proportion of them is willing to support the effort-based principle, followed by the performance-based principle.

<sup>22</sup> Japan Institute of Workers' Evolution "Survey of part-time workers" (2005), and The Japan Institute for Labour Policy and Training (2006b),(2006n).

## **B. How to respond to disparities and other problems**

### **i. Attitudes toward disparities**

Realization of a society capable of offering equal opportunities for life, in which people who fail can have chances to try again, is essential from the view point of “employment strategy,” in order not to fix social disparities and in particular, not to hinder work incentives. In addition, we have to take appropriate steps so as not to cause excessive disparities. Either fixed social disparities or excessive disparities may fuel social unrest (social destabilization), a declining willingness to work and reduced socio-economic vitality. In addition, a solid layer of middle class people itself is essential to social stability.

### **ii. Policies in appropriately responding to disparities**

For appropriately responding to disparities, it is important to build a mechanism which ensures chances to try again for those who fail, prevent impoverishment of people, improve general living standards of impoverished people, and develop and ensure appropriate employment conditions.

For this purpose, provision and improvement of safety nets including social security system, ability development and employment service, ensured equal opportunities, fair treatment (balanced treatment) in accordance with an individual’s willingness to work and working styles, improvement of a mechanism which fairly evaluates performance, and implementation of income redistributing policies are important. In addition, functional reinforcement of the minimum wage system will be also considered as a part of safety net improvement. For cultivating entrepreneurship, support for entrepreneurial experience will also be needed. Development of a fair and efficient labor market in which everyone can make the best use of his or her willingness and ability is required. Achieving both efficiency and fairness is important. One can take part in society, take a risk and make better use of his or her willingness and ability only when adequate safety nets are being provided. In addition, the government, management and labor unions have to promote together social

integration of low-income earners and those difficult to land jobs, encouraging the shift from welfare to work.

In particular, the development and improvement of human resources development opportunities is important. Enhancing vocational ability is improving employability, which is in a sense, the greatest safety net for an individual. Particularly for non-regular workers and those not in labor force (including post child-rearing women seeking jobs) who have relatively fewer human resources development opportunities, those facing difficulty in finding employment including persons with disabilities, younger generations for whom acquisition of vocational ability, including basic skills, is essential, those who need occupational conversion in the face of changing industrial structures and unemployed persons as well as for regular employees, development and provision of human resources development opportunities are essential. In addition, since more and more people work at older ages, support to human resources development for elderly people is required. In addition, the implementation of a tax system generated by policy designed to facilitate individuals’ human investment may be preferable.

We still have to examine how social safety nets will function for businesses, governments, individuals, citizens’ organizations and schools. Anyway, development and improvement of safety nets sponsored by public responsibility will be needed more than ever.

In addition, for improvement of working conditions and for correction of disparities, it is important to ensure appropriate macro-economic management, demand stimulation, and mitigate anxiety about the future. It is believed that in a brisk economy, business start-ups are more frequent, and labor-related structural adjustment is easier to be achieved. In addition, it is believed that both businesses and workers will find it easier to make an active move when there is less anxiety about the future. Indeed, shrinking income disparity have been observed in many countries when their economy is booming. On the contrary, a lingering recession may prolong the unemployment period.



## C. Courses of action of support for non-regular workers and low-income earners

### i. Enhancing “quality of employment” for non-regular workers

In order to correct disparities in job opportunities and treatment between regular and non-regular workers and upgrade “quality of employment” for irregular workers, in particular, the following steps must be carried out, including those already mentioned:

- a. Developing a mechanism that allows changes of work styles both in-house and inter-firm. For this purpose, in addition to more flexible corporate employment management (including a system that gives part-time workers full-time status, short-time regular employee system, and fine-tuned working hour systems that take account of the individual worker’s family needs), enhancement of safety nets that non-regular workers can easily access, such as public human resources development and employment services, as well as development and improvement of an ability evaluation mechanism, are required.
- b. Achieving balanced treatment among different work styles, with consideration given to reasonability. For this purpose, governments, those concerned with public interest, workers, and employers need to continuously and seriously discuss what is supposed to be “balanced treatment,” and we have to consider possible development of vocational ability evaluation and establishment of principles for balanced treatment, including relevant legislation.
- c. Ensuring career development of non-regular workers through efforts of society as a whole, including businesses. In particular, vocational ability is the most reliable safety net for an individual, and is particularly important for non-regular workers who have fewer in-house human resources development opportunities. In addition, in terms of job satisfaction and persuasiveness, society as a whole need to make efforts to find solutions so that non-regular workers, especially those in younger generations, can set a course toward their career development, without reaching

a psychological deadlock.

- d. Reviewing how to establish treatment for non-regular workers, and making them more reasonable and persuasive. Workers’ job satisfaction and confidence in jobs partly depend on how each worker has been treated as a member of a corporate society, or as “a colleague at a workplace.” Accordingly, it will be unavoidable to review the existing system for establishing working conditions so that the system will well represent the interests of various workers that constitute a workforce.

### ii. Upgrading of social security policies

In addition to helping public assistance recipients to become financially independent (employment promotion), it is important to assist persons with disabilities and fatherless families (employment promotion) to become financially independent, so as to encourage the shift from welfare to work, and to upgrade social security-based safety nets, for example by expanding the coverage of employees’ pension plans.

### iii. Support for low-income earners and review of income redistribution functions

With the falling birthrate and the aging population coupled with a declining population, the number of low-income earners has been on the rise, and there is growing concerns about disparities between social segments and those in educational opportunities. Accordingly, it is necessary to achieve a society in which even low-income families can live and raise children in decent conditions, to prevent excessive disparities, prevent the expansion and preservation of disparities based on family backgrounds, and ensure equal opportunities. From these viewpoints, what is important are:

- a. Providing inexpensive high-quality housing for rent, and upgrading and increasing housing policies including expansion of tax breaks for housing.
- b. Upgrading and increasing policies concerning the child support allowance system and other social welfare services.
- c. Upgrading and increasing education policies,

including improvement of scholarship programs, upgrading of public education (in terms of quality as well), and support for preschool-aged children.

- d. Reviewing the income redistribution function of the taxation (including progressive tax rates and inheritance taxes which are relevant to distribution of wealth to future generations) and of social security systems.

These policies will make up parts of “employment strategy”.

#### **4. Employability enhancement and “right to career”**

##### **A. Factors behind the need for employability enhancement**

Japan’s labor force has been on the decline, and empowering and revitalizing human resources is the key to retention and enhancement of the country’s economic vitality. Before anything else, it is hoped that everyone is willing to enhance his or her vocational ability and establish an environment in which every worker can work with enthusiasm.

In this chapter, the ability necessary to take part in society and support society itself is referred to as “employability.” We assume that “employability” includes vocational skills actually required to land a job, and also the ability to enable and facilitate the landing of jobs in future. Accordingly, education also plays a major role in employability enhancement.

Employability enhancement is a great challenge for social economy as a whole. As factors behind this, this chapter points out a declining population and the following two moves. First, with globalization, economic competition especially among Asian nations has been intensifying. As a result, fluctuations in business environment surrounding businesses become larger and faster. Accordingly, in order to maintain international competitiveness, it is useful that each employee uses his or her ingenuity to bring innovation.

Secondly, the world is showing more signs of the

advent of the knowledge-based society. Compared with the age when mass production generated much of added values, ingenuity, knowledge and sensitivity are of greater importance and will serve as sources of wealth in the knowledge-based society. In other words, the relative tendency is that people will generate wealth and services and enhance added values, rather than people will be required in accordance with wealth or services.

##### **B. Present circumstances concerning employability**

###### **i. Poor academic performance and lack of willingness to learn**

“Academic performance” plays an important role as a foundation which allows an individual to bring competitive advantages to businesses, and international competitiveness to the country as a whole, and as a foundation that enhances added values in the age of knowledge-based society. For example, reading comprehension, the ability to understand, use and digest a written text, enables us to effectively deepen our knowledge. However, according to the international education survey conducted by OECD<sup>23</sup>, while in terms of academic performance, Japanese students (though relatively highly ranking from international standards) scored lower, especially in reading comprehension, than those who took the test in the past, and remained near the OECD average level. In addition, Japan ranked sixth in mathematical skills, down from first in the previous survey.

In addition, we cannot conclude that grown-ups in general are highly motivated to learn. A survey on full-time employees’ efforts to learn during the latest month shows that only 16.9% of the surveyed claimed they have made efforts.<sup>24</sup> Moreover, two out of three who made somewhat efforts spent only less than 30 hours a month for learning. We believe that the necessity of re-learning is high in order to properly carry out one’s responsibility required by society, in the face of rapidly changing and

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23 The OECD Program for International Student Assessment (OECD PISA) in 2003, which covered first-year high school students from 41 countries and regions.

24 Recruit Works Institute “Survey on working persons” (2004)

increasingly complicated economy and society. In addition, it is believed that the longer one works, the more opportunities one will have to re-learn. However, according to the results of the survey, the percentage of those making efforts to learn is low, and the percentage itself peaks at the age of 30 to 34, and plunges for those aged 50 or older. Many have already pointed out the lack of academic performance and of vocational ability among young people. In addition, the statistics above alarm us that middle-aged and older persons also lack employability, as represented by lack of willingness to learn.

## ii. What inhibits self-motivated learning? Lack of free time is the sole significant factor?

An individual will voluntarily learn when he or she has decided to explore a career path as well as when he or she has decided to acquire knowledge or skills necessary for his or her job. However, in reality, only less than half of those surveyed have experienced self-motivated learning, and in general, those in older generations are less likely to learn voluntarily. According to findings from the survey, the largest percentage of people cited lack of free time as a major challenge in self-motivated learning. Many also pointed out too much expenses and lack of in-house evaluation of learning outcomes as problems<sup>25</sup>.

## iii. Poor investment in vocational training

In the light of international standards, investment in vocational training in Japan has been poor. In relation to GDP, Japan's education and training investment lags far behind Germany, and remains low as in the United States.

Then, how businesses respond to vocational training investment? In Japan, traditionally, businesses have played major roles in human resources development, mainly through on-the-job training. This is because, educational policies have

placed less focus on vocational education than on general education, and because in-house staff training has been stressed since the first oil crisis in 1973 which caused relative emphasis on in-house employment maintenance. However, from a chronological perspective, the percentage of corporate-sponsored vocational training implemented (planned on-the-job training and off-the-job training included) has been on the decline in the long run, probably because businesses are more willing to hire work-ready skilled persons.

## iv. Poor vocational training investment for non-regular workers

There are disparities in vocational training experience between regular and non-regular workers. While off-the-job training and systematic on-the-job training carried out for permanent employees during fiscal 2004 were 60.1% and 48.9% ,respectively, off-the-job training and systematic on-the-job training carried out for non-regular employees during the same period were only 17.4% and 18.3%. (Refer to Figure 5.)

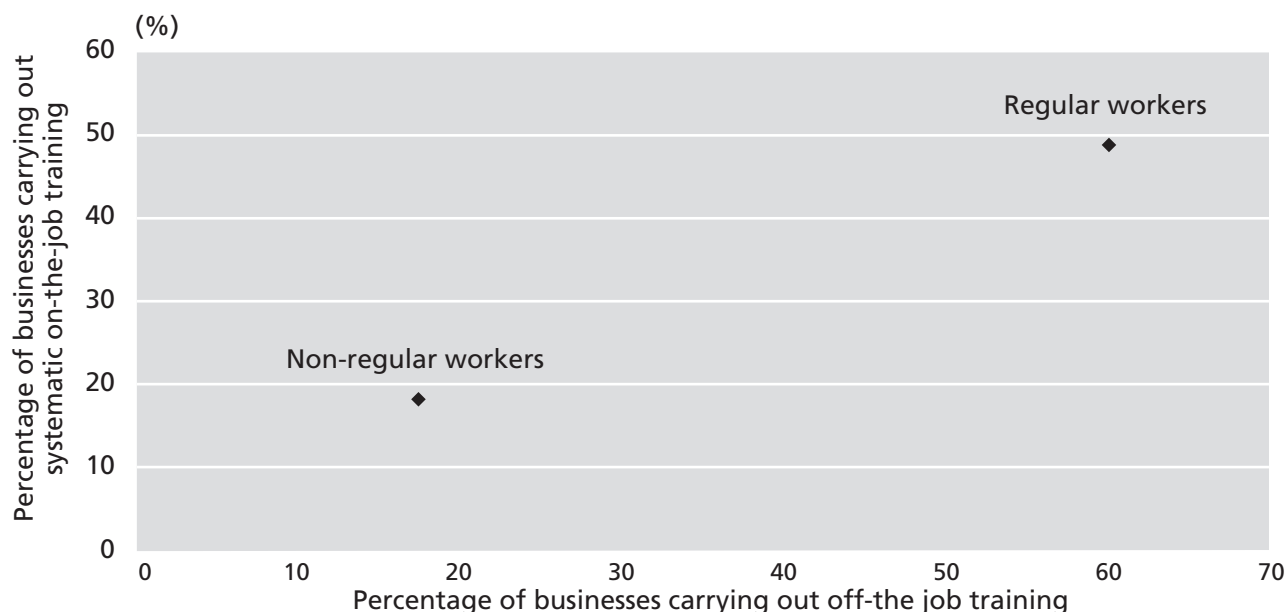
In addition, regular employees have longer hours for ability development and actually spend longer hours for ability development, compared to non-regular employees.<sup>26</sup> The percentage of one's income allocated to one's own training and education is higher for non-regular workers than regular workers, but the amount of money spent for the purpose is greater for regular workers. In addition, non-regular workers more frequently depend on employers' associations which offer inexpensive training services and public educational facilities, and not rely on private-sector education and training institutions, compared to regular employees.

In some sectors, how far non-regular workers' potential is realized is the key to corporate competitiveness. However, in general, non-regular workers are seldom subject to employability

25 According to Ministry of Health, Labour and Welfare "Basic survey on ability development for fiscal 2005." The percentage of those making some self-development efforts (activities to voluntarily develop and enhance his or her own vocational ability) during the last one year: 46.2% for "permanent employees," and 17.0% for "part-time workers, albeit's temporary workers, commissioned workers and contract workers."

26 The description in this chapter is based on findings by The Japan Institute for Labour Policy and Training (2006d) and (2006e).

**Figure 3-8 Off-the-job training and systematic on-the-job training carried out by employment status type**



Source: Ministry of Health, Labour and Welfare, "Basic survey on ability development for fiscal 2005"

enhancement. Accordingly, non-regular workers may often fail to accumulate vocational skills and may find harder to explore career options.

### C. Who should take initiative in enhancing employability?

#### i. Employability enhancement in which an individual takes initiative

Who will then take initiative in enhancing employability? While not much emphasis has been put on vocational education, businesses have played major roles in human resource investment for a long time. However, with the growing importance of external labor markets, human capital investment by businesses has been on decline, and conventional corporate-driven vocational education and training have been gradually transformed.

With drastically changing economic circumstances and increasing labor mobility, in order to upgrade employment safety nets, it could be said that an individual is required to enhance his or her skills and employability, instead of depending solely on employers to provide vocational education opportunities. An individual's independent-minded capacity building will lead to creation of added

values, by actively getting engaged in jobs as well as by doing jobs as instructed, and will generate originality, ingenuity and new challenges.

Then, can we conclude that it is enough to leave employability enhancement efforts solely to individuals? To conclude, we can say that though an individual should take initiative, businesses and governments should be given important roles as well (mutual assistance by businesses and assistance by public bodies.)

#### ii. Employability enhancement also beneficial for businesses

Businesses will continuously offer opportunities for many individuals to cultivate their vocational ability through job experiences. Vocational ability is often refined through interaction with one's customers, supervisors, co-workers, and subordinates, and accordingly, it is difficult to realize vocational ability enhancement, without taking into account one's workplace or a company for which one works. For years to come, businesses will continuously play a central role in taking actions for vocational education and training. In addition, even if an individual tries to voluntarily enhance his or her

vocational skills, he or she will face a number of difficulties where a uniform labor system with clear subordinate relation prevails. Voluntary capacity building is possible only when an employer provides an environment and a system which accept individual workers' self-motivated ability enhancement.

In this way, we can say that, from an individual's standpoint, corporate-sponsored education and training and employers' support to individuals' capacity building efforts are meaningful. Then, from a company's standpoint, are there enough incentives for employers to provide vocational training? In order to encourage the implementation of costly education and training, it is meaningful to prove that these experiences will surely upgrade corporate performance. However, usually it takes a lot of time for the effect of education and training to become visible enough, and accordingly, it is difficult to verify the effect based on outputs. In addition, the effect of vocational education and training alone is difficult to be identified, and an observed increase in productivity may not be the result of the training. This is because a workplace originally high in productivity may tend to actively provide education and training opportunities.

Instead of the constraint, however, various approaches have been so far taken to identify the effect of corporate vocational education and training. According to what research findings indicate, we can imagine that, in general, the more an employer spends for human investment, the higher its productivity will be.

### **iii. Shift to policies placing more stress on non-regular workers**

Government efforts are required for employability enhancement, from the viewpoint of assistance by public bodies, in order to ensure fairness and efficiency in resource allocation. For ensuring fairness, employability enhancement should provide minimum qualifications to "economically disadvantaged persons" including the long-term unemployed, welfare recipients, low-income earners and physically-disabled. On the other hand, from the viewpoint of ensuring efficiency, government-

sponsored employability enhancement will keep asymmetry of information, imperfection of capital markets and the existence of externalities from negatively affecting the efficiency in the market resource allocation. In addition, workers' skills can be roughly classified into two categories: company-specific skills which are unique to an individual company's workplace, and general skills that will be assets in any workplace. It proves difficult to clearly distinguish an individual worker's company-specific skills and general skills. Accordingly, it is all the more difficult to decide which of the two, an employer or a worker, should pay for vocational education and training, which makes them reluctant to pay for vocational education investment. As a result, investment in human capital is often left under-financed. This is why we believe that governments should be responsible for vocational education and training.

In Japan, non-regular workers (maybe not all of them) have been left educationally disadvantaged in terms of employability enhancement.

However, for non-regular workers, vocational education and training opportunities are slim, compared to those for regular workers. Moreover, it seems that once in non-regular work, it is increasingly difficult to get back to regular employment. Accordingly, a non-regular employee finds it harder to expect his or her skill enhancement, compared to regular employees, even if he or she makes efforts to enhance vocational ability through job experience. In these circumstances, we can say that it is useful that assistance by public bodies will take initiative in employability enhancement. The labor market as a whole appears to be made up of a number of different labor markets including a labor market for regular employees, the one for non-regular employees and the one for others in a mosaic-like manner. Until recently, vocational ability enhancement has placed emphasis mainly on regular employees. However, today we are required to allow everyone to shine in his or her job experience role, we can say that the shift of vocational ability enhancement toward more emphasis on non-regular workers is quite noteworthy.



## **D. Directions in human capital infrastructure improvement**

With an increasing necessity to respond to changes to survive intensifying global competition, people's wisdom will create highly-appreciated added values. Then, precisely, what is being required from human capacity enhancement? This chapter focuses on the two challenges: how to enhance "capacity to learn" of everyone including middle-aged and older persons, and how to increase human resource investment mainly for those who have attracted relatively less attention such as non-regular workers.

### **i. Efforts in elementary and secondary education : Fostering "capacity to learn"**

It would appear that one's attitudes toward learning in elementary and secondary education will profoundly affect one's willingness to learn after he or she starts working as a member of society.

We can say that allowing children to enjoy learning and fostering their desire to learn are the essence in fostering "capacity to learn" during elementary and secondary education. Experience-based education and problem-solving learning will enhance children's motivation to learn by themselves and help them find joy in learning, making them more likely to feel fulfilled.

In addition, group learning as well as fine-tuned guidance for each student is of great significance. Interaction with other children promotes learning of communication skills and ability to care about other people. Then, by "encountering" different values and reviewing one's own way of thinking, one will improve judgment.

It is hoped that in years to come that enhancement of elementary and secondary education will increase students' "capacity to learn" and further upgrade their academic performance.

### **ii. Efforts in companies: Employability enhancement for everyone and support for an individual's self-motivated skill development**

We can say that company-based human

investment is in adverse conditions. After the so-called "ten lost years," Japanese businesses still cannot afford to invest in human resources and more willing to hire work-ready skilled persons. In addition, existing corporate governance with more emphasis on shareholders could also hinder spending on employees' skill development. However, continuous efforts for developing human resources in the mid-term to long run is the key to upgrading its business results, even when it takes a little while for human resource investment to produce tangible results.

For this purpose, a company has to play two important roles: a company itself should get involved in employees' vocational education and training, and a company should develop an environment which encourages each employee to voluntarily learn.

### **iii. Public human resources development: Infrastructure improvement conducted keeping in mind people from all across the social spectrum**

The role of public human resources development includes enhancing vocational education, which has so far paid little attention to non-regular workers and those other than regular-employees, in terms of both quality and quantity, to develop and improve vocational training opportunities for everyone. In order to achieve this, one has to review and modify the resource allocation policy. Originally Japanese government spending on vocational education investment has been quite limited by international standards, and accordingly, there is still room to consider how to upgrade related government expenditures.

## **E. Focus to "right to career"**

### **i. Employability enhancement and a career**

For an individual willing to re-learn for adapting to changing socio-economic climates, what is important are a corporate workplace which presents an environment encouraging and facilitating workers' re-learning and governmental efforts to develop and improve the basis for vocational education and training. If one cannot continue his or her learning well into middle age and beyond, in this



rapidly changing environment, one will find it difficult to feel one's own personal growth or to seek self-fulfillment because an individual will be unable to smoothly accumulate job experience or work record.

Situations are even more difficult for non-regular workers and those not in labor force. Those working for a long term as part-time workers or other non-regular staff find it difficult to build enough vocational capacity, and they may find it impossible to land jobs which correspond with their own values and allow them to capitalize on their strengths, and as a result, they may end up in positions disadvantaged in terms of wages and other working conditions.

How to allow an individual to voluntarily enhance and demonstrate his or her abilities is the key to either of the challenges. The responsibility of learning for employability enhancement now depends more on an individual. However, it is difficult for an individual to enhance his or her abilities by himself or herself. Discussing legal collateral in the medium to long run is essential to employment enhancement, and the concept of "right to career" including the above mentioned issues is now being proposed from the legal viewpoint.<sup>27</sup> Before discussing right to career, we would like to consider what "a career" is.

This chapter refers to "a career" as "a series of job experiences at a workplace operated based on one's entire life and a process in which the significance of these experiences is being recognized deep within oneself." If one can cultivate his or her "capacity to learn" to adapt to changes and develop his or her own abilities, one will be more likely to feel his or her own personal growth and confidence and more likely to achieve personal fulfillment when he or she looks back on own job experiences. Since it is more difficult for non-regular workers and for those not in labor force to enhance their skills, they are more likely to end up unable to shape their own careers. Accordingly, if more vocational skill development opportunities are developed for them and vocational development leads to better treatment, they will be more likely to build their careers, and consequently,

society as a whole will have more human resources.

Originally, the above mentioned two concepts, "employability" and "a career," are being interrelated. "Employability" is, in a sense, a result of a series of careers. In addition, it can be said that a career is a process in which employability is being enhanced through a series of job experiences.

### a. Overview of "right to career"

#### <Definition of "right to career">

"Right to career," in principle, can be categorized into two: the one in a broad sense and the one in a narrow sense. The former is designed to conceptualize a life-long pursuit of careers as a legal right, based on Article 13 of the constitution of Japan which respects individuals' initiative and the rights to the pursuit of happiness. On the contrary, the latter focuses on a life-long pursuit of careers, especially concerned with occupations, and tries to legally conceptualize them. This is a concept of rights integrated from the viewpoint of occupational careers, including the rights to the pursuit of happiness, the right to live, the right to work, free choice of employment, and the right to education, provided by Articles 13, 25, 27, 22 and 26 of the constitution of Japan. The section below refers to the latter as "right to career," which is, we can say, in other words, "the right which underpins and comprehends the reality of a series of one's job experiences, (including the preparation for a career as well as the start, development and termination of a career) so as to facilitate their progress as a whole.

Right to career, which will legally identify occupational careers, is a new concept for facilitating independent-minded career development, giving attention to environmental changes surrounding workers. Yet, we have to distinguish "right to career" as the principle and that as the baseline, when considering its nature and effects. In addition, the concept of right to career is a mere program rule in the foreseeable future, and this requires that the national government should, through political measures, pay attention to every worker's

<sup>27</sup> "Right to career" has been proposed by Professor Suwa of Hosei University. The description below is largely based on Suwa (1999), (2003), and (2004) and (2005a).

occupational careers, but it will not immediately generate a right to claim specific measures between private individuals.

### **b. Issues concerning right to career**

#### **<Efforts in the front line as a key component concerning right to career>**

Since the decision making role concerning career development is transferred from an organization to an individual, it is hoped that, in order to standardize the concept in details, further clarification, elaboration and discussion of the concept of “right to career” will take place, as the concept to support new development of human resources development policies and employment policies and as the concept for resolving issues concerning individual workers and their career development. Establishment of “right to career,” which highly respects both an individual’s initiative and free will, allows an individual worker to comfortably cultivate his or her abilities to enhance his or her employability.

In the future, legal interpretation and jurisdiction as well as labor policies and legislation will be required to pay attention to the concept in order to facilitate career shaping and development.

#### **<How to foster right to career>**

Autonomous control both by workers and employers, which shapes the essence of right to career, has not been developed enough. As above mentioned, investment in human resources remains weak, and there have been special concerns about the accumulation of employability of non-regular workers and unemployed youths. Though they are actually able to develop their vocational abilities through job experiences day by day, they will often find it difficult to land a job in regular employment or just to land any job once they lost their jobs.

Recommendable courses of action with consideration given to the above include multilevel support from businesses and society for individuals willing to build careers and cultivate abilities. Smooth career development and employability enhancement can lead to enhanced corporate performance and eventually can lead to more active socio-economy. When thought is given to its considerable influence

over individuals, businesses, communities and the country, the multilevel support is meaningful enough. With the generous assistance, an individual can comfortably devote himself or herself to career designing or career re-designing and employability enhancement even in rapidly changing environments. This will surely enhance safety nets for individuals.

Shaping and fostering the essence of right to career, through support from businesses and the national government for an individual willing to learn, and through focus on support in career and vocational development for non-regular workers and those not in labor force, are expected to allow everyone to realize his or her potential, and will vitalize our society all the more.

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## Concerning the Final Report

The Japan Institute for Labour Policy and Training (JILPT) conducted “Study on Employment Strategy in Japan” as a part of the project study.

We investigated and analyzed employment strategy of OECD and EU, which set precedents, and held a series of meetings with Employment Strategy Study Group by inviting external researchers, to examine and focus on employment strategy in Japan, when carrying out the study. We completed the report, based on findings from the examination and analysis, adding analysis achievements and external researchers’ discussion on employment strategy.

The section below gives the composition and outline of the final report. The report is made up of three parts. This manual summarized Part I of the report.

### Summary of Part 2 and Part 3 of the Report

Part 2 “Analysis data on employment strategy,” we review various analyses and existing study findings in order to connect our discussion and strategic objectives examined in Part 1 with realistic policy discussions.

Chapter 1 “Relation among Quality of Employment, Workers Willingness and Ability, and Productivity (Verification examples),” we point out effectiveness of improved quality of employment, citing research findings showing that an employer with better corporate performance or higher productivity is active in improving employment management and investing in human resource and enjoying workers’ higher willingness and job satisfaction.

Chapter 2 “Discussion on the Work-Life Balance: Focus on Reality and Ideal concerning Working Hours” points out that those who feel overworked as well as those actually work for long hours suffer from work life conflict, and that permanent employees are more likely to feel overworked than non-regular workers, indicating the need for reviewing permanent employees’ way of working.

Chapter 3 “Equal Treatment of Permanent Employees and Non-Permanent Employees” analyzes factors behind wage disparities between full-time workers and part-time workers, citing the wage growth rate per age-year for the former far exceeding that of the latter as a main factor, and indicating that wages of the former and the latter are being decided based on different principles. This will serve as a reference for discussion on treatment of permanent employees and part-time workers.

Chapter 4 “Concept of Policy Evaluation and Current Situations in Developed Societies” points out the need of comparison with counterfactual assumptions in policy evaluation (comparison between situations assumed not to be subject to a policy and the reality [those subject to the policy]), indicates that easy-going performance evaluation may negatively affect on-site morale and productivity, and notes that developing a system for collecting and disclosing data is an issue of urgency. We can say that developing and improving data and carefully and sustainably conducting evaluation studies are essential.

Part 3 “Implication concerning Employment Strategy: Discussion from Individual Viewpoints” deepens discussions on individual issues incorporated in the study on employment strategy, by integrating findings by external researchers taking part in Employment Strategy Study Group concerning response to a population decline, international trends, the work-life balance, and policy resource allocation.

Chapter 1 “Employment Strategy in the Face of a Population Decline” points out the need of both “compliance strategy” (i.e. creating a society adaptable to changing population structures) and “control strategy” (i.e., trying to stop a further decline in the birthrate) for addressing a population decline coupled with a decreasing birthrate and an aging society, and that employment is the key to the both strategies. The “compliance strategy” will encourage elder persons and women to take part in the labor market, local communities to create job opportunities and employers to hire elderly people. The “control strategy” will emphasize the review of ways of working.

Chapter 2 “Employment Strategy in Developed Nations: Shift of Employment Strategy Focus from

Unemployment Relief to the Employment Rate Improvement” points out that employment strategy in OECD and EU nations mainly pays attention to the Employment Rate Improvement (full employment), employability enhancement (improvement of education and vocational training) and participation of women and elderly people in the labor market. For example, in France, employment policies are turned into political issues and remaining inconsistent, yet making a contribution to employability enhancement and improvement in the work-life balance.

Chapter 3 “Local Employment Strategy for Improving Work-Life Balance” points out the need of achieving the good work-life balance, for correcting existing problems in the labor market (such as widening disparities in income, polarization of working hours and widening regional disparities) and for responding to a long-term issue concerning a shrinking population of labor power due to a population decline. This section discusses the roles of the national government, municipalities, employer’s associations, workers’ organizations, businesses and individual persons needed to achieve the work life balance by promoting regional employment strategy.

Chapter 4 “Employment Strategy, Self-help, Mutual Assistance, and Assistance by Public Sectors” indicates that construction of a new model is needed for collaboration among the planner, the practitioner and other parties concerned of employment strategy. The chapter points out the need of continuously seeking good collaboration, specialization and cooperation among self-help (an individual), mutual assistance (a corporate organization), and assistance by public sectors (the national government), with consideration given to changing environmental conditions and the degree of maturation of each party concerned.

The final chapter

“Conclusion” summarizes the report, suggesting the ways a policy initiative, resource allocation and political management should be practiced, and also refers to items to be considered when employment strategy in Japan becomes more concrete.

In addition, in the introductory chapter at the beginning (i.e. this chapter), we briefly introduce research findings achieved up to now in our research project. In an appendix at the end, we present revised employment strategies in OECD and EU and introduce the outline of both domestic and international symposiums.

As indicated by an increase of what is called non-regular workers, recently diversification in forms of employment is rapidly advancing in Japan, and various problems have been cast in terms of working environment and working conditions. Accordingly, the Japan Institute for Labour Policy and Training (JILPT) has launched, as a part of project studies to be carried out during the first mid-term plan, a research named “Study on Working Environment Enabling Various Ways of Working and Safety Network” (hereinafter referred to as “Diversification Project Research,”) and has been conducting research and study for understanding the actual status of various forms of employment, extracting policy challenges, and presenting desirable directions of policies. This study emphasizes not only non-regular employment, including part-time workers and dispatched workers who have already attracted much attention, but also individual business contracts for work and those working at nonprofit organizations, focusing on increasingly flexible working hours and second jobs of regular employees. In this way, the study covers areas beyond the scope of conventional employment. In addition, as a basis for examining policies on various ways of working beyond the scope of conventional employment, we have studied the concept of “workers” which is supposed to identify the target of labor acts, mainly by comparing it to that of other countries.

This paper introduces current situations and challenges in diversification of forms of employment (= ways of working) in Japan.

## 1. Diversified Ways of Working and Its Background

### A. Overview of the diversification in the employment and work styles in recent year

#### a. Transition of work force composition of various forms of employment style— Increasing share of non-regular employees

Let’s look at the transition of forms of

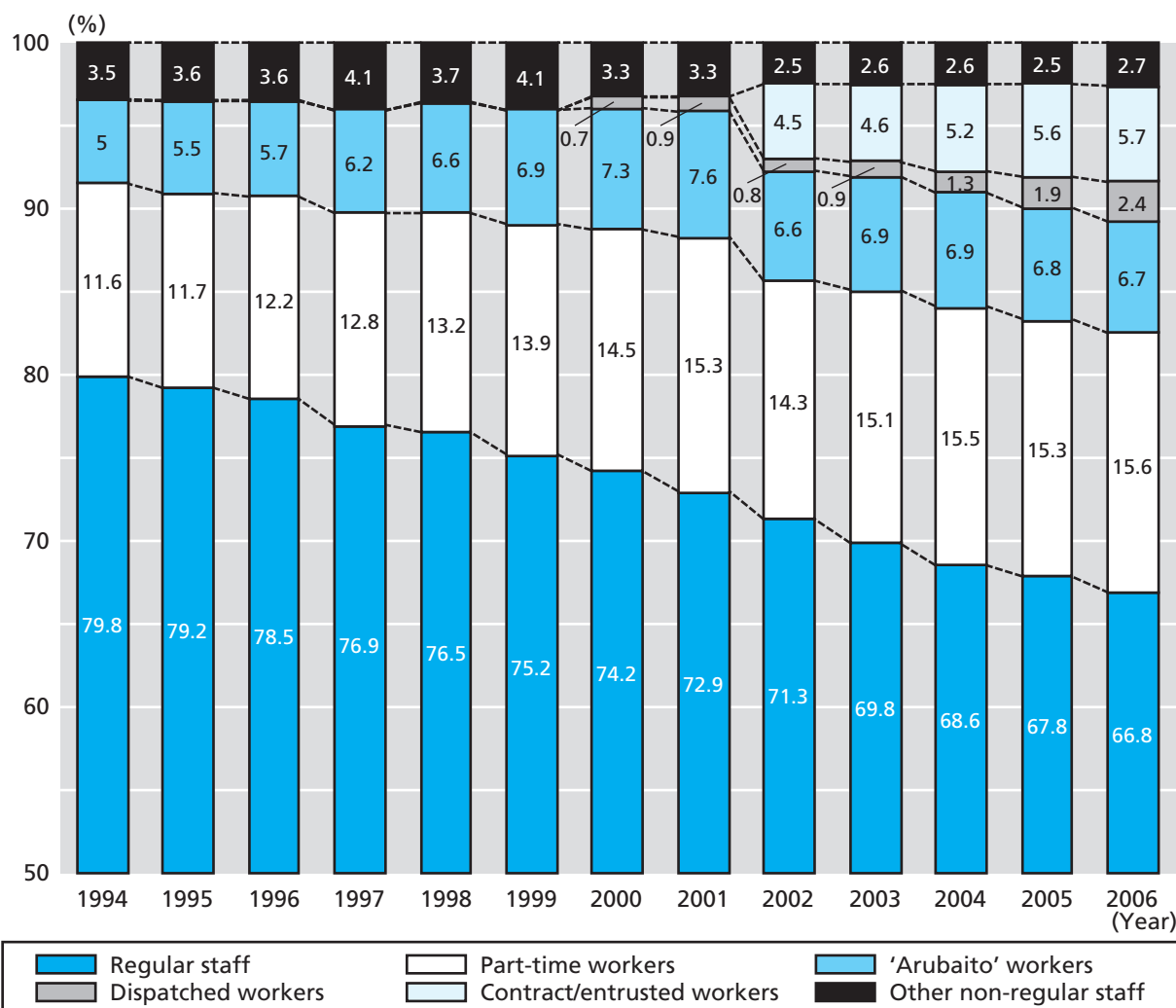
employment among employees indicated by “the Labour Force Survey,” a basic governmental statistic data prepared by Statistic Bureau of Ministry of Internal Affairs and Communications (until the year 2001 “Report on the Special Survey of the Labour Force Survey,” and since the year 2002 “Labour Force Survey Detailed Tabulation”) (see Figure 4-1). The proportion of regular employees, except officers, to the total employees, was 79.8% or nearly eight out of ten in February, 1994. This proportion has been declining year by year since then, to 69.8% or less than seven out of ten in 2003 (January to March) and to 66.8% or almost two-thirds in 2006 (January to March). In the last 12 years, the proportion of regular employees dropped by 13.0 percentage points, or approximately 1.1% percentage points a year on average. There were relatively sharp yearly drops in 1997 (a drop by 1.6 percentage points compared to the previous year), 2002 (a drop by 1.6%) and 2003 (a drop by 1.5%). The year 1997 is a period when deterioration in economic conditions began to seriously affect employment. On the other hand, from 2002 and 2003, signs of economic recovery appeared after a prolonged slump in Japan’s economy.

A decrease in the proportion of regular workers means an increase in the proportion of non-regular workers. Focusing on changes in non-regular employees in each working style category during the same period (1994 to 2006), first, we find an increase in the proportion of part-time workers from 11.6% in 1994 to 15.6% in 2006, an increase by 4.0 percentage points (or yearly increase by approximately 0.3 percentage points on average). While the period from 1996 to 1998 experienced an increase of around 0.5% a year, the period from 1999 to 2003 saw more significant increase of approximately 0.7 to 0.8 percentage points per year. Since 2004, though the proportion of part-time workers has been still on an upward trend, the rise in 2005 was smaller than the previous year. The period since the year 2004 saw a much smaller increase of approximately 0.2% a year.<sup>1</sup>

The proportion of ‘*arubaito*’ (temporary workers)



**Figure 4-1 Labor Force Composition of Various Forms of Employment, Except Officers (Non-agriculture, Forestry and Fishery)**



Source: Until the year 2001 "Report on the Special Survey of Labour Force Survey" which was conducted in February and since 2002 "Labour Force Survey Detailed Tabulation" which was conducted during period from January to March.

Notes: 1) The proportion of dispatched workers has been surveyed since 2000, and the proportion of contracted employees and entrusted employees has been surveyed since 2002. Accordingly, it is believed that a large number of workers previously registered as "part time workers" or "arubaito (temporary workers)" have been recorded as "contracted employees and entrusted workers" since 2002.

2) Please note that the axis of the graph starts at 50%.

increased from 5.0% in 1994 to 6.7% in 2006 by 1.7 percentage points, a modest increase of approximately 0.1% per year. The proportion of *arubaito* peaked at 7.6% in 2001, followed by

relatively modest levels of around 6.5% to just below 7.0%.<sup>2</sup>

The proportion of dispatched workers, which has been surveyed since 2000, more than tripled from

1 As indicated by Note 1 of Figure 4-1, what is covered as part-time workers in 2001 may be different from that in 2002. Accordingly, this paper disregards a 1.0% drop in 2002 from the previous year.

2 Many of 'arubaito' are students working as a temporary worker, and the total numbers of 'arubaito' may have been influenced by the number of students. There is no denying the possibility that the proportion of 'arubaito' peaked in 2001 because they started calculating the proportion of "contract workers and entrusted workers" in 2002. (i.e. the figures of 'arubaito' recorded in 2001 and before may have included workers that would be later categorized as "contract workers and entrusted workers.")



0.7% in 2000 to 2.4% in 2006, while its absolute values are small, after seesawing in a narrow range around just below 1% from 2001 to 2003 and indicating a remarkable increase since 2004.

The proportion of contract employees and entrusted employees, which has been surveyed since 2002, steadily increased from 4.5% in 2002 to 5.7% in 2006.

#### **b. Transition of workers who are moving beyond corporate frameworks—dispatched workers and contracted workers in places of business**

Next, let's take a look at data on employees working and moving beyond traditional corporate frameworks. A basic governmental statistic data prepared by Statistic Bureau of Ministry of Internal Affairs and Communications regarding places of business and enterprises, "Establishment and Enterprise Census" indicates changes in dispatched workers and subcontracted workers at four time points (in 1996, 1999, 2001 and 2004).<sup>3</sup> In privately-run places of business, the proportion of dispatched workers and subcontracted workers (Non-agricultural forestry workers) sent from separately managed businesses account for 3.3% and 4.4% of the total number of employees in 1996 and 1999, respectively. This proportion was slightly reduced to 3.9% in 2001, yet increased in 2004 to 4.7%. In this way, this proportion is continuing a mild upswing. It can be said that, on average, nearly just below 5% of employees working at each place of business are not directly employed by the place of business (see Figure 4-2).

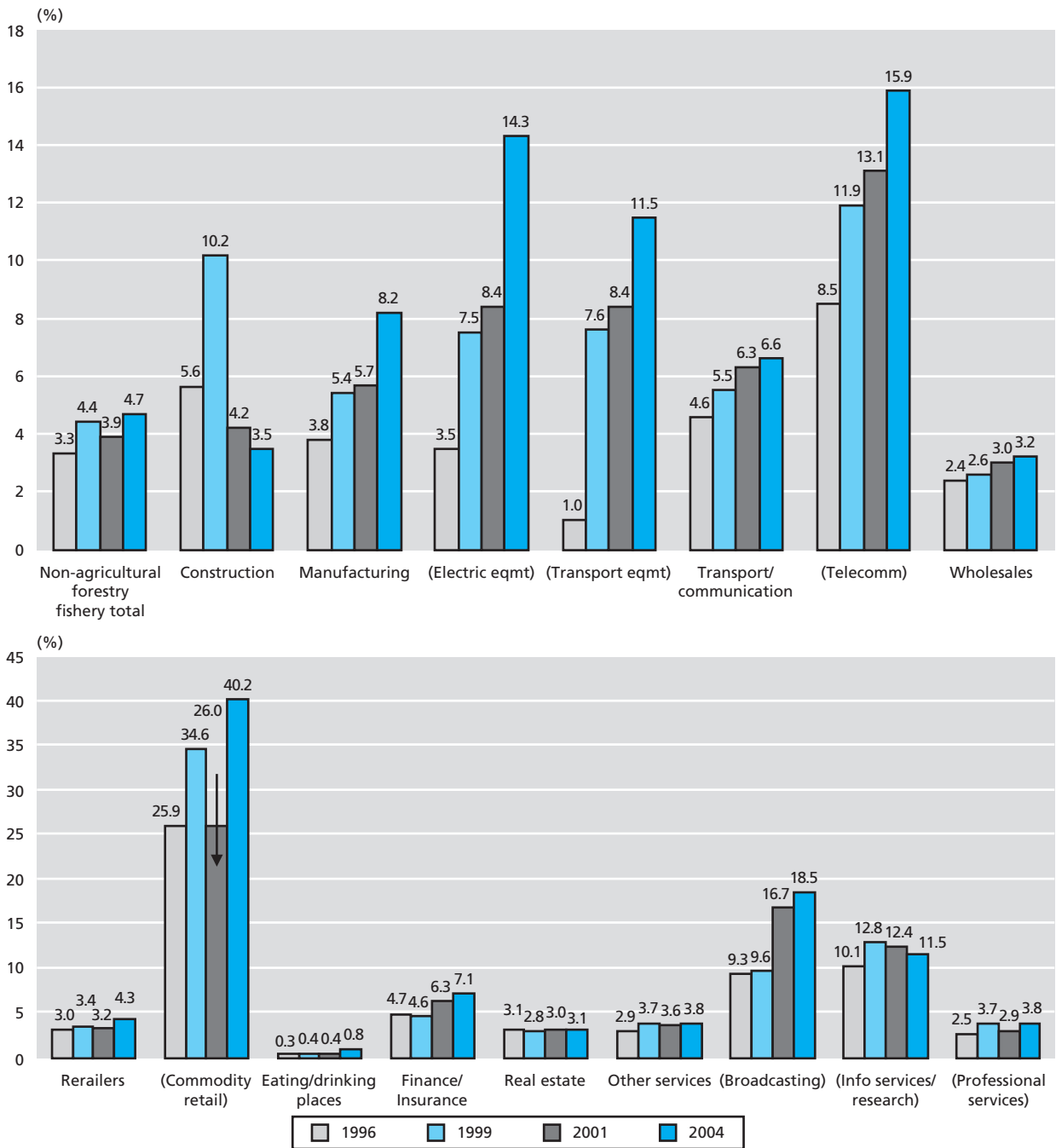
The proportion of dispatched workers and subcontracted workers sent from separately managed businesses has accounted for an increasing share of the total number of employees on an industry-by-industry basis in varying degrees, except some sectors such as construction industry. In particular in manufacturing businesses, the proportion more than doubled from 3.8% in 1996 to 8.2% in 2004. The

striking increases were observed over the same period of time in the manufacturing of electrical machinery, equipment and supplies, which saw a fourfold rise from 3.5% to 14.3%, and in the manufacturing of transportation equipment, which experienced a more than 10-fold increase from 1.0% to 11.5%. Elsewhere, the telecommunication industry, the retail trade (general merchandises) industry, the broadcasting industry and the finance and insurance industry experienced remarkable increases, from 8.5% to 15.9%, 25.9% to 40.2%, 9.3% to 18.5% and 4.7% to 7.1%, respectively. We can see from these statistics that in these industries, utilization of dispatched workers and subcontracted staff working in places of business has been increasing.

Meanwhile, the increase in the proportion of dispatched workers and subcontracted workers sent from separately managed businesses in the total employees was not so remarkable in non-agriculture, forestry and fishery industries in total, slightly increasing from 2.1% in 1996, to 2.5% in 2001 and to 2.6% in 2004. Accordingly, we can say that the increase in the proportion of dispatched workers and subcontracted workers sent *from* separately managed businesses in this period is significantly attributable to an increasing number of people working simultaneously at more than one place of businesses, though an increase in the actual numbers of such workers has been playing a role, too. Now let's look at the actual numbers in 2004. While the number of dispatched workers and subcontracted workers sent from separately managed businesses (in non-agriculture, forestry and fishery industries in total) was 2.43 million, the number of workers dispatched or subcontracted workers sent to separately managed businesses was 1.36 million. The number of workers sent or dispatched from separately managed businesses was approximately 1.79 times as many as the number of workers sent to separately managed businesses. This means that up to 1.07 million are working simultaneously at more than one places of business as dispatched workers or subcontractors.

<sup>3</sup> Since this survey is supposed to cover "workers," its findings may include those who are not "employees." Yet we may be right in believing that most of "dispatched workers and subcontracted workers" are employees. "Dispatched workers and subcontracted workers" are supposed to include transferred workers, dispatched workers and contract-based workers

**Figure 4-2 Dispatched Workers and Subcontracted Workers Sent from Separately Managed Businesses**



Source: Statistic Bureau of Ministry of Internal Affairs and Communications, Statistic Survey of Institutes and Companies.

Notes: 1) "Dispatched workers and subcontracted workers" are supposed to include workers dispatched from parent / affiliated companies or temporary help service companies and those working as subcontractors.

2) Industry classification applied in governmental statistics was changed in October 2002. Accordingly, to ensure the consistency of the classification before and after the change for the data for 2004, we have classified industries into medium categories as shown below. Please note that the calculation is only tentative and is not to ensure consistency in a strict sense.

Transportation/communication: "(Medium category) Communication" + "(Large category) Transportation" + "(Medium category) Postal"

Telecommunication: "(Medium category) Communication"

Service industry: "(Large category) Medical healthcare / welfare" to "(Large category) Services (Not elsewhere classified)" + "(Medium category) Accommodation facilities - "(Medium category) Post offices" + "(Medium category) Information services"

Eating / drinking places: "(Medium category) General eating / drinking places" + "(Medium category) Spree eating / drinking places"

## B. Factors behind recent increasing diversification of forms of employment and working

Now let's take a look at general factors behind features of recent increasing diversification of forms of employment and working. The diversification has been driven by various needs from a demand-side (enterprises) and from a supply-side (workers) as well as by other circumstances. The discussion in this section will focus on factors behind recent rapid expansion of the diversification.

### a. Needs from a demand-side (enterprises)- Reduced personnel costs—

Let's review relevant data and take a look at why enterprises are more willing to utilize non-regular workers. The data is "Survey of the Diversification of Employment Status" prepared by Ministry of Health, Labour and Welfare including relevant data for 1994, 1999 and 2003, and this section discusses three types of workers: contract workers, dispatched workers, and part-time workers.

First, let's take a look at data for 1994. Many of the responding places of businesses quoted "require persons capable of doing specialized work" (55.7%) as the primary reason for utilizing contract workers; "require persons capable of doing specialized work" (36.4%) and "need to control personnel costs" (34.7%), "require persons with experience and expertise" (22.5%) and "adapting to changing

business cycles" (18.9%) as the main reasons for utilizing dispatched workers; and "need to control personnel costs"(51.6%) as the primary reason for utilizing part-time workers, followed by "require additional personnel on a daily or weekly basis" (33.7%) and "adapting to changing business cycles" (20.6%).

Comparing the three time points, we can point out an increasing proportion of employers quoting "saving of personnel costs" as the main reason for utilizing non-regular staff, regardless of whether they are contract workers, part-time workers or dispatched workers. At the same time, the proportion of employers citing "require persons capable of doing specialized work" as the main reason for selecting non-regular staff has decreased. Also noteworthy is, on the whole, a decreasing proportion of employers citing "unable to recruit regular staff" as a major reason for utilizing non-regular staff. At the same time, the proportion of employers citing "require persons with experience and expertise" as a main reason for utilizing contract employees and dispatched workers has been increasing year by year (see Table 4-3).

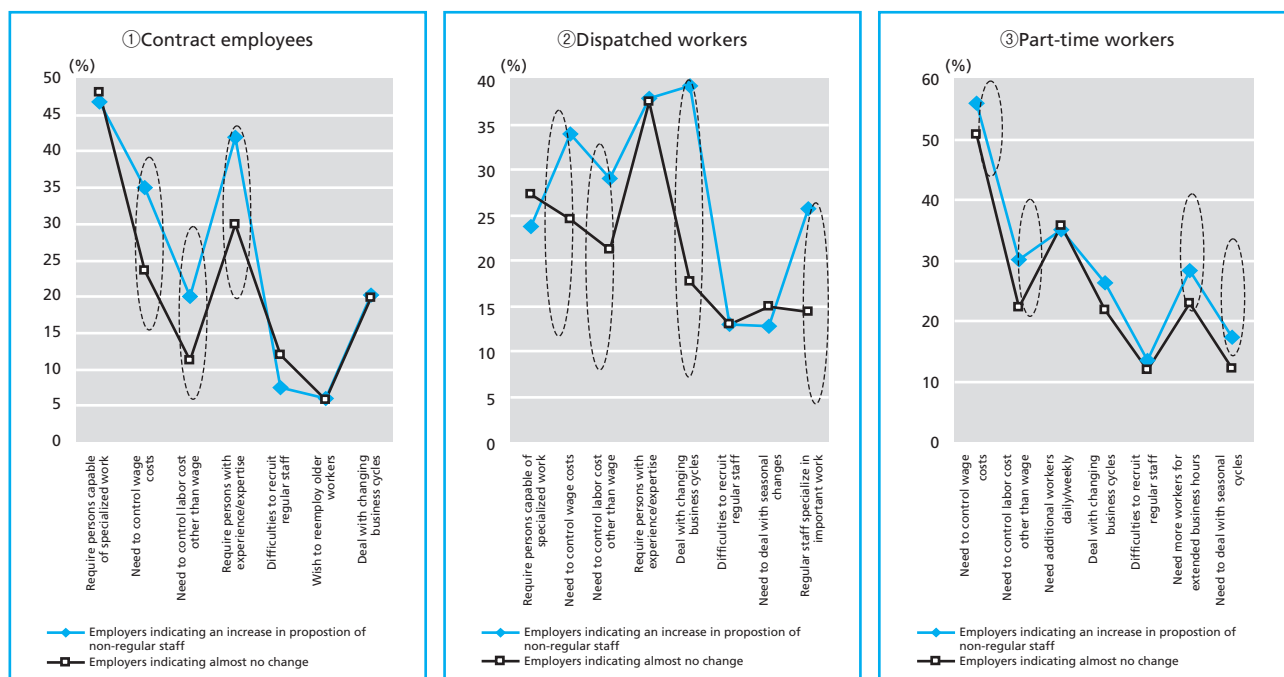
From the data above we can conclude that employers' willingness to reduce personnel costs (or labor costs) in response to deteriorating economic conditions has played a major roles in driving and amplifying recent rapid diversification of working styles. We can assume that "require persons with experience and expertise," which has been

**Table 4-3 Reasons for Hiring Non-regular Employees**

	1994	1999	2003		1994	1999	2003
Control personnel costs				Difficulties to recruit regular employees			
Contract workers	19.3	31.9	33.6	Contract workers	13.9	7.1	10.4
Dispatched workers	34.7	38.6	41.7	Dispatched workers	16.4	8.1	16.2
Part-time workers	51.6	58.0	61.2	Part-time workers	20.0	8.8	11.8
Specialized work				Need persons with expertise/experience			
Contract workers	55.7	40.0	39.5	Contract workers	19.2	32.6	38.1
Dispatched workers	36.4	22.8	24.9	Dispatched workers	22.5	29.8	38.0
Part-time workers	—	—	—	Part-time workers	—	—	—

Note: "—" : Not surveyed.

**Figure 4-4 Reasons why enterprises use non-regular staff: comparing employers indicating an increasing promotion of non-regular staff and those indicating almost none**



Source: Ministry of Health, Labour and Welfare, “Survey of the Diversification of Employment Status” (Special tabulation by JILPT).

Notes: 1) ◆ Represents reasons quoted by employers indicating an increasing proportion of non-regular staff over the past three years.

2) □ Represents reasons quoted by employers indicating almost no change over the past three years.

increasingly cited, also derives from their willingness to cut labor costs by reducing in-house capacity-building and training costs.

More plainly speaking, by comparing employers indicating an increase in the proportion of non-regular staff in the past three years and employers indicating almost no change in the proportion, the former has a higher tendency to cite “need to control personnel costs” as a reason for utilizing non-regular staff. Accordingly, we can conclude that hiring practices of enterprises aimed at reduced labor costs has played a significant role in a recent rise in the number of non-regular workers (see Figure 4-4).

### Reasons for using independent contractors

With an increasing proportion of non-regular staff now in place, reportedly an increasing number of enterprises are utilizing independent contractors (i.e. individual performing temporary services) in parts of their businesses. Though it is difficult to clearly outline that trend, the primary reason enterprises are

using independent contractors is “require persons capable of doing specialized work” (63.6%), followed by “require persons with experience and expertise” (55.9%), “need to control personnel costs” (36.2%), and “need to adapt to changing business cycles” (30.8%), according to “Survey on the Actual Status of the Usage of Outside Contractors (Multiple answers allowed)” prepared by JILPT in February, 2004 (The survey was conducted in January the same year.) In addition, 26.3% of the surveyed cited “no need for social insurance” as one of reasons in favor of using independent contractors.

When the above replies cited as reasons for utilizing independent contractors are compared with those for utilizing non-regular staff, there are similarities in “require persons capable of doing specialized work” and “require persons with experience and expertise” both cited as primary reasons for using individual contractors and for using contract employees, though at varying levels. At the same time, the above replies cited as reasons for

utilizing independent contractors look similar to the reasons cited for using dispatched workers when the percentages of the respondents citing “need to deal with changing business cycles,” “need to deal with temporary or seasonal business fluctuations” and “need to deal with daily or weekly business fluctuations” are considered. Enterprises appear to regard independent contractors as workers having characters of both contract employees and dispatched workers. We can conclude that enterprises also consider independent contractors as workers similar to contract employees and dispatched workers in terms of “need to control personnel costs.” Accordingly, we can attribute a great part of the increased use of independent contractors to enterprises’ willingness to cut labor costs.

#### **b. Why workers have selected their present working styles—Increasingly unlikely to be hired as regular staff**

Then let’s take a look at why non-regular workers have selected their present working styles and circumstances that have driven them to select their present working styles. As examined in the above section, we have compared replies from three types of workers—contract employees, dispatched workers (non-regularly-employed) and part-time workers—at the three time points, 1994, 1999 and 2003.

When looking at why they have selected their present working styles, with a central focus on data as of 1994, 26.0% of contract employees surveyed cited “I can put my special qualifications and abilities to use” and 21.0% quoted “working time flexibility.” On the other hand, the primary reason for working as dispatched workers (non-regularly-employed) is “working time flexibility” (36.9%), followed by “supplementing family income”(23.5%), “slim chance of obtaining regular employment” (23.4%), and “I can put my special qualifications and abilities to use” (18.1%). Main reasons for working as part-time workers are “working time flexibility” (47.1%) and “supplementing family income” (46.7%).

When the replies are compared across the three time points, the percentage of “slim chance of

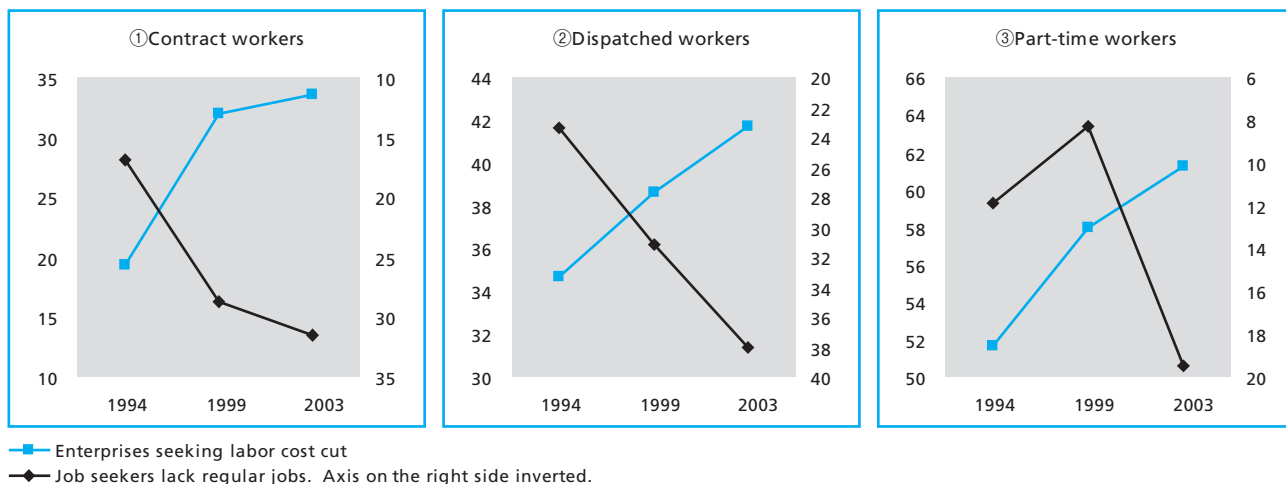
obtaining regular employment” as a reason for selecting working styles apparently increased. The percentage of contract employees citing “slim chance of obtaining regular employment” increased from 16.9% in 1994, to 28.7% in 1999, and to 31.5% in 2003. The percentage of dispatched workers (non-regularly-employed) citing “slim chance of obtaining regular employment” was on a rise, too, from 23.4%, to 31.2% and to 38.0% during the same period. The share of part-time workers citing “slim chance of obtaining regular employment,” which has remained relatively low, also increased from 11.9% in 1994 to 19.5% in 2003.

Other reasons cited by dispatched workers (non-regularly-employed) which remarkably increased during the same period include “avoiding being tied down by an organization,” which jumped from 9.4% in 1994 to 32.7% in 1999, followed by a decline to 25.2% in 2003.

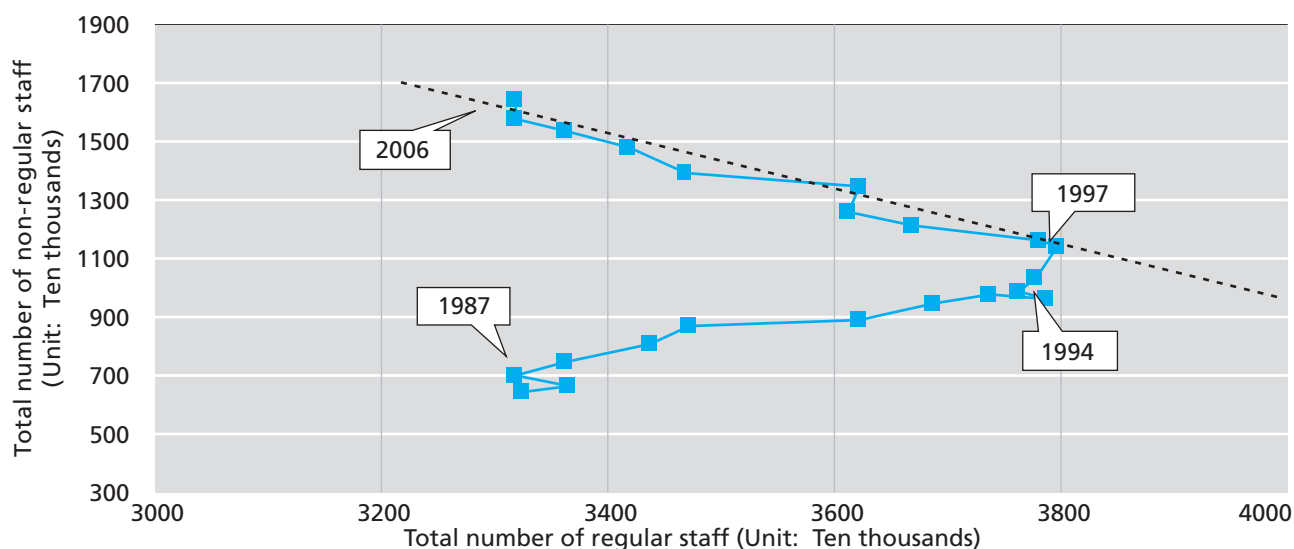
We can guess, in general, it is natural to conclude that a majority of non-regular workers had to or selected to serve as non-regular workers due to slim chance of obtaining regular employment as a result of payroll cost-conscious enterprises’ reluctance to hire new regular employees, while most of job applicants are seeking regular employment, though some have chosen to work as non-regular staff for making better use of their skills or for better work-life balance.

We can draw graphs to somewhat symbolize two sides of a single phenomenon: enterprises’ willingness to “save labor expenses” and job applicants’ “lack of opportunities for regular employment,” as shown in Figure 4-5. It can be summarized that while enterprises, having struggled with labor cost containment to deal with adverse economic conditions, have refrained from hiring new regular staff and have expanded the use of non-regular employment, job seekers hoping to get regular jobs are more likely to serve as non-regular workers due to a limited chance to obtain regular employment. (The figures below illustrate reduced opportunities for regular employment as downward-sloping lines.)

**Figure 4-5 Symbolically Expressed Factors Behind a Recent Surge in the Use of Non-regular Employees (%)**



**Figure 4-6 Total Numbers of Regular Staff and Non-regular Staff**



Source: Until 2001 "Report on the Special Survey of Labor Force Survey" conducted in February each year and since 2002 "Labor Force Survey Detailed Tabulation" conducted in January to March each year, by Statistic Bureau of Ministry of Internal Affairs and Communications.

Note: The dotted line indicates where the sum of regular and non-regular employees remains unchanged. Points to the upper right of the line indicate that the sum total value is larger than the value indicated by the line, and points to the lower left of the line indicate that the sum total value is smaller than the value indicated by the line.

**c. Curbing the number of regular staff and expanding usage of non-regular staff—  
 Supplementing regular staff with non-regular staff, and ultimately replacing regular one with non-regular one**

So far we have mainly discussed changes in the composition of various working styles, excluding officers. If the actual number of regular staff was reduced and that of non-regular staff was increased

instead, we can more clearly prove the correctness of what we have said at the end of the previous section. To help to verify the correctness, we have prepared Figure 4-6. The vertical axis represents the actual number of non-regular staff, and the horizontal axis shows the actual number of regular staff, and its data is derived from "the Labour Force Survey" previously mentioned at the top.

When taking a look at the fluctuations in the



actual numbers of regular employees and non-regular staff, we find that until around 1994, both the numbers of regular employees and of non-regular employees steady increased from 33.19 million in 1987 to 37.88 million in 1994 (up by 14.1%), and 7.01 million in 1987 to 9.60 million in 1994 (up by 36.9%), respectively, followed by practically unchanged levels of regular employees up until 1997 (37.97 million in 1997, up by 0.2% compared to 1994) and a significant increase in the number of non-regular employees (11.39 million in 1997, up by 18.7% compared to 1994). And then, while the total number of regular employees has been declining year by year (33.19 million in 2006, down by 12.6% compared to 1997), the number of non-regular employees has increased remarkably to 16.46 million in 2006, up by 44.5% from 1997. Also noteworthy is that since 1997, the sum of regular and non-regular staff combined, except officers, has basically been reduced. From a macroscopic viewpoint only, we can say that both the total number of regular staff and that of non-regular staff had increased and both appeared to supplement each other until around 1994, followed by some signs of change. Since around 1997 and 1998, seemingly an increasing number of non-regular staff has been taking the place of regular employees that are now on a decline.<sup>4</sup>

#### Factors behind expanding replacement of regular staff by non-regular staff

What factors lie behind the above mentioned apparent transition from mutually supplementary relation between regular and non-regular workers to replacement of regular staff by non-regular staff?

For one thing, an increasing number of non-regular staff have started taking on tasks that have been traditionally held by regular staff. In other

words, as is represented by a saying “non-regular staff offers supplemental assistance to regular staff,” if tasks shared by regular staff and those shared by non-regular staff are distinct from each other, when the labor input is adjusted in response to changing amounts of tasks, the numbers of both regular and non regular employees tend to move in the same direction. On the other hand, if distinction of tasks shared by regular staff and by non regular becomes ambiguous, one of the two parties will replace the other. In short, in recent years, non-regular staff can increasingly replace regular staff.<sup>5</sup> The replacement of regular staff by non-regular one is attributed to changing regulations for enterprises’ labor management.

Secondly, once non-regular staff can get engaged in tasks similar to those traditionally carried out by regular staff, with deteriorating economic conditions, naturally enterprises are more likely to turn to cost-conscious hiring practices. In short, employers are more likely to compare immediate labor expenses of different working styles and to replace higher priced staff by lower priced one doing the same jobs. Such a move is “to meet the demands of the marketplace” and in turn, when there is no particular obstacle, apparently almost every enterprise is now seeking ways to replace regular staff with non-regular one.

Thirdly, we must also take a look at manpower suppliers. This is because, how hard enterprises (i.e. labor demanders) are trying to put into practice such employment principles, they can not carry out such practices unless some workers accept such non-regular positions.

The fourth factor that must be considered is whether proper institutional conditions are already in place which enable non-regular employment to replace regular one.<sup>6</sup>

4 It is difficult to definitely conclude that an enterprise has reduced the number of regular staff and in turn has increased the number of non-regular staff. Anyway, some research have reported there is a significant increase in the percentage of companies or places of business that have increased non-regular staff and in turn reduced regular staff.

5 It can be said that corporate employment strategies regard regular and non-regular employment, as parts of production factors and as mutually replaceable factors now, though they have been traditionally seen as mutually supplementing factors.

6 For example, at the site of manufacturing, it is believed to be difficult to utilize “part-time” workers which literally represent “workers serving for a limited working hours per day.” In addition, there may be many restriction in utilizing ‘*arubaito*’. Accordingly, seemingly, traditional non-regular staff such as part-time workers or ‘*arubaito*’ are difficult to be utilized on a full scale operation in some industries and some business categories. Under such circumstances, the scope of duties that dispatched workers can be engages in has been dramatically expanded, and institutional conditions have been put in place, legally or practically, that allow the use of contract-based workers as indirect labor sources, by way of utilizing foreign workers. It is believed these factors have played significant roles.

Due to the availability of data, we have studied institutional conditions covering part-time workers only. The percentage of part-time workers to regular staff remained almost unchanged on the order of 14% (except 15.0% in 1993) from 1990 to around 1995, followed by a significant increase in 1996 and after. Then, from 2004 to 2005 the percentage again remained nearly unchanged, showing signs of easing down in recent years. Meanwhile, the wage rate (regular earnings per actual working hours) was on a decline until around 1995 at slightly over 70%, followed by a significant drop from 1996 to 2002. Then it remained almost unchanged in 2003 and 2004, and showing a significant rise in 2005.

It is difficult to clarify factors influencing manpower suppliers, with verifiable data. Yet for example, when looking at changes in the female labor force participation rate in the 35-54 age group, which is an important source of part-time workers, we find that the rate slowly declined until around 1995 after being on a rise up until 1992. We can attribute this to their behaviors in response to somewhat deteriorating labor market conditions. Then, the rate remained almost flat in 1996, followed by another significant rise in 1997, a leveling-off in 1998, a significant drop in 1999 and a slow upturn since 2000 and 2001. Among many possible factors behind the fluctuation of the rate, we have no doubt that women in this age group have been indicating active willingness to work.<sup>7</sup>

#### **d. Establishing various coherent ways of working—Mutually complementary relationship again**

Only in very recent years, there have been signs

of possible “swinging back” against “a surge of non-regular workers.” Though these signs are yet to be tangibly identified and we have no verifiable data on their “swinging back in favor of regular staff,” based on the discussion above we can attribute it to factors shown below. This can be explained by the following situations.

- i. Enterprises, especially big businesses have now successfully improved or expanded their business performance. Then “cost reducing strategies,” including labor cost saving, is slightly less important for them and they now tend to focus more on “business innovation strategies” based on the qualitative upgrade of products and services. Non-regular staff hired for saving labor costs may be able to carry out businesses that are already established, but are unable to carry out business innovation including development and commercialization of new products and services, we must say. This is partly because non-regular employees have not been trained for building capacity required by business innovation, but also because they lack incentives to be trained for such capacity building. Anyway, accordingly, enterprises demand more regular employees.
- ii. In addition, the usage of non-regular staff for the purpose for saving labor and other costs may not achieve the intended saving, if the wage of non-regular employees is rising.<sup>8</sup> As mentioned above, in the last decade or so, many of existing non-regular employees “have been forced to give up regular staff positions” due to a slumping demand for regular staff. Therefore it is quite natural to believe that many of those non-regular staff will eventually turn to regular staff as employers’

<sup>7</sup> We did a trial calculation of simple regression expressions based on factors discussed in this section. The following shows calculation results. It is believed that related regression analysis somewhat acknowledges the assumption discussed in the above section.

$$\begin{aligned} \text{Log} [\text{Part-time workers/Regular workers (\%)}] &= 2.199 + 0.0559 \times [\text{Survey amendment dummy variable}] \quad (\text{t Value: } 4.633) \\ &- 3.318 \times \text{Log} [\text{Female part-time workers' wage/Female regular workers' wage}] \quad (-7.584) \\ &+ 3.471 \times \text{Log} [\text{Female labor force participation rate in 35-54 age}] \quad (2.851) \end{aligned}$$

Measured for the period from 1988 to 2005 (Yearly data) AR=0.921  
Survey amendment dummy variables: 1 for the year 2002, 2 for 2003, 3 for 2004 and 4 for 2005

<sup>8</sup> When we look at the wage gap comparing the average wage of regular staff and that of non-regular staff, the wage gap is around 60% to 70%. Yet it must be noted that, looking at the wage of regular employees in the external labor market, (i.e. the wage paid to a person when he or she is hired), we can see only very little gap between the average wage of regular staff and that of non-regular staff.

demand for regular employees recovers. Then, in turn, the supply of non-regular workers will be reduced, and the wage on average will upturn. In addition, the fact that tasks carried out by non-regular staff have increasingly overlapped with areas of work assigned to regular staff, as discussed above, may ensure “more appropriate” wages for non-regular staff.

- iii. Non-regular workers will change their employers to select jobs that will pay more, unless other incentives are offered due to their defining features. In an extreme case, there may be even a possibility that an enterprise will be unable to secure necessary labor force in quantity. To avoid such shortage of workers, in the internal labor market, improvement in working condition for non-regular staff, as symbolized by “turning non-regular workers into regular employees,” may take place.

The discussion in this section represents “what is theoretically likely to occur” only, and is not intended to directly argue what will take place. However, unless other conditions change, most certainly as a general trend, an increasing number of non-regular staff will turn into regular staff as discussed above. As a result, it is believed that through understanding how both workers and enterprises will behave and through making better use of characteristics of each working style, both employment structures and employees’ status that are more suitable for socio-economic systems will be realized.<sup>9</sup> Then, there will be no possibility for one working style one-sidedly replacing another, and it is conceivable that both employers and workers will be satisfied in seeing every working style contributing to businesses in a mutually complementary manner.

## 2. Diversification in Forms of Employment and Related Challenges

### A. Surge of non-regular staff and related challenges

“Diversification in forms of employment” refers

to the diversification of working styles, excluding self-employed workers. Japan’s labor market is recently featured by increasingly diversified forms of employment with a surge of “non-regular staff,” who are not conventional “regular staff,” both in range and quantity. In principle “non-regular staff” refers to any form of employment, other than “regular staff” that work full-time for an infinite period of time. “Non-regular staff” include workers called “part-time workers,” “*arubaito*,” “dispatched workers,” and “contract employees.” “Non regular staff” covers various forms of employment including those having no employment relationship with enterprises they actually work for, such as workers “dispatched” from contractors. The following sections will identify recent trends in diversified employment styles based on data derived from one of comprehensive government statistics on various working population, Ministry of Labour and Welfare’s “Survey of the Diversification of Employment Status” (1994, 1999 and 2003), and discuss some potential challenges.

#### a. Increasing percentage of non-regular staff Rise of ratio of non-regular staff

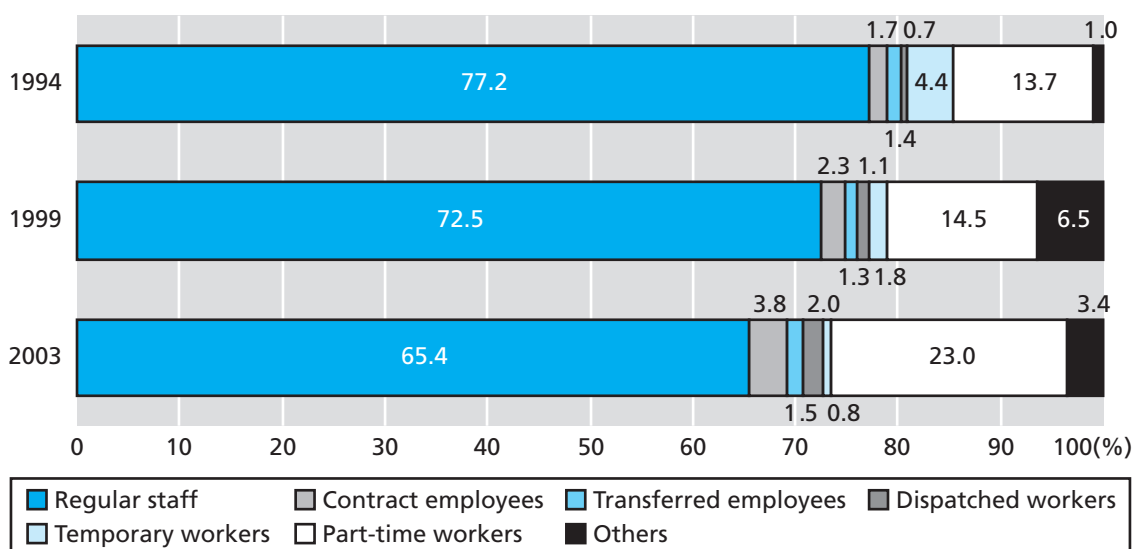
The percentage of regular staff dropped from 77.2% in 1994 to 65.4% in 2003, and the total number and percentage of non-regular staff steadily increased from 9.8147 million or 22.8% in 1994 to 13.3536 million or 27.5% in 1999, and to 16.3676 million or 34.6% in 2003 (see Figure 4-7).

#### Declining share of regular staff by industry

When looking at changes in the percentage of regular staff in each sector, we find the percentage was slowly declining from 1994 to 2003 in all industries except in the construction, electricity, gas, heat supply and water-supply industries. Meanwhile, in particular, the information and communications, transportation, wholesale, retail sales, finance and insurance, real estate, eating and drinking places, lodging (accommodations) and service industries show more than 10 percentage point drops. We see that these sectors increased the number and

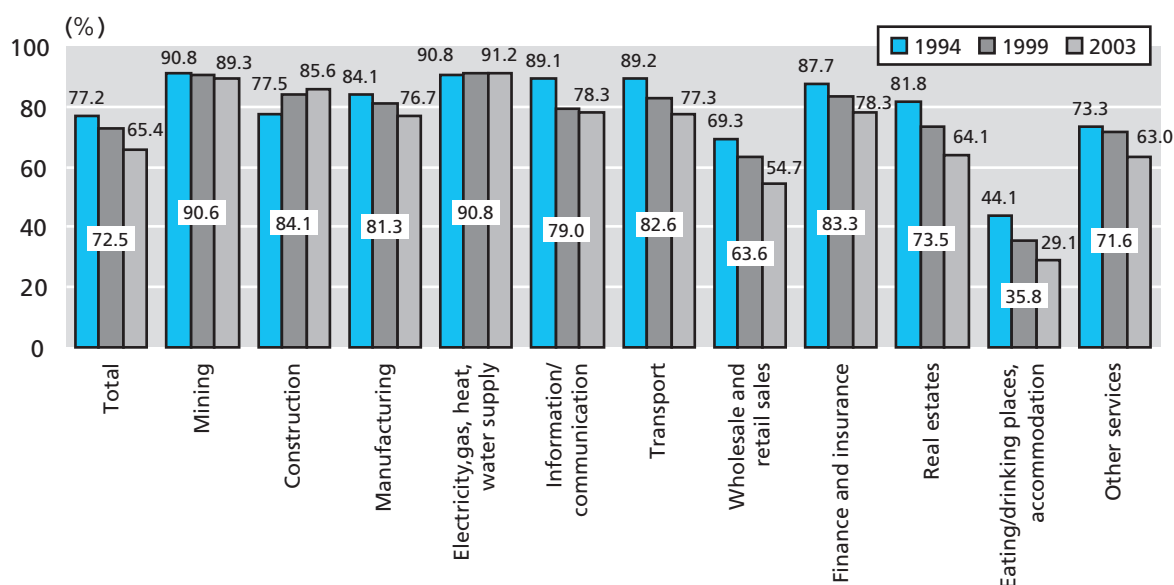
<sup>9</sup> In other words, this state of things represents a market equilibrium in a short to medium term basis. On the other hand, situations in recent years can be considered as a series of transitional short-term market equilibrium due to deteriorating economic conditions and/or social economic structural transformation. In addition, the process to reach the equilibrium will not go completely smooth. For example, some enterprises may go bankrupt due to labor shortage and there may be concerns about possibly criminal behaviors just for obtaining labor force supply. The market equilibrium is not a mere intersection of a line with another, but is what has to be achieved by practical activities of economic entities.

**Figure 4-7 Proportions of Regular Staff and Non-regular Staff**



Source: Ministry of Health, Labour and Welfare, "Survey on the Diversification of Employment Status"

**Figure 4-8 Ratio of Regular Staff by Industry**



Source: Ministry of Health, Labour and Welfare, Survey of the Diversification of Employment Status.

percentage of non-regular staff from 1994 to 2003 (see Figure 4-8).

A closer look at each form of non-regular employment including contract employees, dispatched workers and part-time workers, indicates the following tendencies.

i. The percentage of contract employees increased in almost all sectors from 1994 to 2003. In

particular, significant increases were seen in the manufacturing, transportation, real estate, service industries during the decade.

ii. The percentage of dispatched workers increased in almost all sectors. In particular, significant increases were seen in the information and communication industry and the finance and insurance industry. Dispatched workers in these

industries increased in share in the total employees, too. Hence one can say that these two sectors experienced a surge of dispatched workers both in number and share during the same period.

- iii. The transport, wholesale and retail sales, finance and insurance, real estate, and other service industries are sectors that experienced a steady increase of part-time workers in share. In particular, the surge was remarkable in the wholesale and retail sales sector which experienced the largest surge during the same period. The increase of part-time workers significantly fluctuated in eating and drinking places, accommodations and the manufacturing industry, which was probably due to correlation with economic business cycles.

#### Declining share of regular staff by size of enterprise

By looking at the percentage of regular staff by size of enterprise, we can see that the share of regular staff tended to decline for all every sizes of enterprise. In particular, enterprises of large or relatively medium sizes employing 1,000 or more workers, 500 to 999 workers, 300 to 499 workers, and 30 to 49 workers showed significant drops. Apparently, in enterprise of these sizes, the

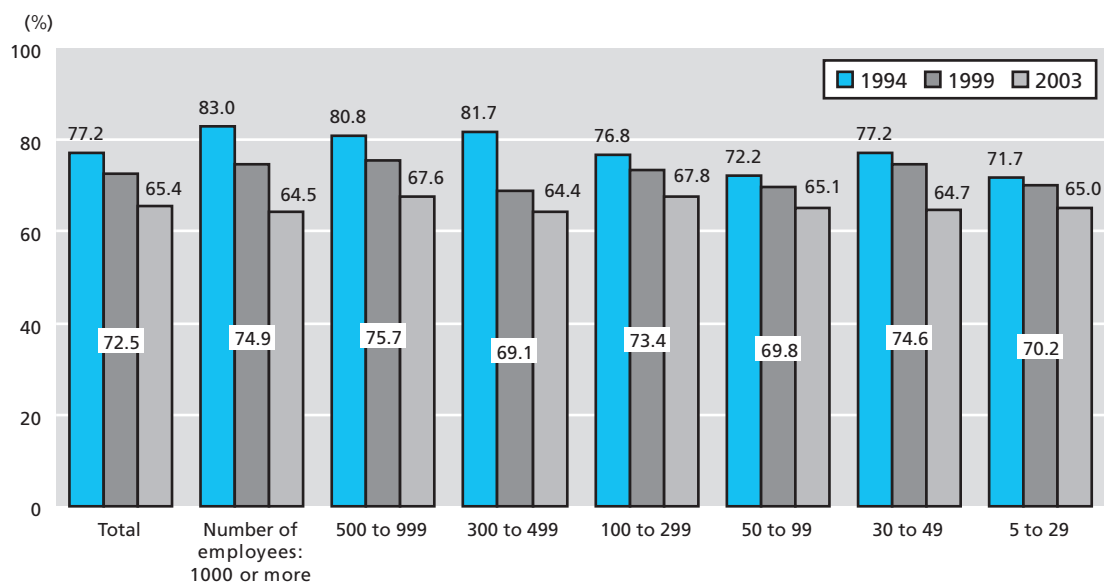
proportion of non-regular staff increased in the same period (see Figure 4-9).

In addition, by taking a look at major forms of non-regular employment—contract employees, dispatched workers and part-time workers—we can find the following tendencies.

- i. The proportion of contract employees increased in any size of enterprise from 1994 to 2003. In particular, we can see remarkable increases for medium sized enterprises employing 500 to 999 workers, 300 to 499 workers, and 100 to 299 workers.
- ii. The proportion of dispatched workers increased for enterprise of almost all sizes. In particular, we can see remarkable increases for medium sized enterprises employing 500 to 999 workers, 300 to 499 workers, and 100 to 299 workers.
- iii. The share of part-time workers steadily increased for any size of enterprise. In particular, we can see extreme remarkable for every size of enterprise for the period from 1999 to 2003, when compared to the period from 1994 to 1999.

As discussed above, non-regular staff steadily increased both in number and share. Yet, the degree of increase in non-regular staff varies with forms of employment. Almost all industries experienced increases in the proportion of contract employees

**Figure 4-9 Ratio of Regular Staff by Size of Enterprise**



Source: Ministry of Health, Labour and Welfare, Survey of the Diversification of Employment Status.

from 1994 to 2003, in particular in the manufacturing, transport, real estate, and other service industries. The proportion of dispatched workers increased steadily in almost every sector. In particular, remarkable increases were observed in the information and communications industry and the finance and insurance industry. Sectors where the proportion of part-time workers steadily increased include the transport, wholesale and retail sales, finance and insurance, real estate, and service (not elsewhere classified) industries. In particular, the wholesale and retail sales industry saw an extreme increase in the share of part time workers.

#### b. Problems of young people working as non-regular staff

##### Actual number and proportion of young people categorized by sex and working style

Looking at the actual number and proportion of young people (ages 15 to 34) categorized by sex and working style, we can see that while the actual number of regular staff increased from 1994 to 1999, the number of regular staff of both sexes reduced in 2003

reflecting the decreasing number of male workers. On the other hand, the proportion of regular staff significantly decreased in both periods of time. We can get a sense that during the same periods, the proportion of non-regular staff among young people increased rapidly. Looking at non-regular workers categorized by working style reveals that, every non-regular working style, excluding temporary employees and others, increased in share. In particular, contract employees of both sexes, dispatched workers (particularly, female dispatched workers of non-regularly-employed) and part-time workers of both sexes indicated remarkable increases (see Table 4-10).

##### Why young people are working as non-regular staff

By looking at young people's reasons (multiple responses allowed) for selecting their present working styles with focus on three types of reasons after excluding other possible answers, we can see two long-term tendencies from 1999 to 2003: namely, an increasing share of young workers "involuntary non-regular employment", and a decreasing

**Table 4-10 Numbers and Ratio of Young People (aged 15 to 34) Categorized by Gender and Working Styles**

	(Actual Numbers, %)								
	Workers of both sexes			Male workers			Female workers		
	1994	1999	2003	1994	1999	2003	1994	1999	2003
Regular Staff	8,892,081	12,652,909	11,978,329	5,565,011	8,137,724	6,474,576	3,327,070	4,515,184	5,503,753
	89.0	75.0	69.5	92.9	84.5	79.2	83.0	62.3	60.8
Transferred employees	85,722	133,801	157,148	68,270	94,129	111,987	17,452	39,672	45,161
	0.9	0.8	0.9	1.1	1.0	1.4	0.4	0.5	0.5
Contract employees	75,364	338,117	502,085	23,824	132,692	174,681	51,540	205,425	327,403
	0.8	2.0	2.9	0.4	1.4	2.1	1.3	2.8	3.6
Dispatched workers (Regularly-employed)	59,366	78,730	160,092	26,798	36,521	53,115	32,568	42,209	106,977
	0.6	0.5	0.9	0.4	0.4	0.6	0.8	0.6	1.2
Dispatched workers (Non-regularly-employed)	60,827	237,592	407,483	8,235	27,413	46,856	52,592	210,179	360,627
	0.6	1.4	2.4	0.1	0.3	0.6	1.3	2.9	4.0
Temporary workers	197,654	242,449	74,445	102,081	91,162	33,373	95,573	151,286	41,072
	2.0	1.4	0.4	1.7	0.9	0.4	2.4	2.1	0.5
Part-time workers	592,120	2,030,944	3,263,293	180,652	722,597	996,020	411,468	1,308,347	2,267,274
	5.9	12.0	18.9	3.0	7.5	12.2	10.3	18.1	25.1
Others	32,943	1,162,314	681,293	14,734	386,448	285,585	18,209	775,866	395,709
	0.3	6.9	4.0	0.2	4.0	3.5	0.5	10.7	4.4
Total	9,996,077	16,876,856	17,224,168	5,989,605	9,628,686	8,176,193	4,006,472	7,248,168	9,047,976
	42.1	41.9	38.7	39.1	41.3	36.3	47.6	42.7	41.1

Source: Ministry of Health, Labour and Welfare, "Survey of the Diversification of Employment Status."

Note: The upper figure in each column is the actual number, and the lower figure is the proportion of young people (aged 15 to 34) in the total population aged 15 to 34. However, the lower figures in the columns of "Total" represent the proportions of the population aged 15 to 34 in all age groups.



proportion of young workers who cited that they have selected their working styles “for their convenience.” An increase in the number of young workers “involuntary non-regular employment” has posed serious problems (see Figure 4-11).

### c. Problems of labor conditions for non-regular staff

#### Increases in overtime working hours and frequency of overtime working

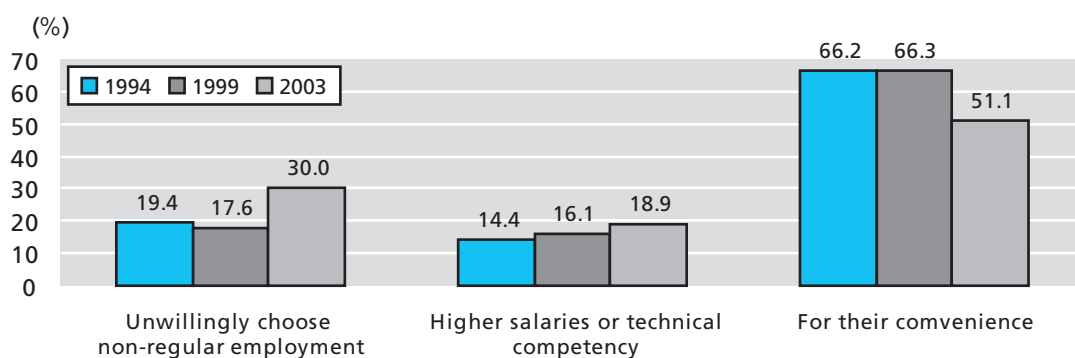
Looking at the overtime working hours per week of non-regular staff by sex and form of employment, we see that workers of both sexes and of all forms of employment, except female transferred employees, worked longer overtime in 2003 than in 1999 both in “the average overtime hours including 0 hour” and “the average overtime hours of those working more than one hour overtime.” By studying fluctuations at the two different time points in the proportion of “those working no overtime at all,” we can define features of these non-regular staff. The proportion of those working no overtime at all decreased from 1999 to 2003 in both sexes and all forms of employment, by 4.1 percentage points for male regular staff, by 19.9 percentage points for male dispatched workers

(non-regularly-employed), and by 29.0 percentage points for male part-time works. In this way, every type of non-regular staff experienced a more pronounced drop than regular staff. In other words, non-regular staff more frequently works overtime than regular staff while workers of every type of employment, including regular staff, are working overtime for a prolonged period of time. Female regular staff experienced an 11.8 percentage point drop, and female part-time workers indicated an apparent difference from female workers of other forms of employment. In other words, while female workers, as a whole, work longer overtime hours and more frequently work overtime, in particular, female part-time workers more frequently work overtime (see Table 4-12).

#### Actual wage disparities by form of employment

After correcting the difference of research methods at the two time points as much as possible and reviewing the total wage during a single month (September of each year) of each form of employment for both sexes, we can see that male regular staff experienced a drop by ¥12,000 (a drop

**Figure 4-11 Reasons Why Young Non-regular Staff Selected Their Present Working Styles (Ratio in the Total Number of Non-regular Staff)**



Source: Ministry of Health, Labour and Welfare, Survey of the Diversification of Employment Status.

Notes: 1) The survey covers non-regular workers aged 15 to 34 excluding transferred employees and regular employees.

2) “Involuntary non-regular employment” means those who quoted “no company hired me as a regular employee.” “Higher salaries or technical competency” refers to those who quoted “hoping to engage in a job that pays a higher salary” or “for utilizing his or her own technical competency and skills,” “For their convenience” refers to those who quoted “easy task and less responsibility,” “short working hours and days,” “less commuting hours” or “physically only able to work as non-regular Employees.”

3) Multiple answers are possible, but we have excluded multiple responses to just keep three types of responses and make the sum 100%. More specifically, a respondent quoting “involuntary non-regular employment” and other reasons was regarded as a respondent selecting “involuntary non-regular employment.” A respondent citing a number of other reasons and not quoting “involuntary” was regarded as a respondent selecting “higher salaries and technical competency.” Otherwise, a respondent selecting neither “involuntary” nor “higher salaries or technical competency” but citing other reasons was regarded as a respondent selecting “for his or her convenience.”

**Table 4-12 Overtime Working Hours per Week of Non-regular Workers by Gender and Working Styles**

		Average overtime hours (including workers not working overtime at all)		Average overtime hours for workers working one hour or more overtime		Proportion of workers working no overtime ( % and percentage point)		
		1999	2003	1999	2003	1999 (%)	2003 (%)	Change from 1999 to 2003 (Percentage point)
Male	Regular Staff	5.7	6.7	9.1	10.0	37.1	32.9	-4.1
	Contract employees	3.4	4.3	8.6	9.7	60.3	56.2	-4.1
	Transferred employees	4.5	5.7	8.5	8.9	47.2	35.5	-11.7
	Dispatched workers (Regularly-employed)	4.5	7.6	8.2	10.3	45.6	25.9	-19.7
	Dispatched workers (Non-regularly-employed)	4.4	6.3	8.5	8.6	47.6	27.7	-19.9
	Temporary workers	1.9	3.8	5.8	7.5	67.8	49.2	-18.7
	Part-time workers	0.5	3.0	4.2	7.2	87.4	58.4	-29.0
	Others	2.8	4.3	6.9	8.0	59.2	46.7	-12.5
	<b>Total</b>	<b>5.2</b>	<b>6.2</b>	<b>8.9</b>	<b>9.8</b>	<b>41.5</b>	<b>36.2</b>	<b>-5.3</b>
Female	Regular Staff	2.9	4.3	5.8	6.9	49.6	37.8	-11.8
	Contract employees	1.9	3.0	4.9	6.4	61.8	52.5	-9.2
	Transferred employees	4.8	2.7	12.2	5.5	60.3	51.1	-9.1
	Dispatched workers (Regularly-employed)	2.3	2.9	5.5	5.6	59.1	47.8	-11.3
	Dispatched workers (Non-regularly-employed)	1.7	3.1	3.9	5.5	56.6	42.8	-13.8
	Temporary workers	0.4	1.6	4.4	7.1	90.7	77.4	-13.3
	Part-time workers	0.6	2.3	3.9	6.7	84.5	65.5	-19.0
	Others	1.5	2.6	5.0	6.9	69.6	56.7	-12.9
	<b>Total</b>	<b>2.0</b>	<b>3.4</b>	<b>5.4</b>	<b>6.8</b>	<b>63.7</b>	<b>49.9</b>	<b>-13.8</b>

Source: Ministry of Health, Labour and Welfare, "Survey of the Diversification of Employment Status."

by the median value of ¥13,000) on average from 1999 to 2003. During the same period, male contract employees, male transferred employees, male dispatched workers (regularly-employed), male dispatched workers (non-regularly-employed), female regular staff, female contract employees, female dispatched workers (regularly-employed), and female dispatched workers (non-regularly-employed) also saw decreases. On the other hand, male temporary workers, male part-time workers, female transferred employees, female temporary workers, and female part-time workers experienced increases during the same time.

Then, by comparing pseudo hourly wages in 1999 and in 2003 after computing them based on data of the monthly total wage and actual working hours per week, we see that only female transferred employees experienced a rise in hourly wages, and other types of employment experienced decreases in hourly wages as a general. Accordingly, if the wage as a whole increases like the case mentioned above, this is due to

the increased working hours, and we can say that wage per hour has continued to decline (see Table 4-13).

Data indicated by Table 4-13 is unsuitable for comparing different forms of employment, since the influence of various attributes of workers are not eliminated from the data. Accordingly, we have examined wage disparities compared to regular staff, calculating estimated formulas by using forms of employment, sex, age and square of age, marital status, academic background, type of job, place of employment (its category of business and size), and length of service as "explanatory variables," and using the actual pseudo hourly wage (logarithm) as "explained variables." As a result, the values for contract employees, dispatched workers (regularly-employed), temporary workers, and part-time workers proved to be significantly negative. In other words, these forms of employment were paid actual pseudo hourly wages lower than those of regular staff. On the contrary, transferred employees and dispatched workers (non-regularly-employed) proved

**Table 4-13 Wage Differences by Gender and Form of Employment**

	Average total monthly wage ( 10,000 yen)			Average pseudo hourly wage (Yen)			
	1999	2003	Change from 1999 to 2003	1999	2003	Change from 1999 to 2003	
Male	Regular employees	34.4	33.2	-1.2	1,944	1,811	-133
	Contract employees	27.7	24.6	-3.1	1,888	1,545	-343
	Transferred employees	42.6	38.5	-4.1	2,496	2,196	-300
	Dispatched workers (Full-time)	27.7	25.3	-2.4	1,709	1,369	-340
	Dispatched workers (Non-regularly-employed)	25.0	21.8	-3.2	1,461	1,228	-232
	Temporary workers	12.9	15.1	2.2	1,091	980	-111
	Part-time workers	9.4	12.8	3.4	1,071	1,054	-17
	Others	20.1	20.7	0.6	1,280	1,219	-61
	Total	32.4	30.9	-1.5	1,878	1,732	-147
Female	Regular employees	22.9	21.7	-1.2	1,418	1,258	-161
	Contract employees	18.1	16.9	-1.3	1,370	1,134	-236
	Transferred employees	23.6	24.6	0.9	1,440	1,515	75
	Dispatched workers (Regularly-employed)	18.3	15.7	-2.6	1,192	1,045	-147
	Dispatched workers (Non-regularly-employed)	19.3	17.9	-1.4	1,346	1,168	-179
	Temporary workers	10.1	10.1	0.1	922	888	-34
	Part-time workers	9.0	10.1	1.2	956	881	-75
	Others	13.9	13.8	-0.2	1,029	940	-88
	Total	17.1	16.6	-0.5	1,221	1,096	-125

Source: Ministry of Health, Labour and Welfare, "Survey of the Diversification of Employment Status."

Notes: 1) In the data for 1999, an amount less than 20,000 yen has been corrected to "20,000 yen" and an amount more than 525,000 yen has been corrected to "525,000 yen."

2) The median value of each category in the data for 2003 has been converted to a real number (Lower limit: 20,000 yen, upper limit: 525,000 yen.)

3) Amounts have been already adjusted for inflation with the aid of Consumer Price Index (based on the index for 2000, excluding imputed rents.)

4) The following formula has been used for calculation for 1999 and 2003. [Total wage for September] ÷ [Actual working hours per week × 4] = Pseudo hourly wage.

to be positive. After attributes are controlled, these two forms of employment proved to be paid higher actual pseudo hourly wages than regular staff (see Table 4-14).<sup>10</sup>

#### Non-regular staff is seldom covered by social insurances and other welfare programs

We have examined the proportion of places of business which apply social insurance and other welfare programs to workers of different styles of employment. First we see that while employment insurance schemes, health insurance and employees' pension plans are applicable to almost all regular staff, only 53.2%, 36.2% and 33.1% of part-time

workers had the coverage by employment insurance schemes, health insurance and employees' pension plans, respectively, in 2003. While the proportion of part-time workers entitled to social insurances and other welfare programs increased slightly from 1999 to 2003, the percentage of places of business which apply these benefits to part-time workers was declining. In addition, the share of places of business providing contract employees with the coverage of social insurance programs was around 75% both in 1999 and 2003.

Next, by examining various systems and plans for workers, we can find that some places of business actually provide contract employees and part-time

<sup>10</sup> However, the analysis in this section uses "the actual pseudo hourly wage," and reflects neither bonus payment nor lump-sum payment. Since many of regular staff are paid bonus payment and lump-sum payment and probably many of non-regular staff, excluding transferred employees, do not receive these payments, it should be noted that the above method which has compared only actual pseudo hourly wages has limitations.

**Table 4-14 Actual Pseudo Hourly Wage Differences by Style of Employment  
(Based on Data for Regular Staff, Using an OLS Method)**

Explained variable: Actual pseudo hourly wage (Logarithm)

Explanatory variable	Estimate coefficient	Standard deviation	T value
Constant term	1.284	0.001	1095.719 ***
Time point dummy (2003=1)	-0.197	0.001	-146.993 ***
(Disparities common to the two time points, compared to regular staff)			
Contract employees	-0.073	0.001	-74.993 ***
Transferred employees	0.333	0.001	249.121 ***
Dispatched workers (Regularly-employed)	-0.018	0.004	-3.954 ***
Dispatched workers (Non-regularly-employed)	0.074	0.002	31.565 ***
Temporary workers	-0.413	0.001	-617.658 ***
Part-time workers	-0.302	0.000	-926.116 ***

Source: Ministry of Health, Labour and Welfare, "Survey of the Diversification of Employment Status."

Notes: 1) Please refer to main text for more information on "actual pseudo hourly wage."

2) \*\*\* refers to a 0.1% significance level, \*\* refers to a 1% significance level and \* refers to a 5% significance level.

3) Explanatory variables other than those indicated above include sex, age and square of age, marital status, academic background, type of job, place of employment (its category of business and size), and length of service. For the purpose of simplification, results obtained from these explanatory variables are not indicated.

4) Sample size=75,623,954 (For the two time points, after the multiplication factor was normalized)

F value=1,284,049.5 ( p <.000 )

Determination coefficient which was adjusted for the degree of freedom=.599

workers with the coverage by "corporate pension plans" or "retirement benefit systems." Yet, more employers provide the coverage to contract employees than to part-time workers. However, the proportion of places of business providing these systems or plans to contract employees and part-time workers declined from 1999 to 2003. The proportion of employers applying "bonus payment systems" to contract employees and part-time workers was higher than the one applying other systems or plans. Yet this proportion also declined from 1999 to 2003. In addition, the share of employers opening their "corporate welfare facilities" to non-regular staff was declining. The difference between the proportion of employers providing "programs to patronize and subsidize workers' self-development initiatives" to regular staff and the one providing such programs to non-regular staff was relatively small, though for the first place, some employers may have none. Yet like other fringe benefit systems, the share of employers providing the programs declined from 1999 to 2003. Places of business promoting contract employees to "regular positions" decreased from 38% in 1999 to 23% in 2003. Similarly, places of business promoting part-time workers to "regular positions" experienced

a more moderate drop from 31% in 1999 to 26% in 2003.

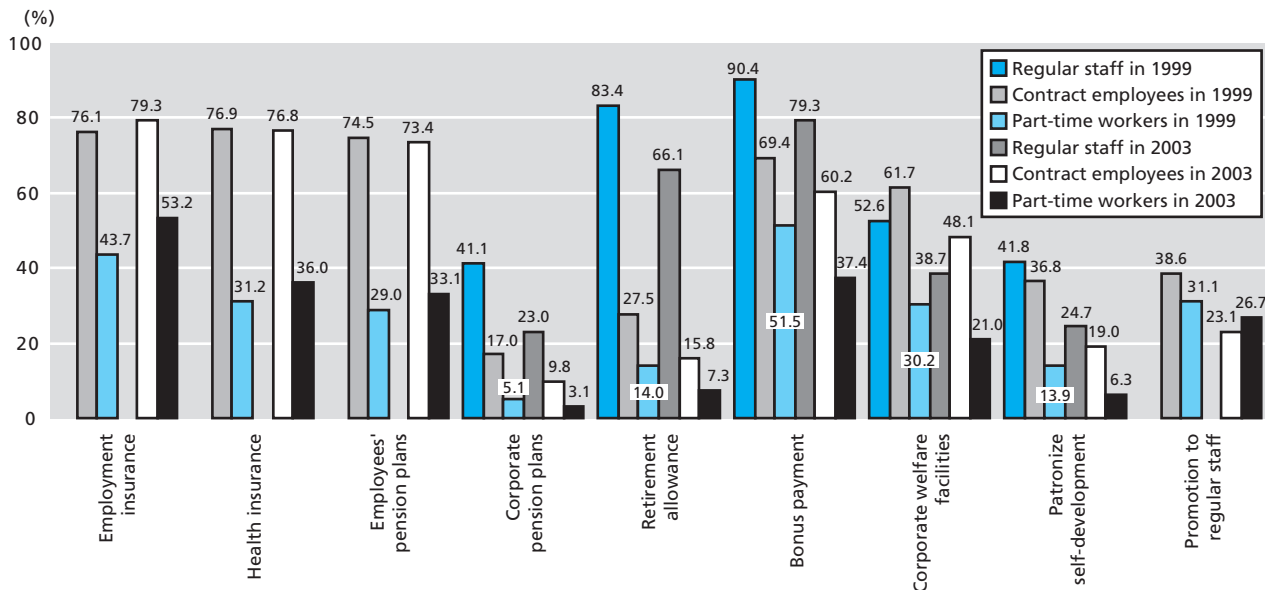
#### **d. Issues in non-regular employment**

Key issues in increasingly diversified employment—in other words, challenges arising from a surge of non-regular staff—can be summarized as follows:

##### **i. Non-regular staff increasingly regarded as key workforce and equal treatment of non-regular workers**

A close look at part-time workers, which account for a majority of non-regular staff, indicates that some of them have been increasingly regarded as key workforce. In addition, we have confirmed that dispatched workers as well as part-time workers are working overtime more frequently in recent years. In this way, some of non-regular staff are working as hard as regular staff, yet there is significant wage disparities between regular staff and non-regular staff, and not many places of business apply social insurance systems to non-regular workers. Equal treatment provisions, including wages, social insurances and fringe benefits, for non-regular staff must be strengthened all the more, particularly for part-time workers who have been increasingly

**Figure 4-15 Ratio of Employers Providing the Coverage of Social Insurances and Other Fringe Benefits to Different Types of Workers**



Source: Ministry of Health, Labour and Welfare, Survey of the Diversification of Employment Status.

Notes 1) Data on the percentage of regular employees entitled to the coverage of employment insurance, health insurance and employees' pension plans are not available.

2) In 1999 respondents were asked to choose "Applied to all," "Partially applied," or "not available at all." In 2003, they were asked to answer if they had so-and-so systems/plans. Accordingly, the data for 1999 includes both respondents selecting "Applied to all" and those selecting "Partially applied."

regarded as key workforce.

## ii. An increasing number of young people having no choice but to work as non-regular staff

Like other generations of workers, an increasing number of young people are now working as non-regular staff. What is remarkable about it is a surge of "involuntary non-regular employment" in recent deteriorating employment climate. This is a matter of concerns both from a viewpoint of young people's vocational self-development and for industries which need qualified human resources. More assistance in their vocational capacity development and new systems allowing full-time workers and part-time workers more job opportunities to pursue career paths are essential for keeping young generations from involuntarily going into the precarious workforce at the start of their long working life.

## iii. Others

Non-regular staff especially female non-regular

workers, appear to work more than one job. This means that they currently have to do so just to make both ends meet, since income from a single job is low. Non-regular staff who have to take on burdens of child care due to a divorce, a bereavement, or an illness of his/her spouse should not necessarily be left unattended, and their difficulties should not be dismissed as matters of their "self responsibility." Accordingly, some kind of income compensation should be introduced.

## B. Increasingly diversified ways of working for regular staff.

Regular staff also have different ways of working. A discretionary scheduling system literally allows workers to make decision on their working hours "at their own discretion," and the telecommuting and home-based working style allows workers to work for an enterprise from home without having to commute at all. Some but not many regular staff have already selected such unconventional ways of working. The section below introduces these new ways of working

for regular staff and their related issues, reviewing their flexible working hours and telecommuting and home-based working styles.

### **a. Flexible working time management**

#### **Workers with more flexible time management**

Article 41 of Japan's Labor Standards Act excludes the application of regulations on working hours, breaks and days-off for "persons in positions of management or supervision." In addition, we can say that, workers under discretionary scheduling systems and salespersons who are subject to "de facto working hours systems" stipulated by Article 38 of the same act are also regarded as workers with significantly flexible time management.

Laws and regulations provide that who are actually "persons in positions of management or supervision" shall be determined on the basis of "current working situations and not based on their position titles," and we have tentatively regarded those "at the section chief level," "at the managerial level," and "at other levels (including officers)" as "persons in positions of management or supervision," and we also have included persons working under "discretionary scheduling systems" or "de facto working hours" systems and those "not subject to time management" in the subject of our observation. As discussed above, this section presents survey results of "JILPT's Survey on Current Status of Ways of Working and Workers' Attitudes" conducted in 2005 (Hereinafter referred to as "JILPT's Survey on Ways of Working"), examining working conditions of regular staff who are "working flexible working hours," including those in management positions "at the section head level" or higher levels and those covered by "discretionary scheduling systems and deemed working hours systems" and those not subject to "time management."<sup>11</sup>

#### **Attributes of workers who are working flexible working hours**

When comparing attributes of "those who are working flexible working hours" and those who are not, the former are older with longer length of service

and paid better on an annual basis. In addition, males are more likely to work "flexible working hours." "Workers working flexible working hours" are likely to have finished "four-year colleges and graduate school" education. Types of jobs those with flexible working hours are doing are likely to be "white-collar specialist professions such as survey analysis, patent procedures and legal affairs," "sales and marketing," "field-work management and field supervision," and "technical specialist professions such as research and development, designing and sales engineering." We have found these findings quite reasonable, since they are persons in managerial positions and those subject to discretionary scheduling systems.

#### **Working hours for workers with flexible working time management**

"Total working hours" (the sum of working hours workers actually worked during the month of June 2005) for workers "with flexible working times" was 210.8 hours on average, 14.0 hours longer than those without flexible time management. The "overtime working hours" for workers "with flexible working time management" was 42.8 hours on average, 15.1 hours longer than those without flexible time management.

When asked about the frequency of working overtime, 61.3% of workers "with flexible working time management" answered "frequently," 18.3 percentage points higher than those without flexible time management. When asked "how often they take work home," 14.3% of workers "with flexible working time management" answered "frequently" and 29.6% replied "sometimes," 7.5 percentage points and 7.6 percentage points higher than those without flexible time management, respectively. We can say that workers "with flexible working time management" are more frequently work overtime hours for a longer period of time and more frequently take work home.

#### **Attitudes of workers with flexible working time management**

Factors behind the long working hours of workers

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11 Accordingly JILPT's Surveys on Ways of Working, Workers "with flexible time management" accounts for 20.3%.



“with flexible working time management” may be vocational responsibilities, the amount of tasks, and strong motivation for working. At the same time, these factors are thought to have led to high levels of stress.

When asked about the frequency of feeling “too much responsibility,” the percentages of workers “with flexible working time management” quoting “strongly feeling too much responsibility” and of those quoting “somewhat feeling too much responsibility” were higher than those without flexible time management by 3.1 percentage points and 4.0 percentage points, respectively. When asked about the frequency of feeling that your workload is heavy, the percentages of workers “with flexible working time management” quoting “strongly feeling” and of those quoting “somewhat feeling” were higher than those without flexible time management by 1.2 percentage points and 6.2 percentage points, respectively. In addition, when asked about attitudes to “the need for business-leisure balance,” the percentage of workers “with flexible working time management” quoting “my work is pretty much what I live for and which needs all my strength” and those quoting “making efforts for work and sometimes enjoy myself in my leisure time” were higher than those without flexible time schedule by 1.8 percentage points and 8.5 percentage points, respectively. On the other hand, the percentage of workers “with flexible working time management” quoting “getting my work done as quickly as possible to enjoy myself in my leisure time” and those quoting “life is for enjoying myself in my leisure time and not for working” were lower than those without flexible time management by 10.0 percentage points and 3.5 percentage points, respectively. As shown above, we would suggest that workers “with flexible working time management” are very “work-oriented.” A mere comparison between workers’ attitudes to their jobs and subjective stress they feel in the workplace implies significant differences between workers “with flexible working time management” and those “with less flexible time management.”

As discussed above, we have found that workers “with flexible working time management” are working longer than those “without flexible working

time management.” Under “flexible time management” systems, one does not always have to work longer. In short, “flexible time management” systems allow workers greater liberties in deciding how long they work and what kind of work they do than those without “flexible time management.” In spite of all this, workers under “flexible time management” work longer. Some of the important factors behind this include vocational responsibilities, the amount of tasks, and strong motivation for working.

## **b. Workplace flexibility**

### **Status of telecommuting and home-based working style**

So called “Telework” has attracted attention as a working style providing regular staff greater workplace flexibility. “Telework” is socially expected to play a role in “supporting a healthy work life balance for workers and at the same time improving their business efficiency, while providing equal opportunities and working conditions to both male and female workers (ensuring gender equality) and contributing to resolve social issues such as the falling birthrate and the aging population, and reducing environmental burdens.

According to estimates by the Ministry of Land, Infrastructure and Transport and Tourism, the number of Japanese style, corporate-employed teleworkers and self-employed teleworkers were 3.11 million and 0.97 million in 2002, respectively, and in 2005 they were 5.06 million and 1.68 million, respectively, or almost 1.7 times as many in 2002. The above corporate-employed teleworkers include both full-time employed workers and those working as teleworkers in addition to doing household affairs or attending schools.

Corporate employed-teleworkers who sometimes work at home (sometimes telecommute and do home-based work) account for 68.8%, or 2.14 million of the total teleworkers (3.11 million). However, only 31.4% of the above corporate-employed teleworkers are utilizing “in-house teleworking systems” to work as “teleworkers,” and teleworkers quoting that “having decided to work as a teleworker at my own discretion” represent the largest proportion, or 56.2%.

“Comprehensive Survey on Japanese Ways of Working” conducted by JILPT in 2005 found that 34.0% of regular staff quoted “sometimes working at home” but only 0.6% of them then had in-house systems for telecommuting or home-based working. In other words, the remaining 33.4% of them work as teleworkers by taking their work home at their own discretion.

### Current situation and challenges of telecommuting and home-based working style

According to a survey conducted by the Ministry of Land, Infrastructure and Transport and Tourism in 2002 on the current situation of telecommuting and home-based working style, the percentage of corporate employed teleworkers is relatively high in the “manufacturing industry”(19.7%) and “the service industry” (18.6%). Types of job where a high percentage of corporate employed teleworkers are working are “sales and marketing” (20.8%) and “clerical jobs” (18.7%).

The highest percentage (45.4%) of corporate-employed teleworkers cited as an advantage of telecommuting “improved productivity and efficiency of works,” followed by “reduced commuting burdens both physically and psychologically” (cited by 34.7%). On the contrary, the highest percentage (49.3%) of corporate-employed teleworkers cited as a challenge in promoting telecommuting working styles “difficulties in distinguishing working hours and non-working hours,” followed by “tend to work longer” (cited by 31.4% of them.) In fact, working hours per week for them is 50.6 hours, longer than the average of total occupied persons (43.6 hours).

As discussed above, telecommuting is expected to play a role in ensuring gender equal society and responding to the nation’s declining birthrate. According to case interviews on current situation of telecommuting and home-based working styles for workers with very young children (schoolchildren in the lower grades) conducted by the Japan Institute for Labour Policy and Training, only a small number of females workers have selected “completely home based jobs” where most of works can be done at home when they cannot commute to workplace, when commuting is too time-consuming or when they have

to care children undergoing medical treatment for a prolonged period. On the contrary, “partial teleworking,” where workers are working in the company’s premises as needed alongside with home-based working, is being utilized, for example, by workers who have to get their works done as scheduled and at the same time, have to care kids who suddenly get sick. In addition, some male workers select “partial teleworking” to take part in child care, or an alternative to taking child-care leave, as the second-best option.

In short, key features of current telecommuting and home-based working styles for workers with very young children include:

- i. Upon request, can reduce a period of child care leave
- ii. If needed, allows workers to work full time or almost full time including overtime working hours, and at the same time reduces the period of paid leave stemming from child care.
- iii. Allows some male workers to select “teleworking” to take part in child care, or an alternative to taking child-care leave, as the second-best option.

However, when working from home with one’s kids staying at home is disturbing or when home-based workers have to show up at the office, work-at-home workers also need to use child-care facilities.

The implementation procedure for home-based working styles and their time management generally requires in-advance application followed by prior approval and after-the-fact reports. It may be necessary to allow workers to plan their work days and working hours accompanied by after-the-fact reports to their bosses, by, in principle, carefully adjusting workloads to hopefully avoid requiring workers to work beyond prescribed working hours (or prescribed overtime hours) and at the same time allowing a certain degree of flexibility in time management and facilitating workers’ self-care and self management.

### c. Challenges in diversified ways of working for regular staff

In short, challenges in diversified ways of working for regular staff include:

#### i. Flexible working time management

With the white-collar exemption system being under consideration, an increase in workers “with flexible working time management” is believed to result in more staff working longer hours. What is important is whether workers are allowed to make better use of working hour flexibility and whether they are allowed to adjust their working hours themselves. To ensure such flexibility, what kind of performances are expected from workers “with flexible working time management” and the workload required by such performance should be reviewed. Unless present practices are improved, more workers with flexible time management will merely lead to more staff working longer hours and deteriorating physical and mental health among such workers.

#### ii. Workplace flexibility

Currently, telecommuting and home-based working styles for regular staff are seldom being institutionalized. Instead, home-based working styles are selected by individual employees or enterprises on a case-by-case basis. “Teleworking” can reduce a period of child care leave, allows workers to work full time or almost full time including overtime working hours, and serves as the second-best option allowing some male workers to take part in child care as an alternative to taking child-care leave.

The implementation procedure for home-based working styles and their time management generally requires in-advance application followed by prior approval and after-the-fact reports. Home-based working styles can enhance productivity and efficiency since workers need not to commute and may make better use of their time to concentrate on their work. At the same time, home-based workers find it more difficult to distinguish working hours from non-working hours and tend to work longer. For preventing home-based workers from working longer hours, they have to control workloads and working hours by maintaining close contact with their workplaces through after-the-fact reports and other methods.

#### iii. Other challenges (home-based business as a second job of regular staff)

Regular staff working a second job is a minority. Yet, remarkable changes in the recent labor market will require more proactive reconsideration of second jobs for regular staff. At present, many enterprises have introduced a ban on regular staff’s holding second jobs. Yet, not many court precedents have determined that rules of employment banning regular staff’s second jobs have legally strong binding power. It will be preferable to pay careful attention to physical and mental health of workers holding second jobs, and to deregulate the ban on holding second jobs for more proactively meeting to diversified needs of workers.

### 3. Challenges in Diversified Ways of Working Other than Employees

So far we have discussed diversified ways of working for employees in 2., and working styles have been diversified for non-employees as well. This section examines trends and political challenges in non-employees’ working styles. The first part of this section discusses independent self-employed workers who practically offer their services in the form of “contract for work” by completing certain designated work. Then the second part examines those who offer their services in the form of “volunteers.” In particular we focus on so-called “paid volunteers” who receive some monetary compensation (or some kind of rewards) for their works in fast-growing non-profit organizations, or NPOs. NPOs are now serving as places for organizing volunteer activities.

#### A. Independent self-employed contractors offering their services under contracts for services

##### a. Gradually increasing independent self-employed contractors who offer their services to enterprises

Looking at “independent self-employed workers having no employers” (herein after referred to as “independent self-employed workers”) indicated in “the Labour Force Survey” conducted by Statistics Bureau, Ministry of Internal Affairs and

Communications, the number and the proportion to the total workers of independent self-employed workers decreased from 7.25 million and 12.5% of the total number of workers in 1985 to 4.87 million and 7.7%, respectively, in 2005 on an industry-wide basis. Significant factors behind this long-term decline include a reducing number of independent farmers reflecting the declining share of agriculture and forestry in the entire economy, and a decreasing number of self-employed people in the manufacturing industry, the wholesale and retail sales sector, and eating and drinking places. During the same period, self-employed workers in the manufacturing sector and those in the wholesale and retail sales sector and eating and drinking places reduced from 1.29 million and 1.61 million in 1985, to 0.47 million and 0.92 million in 2005, respectively. These decreases seem to be attributable to a decreasing number of family workers in the manufacturing sector accompanied by declining family-operated small factories, and to reducing family-type retailers or eating and drinking places. On the other hand, the number of independent self-employed workers in the tertiary industry, other than wholesale or retail sales and eating and drinking places, remained almost unchanged or otherwise demonstrated a somewhat upward trend, with repeated rises and falls from 1.57 million in 1985 to 1.69 million in 2005. In general, their percentage in the total people in job also remained somewhat unchanged.

Examining in which medium categories of the industry independent self-employed workers are engaged in, we find that many of them are in professional services not elsewhere classified (Total of male and female in 2005, 320,000), laundry services, hairdressers, beauticians and bathhouse businesses (260,000), other business services (250,000) and other education and learning support

services (200,000). A closer look at their rise and fall for the period from 2003 to 2005, where the industrial categorization of labor force remained consistent, shows remarkable increase in other business services (from 230,000 to 250,000) and in professional services not elsewhere classified (from 300,000 to 320,000). In this way, it would be right to think that independent self-employed workers offering services to enterprises in a broader sense have been on a gradual but steady rise.

#### **b. Current status for single-client dependent self-employed workers indicated by JILPT's Surveys**

This section examines the current status of independent self-employed workers outlined by JILPT's "General Surveys on Japanese Ways of Working."<sup>12</sup>

##### **Category of business and type of jobs**

Examining what kind of business categories independent self-employed workers (Hereinafter referred to as "single-client dependent self-employed workers" in this section), who offer services to enterprises under contracts for services, are engaged in, we find that the largest share or 16.6% of them serving in<sup>13</sup> the information and communication sector, followed by the education, culture and sport sector (15.5%), the manufacturing sector (13.9%), and the professional service sector (8.1%). We have also examined types of businesses they are engaged in and have found that 46.6% of them are engaged in clerical works, followed by 18.2% working for manufacturing and assembling. Of clerical works home-based workers are being engaged in, document preparation accounts for the largest share (34.1%), followed by data entry (31.9%), contents development (12.3%), technical drawings (CAD/

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12 This survey focuses on the following three business categories, including (1) independent contractors mainly accept orders from and offer their services exclusively to single client, (2) independent contractors mainly accept orders from and offer their services to many, an unspecified number of clients, and (3) businesses selling goods or services to an unspecified number of customers at stores and outlets. This section refers to findings from the survey on (1) and (2). Our focus is on the data on (1) and we discuss (2) just for comparison. We have examined independent contractors grouped in (1), regardless of whether their clients are enterprises or not, yet this section refers to data on those who offer their services to enterprises only.

13 Please note that they are categories of business that independent self-employed workers are engaged in, and not categories of business that enterprises placing orders with the workers are engaged in.

CAM) (10.9%) and program development (10.9%).

### Gender and age composition and work experience of independent home-based workers

Looking at gender and age composition of single-client dependent self-employed workers, we find that males are almost evenly divided among all age groups of late 30s or older, while females are concentrated in the age range of early 30s to late 40s, especially concentrated in late 30s.

Looking at work experiences immediately before they started working as single-client dependent self-employed workers, we find that almost two-thirds or 63.4% of male independent contractors were “salaried workers” while only 23.9% of female counterparts quoted “salaried workers” and 50.0% of female independent contractors answered “did not work.” In addition, examining when female counterparts started working as independent contractors, we find that the largest share or 29.6% of them quoted they started their present jobs at their early 30s, followed by their late 20s (23.7%), and their late 30s (19.4%). Considering the fact that female independent contractors mostly start their home-based jobs in their early 30s, we may be able to say that they probably started their home-based individual contractor businesses somewhat immediately after childbirth or child-rearing.

### Realities of their businesses

Single-client dependent self-employed workers have the following features: (1) Almost none of them has business premises exclusively used for their jobs and most of them are working at home, (2) while their workloads remain relatively steady, sometimes they have no work at all, and (3) around 30% of them seemingly receive orders from principal contractors acting as go-betweens, not directly from customers.

### Concerns of single-client dependent self-employed workers—concerns about job security and health issues

It is noteworthy that concerns of single-client dependent self-employed workers include “concerned about job-related illness or injury” and “somehow

concerned about job-related illness or injury” combined (14.2%). In case of work-related injury or illness, generous workers’ compensation payment is available for employed workers. However, in general, independent contractors working exclusively for a limited number of clients under contracts for services are excluded from workers’ compensation payment. This is one of issues to be discussed from viewpoints of labor policies concerning single-client dependent self-employed workers. In addition, these independent contractors are very concerned about their current situations where “they have to work even when they are exhausted” and “they have to work even when they are somehow sick.” We can say that these findings represent their strong concerns about their job security and health.

### c. Treating single-client dependent self-employed workers as “concept of employee”

One of the important issues to be discussed concerning single-client dependent self-employed workers is how far one can treat them as “workers.” This question relates to both data analysis and comprehensive judgment, yet this section only introduces reference data.

### Number of enterprises to which independent contractors offer services—pure single-client dependent self-employed workers

More than half or 57.8% of single-client dependent self-employed workers actually offer services to only one outsourcing enterprise. In addition, 3% of outsourcing enterprises they quoted are related mutually to form a small number of groups. Accordingly, we can say that 60% of single-client dependent self-employed workers actually offer services to only one enterprise or one group of enterprises. We can assume that in these cases they are more approximate to organization-employed workers.

### Equipment required for work and how they have procure them

Looking at how single-client dependent self-employed workers have procured equipment required for work, the largest share or 70.9% of them replied



“purchased (produced) or borrowed by themselves, while 24.3% or nearly a quarter of them quoted “they have been lent free of charge by clients.”

The relationship of “contracts for services” requires that equipment required for work should be owned or procured by contractors themselves. Accordingly, it is noteworthy that some of independent contractors may be deemed to be employed by outsourcers just because equipment required for work have been procured free of charge by outsourcing enterprises.

### Relationship between single-client dependent self-employed workers and their outsourcing clients

#### i. Possibility of refusing orders

Asked about whether they are able to refuse orders, 16.2% of single-client dependent self-employed workers quoted “cannot refuse orders,” 49.3% replied “sometimes refusing orders when they are beyond their capacity to deliver,” and 27.7% quoted “refusing orders when they do not meet certain conditions.”

#### ii. How to determine whether to accept conditions of orders or not

Asked about how they determine whether to accept terms and conditions of orders (or terms and conditions of contract for services) or not, 67.6% or more than two-thirds replied “accepting them as they are presented by clients.”

#### iii. How they are doing their jobs

Asked about how they are doing their jobs, 59.1% replied “deciding everything by themselves as long as high quality products are delivered on time.” Yet 13.2% replied “they have to get instructions on how to proceed with their works from their clients every time their works have entered a new stage.” Accordingly, it would appear that not a few independent contractors are dependent on outsourcing enterprises from viewpoints of concept of employee.

#### d. Issues to be considered concerning single-client dependent self-employed workers

Key issues concerning independent self-employed workers offering services, including independent

contractors working exclusively for a limited number of clients, are:

- i. Independent contractors offering services exclusively for a limited number of clients, apparently have concerns about their jobs and health, similar to employees’ concerns about job-related injury and illness.
- ii. It would appear that not a few independent contractors working exclusively for a limited number of clients are dependent on outsourcing enterprises from viewpoints of concept of employee, like employees being dependent on their employers. This highlights the necessity of constructing a mechanism which will be able to apply relevant labor policies based on a reasonable judgment of the situation.
- iii. It is also advisable to organize some form of labor unions that ensure fair and decent working conditions and provide independent contractors working exclusively for a limited number of clients with a sort of public income guarantee in case they lose income due to illness or injury or due to lack of orders.

## B. Working and Activities for NPOs

In the wake of volunteers’ activities after the Great Hanshin-Awaji Earthquake in January 1995, The Law Promote Specified Nonprofit Activities was enacted in 1998 for facilitating volunteers’ activities and since then, many non-profit organizations (hereinafter referred to as NPOs) have been established in accordance with the Act and have attracted attention as employers and workplaces, in a broader sense. This section presents current conditions of employment and activities in NPOs based on three surveys which were conducted by JILPT from 2004 to 2005 on NPOs and people working there, and discusses related issues.

### a. Financial status of NPOs and employment opportunities with NPOs

JILPT’s “Survey on Vocational Development and Job Creation by NPOs” conducted on NPOs in 2004 indicates that many of NPOs are small-sized with the budget of 30 million yen on average (Median value: six million yen). The budget size of organizations



operating in healthcare and welfare sectors, which nearly account for a half of the total number of NPOs, is relatively large but still as low as 43 million yen on average and its median value is 10 million yen. The number of salaried workers (including paid officers) per organization is 4.9 persons, and the number of volunteers per organization is 11.7.

Figure 4-16 illustrates the proportion of salaried staff and volunteers categorized by annual income of NPOs. Organizations with an annual income of 10 million yen or more have a significantly higher percentage of paid staff, and eight or nine out of ten organizations with an annual income of 30 million or more tend to employ paid staff. On the other hand, the smaller an organization is, the more it utilizes non-paid volunteers. However, an organization with an annual income of 10 million yen or more tends to have a lower percentage of non-paid office volunteers (who works mainly at an NPO’s office). This suggests that the more annual income an NPO generates, the more likely non-paid volunteers working at its office will turn into paid workers. (Transforming working patterns or replacing working patterns.) On the other hand, the percentage of “paid

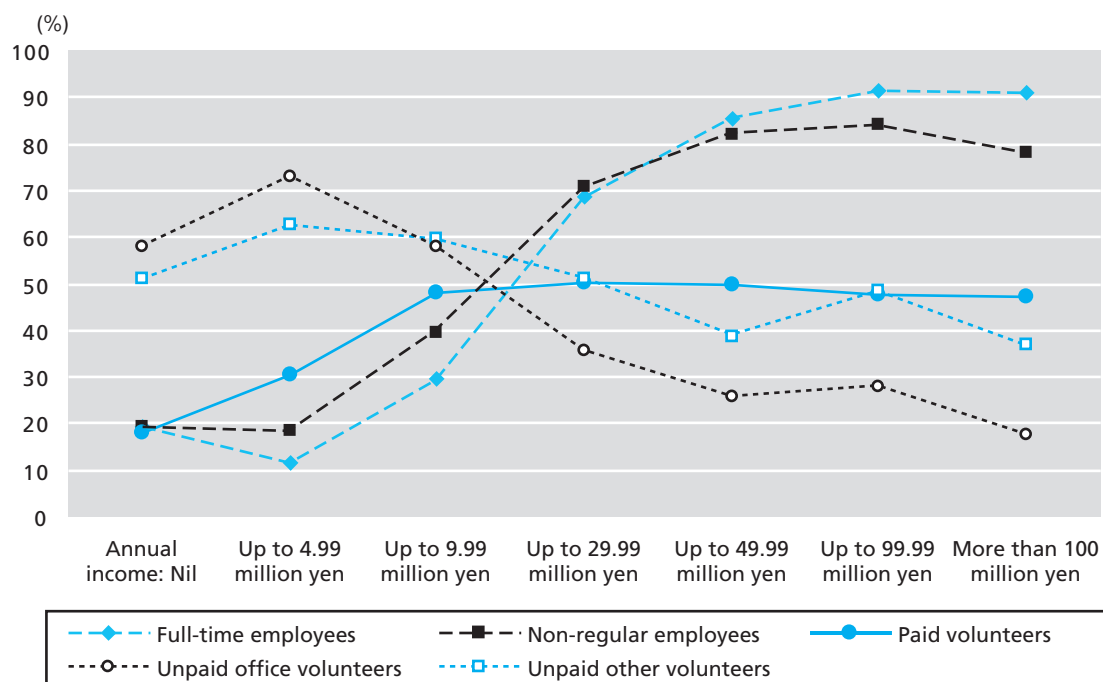
volunteers” does not vary with the annual income level of NPOs, and an almost half of NPOs have paid volunteers.

**b. “Paid volunteers” and related challenges**

NPO activities are made up of various activity patterns. NPO paid workers can be regarded as workers, and non-paid volunteers are apparently not regarded as workers since they are working without monetary consideration. However, the position of “paid volunteers” is highly ambiguous. At a glance, we can say “paid volunteers” are intermediates between paid staff and non-paid volunteers, yet the position of “paid volunteers” is still ambiguous. Accordingly, the current situation and position of “paid volunteers” would have to be better understood.

Then, why are they “paid” even though they are volunteers? Originally, volunteer duties are defined as “services offered to people other than one’s family members without monetary consideration and not under legal obligation.” Then are “paid volunteers” supposed to be what we call “volunteers” or workers? In the first place, objectives of volunteers’ activities are different from those working for enterprises. The

**Figure 4-16 Ratio of NPOs Having Salaried Workers and Volunteers Categorized by Annual Income Level**



Source: JILPT, “Survey on Vocational Development and Job Creation by NPOs” conducted in 2004.

primary objective of workers at enterprises is to obtain income, while the primary objective of many of those serving at NPOs is altruistic, such as contribution to society. In this way, though at a glance, paid volunteers look like low-wage precarious workers, their proactive attitude may be totally different from those of average workers. Then it is doubtful whether we should understand what “paid volunteers” are in the context of “workers” defined by existing legislation.

Based on findings from JILPT’s Surveys, we would like to further clarify the current situation of paid volunteers and their attitudes, comparing their activity patterns with those of others.

### Current situation of paid volunteers

A closer look at the age level of NPO workers reveals that paid volunteers include, in general, a higher percentage of people aged 60 or older than other working styles. In particular, people in their 60s account for 44.8%, significantly higher than the percentage of regular staff in their 60s that is 10.8%, and still higher by 10 percentage points than non-paid or other volunteers (35.5%).

The average hourly pay for paid volunteers is 775 yen, approximately 150 yen lower than the average hourly wage of non-regular staff of 929 yen. Looking at the annual income of persons working at NPOs, we find that, naturally, the annual income of full-time regular staff is the highest at 2.086 million yen on average, followed by that of non-regular staff of 0.788 million yen. 62.5% of paid volunteers earn annual income of up to 500,000 yen, and they earn 225,000 yen on average from their NPO activities. Their annual income falls halfway between that of non-paid and other volunteers and that of non-regular staff.

Asked about whether they are working jobs other than ones at NPOs on the side, the highest share or 38.5% quoted “not working other than NPOs,” followed by those replying “being stay-at-home housewives” (29.4%), and those quoting “working as part-time workers at enterprises and other workplaces” (14.7%).

### Why they are working as “paid volunteers”?

Rating motivations of people of different working styles to taking part in NPO activities on a scale of one to four, we find that altruistic motivation is rated 3 or higher for all working styles in NPOs. In particular, “altruistic motivation” is rated higher than 3.3 among paid volunteers and non-paid volunteers, significantly higher rated than among salaried staff. “Motivation for playing an active role” is rated significantly higher than 2 among them. “Selfish motivation” is rated 2 or lower among paid volunteers as a whole and among non-paid volunteers, but is rated higher than 2 among salaries staff. Selfish motivation is rated highest among regular staff, while the composition of paid volunteers in terms of motivation is quite similar to that of non-paid and other volunteers.

### Attitudes of paid volunteers as “workers”

Looking at findings from statistical analysis of research data and reviewing what kind of individual attributes and attitudes of people working for NPOs are likely to have “worker consciousness,” we find that regular staff, non-regular staff and paid volunteers are more likely to have strong worker consciousness than non-paid or other volunteers. Quite understandably, regular staff and non-regular staff feel they themselves are being workers, and this also shows that paid volunteers tend to have “concept of employee.”

### Concept of Employee of paid volunteers

Judging from systems and ways of working we see, more organized management of volunteers could lead to more subordination in employment relationships. Since volunteers are indispensable for NPOs’ missions, NPOs need to manage and supervise volunteers for making better use of them. On the other hand, even when subordination in employment relationships is justified, we should have to determine (interpret or politically evaluate) whether labor related acts are legally applicable to relationships between volunteers and NPOs. In other words, we have to pay attention and examine to

underlying feeling of paid volunteers as well as to their apparent ways of working when judging how far paid volunteers can be regarded as workers.

#### 4. How to Address to Challenges in Diversified Ways of Working

##### A. Legal policies related to diversified working styles

We have already reviewed and discussed court precedents and academic theories on non-regular staff, regular-staff and independent contractors (including self-employed workers), separately, for identifying labor-related policy challenges and solutions for addressing diversified ways of working as research implications. We have particularly focused on viewpoints from labor-related acts including legal responses, in the wake of current situation analysis and findings on related challenges. Consequently, we have identified the following challenges and solutions in general, after concluding that reorganization of laws and regulations, including deregulation as needed, is necessary for responding to diversified ways of working.

##### Legal policies concerning non-regular staff

- a. It may be feasible to legally guarantee the minimum wage for non-regular staff, since their wage level is absolutely low. Yet, in principle, the viewpoints of the poverty problem in a broader sense for those who need help should be introduced into their working condition problem, just like in cases with one-parent households where breadwinners have to work in precarious positions due to their family circumstances.
- b. Many argue that the “equal pay for equal work” principle should be introduced when assigned duties and working conditions of non-regular staff are similar to those of regular staff, to help combat wage disparity between regular staff and non-regular staff. At present this principle is not supported by a clearly established law, and we should not make haste in making it legally binding in a strict sense, when reflecting how working conditions are being established. However, if required to make “guidelines for

equal treatment” stipulated in current “Guidelines for part-time labor” more effective, further discussion over the principle, including possible introduction of some legal measures, is socially reasonable.

- c. Since non-regular staff mostly work for a definite period of time, how to deal with termination of consecutive employment (or rejection of contract renewal) will be one of major political issues. Some countries have already legally required employers to give adequate reasons when terminating consecutive employment. On the other hand, Japan has discussed this issue only at academic level, and instead has focused more on how to deal with job insecurity for workers after rejection of contract renewal. More efforts are required to identify present operation of “Standards on definite term contracts” (Ministry of Health, Labour and Welfare, Kokuji No.357 in 2003) and to make it more effective.
- d. More clarification should be provided concerning enterprises’ obligation of safety and security of contractors and dispatched workers working within their workplaces, in addition to compliance of adequate rules and regulations concerning issues peculiar to indirectly employed workers such as dispatched workers and contractors.

##### Legal policies concerning regular staff

- e. Regulations on regular workers who are more autonomously working than average regular staff should be reorganized, with careful consideration given to their unique ways of working. The “white-collar exemption” system, modeled after its counterpart in the United States, may be one of such considerations. Though this system has been highly controversial among academic researchers, proper attention is essential to easing concerns about prolonged working hours, workers’ health, appropriate prerequisite for workers and possible unfavorable treatment concerning determination of the amount of tasks.

##### Legal policies concerning self-employed workers

- f. In general, independent contractors are not regarded as workers in terms of legal contracts.

However, not a few of them will be regarded as those having so-called “concept of employee” if their job practices are carefully taken into consideration. Accordingly, of importance is how to clearly (and speedily) evaluate “concept of employee” and how to provide necessary protection to those who need it. To address this issue, as in the case of overseas legislation, discussion on possible explicit inclusion of self-employed people who meet certain objective criterion of “concept of employee” into the coverage of some labor-related acts, by treating them as “workers.”

- g. Moreover, not a few argue that self-employed people who are not legally regarded as “workers” but have some economic subordination in relationships with their clients should be covered by some kind of protection, like the coverage under labor related acts. This may requires more discussion on possible coverage by legal protection of self-employed people who are economically subordinated to their clients, regardless of whether they are covered by labor-related legislation or not, in particular when it comes to issues subject to worker protection rules, for example, public order and morals (including consideration to workers’ health and the ban on discrimination) and issues highlighted by economic subordination (including injury compensation and income security during unemployment.)
- h. Similar discussion on the possible coverage of non-paid workers or so-called volunteers by legal protection, for example by injury compensation, should be made. When applying such protection to volunteers, we will have to establish a mechanism ensuring that organizations these volunteers are working for will meet certain standards (for example, organizations are working for the common good.)

## **B. Strategic directions of policies on diversified working styles**

Based on the above observations, we have developed trial assumptions concerning strategic implementation of policies for realizing favorable

working environment for various working styles.

### **a. Present status**

In general, we can say that the labor economy at last started showing signs of recovery in 2006. Accordingly, factors behind employers’ willingness to “use more non-regular staff instead of regular staff” due to their extreme labor cost consciousness are likely to decline in future. In other words, we can say that enterprises have finally reached the stage where they can work out their own human resource strategies from a medium to long-term standpoint, by carefully considering how to make the best use of what kind of human resources in concert with their business development. In short, probably the time has finally come when various “imbalances” accompanied by diversified ways of working and employment, which are inevitable results of tough economic circumstances and management environment, will be corrected to upgrade the working environment. We can also point out that there is increased awareness of various workplace disparities and their countermeasures among all levels of people. In this way, socioeconomic conditions will soon be readily available for every working style to make the best use of its own socioeconomic advantages.

### **b. Strategic policy objectives concerning diversified ways of working**

At the moment, we would like to propose two strategic policy objectives for preparing the working environment that enables diversified ways of working:

Strategic objective I: Encouraging people to select forms of employment and working styles they like

Strategic objective II: Facilitating the upgrading of the working environment and working conditions in harmony with socio-economic conditions, suitable for each form of employment and working style.

Though we can handle each of the above two objectives separately, at the same time, we need to keep in mind these two are being interacting each other. We expect that forms of employment job-seekers and workers want will vary with the upgrading of the working environment and working

conditions of each working style. For example, those who now seek regular staff positions will pay less attention to regular staff positions if the working conditions for non-regular staff are to be significantly improved.

### c. Policy challenges concerning strategic objectives<sup>14</sup>

#### 【Policy challenges represented by Strategic Objective 1】

Strategic objective 1 represents strategic challenges concerning job development and job changing. The section below outlines potential policy challenges.

Policy challenge 1-A: Allowing those who are in involuntary non-regular employment due to hard times they encountered as young job seekers to get more steady jobs including regular staff positions.

Policy challenge 1-2: Preparing an environment that facilitates job changing between different forms of employment and working styles.

#### 【Policy challenges concerning strategic objectives 2】

Strategic objective 2 represents a number of strategic challenges concerning working environments and working conditions. The section below lists potential policy challenges.

Policy challenge 2-A: Letting enterprises—employers and/or users of non-regular workers—fully understand how to behave and how authorities will respond to them, including best practices and directions, for upgrading working environments and working conditions for non-regular workers.

Policy challenge 2-B: Addressing treatment disparities between regular staff and non-regular staff.

Policy challenge 2-C: Further easing job insecurity for job seekers (i.e. workers previously working under definite-term contracts) after rejection of contract renewal.

Policy challenge 2-D: Establishing labor and social insurance systems for workers in various employment and working styles and in turn, facilitating non-regular staff's vocational self-development.

Policy challenge 2-E: Reorganizing laws and regulations in response to regular staff's need for diversified ways of working.

Policy challenge 2-F : Discussing new policies in response to changing circumstances concerning non-regular workers (For example, policies supporting those who can work only as non-regular staff due to responsibilities for child care and others.)

Policy challenge 2-G: Discussing relevant policies and systems for self-employed workers, including single-client-dependent self-employed workers.

Policy challenge 2-H: Discussing relevant policies and systems for volunteers engaged in NPOs from the workers' viewpoints.

Needs for diversified employment and working styles will increase all the more with a more aging society and an increasing number of people seeking better-work life balance. The social and economic system of Japan also requires the elderly and those work-life balance oriented people to make best use of their ability and motivation in work. Accordingly, further development of relevant policies and measures is essential for improving working environment for various ways of working.

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<sup>14</sup> Please note that some of these policy challenges and related specific policy measure have been already undertaken and implemented.



### 1. Summary of Study

#### A. Changes in Japanese companies since the 1990s

Human Resource Management (HRM) in Japanese companies has changed substantially since the late 1990s. There are three main aspects of the change: (1) the change in long-term employment practice. New graduates work for a single company or its affiliated companies until the official retirement age. This employment practice had been broadly adopted particularly among major companies. This is the one of the characteristics of personnel policy called “Japanese employment practice,” also known as “lifetime employment practice.”<sup>1</sup> However, the custom of the long-term employment has been gradually changing even in the major companies with narrowing down the number of employees who are eligible for the long-term employment; (2) the change in employee assessment and compensation system. Under the traditional Japanese employment practices, seniority-based wage, personnel and grade systems had broadly been adopted. Since the 1970s, the basic principles of conventional employee assessment and

compensation system were a merit-based personnel system and/or ability or skill development-oriented personnel system that took over the seniority system, e.g., extended dissemination of an ability-based grade system. However, since the early 1990s, “*Seikashugi*,” a performance-oriented employee assessment and compensation system, has rapidly become popular. What makes *Seikashugi* different from the merit pay plan in the U.S.? In Japan, *Seikashugi* means “to assess and offer benefits based on short-term individual business results and performance of each individual.”<sup>2</sup> That is, while wages are determined based on corporate performance or group performance in most merit pay plans in the U.S. companies, the *Seikashugi* focuses on individual’s short-term performance and also has an impact on his/her promotion and salary raise through personnel evaluation. This makes the *Seikashugi* different “from a “pay by the job” plan in this regard;<sup>3</sup> and (3) many companies have come to actively utilize the so-called “employment portfolio,” combination use of diverse personnel groups. This change has its roots in highly-compatible personnel management measures that had been utilized by

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- 1 The term “lifetime employment practice” is better put “long-term employment practice” due to its meaning that employees are employed until the official retirement age.
  - 2 Okunishi (2001) argues that the *seikashugi* needs to fulfill the following three elements: (1) Emphasize on business results rather than variables such as skill, knowledge and effort for wage determinant; (2) Place more emphasis on short-term business results and less on long-term business results; and (3) Implement a major wage differentials in actual wage. In this paper, whether *Seikashugi* widens the wage gap is being examined, so that the element (3) is excluded from the discussion. Therefore, the meaning of *Seikashugi* used here doesn’t fully describe the performance-oriented treatment system currently implemented in Japan.
  - 3 After World War II, many Japanese companies which advanced managerial modernization reflected business performance to the term-end allowance to be distributed to employees. They reflected individual performances in the term-end allowance as well. In this regard, they clearly focused on individual performance like *Seikashugi* (see reference by Matsushima, 1962). So what is the essential difference between *Seikashugi* and individual performances reflected in the term-end allowance? There are two differences those can be pointed out: (1) companies traditionally reflected individual performance in the term-end allowance in addition to base salary that was based on individual long-term performance such as seniority-based wage, it was sort of “two-storied” payment system. However, *seikashugi* is not based on such long-term performance but individual short-term performance; and (2) there is a historically major difference between two. In the case of term-end allowance, individual merit pay that focuses on individuals had been determined based on collective merit pay that is collectively determined. In the case of *Seikashugi* in Japan, it is believed that since the first object persons were supervisory employees, the effect of collective labor-management relations on wages (i.e., the effect of labor unions) was extremely small.



companies for their management and business strategies since the late 1990s. Until the early 1990s, non-regular employees were used mainly for employment adjustment due to strict regulations on dismissal in Japan. Non-regular employees meet the requirement of high numerical flexibility (Atkinson, 1985) as well as having more financial flexibility compared with regular employees who need fixed labor cost. In addition, business strategies centering on such non-regular employees' numerical flexibility have been drastically changed retail trade and eating and drinking places since the 1990s. By keeping the number of regular employees as small as possible and hiring non-regular employees as needs arises, it has contributed significantly to the improvement of business performance especially in profit margins. Non-regular employees are foundation of competitiveness for making profits, they aren't just substitutes for regular employees. As a result of such business model's success, it shows higher ratio of non-regular employees especially in the retailing industry and the eating and drinking places.

Non-regular workers have also been actively used in manufacturing industry with intensifying international competition, for instance: (1) a lot of contracting business employees take part in manufacturing lines; and (2) the ratio of dispatched workers in manufacturing premises becomes high with the regulatory reform in dispatched work in manufacturing industry. It can be said that as a result of these manufacturing companies' management strategies which do not shift their production to overseas, many domestic non-regular workers were employed. In addition, in response to the demands of the times, media and personnel business have been rapidly developed to secure non-regular employees. As a result of above changes, the demand for non-

regular employees became high and created mismatches between job seekers and positions provided. Even a competent job candidate had to accept a position as a non-regular employee due to a shortage of permanent job. Ironically, this situation brought an acceleration of the rapid matching of the supply and the demand in job market.

In spite of the increase in employment opportunities for non-employees, wages were still kept low. One of the reasons was that a regular employee has historically been regarded as a sole "breadwinner" of the family while a non-regular employee who earns supplementary income under the logics of life security that were fundamental thoughts in human resources management of Japanese companies. The labor policy similarly regarded them and did not bear in mind that a non-regular employee solely maintains a household. It can be said that it is only natural for companies to use non-regular employees to pursue profits and reduce costs.<sup>4</sup>

Shifting corporate governance structure caused the three changes: (1) decline in long-term employment; (2) dissemination of *Seikashugi*; and (3) increase in the ratio of non-regular employees. Changes in the corporate governance structure in Japan since 1990s are described in the next section.

## B. Changes in the corporate governance structure

Previously, the corporate governance structures in Japanese companies tend to focus on a long-term profit for stakeholders such as main financing banks, management and employees. In contrast, shareholders' influence was extremely limited and there were few shareholders value-oriented companies as seen in the U.S. Both employers and employees were able to pursue each profit under

4 This paper regards that the rise of non-regular employees was due to changes in business strategies and governance structures. However, cause of the increasing number of "freeters (young part-time workers those who flit from one menial job to the next)" was historically considered as a problem for each individual, especially social misfit and/or developmental impairment. This view had long led studies on youth employment issues since 1990s in Japan. In Japan many people of "lost generation" who graduated from college and high school around 1995 to 2005 (known as a "hiring ice age") were having hard times to find permanent jobs. Moreover, though many of the lost generation were competent as same as people from other generations, the term freeters gave a image of being less competent. Therefore, their abilities were underestimated, and it lead them having a hard time finding a full-time job. It is well known that there is a practice of laying disproportionate emphasis on recruitment of new graduates especially among major companies in Japan. If a new graduate cannot find a job as a regular employee on graduation, the chance for good employment opportunities decreases in the future. Such peculiar circumstances put people from the lost generation in a more wretched situation.

strong influence of main financing banks that focused on long-term management stability and development. It is believed that such influence of main financing banks contributed to the long-term corporate management stability through securing of long-term shareholders and reinforcement of customer relationship. After the bubble economy burst, however, since the accounting standard was shifted from historical cost accounting to fair value accounting in addition to banking realignment, the cross-shareholding was dissolved at a stretch. As a matter of course, massive shares held by many banks as assets were sold off. As a result, monitoring functions by shareholder voting rights at the shareholder meeting has been strengthened and individual and institutional investors are allowed to buy out shares and launch a hostile takeover. It can be said that investment funds which aim to heighten corporate values are growing and it is the coming of “age of great acquisition” in which corporate management focuses on shareholder values. “Who owns a company?” Many Japanese used to answer, “Its management and employees.” However, companies that are exposed to strong scrutiny from the market are no longer able to hold surplus funds and dormant assets, and preserve excess personnel and underperforming businesses. Japan reached a crucial turning point of long-term profit-oriented governance to short-term-oriented governance aiming to improve shareholder value. In this regard, companies finally reviewed the once untouchable labor cost. Entire business management had to be reconsidered from the viewpoint of paying enough labor cost for necessary businesses. At present,

companies are not for their employees’ bread and butter. If this statement is true, it won’t be surprised if long-term employment and seniority-based wage that embody win-win relationship between management and labor are interpreted as opponents of shareholder value. That is, as a result of changes in the governance structure, HRM in Japanese companies is going to change tremendously.

### C. Need for reality check—“Comprehensive analysis of firms’ management strategies, personnel treatment systems, etc.”

Based on the above situation, the Japan Institute for Labour Policy and Training (JILPT) carried out a project study “Comprehensive Analysis of Firms’ Management Strategies, Personnel Treatment Systems, Etc.”<sup>5</sup> (period: October 2003 to March 2007) with the primary objective of understanding the reality of rapidly changing HRM in Japanese companies from the comprehensive and panoramic viewpoint to prepare basic data for consideration of labor policy. So far, JILPT carried out the following: (1) the identification of issues through survey on earlier study documents; (2) the questionnaire of persons in charge of human resources in companies; (3) the questionnaire of workers;<sup>6</sup> and (4) the interview of persons in charge of human resources or corporate planning in companies. The results were compiled in the following six reports:

a. *Kigyo no keiei senryaku to jinji shogu seido-to ni kansuru kenkyu no ronten seiri* [Identification of Issues for Research on Corporate Management Strategies and Personnel Treatment Systems]. 2004. JILPT Research Report, no.7.

5 Participants in this project study are as follows: Prof. Mitsuharu Miyamoto, School of Economics, Senshu University, Prof. Motoharu Morishima, Graduate School of Department of Economics, Hitotsubashi University, Tadashi Kudo, Former General Researcher, JILPT, Takashige Komoda, Former Deputy Research Director-General, JILPT, Akira Motokawa, Former General Researcher, JILPT, Mari Okutsu, General Researcher, JILPT, Ryoji Nakamura, Assistant Senior Researcher, JILPT, Shingo Tatsumichi, Deputy Senior Researcher, JILPT, and Makoto Fujimoto, Researcher, JILPT.

6 “JILPT Corporate Survey” of persons in charge of human resources and “JILPT Employee Survey” of employees working for companies which answered to JILPT Corporate Survey were carried out in the following manner: As for JILPT Corporate Survey, top 11,865 companies in order of the number of employees listed on the company list of private credit agencies were extracted and questionnaires were sent out to persons in charge of human resources by post. The collection period was from October to December 2004 and 1,280 questionnaires were collected (effective collection rate: 10.8 %). The average number of employees of companies which answered the questionnaire was 781. As for JILPT Employee Survey, 30 questionnaires were sent out to each person in charge of human resources in 1,280 companies which answered JILPT corporate survey to ask to distribute to employees with designated conditions. The collection period was from February to April 2005 and 2,823 questionnaires were effectively collected from workers of 239 companies.

- b. *Henbo suru jinzai manejimento to gabanansu* [Transforming Human Resource Management and Governance/Corporate Strategies]. 2005. JILPT Research Report, no.33.
- c. *Henkakuki no kinrousha ishiki:“ Shinjidai no kyaria dezain to jinzai manejimento no hyoka ni kansuru chosa” kekka hokokusho* [Workers’ Changing Perceptions: Report on the Results of the “Survey on Career Design in the New Era and Perceptions on Human Resources Management]. 2006. JILPT Research Report, no.49.
- d. *Gendai Nihon kigyo no jinzai manejimento: Purojekuto kenkyuu“ Kigyo no keiei senryaku to jinji shogu seido-to no sougoteki bunseki” Chukan torimatome*. 2006. JILPT Research Report, no.61.
- e. *Nihon no kigyo to koyo: Choki koyo to Seikashugi no yukue* [Japanese Companies and Employment: Prospects for Long-term Employment and Seikashugi]. 2007. Project Research Series, no.5.
- f. *Keiei senryaku, gabanansu to HRM ni kansuru kigyo jirei chousa* [Corporate Case Research on Corporate Strategies/Governance and HRM]. 2007. Material Series, no.28.

“Human Resource Management of Today’s Japanese Firms: Interim Report of the Research Project ‘Comprehensive Analysis of Firms’ Management Strategies, Personnel Treatment Systems, Etc.” (JILPT Research Report no.61) is an interim report of entire project study and “Japanese Companies and Employment-Prospects for Long-term Management and *Seikashugi*” (Project Research Series no.5) is a final report. In this paper, the summary of major findings of these two reports are briefly introduced in 1., and the reality of *Seikashugi* that is a central theme in recent HRM reform is

described in 2. The analysis of relationship among companies’ business strategies, HRM and corporate performance are introduced in 3.

#### D. Major findings-Summary

##### i. Majority is New Japan type (*Seikashugi* + long-term employment)

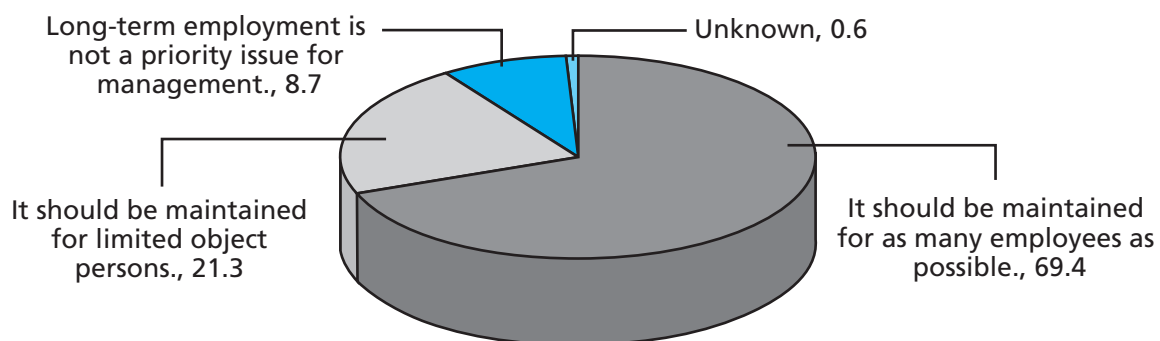
According to the result of corporate survey “Attitude to long-term employment for regular employees” (see Figure 5-1), 69% of companies said “Long-term employment should be maintained for as many employees as possible,” 21% said “Long-term employment should be maintained for selected employees,” and 9% said “Long-term employment is not a priority issue for management.” In short, about 30% of companies have reviewed the long-term employment in some way.

On the other hand, as for introduction of *Seikashugi* (see Figure 5-2), 58% of the companies have introduced *Seikashugi*. The larger the company size is, the higher the introduction rate becomes. Among companies with 1,000 or more employees, 71% of those have introduced *Seikashugi*.

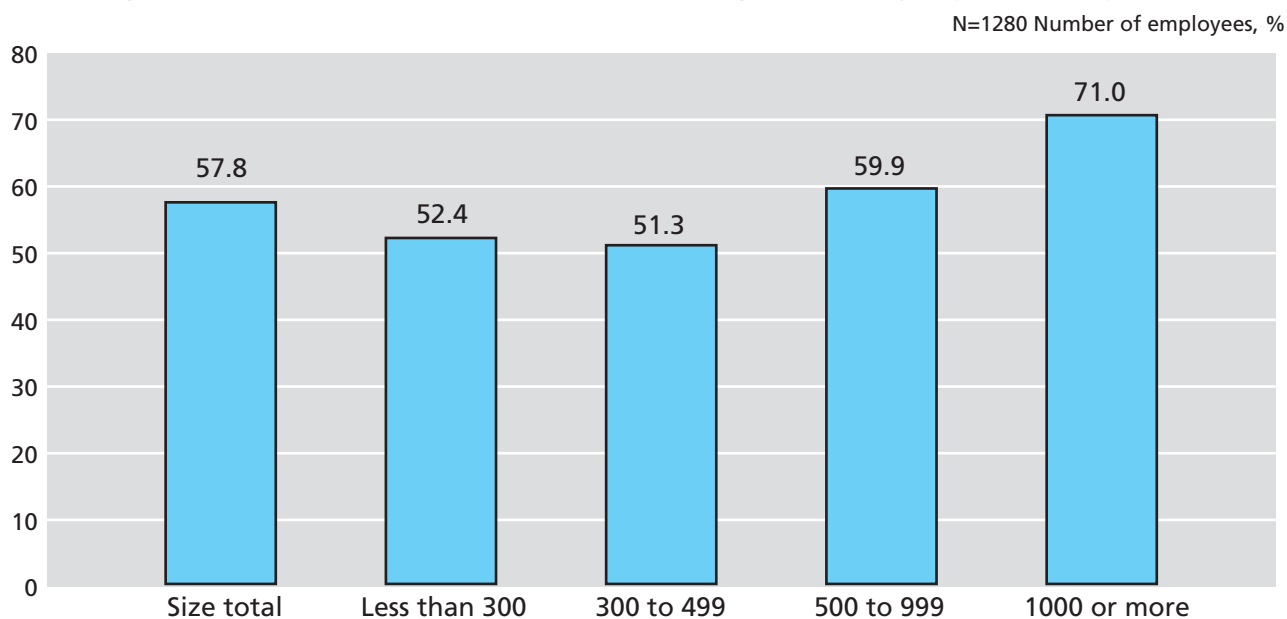
There are two notable changes: (1) decline in long-term employment; and (2) development of *Seikashugi*. Using these two, I have classified employment systems into four types. Figure 5-3 outlines four types of employment systems obtained by placing two axes: (1) long-term employment is maintained or not; and (2) personnel treatment system with *Seikashugi* is introduced or not.

According to the result from corporate survey, 30% of companies were classified as “Japan type” (hereinafter referred to as “J” type) with long-term employment and non-*Seikashugi* which are

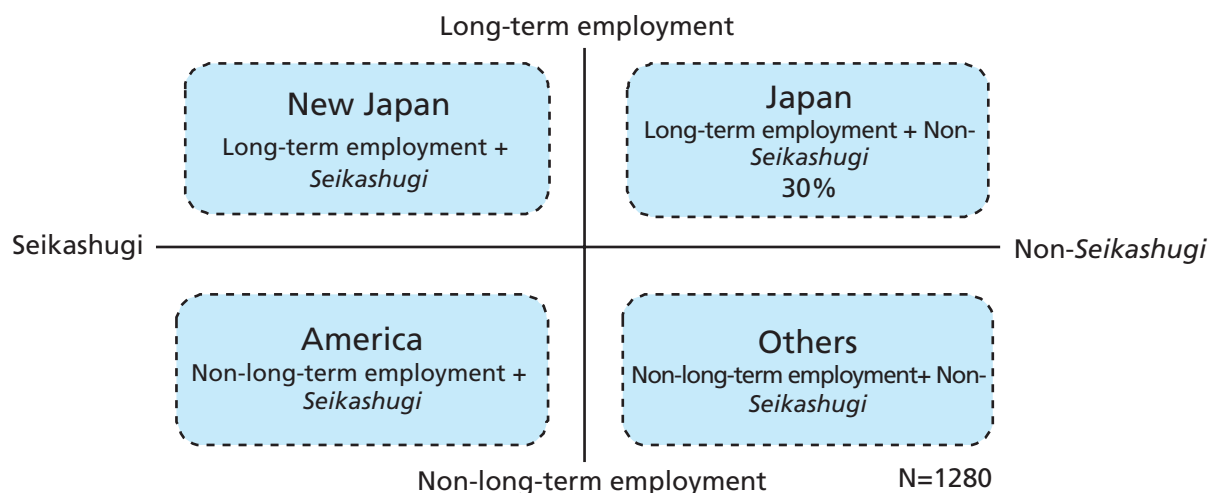
**Figure 5-1 Attitude to Long-term Employment for Regular Employees**



**Figure 5-2 Ratio of Companies Introducing *Seikashugi* by Company Size**



**Figure 5-3 Ideal Types of Employment System in Japanese Companies: Classification by Long-term Employment and *Seikashugi***



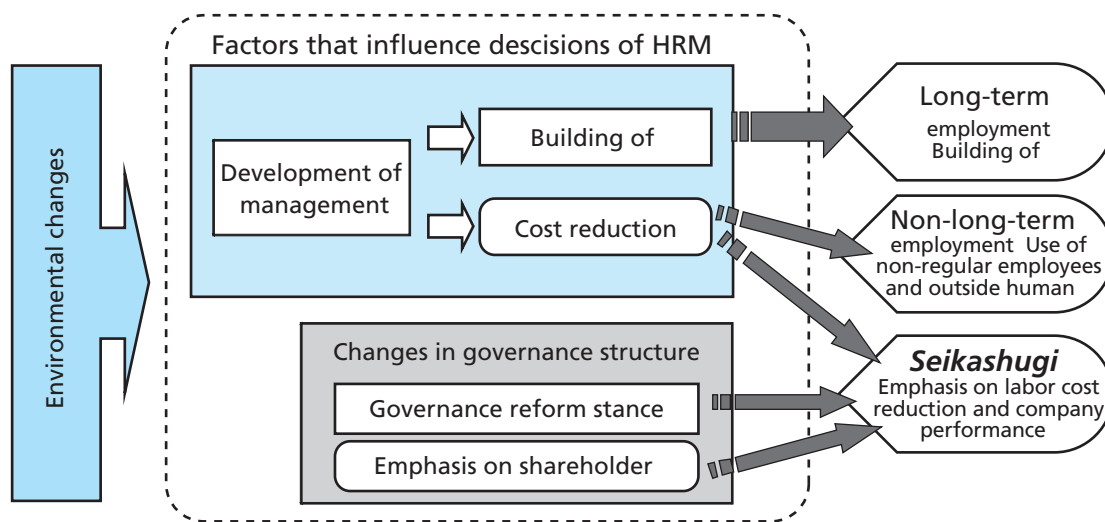
characteristics of conventional Japanese employment practice, 39% were classified as “New Japan type” (hereinafter referred to as “New-J” type) with long-term employment and *Seikashugi*. Eighteen percent were classified as “America type” with non-long-term employment and *Seikashugi* as often seen in the U.S. capital companies and 12% were classified as

“Other type” with non-long-term employment and non-*Seikashugi*.<sup>7</sup>

How dose such classification of companies’ employment systems occur? (See Figure 5-4) Environmental changes outside companies force companies to change the business strategies and also influence the governance structure. Changes in

<sup>7</sup> Jackson who classified Japanese companies by finance and governance shared the same view. Jackson, G. 2004. The Changing Role of Employees in Japanese Corporate Governance: Participation, Adjustment and Distributional Conflict. In Aoki, M., Jackson, G., & Miyajima, H. [Eds.], *Corporate Governance in Japan*. Submitted to “RIETI Policy Symposium: Diversified Japanese Corporate Governance-Converging with specific mode” held October 22, 2004.

**Figure 5-4 Factors that Influence Decisions of Human Resource Management: Strategies and Governance**



business strategies and governance structure influence the human resource management measures. For instance, when aiming to reduce costs for business strategic reasons, the employment system moves to non-long-term employment or *Seikashugi*, when building long-term competitiveness through human resource development, the system moves to long-term employment. As for the governance structure, however, it was found that orientations toward governance reform and emphasis on shareholders such as introduction of operation officer system promote the introduction of *Seikashugi*, but they do not influence long-term employment.<sup>8</sup>

## ii. Human resource management measures for high business performance: Do they converge with New-J type?

When focusing on the relationship between

*Seikashugi* and business performance from the standpoint that how companies' human resource management contributes to the business performance, the result showed that the introduction of *Seikashugi* made the business performance (sales per employee) higher.<sup>9</sup>

According to the analysis using four Japanese companies' employment systems, it became clear that business performance (ROE) of New-J type companies with *Seikashugi* and long-term employment from 1999 to 2004 was improved the most.<sup>10</sup> It is believed that New-J type companies have an organizational character that achieves solid results such as motivated workers of high moral character.<sup>11</sup> As above, introduction of *Seikashugi* and combination of *Seikashugi* and long-term employment may have a good influence on companies' performance.

8 As a result of logistic regression analysis, both governance reform (0.1 % level) and emphasis on shareholder value (5 % level) had a statistically-significant impact on the introduction of *seikashugi*, but long-term employment policy didn't.

9 A multiple regression analysis was conducted for companies which introduced *seikashugi* and those which didn't with using a change ratio of sales per employee in 1999 and 2004. It was found that the introduction of *Seikashugi* made business performance higher (5 % level, statistically-significant). For details, see Part II of this report.

10 When focusing on changes in ROE in 1999 and 2004, business performance of New-J type companies was most improved (10 % level, statistically-significant).

11 As for changes in workplaces, three parameters of "morale and motivation," "individuate of workplaces (education and cooperation)" and "stress and turnover" were set on an ascending risk scale of 1 to 5 and each type's average was evaluated. As a result, New-J type companies' point of "morale and motivation" was at 0.1 % level and more statistically-significant than other types.



On the other hand, it is highly possible that human resource management which is opposed to long-term employment such as employment of non-regular employees and use of outside personnel for the purpose of reducing costs also contributes to business performance.<sup>12</sup> Therefore, we are currently unable to give a definite direction whether Japanese companies' human resource management converges with New-J type or use of non-regular employees and outside personnel makes further progress.

### iii. Role of human resource development that revitalizes an organization and makes *Seikashugi* a success

It became clear that companies which emphasize on education and training for the purpose of upskilling all employees enhance higher morale among workers (see Table 5-5). It is noteworthy that work ethic is higher among companies which

provides company-wide education than companies offer selective education.<sup>13</sup> It also showed that in companies which introduced *Seikashugi*, the higher the level of workers' satisfaction with companies' education and training is, the higher the companies keep workers' morale high.<sup>14</sup> That is, these results show that when companies emphasize on human resource development and education and training, they may keep workers' morale high, revitalize workplaces and lead directly to make *Seikashugi* a success.

### iv. Acknowledge gap between labor and management: Human resource policies are not properly recognized among workers

When focusing on a gap between companies' human resource management policies and workers' acknowledgement, it became clear that companies' human resource management policies are not

**Table 5-5 Morale and Motivation Points to be Emphasized**

Indipentent variable	Morele and motivation
Differentiation of employee compensation and assessment by performance	0.081*** (0.028)
Implementation of training for upskilling of all employees	0.051** (0.024)
Implementation of training for selected employees	0.027 (0.025)
Clear distinction between supervisory careers and professional careers	0.084** (0.038)
Mental health care for employees	0.064** (0.029)
Communications between labor unions or employee representatives and top management	0.067*** (0.025)
Communication of business objective and management principles to employees	0.103*** (0.025)
Number of samples	1084
Adjusted R <sup>2</sup>	0.134

Notes 1) Multiple linear regression analysis. Values in parentheses are standard errors.

2) \*.05<p<.10., \*\*.01<p<.05, \*\*\*p<.01.

12 As a result of multiple regression analysis of impact on business performance by cost strategy and use of non-regular employees, both had a statistically significant positive impact on business performance (sales per employee) at 5 % level.

13 As a result of multiple regression analysis with a dependent variable of morale in workplaces, it was statistically significant at 5 % level.

14 As a result of multiple regression analysis with a dependent variable of morale (motivation), it was statistically significant at 5 % level. Companies which did not introduce *seikashugi* did not show any statistical significance.



properly communicated to employees. While management side thinks “long-term employment should be maintained for as many employees as possible,” only 44% of employees of those companies had correct recognition of their companies’ employment policy. Nineteen percent answered “It should be maintained for limited object persons” and 21% answered “Long-term employment is not a priority issue for management” (see Figure 5-6). It became clear that about 40 % of workers had misunderstandings about their companies’ employment policy.

There was also an acknowledge gap of *Seikashugi*. Though companies have introduced *Seikashugi*, 25% of employees did not acknowledge its implementation. It tells us that human resource management policies such as long-term employment policy and *Seikashugi*, which mean a lot to employees, are not always properly understood. Not a few workers are concerned about their employment but do not correctly recognize their companies’ assessment and treatment system. Since communication between labor and management are incomplete, this may cause some frictions. Especially complicated assessment and treatment system as typically seen in *Seikashugi* may bring a severe

impact on the labor-management relationship.

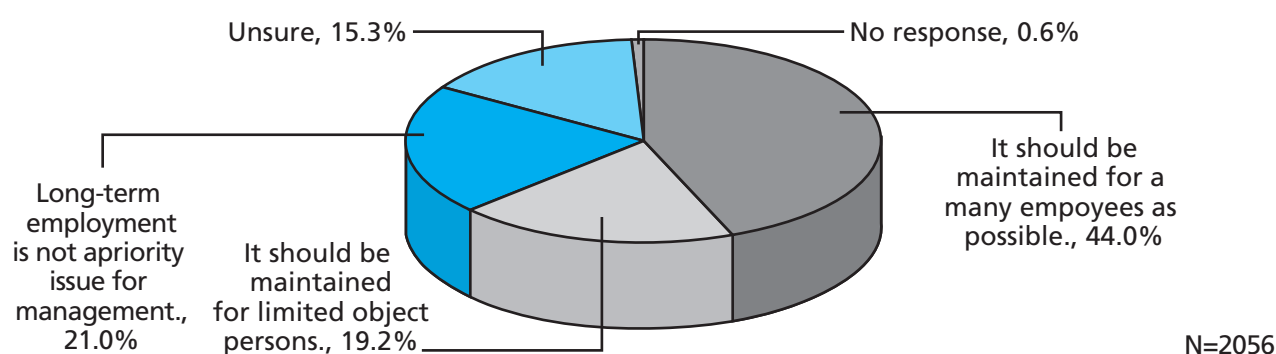
#### v. Acknowledge gap of governance

There is also a large acknowledge gap of corporate governance between labor and management. Table 5-7 shows the answers about emphasis on shareholder value from both labor and management. While 55% of the employees answered “positive” to the question, only 13% of the management answered the same. Fifty-nine percent of the management answered “neither” and 23 % answered “negative.” As for emphasis on shareholder value, the most common answer of the labor side was “positive” but the most common answers of the management side was “neither” and “negative.” A conflict is likely to occur between stakeholders, but there is no such serious conflict between the labor and the management. Then why was such peculiar relationship developed?

Figure 5-8 shows the answers of employees’ perception toward shareholders and management.

More than half of employees answered, “Shareholder value should be increased.” More than 30% answered, “Shareholders should keep a closer watch on management.” Even in Japanese companies that have maintained cooperation between labor and

**Figure 5-6 Perceptions of Employees Working for Companies that have a Long-term Employment Policy**

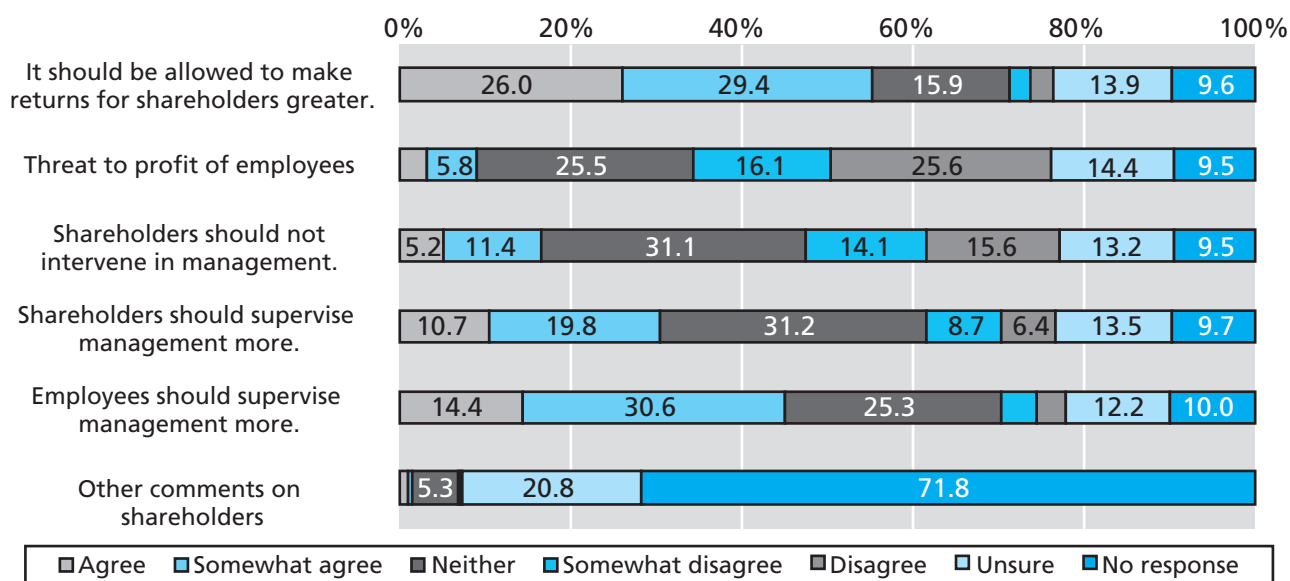


**Table 5-7 Perception Gap of Corporate Governance: Ideas on Emphasis on Shareholder Value**

(%)

	Positive	Neither	Negative	Unsure	No response
Answers from labor side	55.5	15.9	5.1	13.9	9.6
Answers from management side	13.5	59.2	23.4	—	3.8
All responding companies	17.0	50.2	26.3	—	6.5
Public companies	54.6	39.3	5.1	—	1.0

**Figure 5-8 Employees' Perception Toward Shareholders and Management**



management, mistrust of management is still observed. More surprisingly, nearly a half of employees answered, “Employees keep a closer watch on management.” Labor side wishes to strengthen two supervising systems; supervising management by shareholders and employees themselves in the governance structure. As symbolized by such results, the mistrust of management side seems to be very strong. The relative advancement in the governance structure among the Japanese companies indicates the possibility that the governance structure will be the one which employee representatives carry a lot of weight as often seen in Germany. In this respect, Japanese society is facing a turning point.

**vi. Impact on the entire society**

As above I introduced some of the interesting findings from the project research that our team had carried out. In closing Part I, let me discuss future issues based on these findings.

Recent transformation of Japanese companies' human resource management is not only the phenomenon within companies but is also expected to have a strong impact on the whole society. It is believed that such impact is caused by the following three aspects: (1) *Seikashugi* wage brings an impact on workers' life security and long-term life plan.

Japanese companies had maintained wage systems that ensure the livelihood of regular employees since wartime until recently in diverse ways. However, *Seikashugi* is a driving force of reducing or eliminating life security part from wage determining elements. Before *Seikashugi* became popular, people were able to make their life plan such as having children and building a home based on the predetermined harmony that living standards gradually improve with the length of service. However, since wages vary according to short-term performance in *Seikashugi*, the society may bear some segments of people who cannot make their life plan with long-term perspective or have to live from hand to mouth. It can be said that it is time for the government, labor and management to seriously consider how people's future be equally ensured in aspect of wages; (2) the transformation of long-term employment. As seen in J type and New-J type, long-term employment still remains in today's Japanese companies. During the prolonged recession after the collapse of the economic bubble, Japanese companies greatly reduced the number of new recruits and screen carefully and then selected some people who would become core personnel. The long-term employment may be maintained for such personnel. However, companies also hired mid-career workers who possess adaptable fighting potential while

carefully hiring new recruits. Some of the works previously assigned to regular employees were shifted to non-regular employees. Is the long-term employment also guaranteed for those people? A “new long-term employment” would end up dividing people in a group with stable employment from a group with unstable employment. It is also the time to consider what measures are needed for maintaining the employment stability for all; and (3) equality of educational and training opportunities in companies should be achieved. In the midst of a low-cost competition, it is practically very difficult to conduct education and training for all employees. However, it is important for all workers to have the equal opportunities of education and training as a protection from unemployment and poverty. In order to eliminate the inequality of opportunities, it is also necessary to discuss all resources related to educations and training such as education through inter-company careers, public job training, education and training in private sections and enhancement of school educations.

As described above, changes in companies’ human resource management may have a considerable impact on the society and livelihood of workers. Therefore, the government is expected to continue to conduct steady experimental studies and develop policies based on the reality more than ever.

Notes: The sources of this paper are the following author’s documents with some additions and alters.

Tatsumichi, S. 2006a. *Nihon kigyo no jinzai manejimento no henbo* [Transformation of Japanese Companies’ Human Resource Management]. *Business Labor Trend*, October. The Japan Institute for Labour Policy and Training.

Tatsumichi, S. 2006b. *Seikashugi no genjitsu* [Reality of Seikashugi]. 36-98. The Japan Institute for Labour Policy and Training.

Tatsumichi, S. 2007. *Nihon no kigyo to koyo-Nihon kigyo no jinzai manejimento no jittai* [Business Strategy and Human Resource Management in Japanese Companies Today]. *Japan Labor Review*, 4(1). The Japan Institute for Labour Policy and Training.

## 2. Reality of *Seikashugi*

### A. Background of spread of *Seikashugi*

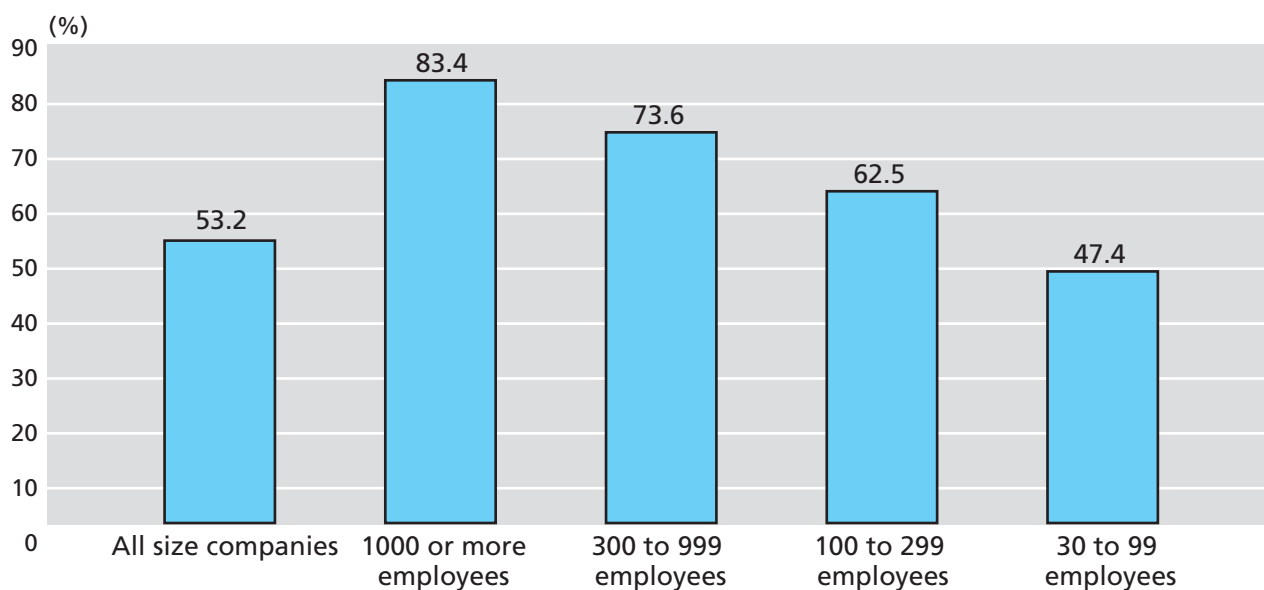
Since domestic major IT companies have introduced *Seikashugi* in the early 1990s, the number of companies which introduced *Seikashugi* is demonstrating an upward trend. According to Ministry of Health, Labour and Welfare, “General Survey on Working Conditions 2004” (see Figure 5-9), the proportion of companies reflecting individual achievement in employee wages is 53.2% in total. The survey also shows the *Seikashugi* has been implemented among companies of 1,000 or more employees at a high rate of 83.4%. If “reflecting individual achievement to his/her wage” is taken as synonymous with *Seikashugi*, one could say that *Seikashugi* is growing popularity, particularly in major companies.

Moreover, according to the JILPT Corporate Survey of companies with 200 or more employees in 2004,<sup>1</sup> 57.8% of companies that answered the questionnaire had introduced *Seikashugi* and 41.8% didn’t. According to the results of the corporate survey by company size, the larger the company size is, the higher the introduction rate becomes. *Seikashugi* has been introduced especially among major companies.

Fujitsu Ltd., a major domestic electronics manufacturer, introduced *Seikashugi* in 1993, and it was the time the system first drew attention in Japan. Fujitsu was attempting a major change in their line of business from hardware manufacturing to software development and sales. In the software development, engineers’ skill vary greatly from individual to individual in terms of productivity. For example, most skilled engineers are as 200 times productive as those who aren’t per month. At the time, profit distribution through working hour system also seemed to reach its limit. Through technological innovation centered on information technology, they attempted to change wage distribution rules. There was a major turning point in the personnel system

<sup>1</sup> “Comprehensive Survey on Management Strategy and Human Resource Management” was a questionnaire targeting persons in charge of human resources, and was conducted in November 2004 based on JILPT Research Project “Comprehensive Analysis of Firms” Management Strategies, Personnel Treatment Systems, Etc.” About 11,850 companies with 200 or more employees were targeted and 1,280 companies answered the questionnaire. For details, see JILPT (2005).

**Figure 5-9 The Proportion of Companies Reflecting Individual Achievement in Employee Wages**



Source: Ministry of Health, Labour and Welfare, General Survey on Working Conditions, 2004.

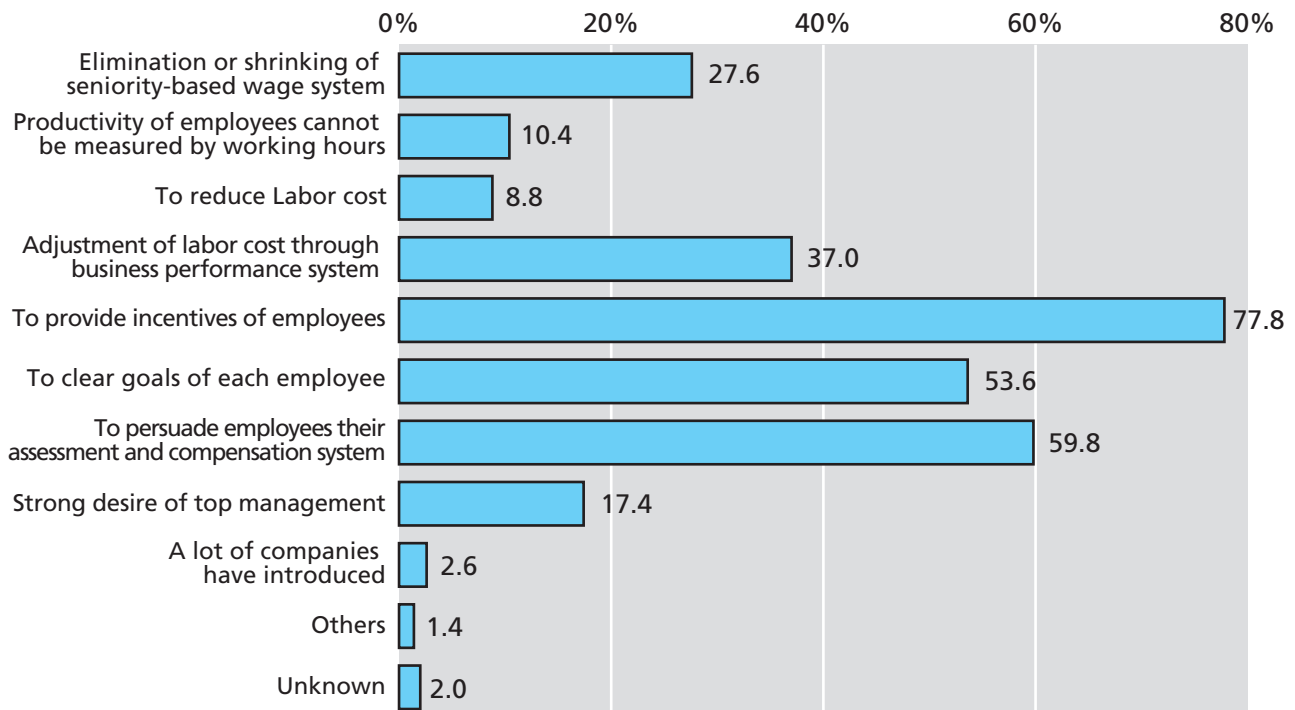
reforms of Fujitsu with the concept of a salary based on performance instead of working hours.

As for the subsequent reaction in economic circles, Nikkeiren (Japan Federation of Employers' Associations) released a proposal in 1995 titled "Japanese-style management in the new era" that described the future employment and wage system. As a means of revitalizing corporate management, they proposed a wage system stressing the need for transition from the idea of determining wages in accordance with occupational ability and job performance but age and years of service. Clearly the emphasis on business results in addition to the conventional idea of a merit-based personnel system was an epoch-making and strategic turning point, much like the Nikkeiren's recommendation described below that distanced itself from the seniority system.

It is not peculiar to Japanese companies that organizations have follow-the-leader mentality. Many companies may say they introduced *Seikashugi* because other companies did. DiMaggio and Powell (1983) who support for institutional theory of organizations in sociology explained rationale for such lock-step behavior. They introduced the notion of organizational isomorphism in order to explain why some forms of organizations decline but others

survive. The organizational isomorphism means a process which changes the form of its own organization into the same form of other organizations when one organization faces a new environment. There is an imitative isomorphism as a model to explain this lock-step behavior. This occurs when an organization facing unknown environmental models in order to avoid the uncertainty. When technical changes occur or goals are unclear, organizations imitate other organizations' behaviors. *Seikashugi* may have been introduced from major companies to small and medium-sized companies. Nikkeiren's recommendation may have functioned as a driving force toward the isomorphism.

Next, let me take a closer look at management side's incentive to introduce *Seikashugi* with recent survey results. According to the corporate survey (see Figure 5-10), 77.8% of people in charge of human resources answered the reason why they introduced *Seikashugi* was to "provide incentives of employees." More than half of those answered to "to provide fair and convincing assessment/compensation system" and to "set a clear-cut goal of each employee." In short, the three main reasons of introducing *Seikashugi* are: (1) to improve employees' morale; (2) to provide fair and convincing assessment/compensation system; and (3)

**Figure 5-10 Reasons why Companies Introduced *Seikashugi* (Corporate Survey)**

Source: JILPT Corporate Survey.

to set a clear-cut goal of each employee.

However, since *Seikashugi* is a performance-based payment system, if workers cannot increase productivity, their wages will be either lowered or unchanged. According to the survey results, companies seem to be reviewing the conventional wage system; for instance, “Elimination or shrinking of seniority-based wage system (27.6%),” “Reduction of labor cost (8.8%)” and “Adjustment of labor cost through business performance system (37.0%).” It is impossible to overlook the incentive to introduce *Seikashugi* for reduction of labor cost. Nikkeiren’s recommendation on “emphasis on performance” also indicates the limit of seniority-based system. A serious problem that has occurred in many companies since the 1990s was the increased babyboomers’ labor cost. This is called “babyboom generation problem.” Compared with other generations, the number of births in this group is extremely high, particularly in the periods from 1947 to 1949. According to Yoshio Higuchi and the Policy Research Institute of the Ministry of Finance (2004), the babyboomer workers are characterized by: (1) having

a higher level of education; (2) their wage is located close to the highest level on the “seniority wage curve;” and (3) years of service is longer compared with other generations. It can be easily imagined that with these characters, the increased babyboomers’ labor cost is a major obstacle to the maintenance of seniority-based wage system. If so, the most important purpose of introducing *Seikashugi* is to take measures against the babyboom generation problem especially for companies with many babyboomers. The previously mentioned reasons of: (1) to improve employees’ morale; (2) to persuade employees their assessment and treatment system better; and (3) to set a clear-cut goal of each employee, might be other reasons for the introduction of *Seikashugi*. As a matter of course, such reasons are important conditions for the function of *Seikashugi* personnel system. I would emphasize that many Japanese companies had a common issue on labor cost of babyboomers. This means that many companies acknowledged common goals of reviewing wage systems at around the same time.

If the introduction of *seikashugi* played a role of



measures against labor cost of baby boomers, it would mean deteriorating working conditions for baby boomers, and would become a point of labor-management dispute.

Then what did labor side think of *Seikashugi*? Tsuru (2002) redefined the contexts of Japanese employment system and labor-management relations. He mentioned the following three points as stylized facts of Japanese labor-management relations: (1) traditional employment relationship is changing due to *Seikashugi* personnel system; (2) Japanese labor unions have flexibly responded to changes in market environment and technical innovations, but have not succeeded in organizing employees with new employment patterns and employees of new companies; and (3) the spring offensive which played a role of supplementing decentralized negotiations is being less important due to inefficient negotiations in the period of low growth and increased impact of the *Seikashugi* on the wage determination.

There are some ideas that how labor unions actually decide their attitude to *Seikashugi*. According to Ohmi (2003), Japanese Electrical Electronic and Information Union stated in the fifth wage policy proposed in 2000 that it is preferable that *Seikashugi* is applied to employees those who work under discretionary labor system such as executives, specialists and researchers. Japanese Federation of Textile, Garment, Chemical, Mercantile, and Allied Industry Workers' Unions stated in the comprehensive labor policy in 2000 that if *Seikashugi* is introduced, it leads to wage cut when workers cannot achieve their goals so that *Seikashugi* should be applicable only to non-union members and management. In addition to such opinion that *Seikashugi* should be applied to limited personnels, Japanese Trade Union Confederation (JTUC) has announced a policy to focus on maintaining "wage curve," not demanding a raise since the spring of 2002. Such attitude seems to counter *Seikashugi* by maintaining seniority wage curve even casting a raise aside.

According to recent views of labor unions, Japan Council of Metalworkers' Unions (IMF-JC)

displayed a stance to watch both *Seikashugi* wage and conventional cost-of-living wage while labor unions positively intervene *Seikashugi* in "Offensive Mini White Paper 2005" such as: (1) labor unions are positively involved in wage system design and operation; (2) Improvement of labor unions' compliant processing functions; and (3) it is essential to ensure a stable cost of living as a condition of exercising abilities at work.<sup>2</sup> Even though labor unions have recently taken an active approach to *Seikashugi*, it is also true that *Seikashugi* does not fit in so easily with collective labor relations that were the main stream of conventional labor-management relations. Because it is expected that there are various conflicts of interest such as persons who achieved results versus those who did not and baby boom generation versus other generations, the role of labor unions that were negotiations of collective labor relations must be limited. In fact, JTUC confirmed the basic policy to ask "wage improvement" which is substantial wage hike and urged each labor union to strengthen efforts in Central Executive Committee in the annual spring offensive 2006. Though "wage improvement" has several meanings, it clearly shows that *Seikashugi* has rapidly penetrated the labor-management relations that the offensive policy has changed from horizontal raise system to wage improvement including wage gap adjustment. However, under *Seikashugi* wage, labor unions cannot intervene how to distribute wages to individual workers. In that sense, the development of *Seikashugi* has contributed to transform the trend of labor-management relations from collective labor relations to individual ones.

## B. Elements of *Seikashugi*

### i. Types of *Seikashugi*'s personnel system and wage system

We have discussed "*Seikashugi*" as a system which reflects short-term performance to employee assessment and treatment. Let me discuss some patterns of how *Seikashugi* is actually operated in companies.

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2 Source: Arai, E. (2005) "Present Situation and Issues of *Seikashugi* Based on Survey Data," *Business Labor Trend* March issue



*Seikashugi* has diverse patterns and is operated variedly depending on companies. Therefore, the purpose of this section is to extract and study common patterns observed in *Seikashugi*. Firstly, let's take a look at Table 5-11 (Source: Japan Productivity Center for Socio-Economic Development, 2000).

This table shows *Seikashugi*-based treatments by types of personnel and wage systems. There are enormous numbers of combinations of elements, *Seikashugi*-based elements are not simple combinations of such elements but may be stipulated by the context of human resource management which was actually conducted by companies. If those were totally imported system from the U.S., they may be stipulated by the context of human resource management of the U.S. companies. Therefore, let us get closer to the reality of *Seikashugi* by organizing these elements from a certain context.

The elements indicated in table 5-11 can be categorized by the following three criteria: (1) Departure from the seniority and skill development systems; (2) Making wages as a variable cost and performance-coupled wages; and (3) Strict and

precise evaluation. As for (1), basic salary is the typical example and its trend is roughly performance-oriented, departure from the seniority system and widening gap between individuals. In addition, this also points out "elimination of merit-based wage" and "elimination of proficiency-based raise" so it draws a sharp contrast between ability and performance. The results reflecting policies of departure from seniority and skill development systems are also seen in other items. In other words, departure from the seniority and skill development systems formed the basis of *Seikashugi*-based treatment in Japan.

As for (2), typical examples are widening gap caused by introduction of annual salary system and bonus assessment, and introduction of performance-based bonus by section.

As for (3), typical examples are introduction of performance-based wage, bonus assessment, personnel evaluation, wage table and introduction of annual salary system.

As above, it can be said that Japanese *Seikashugi*-based personnel system and wage system are formed

**Table 5-11 Types of *Seikashugi* Personnel and Wages**

Item of wage system	Types of systemic reform	
Base salary	Merit-based wage	Reduction or elimination of proficiency raise, elimination of merit-based wage, expansion of promotion raise and fixed allowance by qualification
	Age-based wage	Elimination or reduction of age-based wage and reduction of object persons for age-based wage
	Comprehensively determined wage	Widening gap in wage hike
	Service allowance	Introduction of service allowance, duty allowance and role-based wage
	performance-based wage	Introduction of performance-based wage
Benefit package	Transfer of livelihood allowances such as family allowance to base salary	
Bonus	Reduction of across-the-board part and expansion of assessment part, widening gap in assessment and introduction of performance-based bonus by section	
Personnel evaluation	Improvement of personnel evaluation system, introduction of objectives management and use of competency (behavioral assessment)	
Ability-based grade system	Change from graduation system to entrance system, reduction of the number of qualifications, elimination of seniority system, implementation of demotion and clarification of functional requirements	
Annual wage hike	Reduction or elimination of automatic annual wage hike, expansion of assessment raise, elimination of annual wage hike and introduction of annual wage reduction	
Wage table	Single rate and change from simple wage table to step wage table or multiple wage rate table	
Others	Introduction of annual salary system	

Source: Japan Productivity Center for Socio-Economic Development (Sasajima, 2000)

by three principles: (1) departure from the seniority and capacity development systems; (2) making wages as a variable cost and performance-coupled wages; and (3) strict and precise evaluation. Japanese companies promoted *Seikashugi* by combining such elements.

## ii. Annual salary system: A typical example of *Seikashugi*

Annual salary system is a typical example of the wage system based on *Seikashugi*'s elements in the early stage of disseminating *Seikashugi* in Japan.

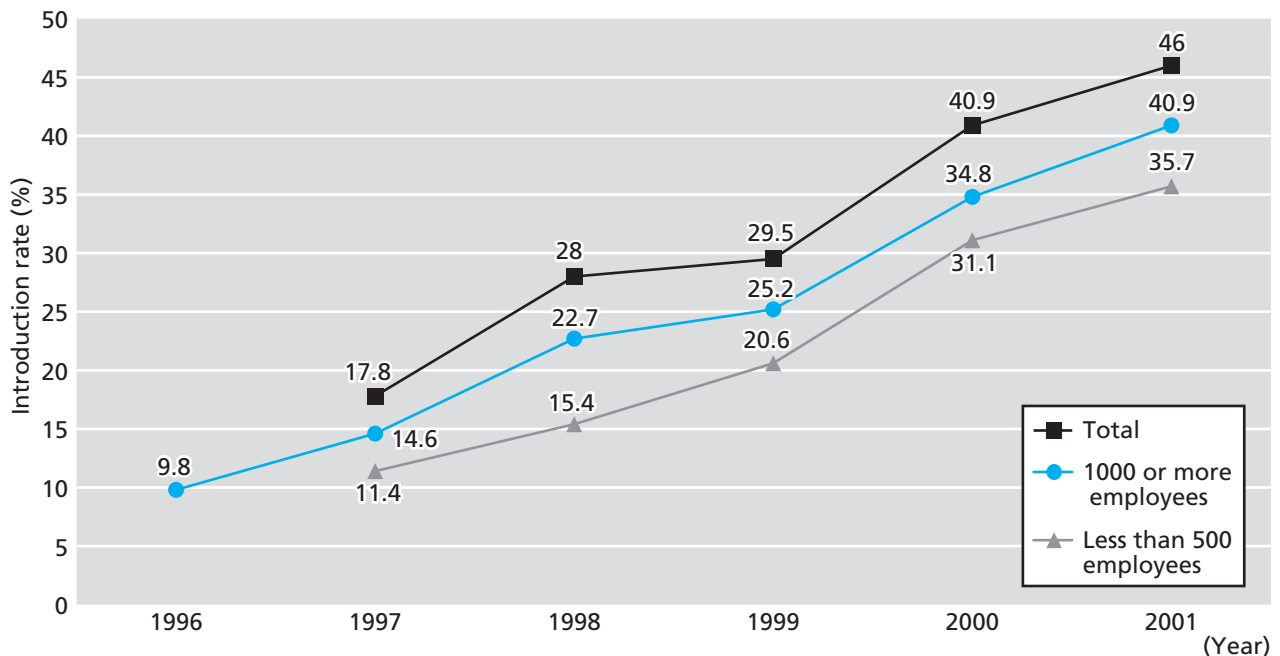
Let us confirm the trend of recent situation of introducing annual salary system from "Survey on Transformation of Japanese Personnel system" in which Japan Productivity Center for Socio-Economic Development conducted to understand recent changes in Japanese employment practice (see Figure 5-12).<sup>3</sup> Though it is necessary to keep in mind that the surveyed are listed companies and most of them are major corporations, the ratio of those which introduced annual salary system is substantially

increasing from 9.8% in 1996 to 40.9% in 2002. That is: (1) this survey data shows the rapid dissemination of annual salary system, in other words, rapid dissemination of *Seikashugi*, since the late 1990s; and (2) the core of *Seikashugi* is annual salary system in Japan. As mentioned above, *Seikashugi* becomes more complicated depending on combination of the elements. Factors behind the rapid dissemination of annual salary system may be its natures of understandability and simplicity.

As already mentioned, labor unions asked to limit targets of *Seikashugi* to non-union members and management since if workers cannot achieve their goals, it would lead to wage cut. This may have been also the factor of disseminating annual salary system.

Then what is a general mechanism of such annual salary system? According to Imano (1998), the annual salary system consists of the following two parts: (1) basic annual salary based on monthly basic salary; and (2) performance-based annual salary which varies depending on the performance. In

**Figure 5-12 Trend of Annual Salary System Introduction Rate (1996-2002)**



Source: Japan Productivity Center for Socio-Economic Development 2003.

<sup>3</sup> Summary of the 6th Survey on the Transformation of Japanese Personnel System. Period: Mid-October to early December 2002. Method: Mail-in survey. Target: Persons in charge of human resources in 2,547 listed companies. Respondents: 303 companies. (Collection rate: 11.9 %)

theory, it can be full performance-based annual salary,<sup>4</sup> but in most cases it consists of basic annual salary and performance-based annual salary except some special and professional jobs. Since basic annual salary is based on the basic salary in most cases, the principle of the payment system is based on ability-based grade system or job contents or a combination of both. However, since its operation is different depending on each company, it is hard to figure out a general form. In addition, the performance-based annual salary is linked to individual performance and company/sectional performances (other than individual ones) so its operation is also different depending on companies. Let us see the case of Fujitsu which was among the first to address *Seikashugi* (See Figure 5-13).

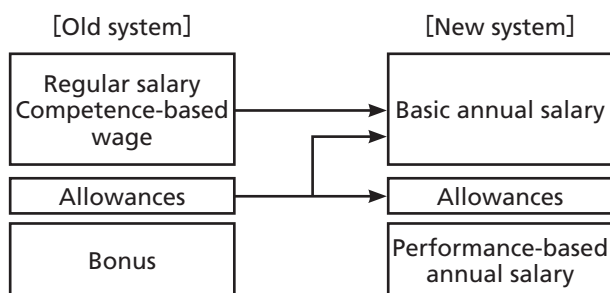
In the case of Fujitsu, regular salary based on annual wage hike and competence-based wage in the old system were embedded in basic annual salary after the introduction of *Seikashugi*. Allowances were divided into two parts: basic annual salary and allowances. Bonus was shifted to performance-based annual salary. In short, Fujitsu's annual salary system consists of basic annual salary and performance-based annual salary. The basic annual salary is a cumulative system which is ranked based on achievement evaluation under the objective management system. On the contrary, the performance-based annual salary is a

short-term-oriented system in which performance is evaluated on a single-year basis and the salary is paid based on the evaluation.

It seems an annual salary system forms such basic mechanism just having different levels of reflecting individual, sectional and corporate performances. That is, wages became flexible based on short-term achievement by setting up performance-based part added to regular salary. According to Furukawa (2000), Japanese annual salary system model is a combined annual salary system of both the basic wage that consists of basic salary embedding performance evaluation of previous year or merit-based wages and wages based on roles and the performance-based bonus that is based on performance evaluation of this year.

In other words, *Seikashugi* can also be applied to persons who are exempted from annual salary system based on this concept (See Table 5-14). This is because even a combination of conventional fixed monthly salary and allowances and variable bonus, the idea is the same as annual salary system. In addition, since monthly salary and bonus in the next term are varied based on the performance in the previous term when performance fluctuation is set by a certain period shorter than a year, for instance; quarterly, a short-term-oriented *Seikashugi* than annual salary system is possible in a theoretical

**Figure 5-13 Fujitsu's Old-versus-new Wage Systems**



Source: Imano (1998) P.210

**Table 5-14 Variations When Adding Performance-based Wage to Basic Salary**

Case 1	Basic salary=Seniority-based regular salary (34%)+Age-based wage (46%)+performance-based wage (20%)
Case 2	Basic salary=Performance-based wage (20%)+contribution-expected wage (fixed wage by qualification (80%))
Case 3	Basic salary=Seniority-based regular salary (40%)+merit-based wage (nearly fixed wage by qualification, 30%)+performance-based wage (30%)

Source: Japan Productivity Center for Socio-Economic Development (Sasajima, 2000), P.5

Note: In above cases, the amount of performance-based wage is determined when personnel evaluation is determined in accordance with fixed amount of performance-based wages based on the personnel evaluation by ability-based grade.

4 According to Furukawa (2000), there is a legal issue concerning reduction of annual salary. Adjustable annual salary system makes difference between fixed performance-based annual salary and expected annual salary and wages are unsettled yearlong so it is offensive to public order and morals and is against the spirit of Labor Standards Act.

sense. As above, from the aspect of mechanism, *Seikashugi* was initially applied to supervisory personnel but gradually became applicable to non-supervisory personnel at lower levels. It can be said that *Seikashugi* was disseminated in a slightly different form depending on companies.

### C. Criticism of *Seikashugi*

*Seikashugi* is growing popularity, but criticism against it has also been growing rapidly since the publication of “*Kyomo no Seikashugi* (Delusion of performance-oriented management)” by Nobuo Takahashi in 2004. At the same time, a revealing book written by an ex-employee who left the personnel section of a major company which introduced *Seikashugi* caught the attention. There are two aspects in Takahashi’s (2004) chief criticism of *Seikashugi*. One is mainly a psychological aspect based on the research of Deci (1975) who states: (1) if one is given more right to self-determination at work, his/her job satisfaction is also enhanced; and (2) external rewards place a control of the degree of self-determination (self-motivation).<sup>5</sup> Deci offers a definition of self-motivated action as “an action wherein the person engaged considers oneself capable and self-determined.” Deci criticizes that with *Seikashugi* there is a low degree of self-determination that causes a drop in the level of satisfaction and subsequently in the morale of each individual.

Moreover, Takahashi (2004) criticized *Seikashugi* from the perspective of its flawed disregard for “weight on the future” that encourages a person not to be opportunistic and draws a time line into the future. He bases these criticisms on: (1) Axelrod (1980a, 1980b) who evolved the long stalled Game Theory from the perspective of “cooperation;” and (2) Takahashi’s own theory “leaning on future principle” (1997). Based on Axelrod’s arguments, prolonged competition necessitates “cooperation” in order to sustain success; however, in *Seikashugi* where short-term work results are linked to

assessment and compensation, there is no means of obtaining long-term success. Takahashi’s “leaning on future principle” suggests that long-term relationship between companies and individuals are the key to providing companies with positive business results. He stresses that if companies introduce *Seikashugi* to improve corporate performance, they will never accomplish their goal.

Aside from the above, there are some additional criticisms against *Seikashugi*: The first is criticism from the point of harmonizing Japanese employment practices and business strategies primarily designed for manufacturing. It is a prerequisite for retaining highly skilled workers in Japanese companies when their business strategy is primarily designed to produce high-quality goods that other companies cannot imitate. Thus, cultivating such highly skilled workers within the company and maintaining their long-term employment are the key to success especially for the manufacturing industry. The more specific the skill is to the company, the larger the degree of differentiation with other companies is achieved. In addition, the more specific the skill functions as the source of competitiveness, the more the long-term employment and skill formation within the company become requirements of their business strategy which is primarily designed to produce goods.

Japanese major companies had historically operated the ability-based grade system that was a rating system for employees centered on ability development of workers. It was not until the report on merit-based personnel system management by Nikkeiren in 1969 that the ability-based grade system derived from a merit-based personnel system started spreading as the new assessment and compensation principle, replacing the pre-war seniority system that was based on age and years of service.<sup>6</sup> Taking this opportunity, Japanese major companies started to operate the ability-based grade system including a rating system for abilities of workers and an ability development function. As for economic background,

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5 Kohn (1993) reviewed the research alleging that wages determined by business results performance do not improve productivity. For abstract of these studies, see Tatsumichi (2004) pp.55-61, document survey conducted in the first year of this project study.

6 For details, refer to Nikkeiren Noryokushugi Kanri Kenkyukai (1969).

stable-growth period was sustained after high economic growth, and it supported an ascending wage curve. That is, many major companies have offered support based on the personnel system, assessed and compensated workers over the long-term, and supported their growth and ability development while applying an ability-based grade system over the long-term. This confirms that intellectual skill, as shown in the research of Koike (1991a, 1991b), has typically been the source of competitiveness for major companies in Japan. *Seikashugi* assessment and compensation system, however, reflects the short-term business results is said to be contradictory in nature to a system that generates long-term assessment and ability development.

**D. *Seikashugi* from an employee perspective**

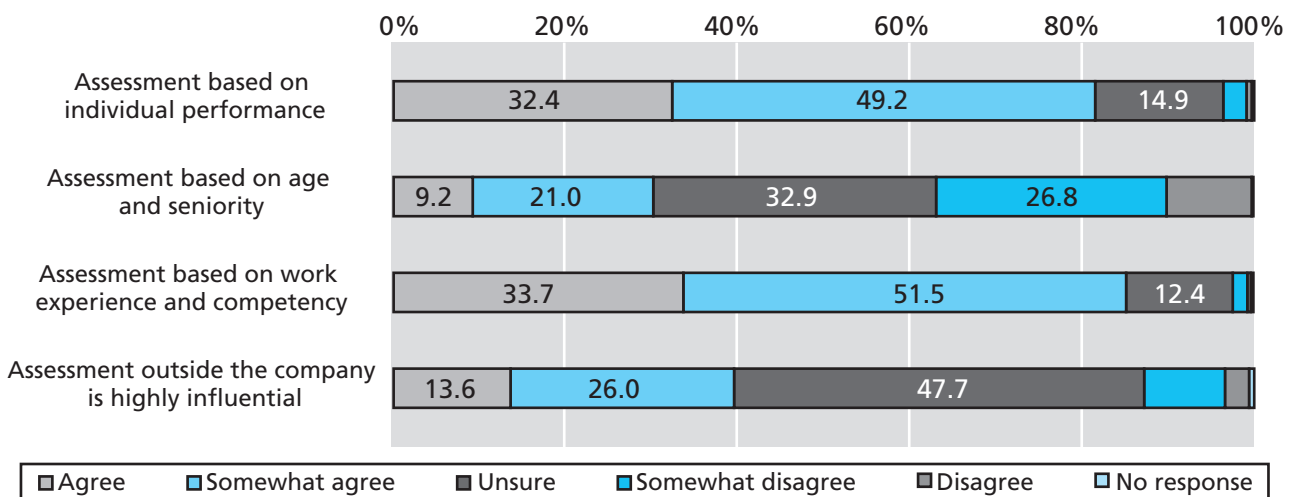
**i. General attitudes of workers toward *Seikashugi***

I have already reviewed labor unions’ attitudes toward *Seikashugi*. Then how do individual workers generally perceive *Seikashugi* not as a member of the union? Let us review Japanese people’s attitudes toward distributive justice.

In “The Survey on Workers’ Attitude” conducted by JILPT in 2001 (survey of 4,000 men and women nationwide aged 20 years or over with a two-stage stratified sampling conducted using the Basic Resident Register), questions regarding four kinds of resource distributive principles such as achievement principle, effort principle, necessity principle, and equality principle were posed. Among all survey respondents 83% agreed with *Seikashugi*’s theoretical performance principle, which is described as “the higher the individual performance is, the higher the reward should be”; 83 % supported the effort principle, almost identical to the performance principle ratio; 32% supported the necessity principle; and 20% supported the equality principle. The latter two cases showed a major disparity from the performance principle, indicating that many Japanese support the performance principle that corresponds to the basic philosophy of *Seikashugi*.

Next, using data from the JILPT employees survey,<sup>7</sup> let us take a look at the assessment of *Seikashugi* based on general attitudes regarding how a worker’s salary should be determined. Here it is important to note that the question was not about how

**Figure 5-15 General Attitude Regarding Method for Determining an Employee’s Salary**

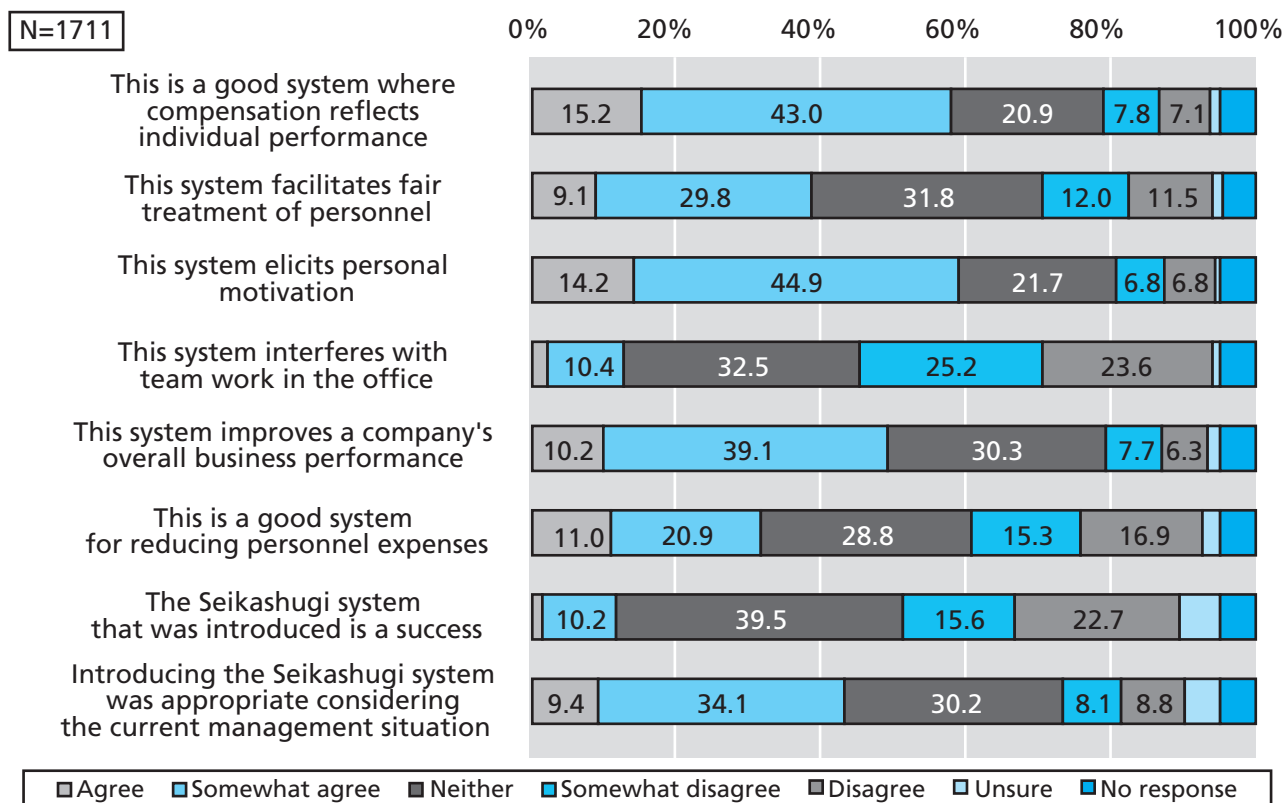


Source: JILPT Employees Survey

7 Method of JILPT employee survey was as follows: (1) Target companies: 1,280 companies which responded to corporate survey; (2) Distribution method: 30 questionnaires were sent out to each person in charge of human resources in above 1,280 companies to ask to distribute to A: Back-office department (general affairs, personnel, etc.), B: Sales department and C: Product development/R&D/information processing department 10 questionnaires each. The following three conditions were set for selection of targets in each department: A. Select targets from 20’s, 30’s, 40’s and 50’s age groups as evenly as possible. B. If there is no such generation in the department, select targets except that generation. C. Targets must include one or more persons at the manager and deputy manager levels; (3) Survey period: February 25 to April 28, 2005; and (4) The number of valid collected questionnaires: 2,823.



**Figure 5-16 Workers' Attitude to *Seikashugi* Introduced in Their Companies**



Source: JILPT Employees Survey

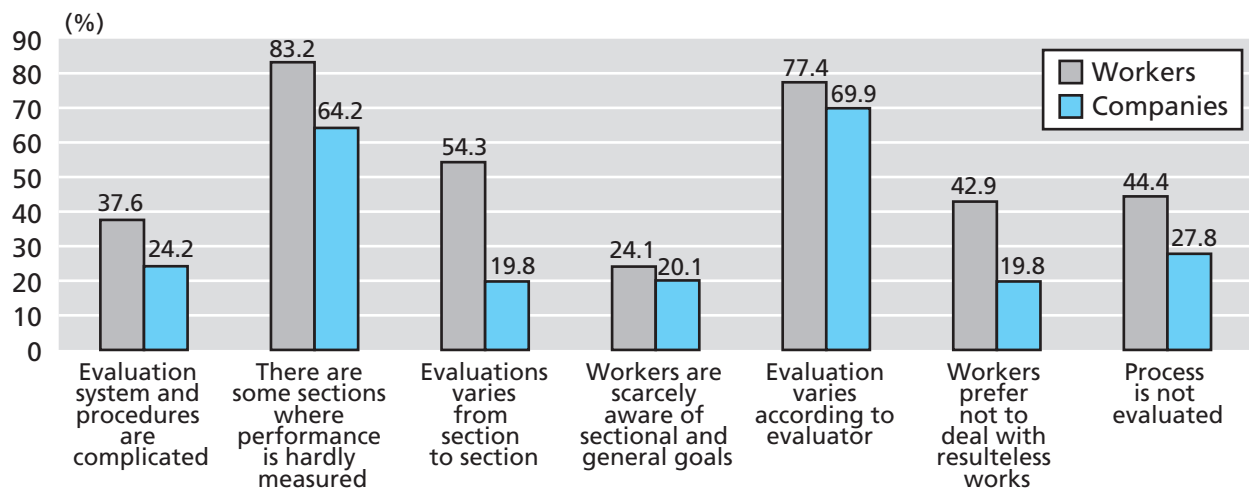
workers perceive *Seikashugi* system in their own companies, but how it is perceived as a whole, including the opinions of those working in companies where *Seikashugi* is not being implemented. The top bar on the graph in Figure 5-15 shows that over 80% agree or somewhat agree (hereinafter referred to as “approval group”) with *Seikashugi* wages described as “assessment based on individual performance.” On the other hand, as low as 30% of the approval group supported “assessment based on age and seniority.” These results indicate that workers prefer *Seikashugi* to a mechanism where wage is determined by a seniority system. However, the ratio of the approval group supporting “assessment based on work experience and competency” exceeded 80%. Therefore, they highly favored assessment based on performance as well as work experience and competency. In light of this, it is believed that workers prefer a wage system which rewards are given to highly competent individuals with satisfactory performance levels.

## ii. Assessment of *Seikashugi* system in one's company

How do employees feel about introducing *Seikashugi* in the company where they work? The assessment of such workers can be seen below:

First, we shall look at the positive assessments (refer to Figure 5-16). Within the “approval group” (total ratio of persons who “agree” and “somewhat agree”), 60% agreed with “*Seikashugi* elicits personal motivation” and “Compensation reflects individual performance in *Seikashugi*.” Also, nearly half of the approval group agreed with “*Seikashugi* improves a company's overall business performance.” In general, *Seikashugi* is often recognized as “(*Seikashugi* is) a labor-cost-reducing measurement.” Though the ratios of the approval and disapproval on this question were about the same, 31% and 32% respectively. For “Introduction of *Seikashugi* was appropriate under the current management situation,” the ratio for the approval group far exceeded that of the disapproval group at 43% to 16% respectively. However,



**Figure 5-17 Problems When Managing *Seikashugi* in Current Companies**

Source: JILPT Employees Survey

regarding “Introduction of *Seikashugi* was a success,” the disapproval group’s ratio of 38% far exceeded that of the approval group at 11%.

In other words, workers seem to agree with the specifics of *Seikashugi*, but don’t compromise with the general theory. This indicates that many workers support the introduction of *Seikashugi*, but disagree with how it is being implemented in their companies. These results also suggest that the introduction of *Seikashugi* may have some influence on labor-management relations.

### iii. Problems regarding *Seikashugi* introduced in their companies

We asked persons in charge of human resources and workers about the same questions for problems regarding *Seikashugi* (see Figure 5-17). Let us compare differences in awareness of problems regarding *Seikashugi* between workers and persons in charge of human resources.

As a result, many of both labor and management side pointed out operational problems regarding *Seikashugi* such as “There are some sections where measurement of performance is difficult” and “Evaluation varies according to evaluator.” Labor side’s problem recognition rate is generally higher than that of management side. It tells us that workers to be evaluated and treated based on *Seikashugi* recognize problems more seriously than management

side. Such problems were also reported by other surveys conducted in Japan. Serious problems for both labor and management sides have occurred in operating *Seikashugi*.

## 3. Business Strategy, Human Resource Management and Corporate Performance in Japanese Companies

### A. Business strategy, human resource management and corporate performance

In business activities, companies determine long-term and mid-term policies for achieving their goals—this is a so-called “business strategy.” It would appear that business strategies have a major effect on the human resource management of companies. However, many researchers working on labor issues understated the importance of the correlation between business strategy and human resource management (HRM). This may be because of the historical background that the study approach on labor issues started from labor movement in Japan. Despite the fact Japanese labor-management relationship is characterized as an “enterprise union” that are unique to Japan, many conventional labor studies has been observing macro elements (e.g., labor demand and supply) and micro elements” (e.g., workplace environment) with relatively little regard for a “business enterprise” that is a decision-making entity.

Therefore, we decided to focus on workplace change from the aspect of management strategy, business strategy, and corporate performance in our study.

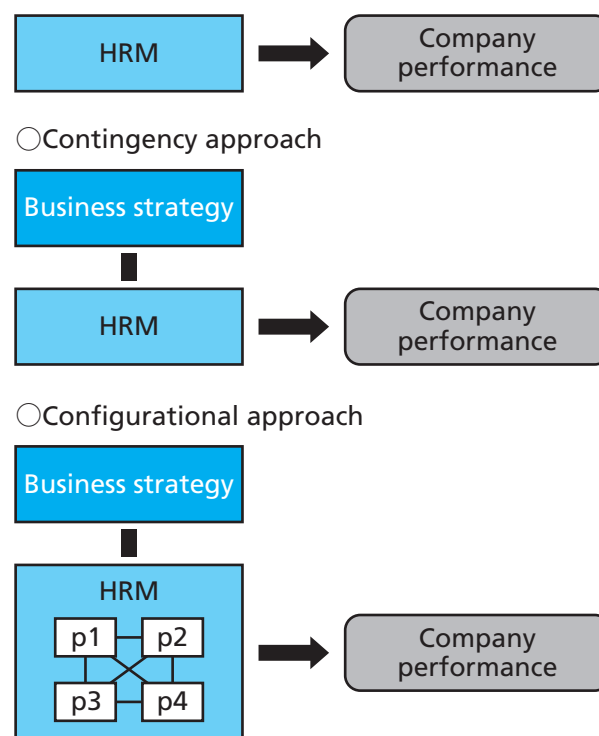
In this report we introduce some of the results obtained from the analysis of the research project, including: (1) correlation between business strategy and HRM; and (2) correlation between HRM and corporate performance.

As mentioned above, starting from the late 1990s, *Seikashugi* has been rapidly adopted in many Japanese companies. According to our corporate survey, 57% of companies adopted *Seikashugi*. What is the reason for *Seikashugi* being adopted to this extent? One of the possible reasons is that introduction of *seikashugi* improves the productivity of workers with the consequence of improvements in corporate performance, an idea that was promoted in the mass media and human resource consultancy. In reality, however, no scientific verification had been made until recently for the correlation between *Seikashugi* and corporate performance. In the late 1990s, *seikashugi* was propagated only by the expectation that the idea might be effective.

Then, does *Seikashugi* really improve corporate performance? Some claim that HRM practice constitutes only part of the activities that companies perform for their business management. From this viewpoint, the introduction of *Seikashugi* provides limited influence on the corporate performance. In the theory of the “Strategic Human Resource Management (SHRM),” workers (human resources) and HRM practices are considered as resources or tools used to achieve competitive advantage. From the viewpoint of assuming this idea, *Seikashugi* is one of the tools that may improve corporate performance.

In the traditional SHRM theory, the correlation of three elements, “business strategy, HRM and corporate performance,” is explained by different approaches that can be roughly divided into three groups: Best Practice Approach; Contingency Approach; and Configurational Approach. According to Iwade (2002): (1) best practice approach assumes that looking at the relationship between HRM and corporate performance, there should be “the best HR

**Figure 5-18 Categorization of Strategic Human Resource Management Theory**



Source: Iwade (2002) p.69. There is a comment “Quotation from McMahan et al. (1999) with modification by the author” in the original note.

practice” that is universally suitable to any situations or organizations; (2) contingency approach takes importance on the consistency between business strategy and HRM, that HRM must be consistent with other aspects to be effective in improving corporate performance based on the idea of “external/vertical fit” [some parts omitted]; and (3) configurational approach seeks for “the best bundle/configuration” of HRM practices that has “internal/horizontal fit” focusing on systematic synergy effect with the contingency approach in mind at the same time” [some parts omitted]<sup>1</sup> (See Figure 5-18).

Based on the above categorization, it is clear that the theory of “introduction of *Seikashugi* will improve/reduce corporate performance” is related to only a part of the correlation among business strategy, HRM and corporate performance. In reality, the

1 Quotation from Iwade (2002) p.67-68

**Table 5-19 Verification on *Seikashugi* and Corporate Performance**

Data used	Verification issue	Result	Type of improvement of company performance	Number of cases examined	Method
Analysis 1	Whether or not the company with <i>Seikashugi</i> performed well in the period from 1999 to 2004	Companies with <i>Seikashugi</i> are more likely to perform well than those that did not introduce <i>Seikashugi</i> .	We asked the human resource personnel to select one of seven patterns that best describes the change made in the company performance in the past five years. We used a dummy variable defined as "a company that performed well" when the company performance indicates one of the three patterns, (1) upward, (2) high and stable and (3) downward to upward.	1214	Logistic regression analysis
Analysis 2	Whether or not the company performed well when introducing <i>Seikashugi</i> in the period from 1999 to 2004	Companies that introduced <i>Seikashugi</i> in recent years (between 1999 and 2004) are more likely to have "good company performance" than those that introduced the system before 1999.		1214	

Note: For details, see JILPT (2004) p.163-166.

consistency between HRM and business strategy and the synergetic effect between HRM practices also need to be taken into account. Even when the introduction of *Seikashugi* proves to have a positive influence on the corporate performance, it is difficult to determine if the performance is improved only by the introduction of *Seikashugi* or if it is achieved through interaction of *Seikashugi* and other practices and strategies. In order to prove that *Seikashugi* is the best practice,<sup>2</sup> complicated verification processes are required, and a vast amount of data needs to be analyzed to confirm the interaction. With the limited amount of data obtained through the survey, we can analyze only a specific part of the correlation of HRM, business strategy and corporate performance. In this report, therefore, we attempt to (1) clarify the direct relationship between *Seikashugi* and corporate performance, and then (2) indicate the correlation of

business strategy, HRM and corporate performance.

We have obtained the following data from our research on the relationship between *Seikashugi* and corporate performance (see Table 5-19).

In the early stage of our analysis, objective quantitative data was not available for the corporate performance. Alternatively, we used the following method to understand the changes in the corporate performance. First, we asked respondents to the survey-people in charge of HRM-to select one of the patterns that best fitted the trend of their corporate performance, in relation to the changes that occurred in the corporate performance in the five-year period from 1999 to 2004. Respondents were asked to select one of the seven predefined patterns (upward, high and stable, downward to upward, large fluctuation, upward to downward, low and stable, and downward).<sup>3</sup> Logistic regression analysis<sup>4</sup> was

2 As typified by Pfeffer (1994), the existing body of research on the SHRM theory often indicates that the best practice forms part of the measure to enhance commitment of workers in one way or another. In this report, *Seikashugi* is considered as "the best practice" literally meaning the "best universal practice" Therefore the interpretation used in this report is somewhat different from those used in the preceding researches on the SHRM theory. For details, refer to Iwade, *ibid.*, 86.

3 The upward trend indicates the situation in which the performance continuously increases with time. The high and stable trend indicates the situation in which the performance remains at a high level. The downward to upward trend indicates the situation in which the performance once declined but began to increase again. The large fluctuation trend indicates the situation in which the performance curve frequently moves up and down. The upward to downward trend indicates the situation in which the performance increased at one point but then began to decline. The low and stable trend indicates the situation in which the performance remains at a low level. The downward trend indicates the situation in which the performance continuously declines over time.

4 Logistic regression is one of statistical regression models with dependent variable of Bernoulli distribution. It is also one of generalized linear models (GLMs) using logit as a link function.

performed using the dependent variable of “company that performed well” dummy as a dummy variable that indicates selection of three types of changes: (1) upward; (2) high and stable; and (3) downward to upward. Therefore, the corporate performance is not a quantitative variable but it is qualitative variable reflecting the objective view of the personnel staff. As a result, some may criticize this analysis for containing bias and error. Such criticism, however, can be countered with the following two arguments: Firstly, acquisition of corporate performance data is somewhat restricted in reality, and appropriate data may not be obtained. Apart from the indices that listed companies are obliged to release, it is basically at the discretion of companies to determine which indices to release. Secondly, objective indices that appropriately reflect corporate performance are not always available. While sales volume provides solid information as an objective fact, profits may vary depending on the way they are handled in the accounting process. Consequently, it is highly probable that subjective evaluation of the personnel working in the company provides the most true and accurate picture of changes of the company. Therefore, the result shown in Table 5-19 is not completely irrelevant. To respond to the possible criticism described above, however, we also used and examined the quantitative corporate performance data

as in this report.

The procedure is summarized as follows: Firstly, we collated the corporate performance information collected by a private credit research agency with the information collected in our survey. The corporate performance data consist of sales, profits, total assets and shareholders’ equity in the years of 1999 and 2004. Later, ROA and ROE were calculated. However, information on the total assets and shareholders’ equity (including ROA and ROE) was obtained only for less than 40% of all those surveyed. Therefore, to increase the number of samples for the analysis, sale amount was selected as the index, and we calculated the change in the sales per employee and used it in our analysis.

### B. Direct relationship between *Seikashugi* and corporate performance

Quantitative data on corporate performance are used to verify the influence of introduction of *Seikashugi* on the corporate performance. For the dependent variable, we used the rate of change in the sales per employee in the years of 1999 and 2004. The following procedure was used for calculation: The sales per employee of the year 2004 were divided by the sales per employee of the year 1999 and logarithmic transformation was applied. The independent variable is the dummy variable that

**Table 5-20 Analysis Using the Rate of Change in the Sales per Employee (2004/1999) as a Dependent Variable (OLS)**

	Unstandardization factor	Standard error	Significance probability	Significance level
Company with <i>Seikashugi</i>	0.054	0.027	0.045	*
Construction	-0.155	0.052	0.003	***
Information & communications	0.102	0.059	0.086	
Transport	0.029	0.049	0.554	
Wholesale and retail trade	0.073	0.040	0.069	
Finance and insurance	-0.159	0.056	0.004	**
Services	0.079	0.041	0.050	
Other industries (except manufacturing)	0.146	0.074	0.047	*
Logarithm for regular employees	-0.011	0.021	0.605	
Coefficient	0.038	0.027	0.156	

Note: \*\*\* p<0.001. \*\* p<0.01. \* p<0.05. Logarithmic transformation applied for the rate of change in the sales per employee. N = 1146. Adjusted R2 = 0.029. Significance probability of the ANOVA (analysis of variance) = 0.00

indicates companies which introduced *Seikashugi*, and the control variables include the number of regular employees (after logarithmic transformation) and industry (manufacturing industry as the reference group). Table 5-20 shows the result of multiple linear regression analysis (OLS), indicating that the introduction of *Seikashugi* has a statistically-significant positive influence on the corporate performance (rate of change in sales per employee) at the level of 5%. Considering the low value of the coefficient of determination, it is difficult to define that *Seikashugi* is the best practice. However, despite the fact that the corporate performance is affected by other factors, we emphasize that *Seikashugi* has a positive influence on the corporate performance when it is introduced.

The result of this analysis does not indicate whether the corporate performance improved after *Seikashugi* was introduced, or if *Seikashugi* was introduced to a company that already performed well; nor does it accurately identify the cause-and-effect relationship. This is because no perfect conditions can be obtained unless we create a situation in which two groups of companies are set up and *Seikashugi* is introduced to one of them to monitor the change in

the corporate performance with all other conditions remaining the same. However, by controlling the corporate performance at the time before the introduction of *Seikashugi*, it is at least possible to compare those companies that introduced *Seikashugi* with those that did not, and to see whether the companies that introduced *Seikashugi* generated better performance than the others or not. Consequently, the following method was used: Multiple regression analysis is used to see the influence, by looking at the rate of change in sales between 1999 and 2004 and controlling the sales per employee of the corporate performance in 1999. The analysis included two groups of companies, one that introduced *Seikashugi* in 2000 or later and the other that did not introduce *Seikashugi* before the end of the second half of 2004, which was the time of the survey conducted.

The dependent variable is the rate of change in the sales per employee from 1999 to 2004, the independent variable is the dummy variable that indicates the companies that introduced *Seikashugi* in 2000 or later, and the control variables are the sales per employee (logarithm), industry type and the number of employees (logarithm) in 1999. The result of the multiple regression analysis (see Table 5-21)

**Table 5-21 Multiple Linear Regression Analysis Using the Rate of Change in the Sales per Employee (2004/1999) as a Dependent Variable (OLS): Companies that Introduced the PEP in 2000 or Later and Those that Did Not**

	Unstandardization factor	Standard error	Significance probability	Significance level
Companies that introduced <i>Seikashugi</i> in 2000 or later	0.118	0.029	0.000	***
Rate of change in the sales per employee in 1999 (log)	-0.205	0.015	0.000	***
Construction	-0.028	0.056	0.623	
Information & communications	0.022	0.065	0.738	
Transport	-0.085	0.054	0.116	
Wholesale and retail trade	0.152	0.043	0.000	***
Finance and insurance	-0.235	0.059	0.000	***
Services	-0.121	0.045	0.007	**
Other industries (except manufacturing)	-0.047	0.080	0.551	
Logarithm for regular employees	0.038	0.023	0.094	
Coefficient	2.278	0.162	0.000	**

Note: \*\*\* p<0.001. \*\* p<0.01. \* p<0.05. Logarithmic transformation applied for the rate of change in the sales per employee. N = 917. Adjusted R<sup>2</sup> = 0.206. Significance probability of the ANOVA (analysis of variance)= 0.00



shows that a company that introduced *Seikashugi* in 2000 or later has a statistically-significant positive influence at the level of 0.1%. In short, it indicates that the corporate performance improved for the companies that introduced *Seikashugi* in 2000 or later, compared with those that did not, when the corporate performance in 1999 is the control variable.

### C. Business strategy, HRM and corporate performance

In this section, another variable is added to see the correlation of business strategy, HRM and corporate performance. According to Porter (1980), the business strategy falls into three categories: (1) overall cost leadership; (2) differentiation; and (3) focus. Since our survey data do not provide any information on the method of focus or the extent of focus applied by companies, in the analysis described below we limited business strategies of companies to only two types—the cost leadership and differentiation strategies.

For the companies that selected both (1) development of new technology/product and (2) differentiation of competitive service/product as their business strategy in the survey questions on business strategy, a dummy variable is used to indicate that these companies are applying the differentiation strategy. The companies that selected the reduction of product/service price are considered as applying the cost leadership strategy. As a result, the differentiation strategy is used by 35% of the total number of companies, and the cost leadership strategy by 41%.

In addition, as HRM practices that may fit into the business strategy, dummy variables are used for the following four practices: (1) introduction of *Seikashugi*; (2) emphasis on education and training of all employees; (3) emphasis on education and training for selected employees only; and (4) use of non-regular employees and external work forces.<sup>5</sup> Table 5-22 shows the result of multiple regression analysis, using

**Table 5-22 Analysis Using the Rate of Change in the Sales per Employee (2004/1999) as a Dependent Variable (OLS)**

	Unstandardization factor	Standard error	Significance probability	Significance level
Companies that introduced <i>Seikashugi</i>	0.045	0.027	0.100	
Education & training to all	-0.010	0.027	0.702	
Selective education & training	0.030	0.028	0.284	
Use of non-regular employees	0.072	0.031	0.018	*
Differentiation strategy	0.003	0.030	0.930	
Cost strategy	0.052	0.028	0.063	
Construction	-0.136	0.053	0.011	*
Information & communications	0.122	0.060	0.042	*
Transport	0.036	0.050	0.470	
Wholesale and retail trade	0.083	0.041	0.043	*
Finance and insurance	-0.147	0.057	0.010	*
Services	0.091	0.041	0.028	*
Other industries (except manufacturing)	0.166	0.074	0.025	*
Logarithm for regular employees	-0.015	0.021	0.467	
Coefficient	0.178	0.073	0.014	

Note: \*\*\* p<0.001. \*\* p<0.01. \* p<0.05

N = 1146. Adjusted R<sup>2</sup> = 0.035. Significance probability of the ANOVA (analysis of variance) = 0.00

<sup>5</sup> The company is categorized in group (2) when it "provided education and training to improve capability of all employees" (53.1 %) as part of their key human resource practices in the last five years, in group (3) when it "provided education and training to only selected employees" (37.3 %), and in group (4) when it put importance on "use of non-regular employees and external work forces" with an increase of non-regular employees by 10 % or more in the last five years (27.4 %).



the independent variables, including the variables related to the business strategy and to HRM practices. Although the value of determination coefficient is small, the dummy variable indicating non-regular employees and external work forces is the only variable that has a statistically-significant positive influence on the rate of change in the sales per employee. In this model, in which HRM practices, except the business strategy and *Seikashugi*, are controlled, *Seikashugi* does not have a statistically-significant influence. Other HRM practices and the business strategy do not have a statistically-significant influence either. In other words, when strategies and HRM practices are controlled, non-regular employees and external work forces contributed to the improvements made by the companies surveyed in the period of five years since 1999.

However, we have two agendas to be considered: (1) How did the use of non-regular employees and external work forces contribute to the improvement of the corporate performance?; and (2) Are there any business strategy and/or HRM practice that works with *Seikashugi* in a mutually reinforcing way?

For the first agenda, after examining multiple models by replacing the independent variables, we found one model that had statistical significance for multiple variables of strategies and practices.

Looking at Table 5-23, a combination of the use

of non-regular employees and external work forces and cost leadership is statistically-significant independent variable. Although the value of determination coefficient is small, both have a statistically-significant influence on the corporate performance. From this result, it is possible to say that the company promoted the use of non-regular employees and external work forces when applying the cost leadership strategy. While the use of non-regular employees and external work forces may include the use of highly-skilled external professionals, the contribution made in the period between 1999 and 2004 was based on another pattern, which was focused on cost-reduction orientation with the use of non-regular employees and external work forces.

#### D. Compatibility of *Seikashugi*, business strategy and HRM practice

In general, companies use new HRM practices such as *Seikashugi* based on a certain business strategy while simultaneously developing other HRM practices to manage human resources required for their business operation. In this section, without considering the influence on the corporate performance, we analyze the correlation of *Seikashugi*, business strategy and HRM practice, which is the second agenda posted in the previous section.

**Table 5-23 Cost Leadership Strategy, Use of Non-regular Employees and External Work Forces and Rate of Change in the Sales Per Employee (OLS)**

	Unstandardization factor	Standard error	Significance probability	Significance level
Use of non-regular employees and external work forces	0.077	0.030	0.011	*
Cost strategy	0.058	0.027	0.035	*
Construction	-0.134	0.052	0.011	*
Information & communications	0.132	0.059	0.026	*
Transport	0.032	0.049	0.512	
Wholesale and retail trade	0.087	0.040	0.030	*
Finance and insurance	-0.154	0.056	0.006	**
Services	0.087	0.041	0.031	*
Other industries (except manufacturing)	0.172	0.074	0.020	*
Logarithm for regular employees	-0.008	0.021	0.687	
Coefficient	0.208	0.071	0.003	

Note: \*\*\* p<0.001. \*\* p<0.01. \* p<0.05. Logarithmic transformation applied for the rate of change in the sales per employee. N = 1146. Adjusted R<sup>2</sup> = 0.035. Significance probability of the ANOVA (analysis of variance) = 0.00

Firstly, in order to find out the type of business strategies and HRM practices used in the companies that introduced *Seikashugi*, the following logistic regression analysis is presented, in which the dependent variable consists of a dummy variable that indicates the status of introduction of *Seikashugi* (1: *Seikashugi* is introduced, 0: *Seikashugi* is not introduced) (see Table 5-24). Among the business strategies, the differentiation strategy had a statistically-significant positive influence on the introduction of *Seikashugi*. Among the HRM practices, selective education and training had a statistically-significant positive influence. As for the odds ratio<sup>6</sup> for companies that introduced *Seikashugi*, the number of companies that applied the differentiation strategy is 1.6 times higher than that of

companies that did not. As for the companies that introduced *Seikashugi*, the number of companies that introduced the selective education and training is 1.3 times higher than that of companies that did not. In other words, there is consistency both in the relationship between *Seikashugi* and differentiation strategy, and between *Seikashugi* and selective education and training practice. Considering this result as characteristics of the company that introduces *Seikashugi*, we could assume that some kind of interaction is generated from the simultaneous execution of *Seikashugi*, differentiation strategy and selective education and training. In particular, it is possible that they are used systematically in a mutually reinforcing way.<sup>7</sup>

**Table 5-24 Logistic Regression Analysis Using *Seikashugi* as the Dependent Variable**

	Unstandardization factor	Standard error	Significance probability	Odds	Significance level
Differentiation strategy	0.477	0.132	0.000	1.611	***
Cost strategy	0.050	0.124	0.685	1.052	
Education & training to all	0.088	0.118	0.456	1.092	
Selective education & training	0.302	0.123	0.014	1.353	*
Use of non-regular employees	0.111	0.134	0.406	1.118	
Construction	0.553	0.248	0.026	1.738	*
Information & communications	0.627	0.280	0.025	1.872	*
Transport	-0.148	0.211	0.483	0.862	
Wholesale and retail trade	0.469	0.183	0.010	1.598	*
Finance and insurance	-0.226	0.251	0.369	0.798	
Services	-0.062	0.174	0.721	0.940	
Other industries (except manufacturing)	0.686	0.352	0.052	1.985	
Logarithm for regular employees	0.325	0.089	0.000	1.384	***
Coefficient	-0.418	0.155	0.007	0.658	

Note: \*\*\* p<0.001. \*\* p<0.01. \* p<0.05. N=1280. Significance probability for omnibus verification of the model coefficient = 0.000. Cox & Snell R<sup>2</sup> = 0.05, Nagelkerke R<sup>2</sup> = 0.07. Significance probability of Hosmer and Lemeshow verification = 0.36.

6 The odds ratio is a measure to indicate an incidence of event by comparing two groups. Odds are value of  $p/(1-p)$  where  $p$  is an incidence rate of event. In this paper, it compares the ratio of introducing *seikashugi* in companies which adopted a differentiation strategy with that in those which did not.

7 According to this logistic regression analysis, (1) the rate of introduction of *Seikashugi* is the highest in the information and communication industry, followed by construction and wholesale and retail industries, and (2) the larger the company (number of regular employees), the higher the ratio of introduction of *seikashugi*.

The idea that these strategies and HRM practices work in a bundle or as a system is discussed by Arthur (1992) and MacDuffie (1995), the main advocates of the configuration approach in the SHRM theory described above. In the same way as it is discovered in this report, Arthur pointed out that a cost reduction industrial relation system was preferred in promoting the cost leadership strategy, using the result of the survey conducted at steel works.

### E. Two trends among modern Japanese companies: Business strategy and HRM

In this section, we will consider the mechanism of interaction between the two sets of ideas—the differentiation strategy and *Seikashugi*, and *Seikashugi* and the selective education and training. In this report, a company is defined as selecting the differentiation strategy if it places emphasis on both (1) development of new technology/product and (2) differentiation of competitive service/product. The manufacturing industry, for example, must ensure good human resources to develop new technology or a new product. To do that, they need to introduce a practice with high incentives in their human resource system such as *Seikashugi*. From this point of view, it is highly probable that *Seikashugi* contributes to the differentiation strategy.

To this end, the following consideration can be made for *Seikashugi* and the selective education and training: In addition to obtaining good human resources with a highly incentive system of larger wages, it is likely that companies that introduce *Seikashugi* also invest in the concentrated education and training programs for a selected group of people who have potential to generate and increase the competitiveness of the company. As representatively seen in Takeuchi (1995) who has carried out several studies on Japanese society which places excessive emphasis on academic records, Japanese major companies had mostly selected brand-name college graduates among all employees at a relatively early career stage, and trained them separately to become executives. This is a part of the character of Japanese meritocracy. However, since *Seikashugi* focuses on the performance achieved after joining companies,

the dissemination of *Seikashugi* may transform Japanese meritocracy.

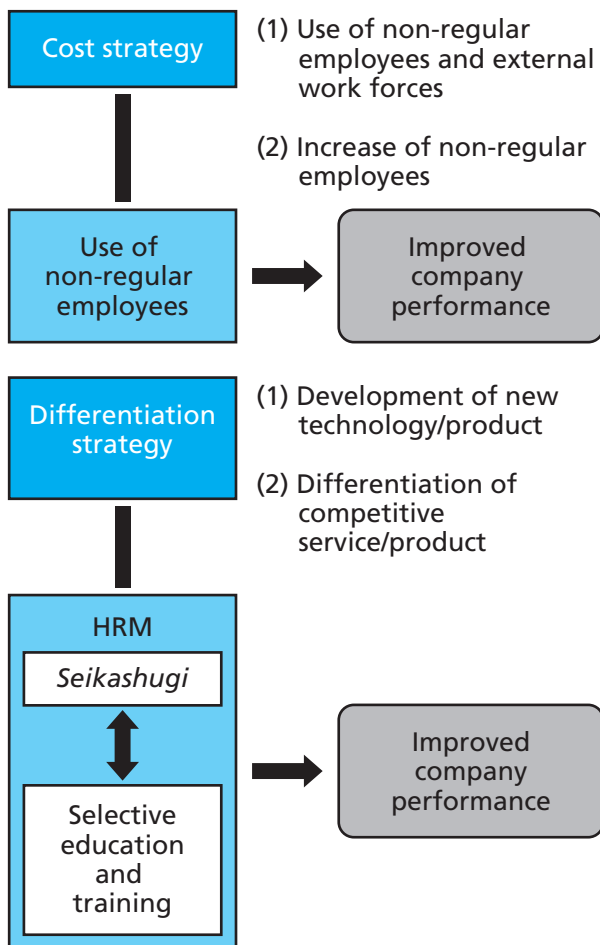
In other words, it is conceivable that companies are both “buying” and “building up” good human resources as the source of their competitiveness. Furthermore, it is possible that synergetic effects are generated (and companies expect such effects to be generated) with a combination of *Seikashugi* and the selective education and training, which interact with each other to create a positive influence.

While companies attempt to achieve an advantageous position over their competition by using the differentiation strategy, the combination of *Seikashugi* and the selective education and training is implemented in the human resource management, creating an interactive influence of the strategy and human resource measures and consequently maintaining the competitive edge. This scenario seems quite convincing.

To summarize our analysis on the business strategy and human resource measures, two trends are identified (see Figure 5-25). For the business strategy of Japanese companies, we assume there are two strategies—the cost leadership and the differentiation strategy. Companies that apply the cost leadership strategy use non-regular employees and external work forces in their HRM, which serves to reduce cost. Since there is a limit on how far cost competition can go, companies may not be able to continue the cost leadership strategy in the long term. For the short term, however, this method may provide advantages over other companies, and in fact the analysis of our survey data showed it actually contributed to improve the corporate performance.

On the other hand, companies that apply the differentiation strategy ensure good human resources through introduction of *Seikashugi*. They also tend to provide concentrated education and training to a select group of competent people. It is possible that synergetic effects are obtained through an interaction of the differentiation strategy, *Seikashugi*, and the selective education and training that is congruous with *Seikashugi*. Although the set comprising of the differentiation strategy, *Seikashugi* and selective education and training did not show a statistically-significant correlation to the corporate performance,

**Figure 5-25 Two Patterns of Business Strategy and HRM Practice**



as a system it may have some logic for improving the corporate performance in the long term.

### Conclusion

Traditionally, business strategy and HRM were handled separately. Analysis of the survey data, however, revealed that there is a strong organic linkage between the business strategy and HRM in Japanese companies today. Also, this result provides us with a labor policy implication.

Needless to say, the demand and supply balance of the labor market is determined by factors of both the demand and the supply side. The demand forecast, however, was made based on relatively

short-term changes in the recruitment behavior of companies or the time-series macro data such as changes in the number of people entering/leaving companies and the employment rate of non-regular workers. The analysis in this report, however, indicates that Japanese companies today apply HRM that fits their business strategy. This implies that a change in the long-term demand of the labor market can be explained mostly by identifying the business strategy of companies. It is very important to understand that the business strategy of companies in forecasting the changes in the labor market. Information will make an important contribution for planning and drafting of labor policies, and the viewpoint of future surveys and researches should be widened to include corporate business strategies in addition to HRM.

Another finding in this report is that the corporate performance is improved by application of the cost leadership strategy and the use of non-regular employees and external work forces. It is difficult to forecast the extent to which companies are able to compete with each other over cost. As long as competition continues, however, the utilization of non-regular employees and external work forces will be further promoted. The White Paper on the Labor Economy 2006, published by Ministry of Health, Labour and Welfare, points out that the number of non-regular employees will most likely increase in the future. One of the important problems that drew attention recently in Japan is the widening of the income disparity between regular workers and non-regular workers.<sup>8</sup> As was pointed out by some analysis in this report, such income gap is actually generated within the context of corporate management behavior so that continued observation is highly necessary.

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<sup>8</sup> Ministry of Health, Labour and Welfare, 2006, *White Paper on the Labour Economy*, p. 246-247. This also emphasized the necessity of measures against economic gap between workers with different employment patterns.

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## 1. Objectives

The Japan Institute for Labour Policy and Training (JILPT) is an incorporated administrative agency and since its foundation, has been developing research programs in accordance with themes associated with medium-term labor policy challenges the Ministry of Health, Labour and Welfare has presented, and carrying out its research activities for its first mid-term plan (from October 2003 to March 2007). This report summarizes findings from a project research carried out on “the labor market infrastructure development for Members<sup>1</sup> of the project raised and discussed the following two questions before starting detailed studies on “the labor market infrastructure development for human resources development:”

- (1) Why is “the labor market infrastructure development for vocational skills human resources development” an important issue?
- (2) How can we, focusing attention on important things, understand the current situation of “the labor market infrastructure for human resources development” and analyze its problems?

In the first section of this report we summarize our discussion on the two questions, before planning detailed research methods based on the discussion.

### A. Why is “the labor market infrastructure development for human resources development” an important issue?

Japanese policies on human resources development have changed significantly following revisions of “Vocational Training Act” in 1969 and in 1978 and the introduction of “Human Resources Development Promotion Act” in 1985. In other words, Japanese policies have shifted their focus from public vocational training to promotion of

human resources development led by private enterprises, by introducing more flexibility into vocational training criteria to feedback needs of enterprises, and recognizing importance of on-the-job training (OJT) as well as of off-the-job training (Off-JT, collective training which usually takes place away from normal work situations) as effective training for vocational work.

Factors behind these changes include in-house human resources development actively taking place in response to the growth of internal labor market and a general emphasis on on-the-job training in Japanese industries. Government policies concerning vocational training were in the 1950s aimed at introducing a mechanism to form Western-style socially prevailing skills, but later made major changes in accordance with actual growth of industries. Since then, Japanese policies on human resources development have regarded enterprise-sponsored human resources development as fundamental, and the national government has only facilitated and supplemented such development. (Izumi 1985, Taniguchi 1997)

The Human Resources Development Promotion Act provides that the national government shall formulate basic human resources development plans and shall indicate the framework of related policies in a medium to long-term perspective. The Eighth Basic Plan for Human Resources Development was formulated in July 2006. This Project Research started when the Seventh Basic Plan was being implemented. The Seventh Basic Plan refers to “the labor market infrastructure development for human resources development” as summarized below.

Recent technical innovation and economic globalization have been causing industry-wide structural changes, and at the same time, workers’ job

<sup>1</sup> Members of this Vocational Development Project Research are shown in P.162 Some of the members have been changed and new members have been recruited due to personnel reshuffles and expansion of the scope of the research, yet the basic focus of the research has remained unchanged.

consciousness and forms of employment are getting more diversified. Accordingly, there is concern about increasing mismatches between jobseekers' skills and experience and demands of the labor market due to higher labor mobility and enterprise-wide need for more active duty reassignment. To ensure employment stability and expansion, the current situation requires environments that facilitate human resources development by workers and by employers as well as improvement in labor supply and demand. In other words, what is essential are environments that enable workers and employers to access relevant information on the labor market, including information on job opportunities, and provide opportunities for workers to evaluate their own vocational ability and learn in vocational training courses in accordance with their intended vocational goals for their career development. A socioeconomic infrastructure for human resources development that enables the labor market to effectively function will play roles of these environments. The above Basic Plan discusses necessary policies, by grouping the infrastructure into four systems: (1) systems supporting workers' career development; (2) systems providing easy access to information on the labor market, including information on job opportunities and needs for human resources development; (3) effective vocational ability evaluation systems for workers including white collar workers; and (4) systems providing various educational training opportunities. (Ministry of Health, Labour and Welfare 2001)

From the above description, we can learn that "the labor market infrastructure development for human resources development" means infrastructure development concerning human resources development that enables the labor market to effectively function, or infrastructure development that enables workers and/or employers to willingly and voluntarily carry out relevant vocational development. However, such infrastructure is yet to be fully established, and that is why this issue now attracts so much attention.

As described before, Japanese policies concerning human resources development had focused on in-house vocational development backed by

traditional long-term employment practices since the 1970s. In the early 90s, following increasing labor mobility, the idea of individual-oriented vocational development was introduced (The Sixth Basic Plan for Human Resources Development 1996). As parts of specific measures, in order to encourage individual growth and development, "Training and Education Benefits System" was established in 1998, in which individuals, instead of places of business, are entitled to partial refunds of expenses incurred with training courses. Yet, this benefit system lacked systematic approach for generating environments that encourage individuals to willingly get involved in vocational development both in and outside of their workplaces. The Seventh Basic Plan for Human Resources Development is characterized by the national government's willingness to upgrade these environments as a part of its responsibility.

Accordingly, in discussing "the labor market infrastructure development for human resources development," first, we should consider the key roles that individuals play in vocational development as well as enterprises. Considering how the government has handled this issue up until now, we believe more attention should be given to individual-oriented vocational development. Secondly, while systematic improvement of the infrastructure in a broader sense both in and outside of enterprises should be discussed, we need to examine more the infrastructure that assumes Off-JT and human resources development outside of enterprises, given the government's past policies largely dependent on enterprise-sponsored OJT and other in-house vocational development.

## **B. How can we, focusing attention on important things, understand the current situation of "the labor market infrastructure for human resources development" and analyze its problems?**

What kind of research is to be planned on "the labor market infrastructure improvement for human resources development"? We believe that, clarifying the current situation, which will serve as the basis for policy planning, and extracting related problems will constitute the foundation of the research. Since the

concept of “infrastructure” is vast, we cannot even start a survey for identifying the current situation until which areas should be focused and how are determined. For this purpose, we have to sort out what has been made clear by earlier studies and examine what needs to be clarified. Research on the labor market infrastructure is not an established academic discipline, and we can say few preceding studies have addressed this subject and at the same time, many preceding studies have addressed this issue from viewpoints encompassing various areas. Conducting exhaustive study from the latter’s perspective is beyond our capacity, and we have examined preceding studies concerning only human resources development policies, which is a mere part of numerous subjects concerning this issue. Then we presented two sub-themes as shown below.

First, what have we already learned about the conventional vocational development which is highly dependent on enterprise-sponsored activities? Many studies, including pioneering studies by Kazuo Koike (Koike 1997 and 1981), have accumulated data on “how vocational skills have been acquired in enterprises.” International comparisons have been frequently made on this issue, highlighting features and benefits of Japanese-style employment management that puts much faith in OJT and staff reshuffling for skill formation. While one can refer to a mechanism of OJT or staff reshuffling as an infrastructure enabling the internal labor market to produce effects on vocational development in a broader sense, what we need to address now is how to develop components other than OJT and staff reshuffling.

Expenses incurred with off-the-job training, or Off-JT, have been reported for a long period of time in the Ministry of Health, Labour and Welfare’s “General Survey of Working Conditions.” The expenses have significantly decreased since the early 1990s, yet still hovering at a level similar to the 1980s. More specifically, Japanese-style Off-JT conventionally depends on stratified training programs, as is often referred to as “Off-JT

conducted at major career milestones” (Koike 1988). However, some studies point out that recent off-the-job training courses include more theme-specific courses and individual trainings, and at the same time, have been carried out more selectively. (Imano 2003) It is reasonable to think that contents of the training have undergone significant change.

The “General Survey of Working Conditions” has not clarified every expense incurred by enterprises in connection with vocational development. As K. Imano and E. Ohki point out (2000), expenses incurred with vocational development include not only expenses for equipment and instructors, but also personnel costs and opportunity costs for persons in charge of training.<sup>2</sup> Ohki (2003) analyzed the expenses incurred with Off-JT and noted that almost half of them were spent on educational training institutes outside of enterprises. Knowing whether enterprises currently procure educational training from within the enterprises or from the outside is important for policy planning concerning future infrastructure. Factors behind this include enterprise-specific vocational ability, and “whether enterprises currently procure educational training from within the enterprises or from the outside” is a determinant essential to identifying the scope of effective infrastructure development outside of enterprises designed for vocational skills upgrading. Basic information on current situation needs to be made clear, including “what kind of educational training is being offered and is being utilized at what kind of places and to what extent?”

We would like to consider the vocational development infrastructure from viewpoints of individual workers. Naturally, individual-oriented vocational development is closely intertwined with career development for each individual. A policy objective of developing an individual-oriented infrastructure that enables each person to select his or her career path and nurture his or her own vocational ability accordingly will require clarification of how far such career path and vocational ability development have been realized.

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<sup>2</sup> Expenses incurred with vocational ability development include not only expenses for these Off-JT but also opportunity costs in connection with OJT incurred by both trainers and trainees.

What has been made clear so far? Odaka (1982) surveyed workers and educational training institutes-based scholars in as early as the late 1970s for learning the correlation between individual career path design and needs for training. Odaka pointed out that while workers had needs for training largely due to present or prospective needs of their workplaces, and not due to individual career path design such as job changes. We can say that, from viewpoints of individuals, up until the 1980s, enterprise-sponsored vocational development and in-house career development had played central role in human resources development. Back in those days, the most important milestone in career path selection may have been the employment of new graduates. However, studies on the employment for new high school graduates already pointed out that we can no longer say such job placement is career path selection for individual workers. (Amano et al.1988)

The number of studies concerning the correlation between job changes and vocational ability has increased since the early 1990s. “Employability,” or ability to be employed within and outside of companies and ability to facilitate labor mobility, which Japan Business Federation (Nippon Keidanren) recommended in 1999, undoubtedly constitutes the infrastructure that supports vocational skill development aiming at ensured employment stability and employment expansion through labor mobility. A number of studies examined how the vocational ability is currently formed and is influencing labor mobility. For example, Fujimura (2003) pointed out, by analyzing questions asked during job interviews for career changes, that vocational ability respected outside of enterprises is largely overlapped with the one respected within an enterprise, and indicated that what is important for upgrading your vocational ability respected outside of enterprises is to improve the quality of your current work and for that purpose, employees themselves have to identify and bring up their own strengths and use ingenuity to make their ways of working more useful for human resources development. Kurosawa (2003b), surveying companies offering mid-career employment opportunities and workers employed in mid-career, pointed out the inadequacy of vocational

ability standards as a way to “disseminate” the level of vocational ability of individuals. Inoki et al. (2001) broadly discussed job changes and human resources development, pointing out that business experience and social networks gained in previous positions influenced successful job-changing and increased satisfaction. The current situation analysis in these papers suggest many things about the infrastructure, including standards used to evaluate vocational ability, networks that suitably disseminate the evaluation, and environments that enable individuals to manage their own ability expansion.

These papers on job-changing observed individual workers for only a very short period of time, mostly, immediately before and after job changes. However, if vocational ability development from the viewpoints of individuals is to be discussed, a longer-term observation tracing back to their schooldays may be required. In one’s work history which is made up of a series of careers ranging from the past to the future, how vocational ability is being formed and for what purpose one is willing to develop one’s vocational ability? Understanding of ability formation from the present viewpoint of individuals now reaching the midway point of their career paths will be required to make individual-oriented ability formation more effective. How individuals have made or have been forced to make job selection at which stage to establish their career tracks? We believe that policies without understanding of these current situations from the viewpoint of individuals will be no use in influencing individuals.

In addition, your working life is not all of what you are. You have your family life, and you may be a parent, a child or a learner. Your working life is only a part of your whole career. We need to consider the vocational ability development in the context of the entire career.

Very few studies in Japan have analyzed individuals’ long-term careers from the above viewpoints. While recently, a number of panel surveys on young people in transition have been conducted, still there may be almost none of long-term studies on individuals. Of course, this type of studies require a lot of time and labor, yet we believe that what proposed policies on the career development assistance for

individuals lack most is studies that identify the process of vocational ability development and career development seen from the viewpoint of individuals.

## 2. Research Method

Based on the above discussion, in this Project Research we clarify the platform of Off-JT human resources development opportunities in relation to “the labor market infrastructure development for human resources development” and make clear how individuals make use of vocational development opportunities, including Off-JT opportunities, for formulating their careers and vocational skills. Then we examine possible directions the infrastructure development needs to take in future. More specifically, we have identified the following two sub-themes and have appointed a team to study each sub-theme.

### A. Study on the current status of the vocational education and training service market (Hereinafter referred to as “the study on the vocational training service market”):

This study looks at the entire picture of the ongoing Off-JT human resources development conducted inside and outside of enterprises by surveying the current situation. In other words, the study clarifies the supply structure of vocational training services and how the demand sides, or individuals, have utilized the vocational training for their human resources development. For this purpose, first, we have grasped general features of the market based on existing statistical sources and survey findings. Then secondly, in order to make clear organizational features of educational training suppliers and contents of educational trainings, we conducted mail questionnaires twice on organizations that supply vocational education and trainings. (This survey covered only education and training providers, including teaching institutions and private-sector educational training organizations, and did not cover ordinary enterprises since their main business purposes do not include supply of educational training services.) Thirdly, we conducted another mail survey, using a research firm to transmit and

collect questionnaires to and from respondents, to learn what kind of training services have been required by what kind of individuals, including workers, for what purposes and how they have appreciated the services.

### B. Study on the current status of long-term career development for individuals (Hereinafter referred to as “the study on long-term careers”):

In parallel with the above mentioned study on the current status, this study clarifies how careers and vocational skills have been formulated so far, collecting and analyzing case examples of long-term career development for individuals. This study has been structured based the idea that the creation of an effective system supporting individuals in future should take into consideration the past various career development cases. This study interviewed 68 persons who have now reached or nearly reached in their 50s from the yearend of 2003 to the beginning of 2004. These 68 persons were respondents of a past panel survey, “Career Tracking Survey,” conducted on more than 2,800 men and women, then aged 15 to 26, who were born in from 1953 to 1955.

## 3. Design of the Study on the Vocational Training Service Market and the Outline of Findings

### A. Aim of the study on the vocational training service market

Recently employers’ and individuals’ basic ideas about the human resources development have been changing.

Enterprises are now being restructuring their own education and training strategies, by reviewing their conventional in-house “human resource development through on-the-job training” and more frequently utilizing training institutes outside of enterprises when training is required, for improving investment efficiency. In addition, they have increasingly emphasized the principle of individual responsibility in one’s vocational development and career development. While enterprises have been increasingly utilizing vocational training institutes



outside of enterprises instead of in-house training and individual workers are increasingly encouraged to value the importance of individual responsibility in vocational development, enhanced Japan's ability to develop human resources requires upgraded functions of vocational teaching institutes outside of enterprises. In other words, a social infrastructure that supports vocational training activities carried out by both enterprises and individuals should be further developed, and the government has the major role to play in this issue.

The government has to correctly grasp the current state of vocational training activities outside of enterprises in order to formulate effective policies. Information available on this issue, however, is quite limited. Accordingly, the purpose of our study on the vocational training service market is to show the current state of vocational education and training activities in the labor market from the viewpoints of the vocational training service market (which is discussed later), and we have employed the following procedures.

- i. Clarify the contents and amount of the education and training services supplied and demanded in the labor market.
- ii. Identify supply and demand for education and training services in the labor market
- iii. Based on findings from the above, evaluating the current state of the vocational training service market and identifying policy challenges.

## **B. Viewpoints toward the vocational training service market**

In order to develop vocational ability of individuals, teaching institutes provide students vocational education, and various institutions including teaching institutes provide vocational training to workers and others. In this paper we would like to discuss the latter, "vocational training for workers and others", which is hereinafter referred to as "education and training service."

To enjoy the education and training service, workers need, first of all, "providers of the education and training service" and "those who pay the cost of the education and training service." The providers of the education and training service include public-

sector (national, municipal and joint public-private venture) bodies (excluding training institutes), training institutes (such as universities and specialized training institutes) and private-sector educational institutes (such as public-interest corporations, employers' associations and private-sector enterprises). These providers of the education and training service are referred to as "vocational training providers" in this paper. Those who pay the cost of the education and training service include ordinary enterprises (enterprises of which main business purposes do not include the supply of education and training services are referred to as "ordinary enterprises" in this paper.), public sectors and individuals.

Moreover, an agreement between "the provider of vocational training service" and "those who pay for the vocational training service" concerning the service must be concluded to enable workers and others to enjoy the service.

A place where the above agreement is made and the vocational training service is being distributed is referred to as "broadly-defined vocational training service market." A part of this market includes a territory where those who pay for vocational education also provide training services, in other words, a territory of "self-consumption or internal transaction" where one supplies education and training services at one's own cost. This "self-consumption" includes cases where those who pay for and supply the services at the same time are ordinary enterprises and another cases where they are public-sector bodies. In these cases, costs spent on the training service will not flow outside the territory (in other words, vocational training services are not transacted outside of the territory). In this paper, we will refer to "the vocational training service market" as "the narrowly-defined market for vocational training services" by excluding the "self-consumption." Unless otherwise specified, in this paper the term "the vocational training service market" refers to "the narrowly-defined market for vocational training services."

Characteristics of the vocational training service market are to be described with the aid of variables concerning the following three topics:

- i. Supply of the vocational training service seen



- from the viewpoints of the providers
- ii. Demand for the vocational training service seen from the viewpoint of workers
  - iii. Present status of the vocational training service supplied by vocational training providers and demanded by workers and others through the market.

### C. Components of the study on the vocational training service market

First we analyzed the vocational training service market, utilizing existing statistics and findings from surveys.<sup>3</sup> We developed a framework for analyzing the vocational training service market, and identified features of “broadly-defined vocational training service market.” More specifically, we made clear (1) the number of organizations of vocational training providers and the composition of the providers grouped by organizational form and organizational features, (2) concerning the current status of the training services, the quantitative structure of the service as seen from the business income of vocational education providers and the qualitative structure of the service as seen from contents of trainings (including the duration of vocational trainings), and (3) the current situation on how governments and enterprises which demand vocational education and training services share cost.

Next, two surveys on training service providers were conducted to clarify detailed features of the training service market seen from the supply side. (Hereinafter the first survey is referred to as “the first survey on vocational training providers” and the second survey is referred to as “the second survey on vocational training providers.”) The first survey made clear the quantitative supplying structure of the vocational training service market on “which providers provided what kind of services to how

much degree?” along with organizational features of providers. Findings from this survey were summarized in “the Japan Institute for Labour Policy and Training (2005a).

The second survey was to clarify “the qualitative supplying structure of the vocational training service market” and analyzed vocational training courses that these providers offer, by describing (1) what kind of study was conducted in training courses (what were being taught), (2) for what kind of workers (trainees’ ages, occupations, and attributes as seen from their career levels), and (3) by what methods (duration, frequency and fee of courses). Findings from the above survey were summarized in “the Japan Institute for Labour Policy and Training (2005b).

These surveys did not examine public sectors since they are more difficult to be surveyed and instead analyzed characteristics of public-sector providers, utilizing existing statistic sources.

The final theme is to make clear “the demand for the vocational training service market” and for this purpose, we conducted a survey of individuals including workers (Hereinafter this study is referred to as “the survey of individuals”).<sup>4</sup> The purpose of this “survey of individuals” is to clarify characteristics of the demand for the vocational training service market by observing what kind of persons demand what kind of training services (training activities) for what purpose (Needs of trainings) and how they have evaluated the result (evaluation of vocational trainings).

### D. Outline of the findings

What has been made clear from the analysis of existing data is (1) that the expense spent by both enterprises and governments on the vocational training service market is approximately 581.7 billion yen, (2) that enterprises largely depend on private-

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3 Statistics Bureau of Ministry of Internal Affairs and Communications (2003a) (2003b); Statistics and Information Department of the Ministry of Health, Labour and Welfare (2003), Human resources Development Bureau of the Ministry of Health, Labour and Welfare(2002), The Japan Institute of Labour (2003 a),Employment and Human Resources Development Organization of Japan, Website of Lifelong Human Resources Development Center (2003), and The Japan Institute of Labour (1996) (1998)

4 In addition to “the survey on individuals,” human resources development activities of unemployed people in a certain geographic area were surveyed in January 2006. (The latter survey is hereinafter referred to as “the survey on unemployed persons.”)

sector training providers and training institutes have played a relatively little role, and (3) that at the supply side, public sectors have concentrated their services on trainings on machinery and skills concerning electricity and electronics which need extensive investment, while private-sector major providers such as industry organizations and economic organizations (including chambers of commerce) have specialized in trainings on administrative services, and business corporations have mainly focused on short-term training courses. Reflecting the above mentioned role sharing between public and private sectors, we believe it is difficult to largely depend on private-sector providers for upgrading an education and training system that nurtures advanced and specialized human resources development which needs long-term training courses. Our findings suggest instead the need for activating the training system presently conducted mainly by public-sectors, and the need for more effectively utilizing educational institutions, including vocational training schools, various training institutes and universities.

Secondly, we discussed, based on findings from the survey of individuals, “who need what kind of education and training services for what reason?”, “what kind of constraint conditions will be assigned in that case” and “how they have evaluated their effects.” Our major findings include: (1) Individuals spend around 60% of their time on individual growth and development, and around 40% on trainings, and around half of the time spent on trainings has been assigned to training courses that training institutes provide. (2) Individuals have spent only 30% of resources (time and money) they can actually invest, and we believe regular staff cannot effectively utilize their resources (time) because they have less discretion in the allocation of time. (3) While compared with regular staff, non-regular staff spends less resource and less budgets for vocational development, the ratio of their resource and budget against their annual incomes spent by non-regular staff is higher than the ratio spent by regular staff. Non-regular staff is more likely to purchase cheap training services because they cannot expect much from vocational development offered in their

workplaces. (4) The demand for education and training services supplied by public institutions including public interest corporations and employers’ associations, instead of those offered by private-sector bodies and public trainings, is large. For this reason, we should recommend that Off-JT outside of enterprises is becoming increasingly important and there are urgent needs to develop the vocational training service market. We should also recommend that policies to improve the working hour management are required for regular staff, since they cannot freely utilize their working hours for vocational development. Further we recommend that public-sector vocational training programs to be upgraded for those unable to afford expensive training and unable to expect good vocational development opportunities at workplaces, such as non-regular staff, and that public-sector agencies such as employers’ associations and public-interest organizations to be more actively utilized in the reviewing process of the public-private cost sharing in vocational training.

Thirdly, we have clarified the training service supply structures, by identifying “what kind of providers have provided vocational training services to whom by what kind of methods through what kind of training courses,” utilizing findings from mail survey questionnaires for vocational training providers. Our major findings include: (1) When we take into consideration the revenue from and the amount invested in the vocational training service, we found that around 70% of managing organizations running vocational trainings are private-sector enterprises (of which business purposes include the supply of vocational training services), public interest corporations and employers’ associations, and the largest share of trainees attend trainings offered by public interest corporations. (2) When identifying “what kind of trainees have enjoyed what kind of vocational training services,” we have found that, lecture classes and seminars mostly assume small and medium sized enterprises salaried workers, offering training seminars for new recruits, technical trainings, quality and safety training courses and training programs on personnel and labor relations affairs, all intended for each job class. Correspondence courses

are designed for a much wider audience including big company salaried workers. (3) When taking into consideration the duration and price of trainings, we have found that, in general special course training institutes offer long-term expensive courses, public interest corporations offer medium-term mid-priced courses, employers' associations and universities offer low-priced short-term courses, private-sector enterprises provide relatively expensive medium-term courses, vocational training corporations provide long-term low-priced or mid-priced courses, and graduate schools for working persons offer extremely-expensive extremely-long-term courses. From these findings we have found it important to, first, make clear the market structure for identifying key issues to be emphasized, and we have pointed out the need for clarifying relative features of vocational training providers to facilitate efficient operation of policies, including those on entrusted training, and the need for actively utilizing public interest corporations and employers' associations that are neither public nor private.

Finally, we compared public vocational training, which was not covered by the survey on vocational training providers, with other training providers and their effects as seen from the viewpoints of enterprises, based on existing data. The number of people who finished public vocational training courses fluctuated significantly from 380,000 in the fiscal 1999 to 1.05 million in the fiscal 2001 and 390,000 in the fiscal 2004, demonstrating the influence of entrusted training conducted as a part of emergency employment measures and showing how public vocational training worked as a part of employment measures. These training programs have been targeted to job leavers, workers and school graduates, and job leavers and workers represent a significant share. Ninety-seven percents and 82% of these trainings are designed for job leavers and workers, respectively, consisting of specialized training courses (to learn specialized knowledge), and most of the training courses are technical ones. On the contrary, most training courses other training institutes offer for working people are certification courses and training in foreign languages. When taking into account how enterprises have evaluated

vocational training for school graduates, we have found that especially manufacturing and information sectors have highly appreciated the training as effective specialized learning, and many enterprises are willing to employ those who have finished these courses. In addition, it has been pointed out that, without these vocational development seminars designed for workers, almost five times as much cost would have been required to retain the present level of their knowledge and skills, and that what has been learned in these trainings is worth 6.3 times as much as the cost. What enterprises expect most from vocational training is basic training, and the training has succeeded in providing much of what it is expected to provide. It is recommended to enhance the training for experienced skilled workers to refreshing their skills, the training for systematically teaching practical work and related theories, and the function that contributes to improved performance at job sites by visualizing technical levels.

#### **4. Outline of the Study on Long-term Careers and its Findings**

##### **A. The framework for the study and the basic design of the survey**

The study on long-term careers comprehensively discusses how careers and vocational ability have been developed from the viewpoints of individuals. To promote the upgrading of environments that facilitate individual-oriented vocational ability and career development as policy measures, we need to understand how actual careers and vocational skills of individual have been formed. In doing so, it is important to introduce the viewpoints of individuals by identifying in what context individual trainees have viewed these careers and skills and what kind of alternatives individuals can find in them. Vocational development is naturally difficult to be evaluated unless examined in the long view. Accordingly, the survey should be carried out in a longer term viewpoint.

For this purpose, in this study we decided to conduct a detailed hearing investigation into middle-aged people on their past career and vocational ability development. This investigation includes not only

vocational career and human resources development, but also their career path selection and how it is being affected by their parents, spouses and children, how they selected their career paths in training institutes and major factors behind the selection, including their academic performance and household budgets.

It is naturally quite difficult to find respondents who are willing to answer such an extensive hearing. Accordingly, we contacted respondents, who were born in 1953 to 1955, of the panel survey known as “Career Tracking Survey,” for asking their cooperation in our survey. The “Career Tracking Survey” was conducted when JILPT was known as National Institute of Employment and Vocational Research (1981 to 1989) and as National Institute of Vocational Research (1969 to 1981). As mentioned below, the “career tracking survey” is a 10-year-long panel survey, and we assumed that the former respondents of the survey would be more willing to understand and take part in our survey.

As a result, the total of 68 persons of those asked eventually accepted to answer our questionnaire.

## B. Characteristics of our questionnaire

This study, as above mentioned, is based on findings from the 68 respondents and features by the following: (1) by referring to the past “Career Tracking Survey,” one can track down the 35-year-long career path of individuals. These studies are really valuable for a long duration of the period studied. Findings on individuals’ career paths from panel surveys have been accumulated overseas and a vast amount of data has been made public. On the contrary in Japan, only little data from panel surveys have been kept. Though this study is preliminary and only a limited number of people are studied, the duration of this study is remarkable even compared to ones conducted overseas, and one can derive from this study an incomparably enormous amount of information and new knowledge compared to a cross-cutting study conducted at a single point in time.

(2) The “Career Tracking Survey” is a panel survey, beginning when a sample of individuals were ninth graders, and then conducted when the same representative sample respondents were in high school, immediately after they got their first

employment, and when they were 26 years old. In this way, one can analyze the correlation between specific life stages experienced by each individual (for example, transition from training institutes to workplaces) and macroscopic socioeconomic situations (for example, job markets), and more accurately learn the correlation between their ways of thinking about career guidance and jobs during their days in training institutes and their career development in younger ages.

For example, those surveyed in this study spent their school days during the post-war economic development and obtained their first employment after graduation around the first oil crisis. This coincided with a sharp rise in the advancement rate to high schools where 80% of their generation proceeded to high school and a rise in the advancement rate to colleges and universities. They landed their first employment in the 1970s when business conditions and employment conditions experienced radical changes due to the oil crisis, and the labor market varied much depending on when they first entered the labor market. Junior high school graduates and senior high school graduates then landed their first employment before the economy was yet to be affected by the oil crisis, while college graduates and university graduates landed their first jobs when employment conditions had already worsened by the oil crisis. In this way, it is clear that changing social and economic conditions have been closely related to their transition from training institutes to workplaces.

(3) This study utilized the “life history calendar” method along with interviews. This method was invented in the 1980s by demographic specialists and others, and respondents were asked to report events in their history of schooling, employment history, marital history, and family history in a calendar-like format (The calendar year was used as the fundamental reporting unit) on a sheet of paper. To facilitate the recall of respondents’ lifetime experience, the life history calendar listed some key dates of public events (for example, the first oil crisis in 1973, the Great Hanshin Awaji earthquake in 1995), and asked respondents to report any changes in contents of their jobs, positions, transfers, job

satisfaction and rewarding experience. Respondents could also report events such as their independence from their parents, marriages and births of their children, and in this way this life history calendar provides a bird's eyes view of respondents' personal histories.

The use of this method enabled us to relate changes in their workplaces, jobs and positions, which serve as good indicators of individuals' career path design, to their entire life plans, by linking them to their life events (for example, independence from family members, marriages and childbirths) and to geographical transfers (for example, job transfers and husband-alone transfers), instead of considering these changes separately. (Japan Institute for Labour Policy and Training 2006a)

The "Career Tracking Survey," which serves as the basis of the above study on long-term careers, was originally conducted from the late 1960s to the 1980s.

The purpose of the "Career Tracking Survey" was, in short, to clarify a mechanism of employment and work adjustment for young people. In the 1960s when the survey was started, young people's job changing was acknowledged as a social problem, and in general their job changing was attributed to their maladjustment to jobs or workplaces. Though the survey was initially carried out to examine their attitudes toward jobs and workplaces, the purpose of the "Career Tracking Survey" was to understand the correlation between individuals and their jobs as a series of development processes.

Those surveyed in the "Career Tracking Survey" were 2,820 persons, 1,459 males and 1,361 females, who were born in the fiscal 1953 to 1955, selected from 71 training institutes in seven prefectures. In principle one class per training institute was sampled. The prefectures surveyed were selected after consideration whether each prefecture mainly supplied labor or demanded labor. The survey was launched in different years in different prefectures. More specifically, those surveyed were divided into three groups including those born in 1953 and graduated from junior high school in March 1969 who were initially surveyed in 1968, and those born in 1955 and graduated from junior high school in March

1971 who were initially surveyed in 1970. They were initially surveyed when they were in ninth grade at the age of 15.

Subsequent tracking studies following the above study examined them who had already left schools or training institutes, at the age of 17, 20, 23 and 26. In principle, these studies were conducted face-to-face interview by researchers visiting respondents under cooperation with local public job placement offices. Most of females 23 years old or older with some exceptions, however, were surveyed through mail questionnaire since female respondents tended to leave their jobs and become unemployed after marriage. The response rate for male respondents at the age of 26 was as high as 83.1% and these tracking surveys generally achieved relatively high response rates. (National Institute of Employment and Vocational Research 1988)

### **C. Outline of the findings**

First, we discussed changes and challenges in the transition from training institutes to employment, by making clear the current situation of transition and initial career development based on findings from the "Career Tracking Survey" and the interview conducted in our study. What we have learned from this analysis is: (1) career path guidance in training institutes and respondents' own attitudes toward career path selection have influenced their subsequent career development, (2) their parents have played a significant role in information relevant to career path selection, and the information relevant to career path selection includes not only types of occupations and vocational skills but also individuals' personal interrelationship, (3) their parents' academic background has deeply affected respondents' own career path selection and occupational choices, demonstrating disparity of opportunities for job seekers then, and (4) the labor market climate at school-leaving ages has deeply affected their transition processes. These findings indicate the significance of extensive career education in training institutes and the importance of policy measures for correcting and supplementing "initial disadvantages" stemming from factors one cannot control such as their parents' socioeconomic status and the job



market climate at school-leaving ages.

Secondly, we discussed challenges found in long-term vocational career paths and the development and realization of vocational ability or skills. For male respondents, we compared those who have changed jobs and those who have never changed jobs to discuss their vocational development and career paths. We have also examined female respondents' life-career, or their integrated progression of their life and work-related activities, with emphasis placed on work-life balance. In this discussion, we mostly depended on findings from the interview, with parallel use of the "Career Tracking Survey." Findings from the analysis of male respondents' career paths include: (1) their human resources development sponsored by enterprises have been carried out mostly in their younger days, (2) Off-JT has firmly supported OJT, and (3) enterprise-sponsored vocational training has been more effective when it is conducted on workers' own initiative. Findings on female respondents' career paths indicate that they commonly have compared need for child care and their vocational lives to select what they can, according to their own value judgment or ways of living. It has been pointed out that these female respondents have reentered the job market after interrupted career paths, their new jobs are generally disconnected from their occupations in their younger days, and instead they have re-entered workplaces just because of their willingness to participating in the working world. Policy recommendation on the above findings states the need for (1) a system to support career paths development and selection including job changes in younger days, (2) a system to secure Off-JT vocational training opportunities in response to each individual's problem consciousness, (3) studies on career paths and development of policy measures with sufficient consideration given to ways of thinking of interested parties, and (4) more active local employment with emphasis placed on individual workers' and job seekers' living areas and proximity to workplaces.

## 5. Conclusion: Upgrading of Vocational Skills Development and Vocational Training Infrastructure in Japan

### Section 1: Characteristics of this research project

#### A. Infrastructure development for "diversified training opportunities"

The role of this chapter is to discuss policy challenges and directions for developing the labor market infrastructure for human resources development based on findings from the research project. Then what is "the labor market infrastructure for human resources development" (Hereinafter referred to as "infrastructure for vocational development")? In this study, we have considered the infrastructure for vocational development as a socioeconomic infrastructure to support workers (or employers) in obtaining information on the labor market, reviewing their own (or their employees') vocational skills, and accordingly carrying out their own vocational development in line with their own (or their employees') vocational life designing. Based on this, the government's 7th human resources development program states that the infrastructure for vocational development is made up of four components: (1) "a system to support workers' career development," (2) "a system enabling people to obtain information on the labor market," (3) "a system enable to properly evaluate vocational ability," and (4) "a system enabling people to enjoy diversified education and training courses."

Reflecting the above points, we have found it necessary to examine all of these topics in order to discuss policy measures regarding "the labor market infrastructure development for human resources development." In this study project, we have mainly focused on "a system enabling people to enjoy diversified education and training courses." One of the factors behind this focus on "diversified vocational training" is general acknowledgement of (1) enterprises which conventionally played a major role in vocational training have now downsized their presence in vocational training, (2) the need for upgrading and integrating a mechanism for offering vocational training to workers due to changing



enterprises' roles, and (3) the need for improving and enhancing a mechanism where, in particular, bodies other than enterprises provide vocational education.

**B. Career paths, vocational development activities and the vocational education and training service market**

This research project then has selected two sub-themes: “study on long-term career paths” and “study on the vocational training service market.” The purpose of this project is to, through these studies, make clear the current situation and characteristics of the market (in this project, referred to as the vocational training service market), which has been generated in relation to the interaction between workers' long-term career paths and vocational development activities (Referred to as “activities workers undertake for their vocational skills”), vocational development activities currently being undertaken by workers, and vocational training services handled as commodities.

We have structured this study as just described for the purpose of clarifying the mechanism of vocational ability development in the viewpoint shown in Figure 6-1. During a long working life, a worker accumulates on-the-job experience and at each stage of his/her career path, carries out vocational development activities to develop his or

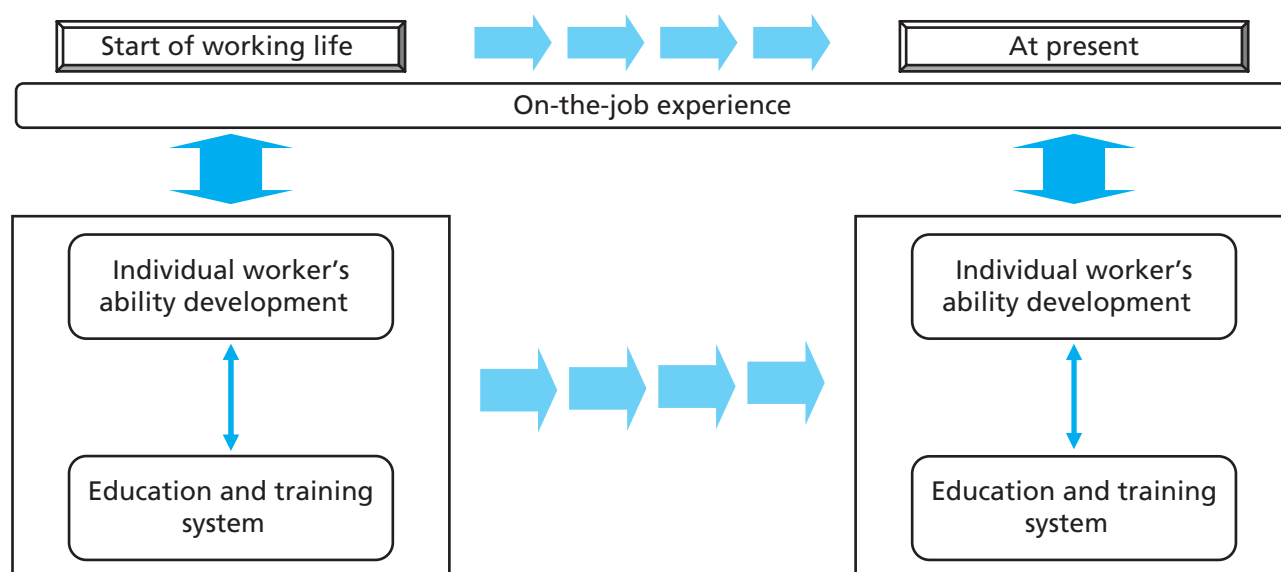
her vocational ability. This generates the demand for vocational training, and in response to this, enterprises and training institutes provide education and training services. The said mechanism which offers education and training services is referred to as “education and training system” in Figure 6-1. Accordingly, to examine “the examine a system enabling people to enjoy diversified education and training courses,” the purpose of this project, we have to look into specific realities and features of individuals' vocational development activities that have generated the demand for vocational training and based on this clarification, we should discuss the vocational training system.

Then we have to make clear first of all “what has defined workers' vocational development activities” and secondly, “in response to workers' vocational development activities, what kind of education and training services have been offered under what kind of training system” and “how far these services have succeeded in contributing to vocational development” This study project is characterized by new viewpoints that enable us to deal with the above two issues.

**C. First: Characteristics found in vocational development activities of individuals**

First, the realities and background surrounding vocational development activities “at present” have

**Figure 6-1 Worker's Career Paths and Vocational Development Activities**

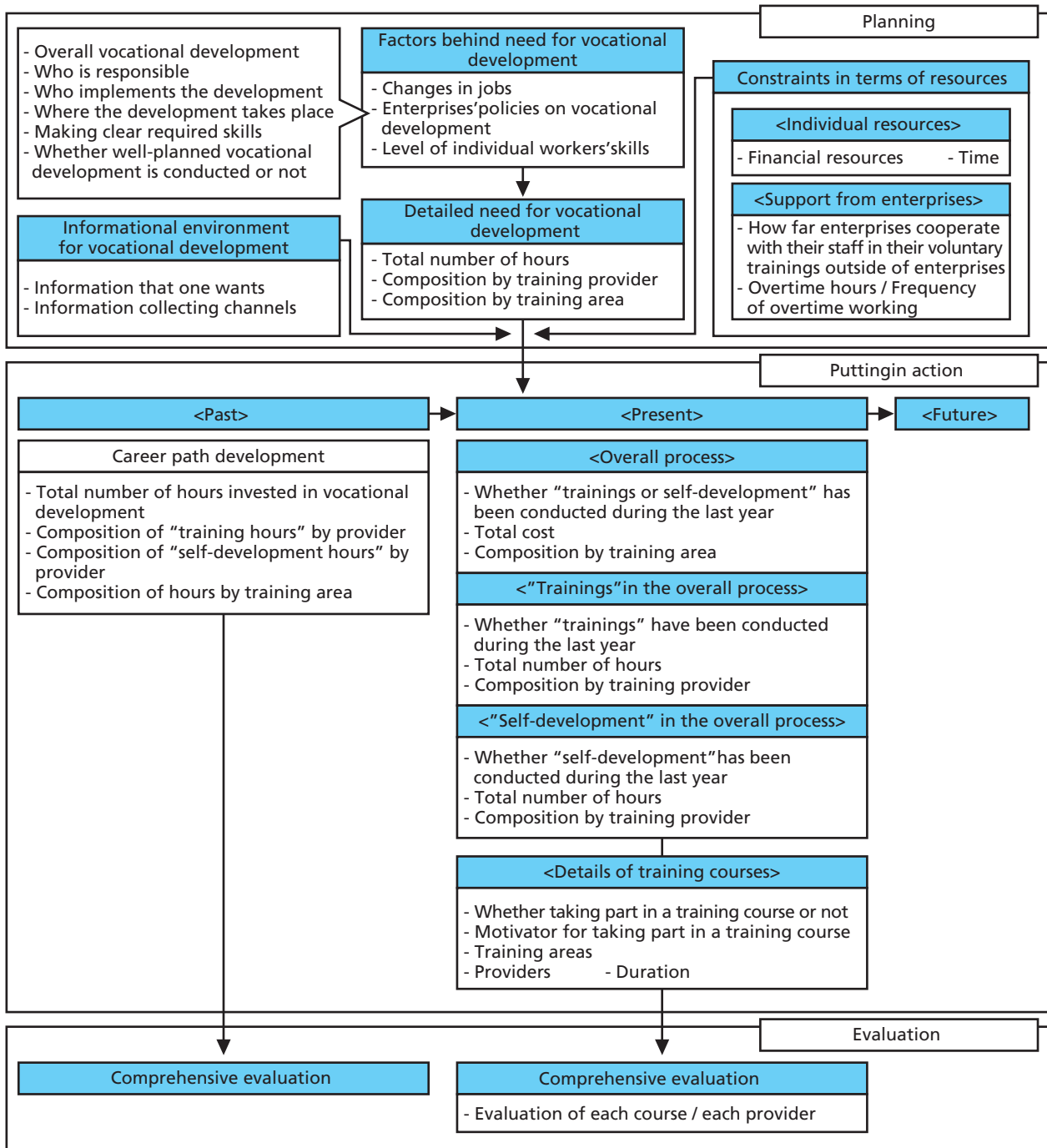


been systematically made clear. For the analytical framework, refer to Figure 6-2.

As detailed in the documentation survey, past surveys on vocational education and training have mainly focused on “what kind of trainings have been offered to workers by enterprises,” and accordingly,

even studies on individual workers have paid attention mainly to education and trainings that enterprises have provided. This is because so far conventional vocational training in Japan, such as OJT, is supposed to be led by enterprises and the government has also assumed enterprise-led

**Figure 6-2 Viewpoints for Evaluating Individuals’ Vocational Development**



Source: Compiled from Japan Institute for Labour Policy and Training (2006a)

vocational training to be fundamental in vocational ability development and has traditionally introduced policy measures that facilitate enterprise-sponsored human resources development.

However, undoubtedly conditions have changed. For example, enterprises have increasingly emphasized workers' individual responsibility and problem-solving in their career development and vocational development, following reorganizing their personnel management functions. The number of non-regular staff and dispatched workers who are more difficult to reach vocational development support from enterprises has increased, and labor mobility has been increasing regardless of whether voluntarily or involuntarily. By studying these structural changes in the labor market, we see the importance of how individual workers have been acting for their own vocational development, in addition to a more conventional question of what kind of training is provided by enterprises to workers, and there will be more needs for improved government policies that will support individuals in their human resources development.

Then we should correctly understand the current state and characteristics of vocational development activities individual workers have experienced. Yet there has been no study that systematically clarifies the issues. Accordingly, to answer these questions is the first step taken in this project

#### **D. Second: Vocational development seen from a viewpoint of career paths**

Another important issue in studying individuals' vocational development activities is that we need to make clear characteristics of vocational development activities in relation to career paths, since workers' vocational skills "at present" are results of vocational development activities accumulated in long-term career paths.

Workers have achieved their current positions in their long vocational lives after studying in and leaving training institutes, utilizing various training opportunities to polish their skills. In these processes, how workers have polished their skills largely depend on environments where they experience working life as well as on workers' own intention and willingness.

In particular, it depends largely on in what kind of corporation or workplace you have worked for what kind of job.

For example, employees can expect support from their employers in skills development, while self-employed individuals cannot. In addition, all employees are not guaranteed the same level of support. Their vocational development opportunities may largely depend on the degree of how far their employers or workplaces are willing to educate and train their employees. Furthermore, types of jobs where training programs have already been developed and standardized according to each worker's level of vocational development and those with poorly developed programs could result in wide disparities in workers' vocational development activities. While the types of jobs with standardized training programs clearly indicate what kind of training programs are necessary for workers' career improvement, workers in the types of jobs without standardized programs are required to plan and take part in training programs by themselves. The differences between types of jobs will significantly affect what kind of vocational development activities workers can utilize.

By discussing the issues above mentioned, it seems to us that in their long working lives, what kind of working patterns workers select will determine what kind of vocational development activities they tend to experience, and we have to observe the correlation between workers' career paths and vocational development in a long run. Accordingly, this research project has collected and analyzed case examples of individual workers' long-term career development and human resources development activities. This is the second feature of this project.

#### **E. Thirdly: Characteristics of the vocational training service market**

The final feature of this project is its approach to vocational education and training system. As it has been already well known, Japan's vocational education and training system has been mostly developed by in-house education. However, if one attaches too much importance to the central role in-house vocational education has played in

vocational education, one may fail to correctly understand realities of the vocational training system. This is because educational training institutes outside of enterprises (These providers of the education and training service are referred to as “vocational training providers” in this paper) have also played important roles for supporting individuals’ vocational development.

For example, by examining enterprise-sponsored educational training, we have found that a large part of its Off-JT depends on services offered by vocational training providers. Around 70% of enterprise-sponsored total expenditure for vocational training goes to the procurement of outside resources such as sending employees to training courses outside of enterprises, utilizing instructors outside of enterprises, and utilizing facilities outside of enterprises.<sup>5</sup> In addition, as this research finds out, individual workers believe that around 40% of what they have learned at training institutes outside of enterprises or what they have achieved in individual growth and development by mainly utilizing outside resources such as correspondence courses have contributed to skills development.

We see from changing conditions concerning vocational development activities for individual persons that the importance of the roles played by training institutes outside of enterprises will further increase. Many studies have already revealed that enterprises support policies that focus on actively utilizing vocational training outside of enterprises for making their vocational education more efficient. In addition, as mentioned above, enterprises in general have changed their traditional recruitment process and an increasing number of enterprises now offer less regular employment opportunities. Accordingly, the number of non-regular staff and dispatched workers who are more difficult to reach vocational development support from enterprises has been increasing. Furthermore, enterprises have

increasingly emphasized regular workers’ own individual responsibility and problem-solving in their career development and vocational development, following reorganizing personnel management functions, and at the same time, their strategies have shifted from budgets broadly allocated for education and training investment to “selection and concentration,” or more concentrated investment in trainee executives.<sup>6</sup> Today, an individual worker is more difficult to be employed at a single company after leaving school to retirement, and more are calling for vocational education that enables them to learn skills valid for other workplaces.

Considering these changing conditions, we understand the necessity of developing and upgrading training institutes that offer high-quality education and training opportunities to enterprises and workers, and accordingly, to formulate policy measures for the institutional development, it is essential to adequately understand “what kind of vocational training providers have offered what kind of training services in the labor market” or in short, we need to correctly understand the current state of the vocational training service market.” Our focus on the vocational training service market, which has seldom been studied so far, and our systematic examination of the market are the third features of this research project.

## Section 2: Findings from this research project

### A. Characteristics of vocational development activities for individual persons

Then what has been found in this research project? First, “the study on the vocational training service market” has systematically clarified vocational development activities for individual persons, and based on the findings, has pointed out the following important issues necessary in developing and improving “the vocational development infrastructure”:

(1) We have found that workers have depended

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5 While some surveys indicate how outside resources have been utilized, the above mentioned “around 70%” was quoted from the Ministry of Health, Labour and Welfare’s “ Report on Skill Development Survey, 2001” (2002) , one of major studies on this issue.

6 For trends of enterprises’ vocational training strategies, such as more dependence on vocational training outside of enterprises and “selection and concentration” in vocational development opportunities, refer to Ko to soshiki no Seikashugi, ed. Koichiro Imano (Chuo Keizaiisha, 2003)

largely on training services provided by vocational training providers outside of enterprises for developing their own vocational skills, by examining how far and what kind of vocational training services have contributed to human resources development, or how much resources (time and money) have been allocated for what kind of training methods by individual persons. This indicates that training services offered through the vocational training service market has played an important role for workers' vocational development along with enterprise-sponsored in-house education and training, such as OJT, which has been traditionally regarded as a main player in vocational development. In addition, for non-regular staff, free-lancers and self-employed individuals who cannot reach vocational development support from enterprises, the above vocational training service market has played more significant roles.

(2) Then, we have to ask whether workers are able to procure appropriate education and training services through this market, and the answer or answers to this question depend on how much resource (time and money) they have for procuring the services, and whether they are able to approach the services even if they have adequate resources. The answer to the former question: workers earmark 2 to 3% of their total working hours and 3% of their annual income, respectively, as time resources and budgets. The question we have to ask here is disparity among workers. In other words, compared with regular employees, non-regular staff, free-lancers and self-employed individuals who cannot reach vocational development support from their employers (or benefit of in-house vocational training) are, unlike regular staff, more likely to depend on employers' associations or other public institutions and public-sector vocational training institutes for reaching less expensive vocational development at their own expense.

(3) When considering accessibility to vocational training services, it seems to us that the accessibility has been somewhat restricted in the light of the fact that the amount of resources actually consumed for procuring vocational training services remains as little as around 30% of the above budgets. What we

have to focus on is workers' discretion on their working hours. If workers cannot predetermine their own personal schedules due to frequent unexpected overtime work demands, it is difficult for them to allocate their time resources to vocational training even when the resources have been sufficiently earmarked. This kind of disruption of personal schedules is more frequent for employees than for freelancers and self-employed employees, and among employees, more frequent for regular employees than for non-regular employees.

(4) Finally, another issue to be discussed is what kind of supply systems are developed for workers who are willing to purchase vocational education and training services from the market. Various vocational training providers have been participating in the market, and two types of major providers are private-sector vocational training corporations (such as vocational training institutes including joint-stock corporations and other types of organizations) and formal organizations such as public interest corporations and employers' associations. While private-sector training businesses have been well known and attracted much attention as "vocational training providers," we should note the important role the formal organizations have been playing.

Based on the above discussion on major findings, future policy challenges will be the following: (1) When taking into consideration the significance of the role played by vocational training providers, to upgrade "the infrastructure for vocational development," we have to further upgrade the vocational training service market. (2) In doing so, we have to pay more attention to the roles of formal organizations such as public-interest organizations and employers' associations, which have remained unnoticed so far. (3) We have to put in place environments supportive of workers' voluntary and effective resource utilization for vocational development, and more flexibility should be introduced to working hours, in particular for regular staff. ,

## **B. Correlation between long-term career paths and vocational skills development**

Then, in what contexts vocational development activities have been developed in relation to long term career development? " The study on long-term



career paths,” which addressed the above topic, has made clear many-sided characteristics of long-term career paths and vocational skills formation processes. Main findings on the relationship between career paths and vocational development activities from this study are the following:

In the 1970s, vocational career and ability formation for workers, in particular for male workers, were mainly led by enterprises. In other words, once a new graduate entered a company, he or she would be provided with in-house adequate OJT and Off-JT opportunities, and an in-house labor market where new recruits were expected to develop their own ability through in-house training for promotion in rank had been then firmly established. Under this kind of enterprise-sponsored vocational development system, accordingly, the first place of employment for new graduates, or the transition from training institutes to work, would play a crucial role in vocational development and career development, and this transition process had been then formulated and intended for new graduates, especially for high school graduates — then key players among new graduates—, based on the then prevailing recruitment of candidates recommended and selected by training institutes. For this reason, the way transition processes are carried out, or the way subsequent career paths have been developed, is primarily affected by workers’ attitudes toward jobs while they are in training institutes, and appropriate career guidance in their school days has positive effects on, at least, earlier stages of occupational career development in many sides of one’s vocational life, including occupational satisfaction and self-awareness of one’s vocational skills.

In addition, one’s vocational life has been also influenced by factors one cannot control, such as economic conditions at one’s school-leaving ages and one’s family background (such as one’s parents’ academic background and occupations). Accordingly, some have been “initially disadvantaged workers,” since they faced the very tight labor market when leaving schools or they had less vocational life opportunities and good career options because of some personal reasons. For these disadvantaged workers who have been often out of the conventional

employment practices which train and promote new graduates—“then prevailing recruitment system mainly for candidates recommended and selected by training institutes”— has been no use, even if they are to give another try in “second opportunities.”

Based on the above findings from “the study on long-term career paths,” first, we can see the importance of enriching career education that supports occupational selection while job-seekers are in training institutes. Secondly, at the same time, equally important is the development of policy measures that can supplement and correct the “initial disadvantages.” The “initial disadvantages” do not leave disadvantaged persons no other choices, but disadvantageous individual persons can still respond to their difficulties on their own. For example, they are able to learn good manners as professionals at their own workplaces, to discover their own skills and qualification, and accordingly to seek new employment that requires these skills and qualification. Based on this discussion, to support these initially disadvantaged persons, establishment of a mechanism that enables individual persons, regardless of their employers or working styles, to easily reach vocational training opportunities is required, instead of traditional dependence on enterprise-sponsored vocational development. Now that less and less young people are hired into regular employment positions after leaving school, we can say that the necessity of vocational training systems outside of enterprises that enable “initially disadvantaged “ young people and others to give another try and overcome their difficulties in “second opportunities” is all the more significant.

Furthermore, the study has revealed some issues on workers who have already developed their skills through in-house enterprise-sponsored ability development systems. For them, OJT and Off-JT are being combined. More specifically, training systems which emphasize OJT with Off-JT courses supplementing OJT have worked well. Anyway, vocational training systems may be different depending on types of jobs: while for workers doing jobs which require skills, in-house somewhat systematized training courses and qualifying attempts have worked well to form workers’ vocational ability,



only a limited systematized courses and qualifying attempts are available for white-collar workers', and white-collar individual workers tend to voluntarily make use of in-house resources for their own skills development. Based on the above discussion, enterprise-sponsored training will still function for types of jobs that require special skills, while in the case of white-collar workers; individual responsibility in vocational development is likely to be emphasized all the more. In carrying out this type of vocational trainings, vocational development with clear career-related objectives and careful attention given to white-collar workers' wishes is more likely to work effectively.

### C. Characteristics of the education and training service market

Then, in response to the demand resulting from individual persons' vocational development activities, what kind of training providers have provided what kind of services and have formed what kind of vocational training service market? "The study on the vocational training service market" has mainly focused on this issue. The estimated size of the market is 581.7 billion yen. Since this amount is estimated based on expenditures paid by enterprises and governments, it does not include expenditures paid by individual persons, who are other key players. Therefore, this research project has utilized data found in "the second survey on vocational training providers" to make a new estimate, taking into consideration the expenditure paid by individual persons as well.<sup>7</sup> According to this estimate, the size of the market is approximately 1.3 trillion yen, and the difference between the estimate this time and the initial estimate seems to be equal to the expense paid by individual persons.

Furthermore, "the study on the vocational training service market" has made clear "what kind of vocational training providers have provided how much amount of training services and 'what kind of training services' for 'whom' 'by what methods' at 'how much price'." Major findings from the survey

are shown below.

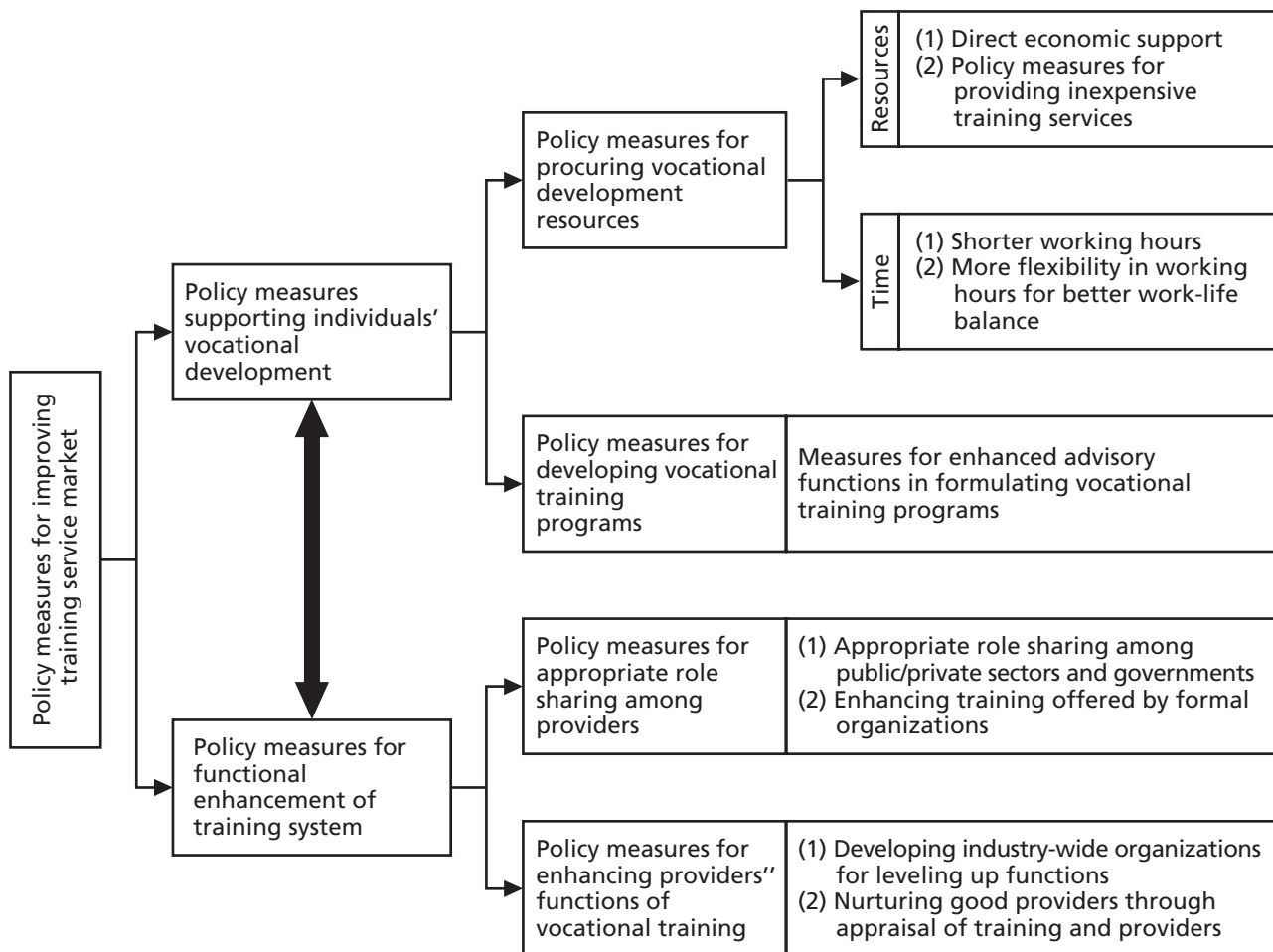
First, by examining the supply structure in the market from the viewpoint of "how much amount," we have found that three key players in the market are private-sector education and training businesses, public interest corporations and employers' associations, and particularly, private-sector education and training businesses and public interest corporations have played relatively larger roles. Then when we have paid attention to "for whom," we have found that private-sector vocational training businesses and employers' associations mainly provide workers in charge of administrative jobs with stratified training courses, while public interest corporations focus mainly on specialized training courses for specialist workers (those in charge of research studies, industrial civil services, and medicine and healthcare, and technical personnel), and training courses that training institutes provide are not for any specified trainees. In addition, when considering attributes of trainees, we have found that vocational training providers offer their services mainly for those in their 30s or 40s, working for small or medium businesses — who are mostly in mid-level positions, or are section heads or newcomers — or working as free-lancers or self-employed. Thirdly, when paying attention to 'how much price' it cost, private-sector educational training businesses and specialized course training institutes offer relatively expensive courses, while public interest corporations and employers' associations offer less expensive ones.

These findings indicate how these providers share roles in the training service market, showing which kind of training services each type of providers are good at. Accordingly, we have to pay more attention to formal organizations such as public interest corporations and employers' associations as well as to private-sector education and training businesses, in order to further develop and improve the vocational training service market. Secondly, when developing and upgrading the market, we have to carefully consider characteristics of each type of providers. For example, when paying attention to the above three

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<sup>7</sup> Since this size of the market has been estimated from the amount of business incomes of vocational training service providers (Please refer to appendices at the end of the chapter), the amount includes the expenditure paid by individual persons as well as by enterprises and governments.

**Figure 6-3 Policy Challenges Concerning Developing and Upgrading “the Infrastructure for Vocational Development”**



types of providers, we have found that private-sector education and training services spend less on facilities and offer relatively expensive training courses for a wide range of workers. On the contrary, while both public interest corporations and employers' associations provide services at low cost, public interest corporations mainly offer specialized training for specialist workers, and employers' associations provide stratified training courses for workers in charge of clerical and administrative jobs.

### Section 3: Policy issues concerning development and upgrading of “the infrastructure for vocational development”

#### A. Required functional enhancement of “the vocational training service market”

Based on findings from this research project, what kind of policy measures will be needed for further improving the “infrastructure for vocational development,” in particular for establishing “a system that enables people to study in diversified training courses.” Please refer to Figure 6-2 for how policy measures will support the improvement of the infrastructure.

First of all, we have repeatedly emphasized the

importance of improving the vocational training service market. The survey this time has made clear that workers' human resources development has been largely dependent on education and training services provided through the market as well as on traditional OJT and other in-house training. Especially for non-regular staff and non-employed workers such as freelancers and self-employed individuals who find it difficult to reach enterprise-sponsored vocational development training, the vocational education and training service market has played a significant role.

In addition, "the study on long-term career paths" has revealed that "initially disadvantaged workers," who faced the very tight labor market or had less career options in their younger days because of some personal reasons or economic conditions; are often out of the conventional in-house vocational development system. Given an increasing number of non-regular workers and of young people not hired fresh out of school, the ratio of "initially disadvantaged" people in younger generations is estimated to be much higher than the one in generations our study has surveyed.

Accordingly, the political importance of vocational training systems outside of enterprises that enable "initially disadvantaged" people to give another try and overcome their difficulties in "second opportunities" is all the more significant.

## **B. Policy measures supporting vocational development activities of individual persons**

### **i. Policy measures supporting vocational development resources allocation**

Then what kind of policy measures will be needed for functional enhancement of the vocational training service market? To answer this question, we have to examine both vocational development conducted by individual persons and training services provided by vocational training providers through the market.

Given current trends that individual workers are required to willingly develop their own career paths and vocational skills on their own, policy measures creating an environment for individual persons to autonomously carry out vocational development will be necessary. These policy measures are made up of a

set of policy measures that support the procurement of resources for individual persons' vocational training, and those that support resources utilization for obtaining appropriate education and training services. As parts of the former policy measures, measures that offer direct economic support, such as educational benefit payment and tax break for education, have been implemented (or envisaged). At the same time, what is equally important is creation of a mechanism which gives individuals easy access to inexpensive, high-quality training services for practically enhancing their economic power in order to procure vocational training services. Those, who are willing to give another try in "second opportunities" for improving their own career paths, have often found it difficult to pay for training services that offer highly specified courses, because they will have to learn in expensive (in other words, costly) training courses for a prolonged period of time. To address these problems, vocational training providers, especially public-sector vocational training institutes and formal organizations, which need to enhance its functions further as mentioned below, should be financially supported to a much greater degree.

In addition, in regard to procurement and utilization of another resource--temporal resources, workers themselves should be able to voluntarily train themselves in vocational education services, or in other words, environments which enable them to autonomously make use of their own temporal resources are required. Accordingly, in order to enable individual persons to exercise more discretionary power in managing their training hours, first, it is necessary to reduce working hours and increase the time that can be spent on vocational development, and for this reason, policy measures to cut down long working hours should be further intensified. At the same time, secondly, working hour systems that support vocational training in terms of temporal resources, and policy measures promoting more flexibility in working hours such as short-time employees, are required for vocational development in order to promote better work-life balance. Flexibility in working systems should be enhanced to the extent that attending nighttime vocational training

courses after regular working hours, or interrupting one's regular employment to temporarily learn in long-time training courses at universities and returning to workplace is no longer uncommon.

## ii. Policy measures supporting vocational training programs

Even when resources have been secured for vocational development by the above mentioned ways, it will be no use if they are not effectively utilized. What is most important for effective vocational training programs is to formulate appropriate programs, and for that purpose, sufficient and correct information on workers' or job seekers' qualifications and vocational skills, the labor market conditions and vocational training is required. When formulating in-house programs, your bosses or those in charge of personnel affairs or in-house human resources development will help the formulation of training programs. However, many workers cannot expect much help.

For those who cannot expect help, organizations outside of enterprises that will help them to develop their training programs are essential, and for that purpose, and relevant policy measures are required to be enhanced. So far, though at least partially, many of public institutions have played roles in helping the training program formulation. Yet, given an increasing number of workers having to develop their own career paths and vocational skills by their own, the above mentioned measures for assisting vocational training have to be further developed and enhanced all the more.

## C. Policy measures for enhancing training offered by vocational training providers

### i. Policy measures for upgrading vocational training providers

Policy measures for upgrading providers can be made up of two types of measures: those upgrading training services offered by individual vocational training providers, and those developing a macroscopic vocational training system, or in other words, an effective role sharing system between governments, formal organizations and private-sector training businesses.

Important policy challenges in carrying out the former type of measures are fostering of good vocational training providers, and for that purpose, first, vocational training providers as an industry need to make efforts for improving the level of their services, and a vocational training industry organization has to be established as a starting point for improving the industry as a whole. The vocational training industry is required to be well aware of their roles in human resources development in Japan, which is equally as important as academic and educational circles. At the same time, a mechanism for evaluating the quality of vocational training providers and their services will be also needed. This is because, while in-house training services can be evaluated by those in charge of personnel affairs and human resource development, independent workers have found it extremely difficult to carry out such evaluation. It may be possible to provide information on the evaluation as a part of the above-mentioned assistance to development of training programs by public-sector bodies. At the same time, a social mechanism to disclose information on the evaluation is essential.

### ii. Role sharing system in vocational training services, and functional enhancement of formal organizations

Then we would like to look at the need for developing socially shared roles in vocational training services. Before establishing a role sharing system, first of all, we have to consider characteristics of each type of providers found in this research project. Each type of vocational training provider has different types of vocational training, trainees and price setting.

Among a number of training providers, in particular, formal organizations need to be enhanced in their functions, and we would like to emphasize the importance of formulating policy measures focusing on the functional enhancement. Traditionally, vocational training has been only examined in terms of whether private-sector vocational training businesses are better than public-sector training organizations or vice versa. However, public institutions positioned between public and

private sectors have been playing an important role in the vocational development service market. Their important role has been repeatedly clarified in the survey this time. The category of “public institutions” includes a variety of organizations such as vocational training institutes, and among them, of special importance are public-interest organizations and employers’ associations. Since they take on a public nature, they are able to provide inexpensive

vocational education and training services and are also advantageous as education service providers for the following reasons:

For providing vocational training in response to enterprise-specific needs, in-house education and training are most efficient. On the contrary, for nurturing knowledge or skills required beyond borders of enterprises or industries, private-sector training businesses, training institutes and public-

**Appendix Table 6-4 Estimated Numbers of Facilities Conducting Vocational Training and the Total Numbers of Vocational Training Providers**

Unit: Number of organizations

	Organization estimated to conduct vocational training	Organization surveyed	Responding organizations in the first survey on providers				Organizations not responding in the first survey = Organizations surveyed in the additional questionnaire				Total number of vocational training providers
			Respondents	Response rate (%)	Organizations that provide vocational training	Percentage of organizations providing training %	Non-respondents in 1st survey, and surveyed in 2nd survey	Number of organizations		Organizations providing training	
								Respondents	% of organizations providing training		
A	B	C	D	E	F	G	H	I	J	K	
			C / B			E / C		B - C		G* I	$((E+J) / B) * A$
Private-sector business	6,688	3,033	660	21.8	313	47.4	2,373	119	70.0	1,660	4,351
Employers' association	11,227	1,919	686	35.7	478	69.7	1,233	68	-	548	5,196
Chamber of commerce	598	584	205	35.1	191	93.2	379	20	60.0	227	428
Society of commerce and Private-sector business	2,776	502	214	42.6	146	68.2	288	20	35.0	101	1,365
Commercial or cooperative association	7,853	833	267	32.1	141	52.8	566	28	38.9	220	3,403
Public interest corporation	4,237	1,614	682	42.3	497	72.9	932	47	38.6	360	2,250
Job training corporation development association	1,077	434	290	66.8	161	55.5	144	0	0.0	0	400
Special institute	3,476	2,004	684	34.1	215	31.4	1,320	66	77.3	1,020	2,142
University	1,280	996	481	48.3	271	56.3	515	40	-	306	766
National	87	80	50	62.5	37	74.0	30	0	0.0	0	40
Public	80	73	47	64.4	32	68.1	26	0	0.0	0	35
Private	542	347	146	42.1	89	61.0	201	20	85.0	171	406
Jr college	508	433	188	43.4	80	42.6	245	20	55.0	135	252
Tech college	63	63	50	79.4	33	66.0	13	0	0.0	0	33
<b>Total</b>	<b>27,985</b>	<b>10,000</b>	<b>3,483</b>	<b>34.8</b>	<b>1,935</b>	<b>55.6</b>	<b>6,517</b>	<b>340</b>	<b>61.8</b>	<b>3,894</b>	<b>15,105</b>

Notes: 1. The percentages of organizations that offer vocational training among “employers’ associations” and “universities” have been computed based on the numbers of organizations that offer vocational training calculated by using the procedure described in Note 2.

2. The number of organizations not responding in the first survey among “employers’ associations” that actually provide vocational training (Please refer to the column titled J in the table.) has been calculated from the number of organizations providing training among subcategories, “Chamber of commerce,” “Society of commerce,” and “Commercial or cooperative association,” that was calculated and totaled based on the “the number of responding organizations” (Refer to the column titled H.) and “the percentage of organizations providing training” (Refer to the column titled I.). The number of non-responding organizations among “University” that actually provide vocational training has been also calculated in the same way.

3. Since the numbers of “Employers’ association” and “University” are made up of a number of subcategories, as mentioned in Note 2, we have not computed the percentages of organizations that offer vocational training for these two categories. Accordingly, they are represented by “dashes (-)” in the table.

sector vocational training organs can offer more effective services. For needs positioned midway between the above two, or needs common to a certain industry or types of jobs (needs moderately common), public institutions such as public interest corporations and employers' associations, which have organized in response to certain types of jobs or industries, are more advantaged as vocational training providers.

Based on the above, it is necessary to make more active use of these public institutions when reviewing the vocational training roles shared between public and private sectors. Public institutions will have to be aware of the importance of strengthening its roles in serving as vocational training specialized institutions all the more, and for that purpose, a relevant system is required to be enhanced. Governments have to support the enhancement, developing appropriate

**Appendix Table 6-5 Market Size Estimated Based on the Business Revenue**

	Total number of vocational training providers (Number of organizations)	Revenue earned from vocational training					Market share (%)
		Annual revenue per organization (in ten thousand yen)	Annual revenue per organization (in ten thousand yen)	Revenue earned from vocational training per organization (in ten thousand yen)	Market size estimated based on revenue from vocational training (in ten thousand yen)		
		K	c	d	L	M	
					K*L		
Private-sector business	4,351	50,006.3	43.4	21693.0	94,377,749	72.6	
Employers' association	5,196	-	-	-	7,041,515	5.4	
Chamber of commerce	428	41,307.9	2.3	935.3	400,715	0.3	
Society of commerce	1,365	12,446.5	1.5	189.6	258,703	0.2	
Commercial / cooperative association commerce	3,403	22,250.8	8.4	1875.3	6,382,098	4.9	
Public-interest corporation	2,250	43,307.1	14.4	6218.7	13,990,562	10.8	
Job training corporation including development association	400	7,791.5	27.2	2116.9	845,756	0.7	
Special institute	2,142	33,645.6	9.6	3235.4	6,930,722	5.3	
University	766	-	-	-	6,898,074	5.3	
National university	40	1,472,993.4	0.3	3782.4	152,193	0.1	
Public university	35	384,059.1	0.1	429.5	15,063	0.0	
Private university	406	994,378.4	1.6	16179.8	6,566,967	5.0	
Junior college	252	81,425.3	0.8	628.6	158,373	0.1	
Tech. College	33	56,128.0	0.3	166.0	5,478	0.0	
<b>Total</b>	<b>15,105</b>	<b>116,815.9</b>	<b>5.7</b>	<b>6670.7</b>	<b>130,084,378</b>	<b>100.0</b>	

Note: Some columns are represented by "dashes (-)" in the table because findings from the first survey will make no sense in the above estimation since, for example, a category such as "University" or "Employers' association" is made up of a number of subcategories such as "National university" or "Chamber of commerce" and has been reconstructed based on these subcategories.



policy measures for encouraging and supporting efforts of public institutions, by nurturing vocational training specialists, developing and upgrading vocational training facilities, and developing vocational training programs.

#### D. Policy measures for enhancing surveys on the vocational training service market

Finally, we would like to emphasize the importance of continuous studies to systematically grasp trends in the vocational training service market. This research project has made a significant contribution by systematically clarifying the current situation in the vocational training service market for the first time, we believe. However, this kind of data concerning the market often becomes more meaningful when compared to other data. One of such comparison is a chronological comparison, or comparison with different time points. And for this purpose, the survey on the vocational training service market that this research project has carried out has to be continuously conducted.

Another comparison needed is a country-by-country comparison indicating where this country is ranked in terms of the ability for human resources development and what kind of features its ability for human resources development has. The more competitiveness in economy or in businesses comes to depend on human resources, the more important it becomes to know where this country is ranked internationally in terms of the ability for human resources development when developing policy measures for enhancing its human resources development ability. For that purpose, we believe, international comparison surveys on the market will become increasingly important.

This kind of continuous researches and international comparison surveys on the vocational training service market are to provide basic information necessary for formulating human resources development policy measures, and have to be conducted as national policy measures. This is the final policy measure we have recommended in this paper.

#### Appendix: Estimated market size

Among responding organizations in the first survey on vocational training providers, 1,935 providers “have conducted vocational training.” In addition, based on findings from a telephone questionnaire of organizations not responding in the first survey, an estimated number of providers that “have conducted vocational training” is 3,894 organizations. Based on the above, we estimated the number of organization participating in the vocational training service market to be 15,105 in total. (Refer to Appendix Table 1.)

In addition, we have computed their business revenue earned from vocational training services and grouped the revenue by organizational form, based on findings from the first survey, and multiplying the revenue by the estimated numbers of organizations above mentioned to obtain the estimated size of the market.

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## 1. Introduction

Japanese employment environment has drastically changed due to declining labor force associated with progress in declining birthrate and rapid aging, diversification of values and lifestyles among workers, etc. In order to deal with such changes and build a vibrant society, it is an important issue to improve the environment in which both men and women are able to have fulfilling work lives harmonized with family lives. JILPT has conducted research studies aimed at the reality check of harmony and balance between work and life and the presentation of ways to support. Since the harmony and balance between work and life are issues in work lives at all stages and related to social systems in many areas such as families, enterprises and local societies, it is important to comprehensively approach to such issues through courses of people's lives from diversified standpoints of many areas.

During three-and-a-half-year study duration, we have conducted research studies from various angles such as holding of workshops, study of existing data and documents, collection and analysis of survey data and actual condition survey based on those activities (see Appendix A). We have also announced findings to the public through reports, data series and discussion papers (see Appendix B). Based on such findings, we analyzed the actual situations of balancing work and life and its support and clarified the reason why the balance between work and life is difficult, what support is needed for balancing work and life and what measures are required for effective support and realization of the balance between work and life in the final report.

The balance between work and life and issues clarified by the analysis are summarized as follows:

A. People face various balancing issues through courses of their lives. Childbirth and childcare right after the delivery are major focal points of the balancing issues but there are more to them. People are facing balancing issues in various

events such as childcare, family-care, career change and reemployment.

- B. Heartless (or bad) chains have been created. A failure of balancing work and life at some stage influences the subsequent balancing work and life and makes it more difficult; for instance, unmarried person's turnover makes the balance between work and marriage or childbirth difficult and also influences the balance between work and life at reemployment or family-care stage.
- C. Changes in society make the balance between work and life more difficult. With changes in household, occupation and industry such as changes in living with or without parents and changes in working or employment patterns of both men and women, the balance between work and life becomes more difficult.
- D. Individual support systems do not work well for balancing work and life. Support systems for balancing work and life such as childcare leave and family-care leave, support systems such as sharing of housework and childcare services were central to supports for balancing work and life in three living areas, enterprises, families and local societies, respectively and improved and expanded the support measures. In order to make the support for balancing work and life more effective, it is important to build systematic support measures in which enterprises, families and local societies can collaborate.

In short, people face many balancing issues through courses of their lives, the balance between work and life is becoming more important and they raise expectations for the support measures. On the contrary, social changes which prevent the balance between work and life are steadily progressing and it is becoming more and more difficult to realize the balance between work and life. As a result, effective and appropriate support measures have been hardly provided to the people who need such support. For this reason, stronger support measures, especially

systematic support measures in which enterprises, families and local societies can collaborate are required.

In order to systematize the support, a framework which relates support systems is important. Therefore, a systematic support system which consists of the following four measures was proposed after reviewing the analysis results: (1) Change in way of working, (2) Strengthening of collaboration support systems, (3) Development of operating software, and (4) Reform of social security and tax systems. This system is a framework in which each measure individually improves the balancing environment and promotes entire improvement of the balancing environment with an interrelationship among measures to promote the balance between work and life. It is an urgent issue to build a systematic support system to realize people's working lives that achieve the balance between work and life by spreading the reform of compatible (and harmonized) way of working supported by social systems, accumulating ideas on operating support measures to be able to flexibly respond to needs of workers and complementing measures each other.

## 2. Work and Life

### A. Balance between work and life

Harmony and balance<sup>1</sup> between work and life had been traditionally discussed as women's labor issues. Recently, however, this issue has attracted attention from the viewpoint of various social issues beyond traditional women's labor issues. The importance of the balance between work and life related to diversified social and labor issues such as aging, career constitution, overwork, work sharing and declining birthrate has been pointed out.

With the progress in aging, the way of working suitable for elderly persons has been questioned and the easy way of working in harmony with hobbies and life, not placing disproportionate weight on working has been sought. As for young people's

career constitution, there has been more interest in the transfer process to occupations coordinated with purpose in life and living from the viewpoint of job search. In addition, overwork and stress associated with it have grown into serious problems and it has been pointed out that it is essential to balance work and life for stress release. While work sharing has been drawing attention as an employment measures, the need to add the viewpoint of life to work has been emphasized. Moreover, the birthrate has rapidly been declining showing no sign of touching bottom and Japan is now facing depopulating society which it has never experienced before. In order to respond to such circumstances and build a vibrant society, it is an urgent issue to improve the environment where both men and women can have a fulfilling working life in harmony.

As above, the need for balancing work and life in relation with diversified society and labor issues has been discussed and it is commonly confirmed that the realization of balance between work and life is a key to a problem. In other words, balance between work and life is expected to play a role in responding and solving arising various issues.

### B. Life, the origin

Life is to live and act and is fundamental for human being as well as a comprehensive concept which contains any acts. Generally, life is related to various social areas such as public/private life, family life, working life, regional life, urban life and rural life and has many faces. Therefore, work is included in broad life and the expression "balance between work and life" seems to be something weird. However, the reason why such expression has been used is because work has become too big and occupied other areas even though it is a part of life and one of people's life areas along with family, region, blood relation and territorial connection. Employment and labor issues will be solved by putting work in its proper position as a part of life, namely establishing a favorable relationship with

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<sup>1</sup> Harmony and balance are often used synonymously. The difference is that harmony is mostly used when controlling overall balance of multiple items and balance is mostly used when controlling the balance between the two. Both harmony and balance mean that each item uniquely exists with autonomy, not one-sided. In this report, balance is mainly used because this theme is dichotomy between work and life, but harmony may also be used by the context.



other areas, correcting the distortions of life and rebuilding.

In other words, the concept of life has played a role of the origin where people go back and question the social system. In Japan's postwar history, there was a distinctive tendency: the concept of life appeared at some intervals and attracted public attention. After the war, Japan experienced postwar confusion, achieved economic recovery and high economic growth and faced an era of low growth caused by dollar shock followed by oil shock. Then the bubble economy emerged with a core of domestic demand and Japan had been stuck in a long economic slump following the burst of the bubble economy. During this time, Japan has drastically changed both socially and economically and each era's situation was quite different. However, the importance of viewpoint from life has been pointed out on a number of occasions and attracted public attention during this time even though economic environment and problems in each era were different. Livelihood problems have attracted social attention and become a political point of issue and an object of studies. The interest in life has suddenly surfaced in a different from in each era and life has been positioned as a major issue of the reform.<sup>2</sup>

During the period of postwar confusion, the focus of national life was poverty. People's first concern was to escape from poverty and poverty eradication measures were expected. During the era of high economy growth, the elimination of poverty propped up the economy, people's target became affluent life and people drew attention to inequality in the distribution of wealth. The interest of the people was to realize affluent life and eliminate inequality. Then downside of the growth gradually became more radical and life-threatening problems such as environmental pollution were actualized. This led life contents to be a major matter of concern. Then dollar shock and oil shock led to the era of low growth, people's interest was shifted from economic affluence to spiritual richness and it was proposed to

become a lifestyle superpower. During the period of bubble economy, difficult issues in people's life such as women's participation in society, excessive concentration of business in urban area, overwork, death from overwork, declining birthrate, elderly care and global environmental issues became clear in diverse ways. However, the bubble economy burst without any solution for these issues and many issues have been carried over to date as issues of restructuring work and life.

As above, over the past half century, life has appeared as an awareness of issue over and over again. Though questions such as poverty, affluence and inequality, spiritual richness, overwork and death from overwork have varied across the ages, the common point was that life attracted attention and became a point of issue. Another common point was that such ages were social major turning points. In short, existing systems and frameworks were exhausted and did not function adequately, the momentum of transformation was strengthened, and the viewpoint from life was expected toward the reform and was actualized in people's awareness. Social systems have been reviewed over and over again returning to life.

### C. Key concept for reform

The viewpoint from life was always the origin to return when there was something wrong with society and systems or frameworks were reviewed. The Ministry of Health, Labour and Welfare "Conference Report on Harmony between Work and Life" (hereinafter referred to as "Conference Report") 2004 was also one of such reviewing works. It started from the concept of reviewing systems in order to solve employment and labor issues and presented the transformation of way of working and issues of institutional reforms to achieve the key concept, "harmony between work and life".

The Conference Report criticized the actual labor conditions; "Even though our nation is based on human resources, there are few selective ways of

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<sup>2</sup> Refer to Series "Labor in Japan vol. 8 Workers' Lives" (JIL). He surveyed postwar labor studies and organized social economic situations, social interests and policy issues in chorological order with his explanations. He clarified that concept of life is the key.

working and they are mostly fixed for individual workers so this constrains the exertion of their ability and creation of added values in companies.” and presented a blueprint of wide-ranging reforms from working hours and ways of employment management to social security and tax system to achieve “harmony between work and life” so that each worker can combine “work” and “activities other than work” in various ways at each stage in work and select a balanced way of working at ease convincingly.

Note that the harmony between work and life was positioned as a core concept of the reform proposal. It systematically sorted out and discussed issues of employment systems which enable to strike a balance between work and life and the paradigms of society based on the reviewing of Japanese ways of working. In conventional discussions on the balance between work and life, various issues were picked up as points of issues and tended to be something-for-everyone. It is significant that the Conference Report showed a systematic overall view of discussions on the balance between work and life. In addition, it is obvious that this gave a boost to the discussion on the balance between work and life.

The report also proposed other wide-ranging issues such as equilibrium issue, social security and tax systems as well as changes in core labor administrations such as labor standards and safety and health. This highlighted the fact that the achievement of harmony between work and life is an ambitious project and the solutions of various issues are required.

No one would deny a society proposed by the report, namely a society where individual workers can chase their dreams and carry out their original intentions with “harmony between work and life” and where it is natural that individual workers learn for many occasions in their entire lives to make continuous efforts to enhance their abilities. However, as proposed by the report, it is necessary for the achievement of such society to change various social systems. In workplaces, it is essential to reform working hours, places to work, wage system, balanced treatment and career constitution for diversified and balanced ways of working. In families and regions, it is important to achieve self-help,

cooperation and assistance systems. To that end, reforms such as redesign and asset formation at stages of life plan are necessary.

The claims of the Conference Report are persuasive and there is no reason to deny. Many people would agree that the environment becomes easy to balance work and life if rules proposed by the report become established. But why such rules have not become established? There must be some factor which prevents the establishment. There must be some structure where people cannot freely or voluntarily select their ways of working. It is important to clarify the mechanism how/why we cannot achieve such society.

It is very significant that the Conference Report presented a grand design for the reform of employment and labor systems. It presented a preferable shape and showed a lot of menus of institutional reforms required for the achievement of it. This was the starting point of reforms. It is expected that discussed issues will gradually become widespread and established as basic frames of various legal changes. It will be important to clarify individual mechanisms which prevent the harmony and balance between work and life in order not to let the debate on reforms agree in general but disagree on details.

#### **D. Viewpoint of course of life**

The Balance between work and life has been discussed in many ways and its interest and studies were something-for-everyone. The Conference Report systematically sorted out issues of employment rules which enable to strike a balance between work and life and the paradigms of society and presented a blueprint of reforms based on the reviewing of Japanese ways of working against such something-for-everyone debates on the balance between work and life. It is significant that it aroused people’s interest and gave an enormous momentum toward the solution of issues. However, since wide-ranging issues have been discussed, it is hard to see a concrete road map for reform.

If there is a structure where people cannot freely or voluntarily select their ways of working as pointed out in the Conference Report, it is important to clarify the mechanism why such structure has been

maintained. Many of working women quit work in the event of marriage and childbirth. Even if they want to keep working while raising children, many of them are forced to quit. Why can't they balance work and childcare? What prevents the independent choice, the balance between work and life? It is essential to find out the mechanism which prevents the choice.

In order to find out the mechanism, people's life analysis would be useful. Life contains diverse aspects and issues change in accordance with the track of life. Human beings are born and experience life with families as a starting point, and then experience various living environments such as schools, regions, friends, workplaces and families. In short, human beings face various issues in the courses of their lives and live out their lives coordinating many issues in the processes.

Therefore, we should keep in mind that harmony or balance between work and life is an issue related to people's work life at all stages and many areas of social systems such as families, enterprises and local societies at each stage and such issues change with age when approaching. The balance between work and life and solution of its issue should be understood as dynamic processes consisting of a time-series vertical axis meaning that life is related to people's work life at all stages and a life space horizontal axis meaning that people live in diverse areas.

This study keeps in mind such characteristics of the balance between work and life, focuses on the clarification of balanced mechanism and focuses attention on people's courses of lives. The reason why the balance between work and life is related to various social issues is because the issue of harmony or balance between work and life is related to people's work life at all stages and many areas of social systems such as families, enterprises and local societies. Therefore, as measures against the issue of balance between work and life, we will aim to clarify the mechanism based on the comprehensive approaches through people's courses of lives from several points of view.

#### **E. Declining birthrate and support for balancing work and life**

Recently, public concern over the support for

balancing work and life is rapidly increasing. The declining birthrate which is growing into a serious problem affects it. The birthrate is rapidly declining and shows no sign of ending. As a result, Japan is facing depopulating society which it has never experienced before.

The Next Generation Education and Support Promotion Act has been enacted as a measure against the declining birthrate and enterprises are expected the active involvement of measures against the declining birthrate. In the Next Generation Education and Support Promotion Act, the support for balancing work and life (family) is positioned as a main pillar. It is extremely important for childcare with ease to balance with work. Support measures for balancing work and life are expected to stem the declining birthrate as effective measures against it, i.e., have an effect on increasing birthrate.

It is an indisputable fact that there has been a lot of interests in the support for balancing work and life in response to this gain of momentum, i.e., under the encouragement of increased interests in the support for childcare. The support measure which supports for balancing work and childbirth or childcare is also a measure against the declining birthrate. The promotion of men's participation in childcare is both a support measure for balancing work and life and a measure against the declining birthrate. Therefore, there are a lot of measures for balancing work and life which are also measures against the declining birthrate and are expected to be effective in both reversing the declining birthrate and the support for balancing work and life.

However, it is necessary to note that support measures for balancing work and life can be measures against the declining birthrate but not the same. The balance between work and life acts as fixing the declining birthrate and measure against the declining birthrate supports the balance between work and life, but some measures are conflicting and struggling. Therefore, we should think that the support for harmony between work and life can be measures against the declining birthrate but not the same. It is necessary to note that if not clarifying that, we would go wrong. There are following two reasons why we are concerned about correlation of harmony

between work and life with measures against the declining birthrate:

The first is that we should not put the significance of support for balancing work and life aside. In other words, given that supports for balancing work and life are considered as measures against the declining birthrate, if the interest and need in measures against the declining birthrate declines, the interest in the support for balancing work and life may also decline. If the worst happens, people may think that if there is no need for measures against the declining birthrate, there is also no need for the support for balancing work and life.

The second is that some measures are effective in both reversing of the declining birthrate and the balance between work and life, but some may be effective in either one but stem the other one; for instance, economic aid issues which have been popular recently. Economic aid may have a positive effect on the balance between work and life for dual-income family, but if household budgets become in good circumstances due to the economic aid and the wife retires from work to concentrate on childcare, it is not a support for balancing work and life.

It is obvious that today's declining birthrate is caused by a variety of factors as the Next Generation Education and Support Promotion Act contains diversified measures. Based on Japan's past experiences and trends in foreign countries, we should think that there is no miracle drug for the declining birthrate. In short, measures against the declining birthrate should lean on comprehensive healing method like herbal medicine. Then we should think that the support for balancing work and life plays an important role in it. As clarified in this report, the relationships between measures and between support measures are important to ensure that various measures become more effective and the issue is the way of collaboration.

## F. Framework

This study started in October 2003 as one of three-and-half-year project studies until 2006 to coincide with the inauguration of the Japan Institute for Labour Policy and Training. The purpose was to comprehensively and systematically consider the role

of social systems which enable the harmony between work and life and clarify the support measures. As mentioned above, the issue of harmony between work and life is related to people's work life at all stages and many areas of social systems such as families, enterprises and local societies. Therefore, it is important that measures for balancing work and life should be based on comprehensive approaches through people's courses of lives from all angles. To that end, the study was promoted with the following frameworks:

Various social areas are related to building of social systems which enable the harmony between work and life, especially the following three life areas and activities and systems there are important: (1) Family environment: Support for family life and/or employment situations of husband and wife, (2) Workplace environment: Enterprise's employment management, support system for balancing work and life and/or working hours management, and (3) Regional environment: Childcare supports such as nursery schools and local societies. People experience various issues such as employment, marriage, childbirth, childcare, independence of children, family-care and retirement and face various balancing issues through courses of their lives based on data of balancing environment in these life areas (see Figure 7-1).

Therefore, based on the setting that it is essential to approach from both three environments which support the balance between work and life and courses of lives as chains of various issues in order to find the role of support measures and the issues, we will clarify the balance between work and life and the issues with comprehensive and systematic approaches with a vertical axis of course of life and a horizontal axis of life areas.

## 3. Summary of Analysis Results

### A. Balancing issues of work and life at life stage

This shows the summary of harmony between work and life at each stage such as graduation, employment, marriage, childbirth, childcare and family-care using career data from "Survey on Work

and Life” and expresses concerns for the following discussions.

**a. Course of life and working career**

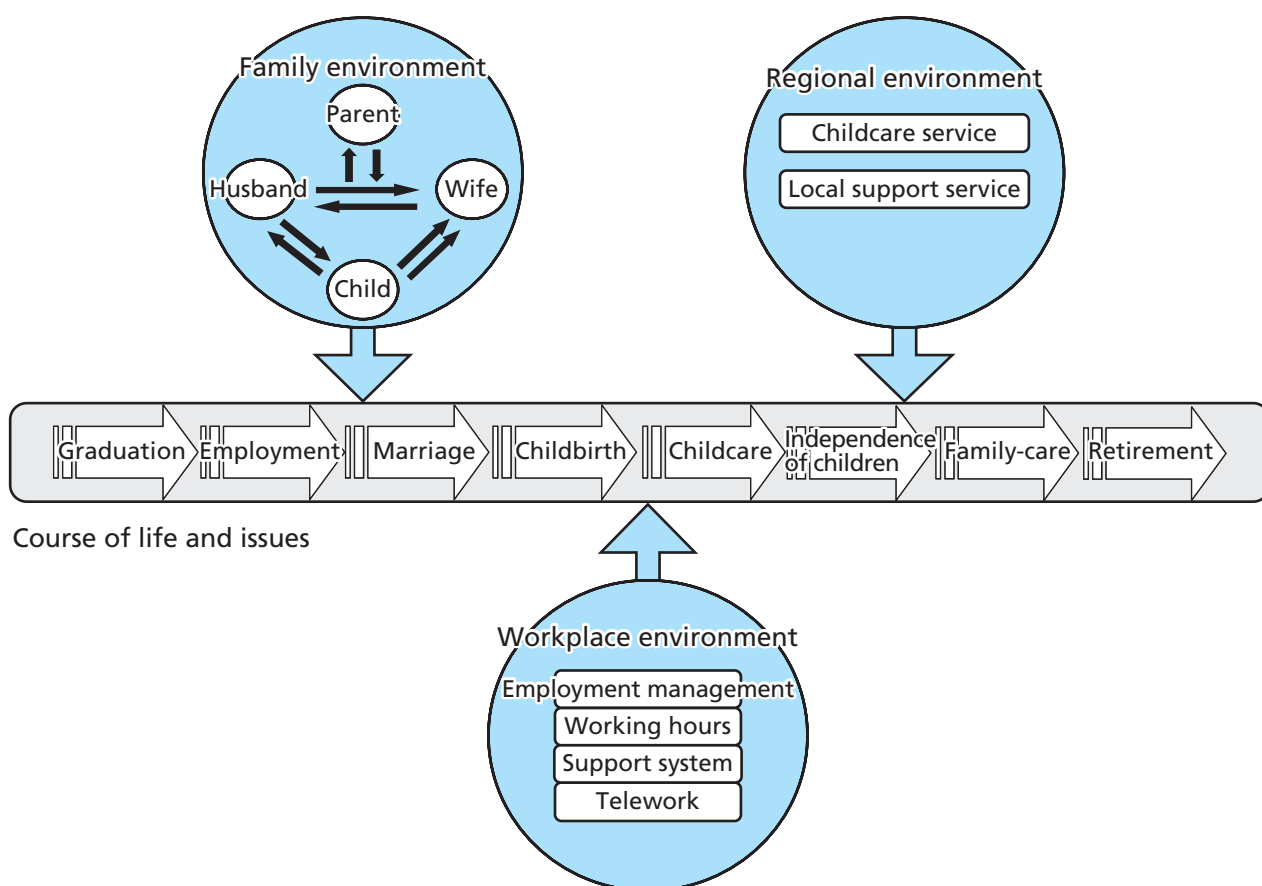
Issues of harmony between work and life for men and women are organized by cohort analysis to know how the course of life changes and what is unchanged. The cohort analysis was done during the period of graduation, first employment, marriage and childbirth to know changes in the course of life and working career. The result can be summarized as follows:

- i. For both men and women, the younger the cohort is, the more the number of persons employed just after the graduation becomes. The number of persons employed increases for both men and women, especially the younger the cohort is, the more the number of regular employees becomes for women. Based on such changes, the younger the cohort is, the smaller the differences between

- men and women at the first employment becomes.
- ii. During the period of first employment and marriage, about half of men continue the first employment but about 80% of women left the first employment and change to other companies at each cohort. The number of regular employees increases for men but the number of non-regular employees increases for women.
- iii. During the period of marriage, first childbirth and childcare, most of men did not change companies at each cohort. On the contrary, women left the first employment during the period of first childbirth and childcare and the number of job leavers does not decrease even at younger cohort.

In short, even today, women are hard to take root in companies, especially it is suggested that it is still difficult to continue working with marriage and childbirth. On the other hand, men’s working careers become stable after the marriage or childbirth, but, as shown in the latter chapter, the involvement in

**Figure 7-1 Balance between Work and Life**





housework and childcare is still difficult. Their working careers seem to be stabilized by tying themselves to companies.

#### **b. Women's marriage/childbirth and M-shape curve employment structure**

We take up the relationship between women's marriage/childbirth and employment, a traditional theme of the balance between work and life. We clarify how women's courses of lives have changed with times with cohort analysis focusing on expanded supports for balancing work and life such as Equal Employment Act, Childcare Leave Act and measures against the declining birthrate as social backgrounds which provide women's courses of lives.

The analysis results are summarized as follows:

- i. Each cohort forms an M-shape curve of employment rate and age and the bottom of the M-shape is higher with younger cohorts.
- ii. However, the bottom of the M-shape of women after childbirth is not higher than older cohort even in the case that the first employment was after the enforcement of the Equal Employment Act. The reason why the bottom of the M-shape of entire generation is higher than that of older generation is because the ratio of women without childbirth remaining the labor market became higher.
- iii. Employment rate before and after the first childbirth shows a rapid decline during one year before childbirth to childbirth. Even among generations after the enforcement of the Equal Employment Act, many of women left the labor market before the childbirth.

The results show that while the number of women who are unmarried and have no baby increases, the continuous employment during the period of childbirth/childcare is still difficult. Even generations whose first employment was after the enforcement of the Equal Employment Act are still forced to choose either a career or childbirth. In order to overcome this situation, it is important to further enhance support measures for balancing work and life.

#### **c. Family-care experience and working career**

We take up the relationship between family-care

and employment which is becoming an important theme of the support for balancing work and life as well as the progress of the aging society. The balance between care and work is a theme with many issues to be revealed. Especially, the usage of family-care leave system was largely unexplored, but according to the analysis results, it was cleared that the family-care leave system was not used.

According to the analysis results, realities of family-care experience, realities of turnover/career change due to family-care and usage of family-care leave system can be summarized as follows:

- i. 10.6% among workers experienced family-care. The experience rate becomes higher with age and it becomes sharply higher from 40s. The experience rate for women between ages 40 and 44 was more than 10% and those between ages 50 and 54 was about 30%.
- ii. The average age for start of family-care was 38 and average family-care period was about three years. However, since the standard deviations of both ages for start and end of family-care are large, the realities are diversified depending on individual cases.
- iii. 75.2% among employees continue working at the same companies since the start of family-care and remaining 24.8% among those experienced turnover or career change. Employees who faced difficulties of balancing work and family-care when starting family-care often left the companies.
- iv. Most of employees did not use the family-care leave system.

Though the number of employees who took family-care leave is small, but some layers of employees need to take it. A great burden of family-care affects employees' continued employment. It is an issue to build accessible family-care leave systems.

#### **B. Enterprises' employment management and support for balancing work and life**

Issues of the support for balancing work and life, childbirth, childcare and family-care are clarified focusing on working conditions.



**a. Unmarried employment environment and women's marriage, childbirth - focusing on first employment**

We compared “Pre Equal Employment Opportunity Act Generation” who started working before the enforcement of the Equal Employment Opportunity Act (born in 1950 to 1960) with “Post Equal Employment Opportunity Act Generation” who started working after the enforcement of the Equal Employment Opportunity Act (born in 1961 to 1975) and clarified effects of unmarried employment environment on the choice of women's marriage and childbirth focusing on the first employment. The summary of analysis results is as follows:

- i. The younger the cohort is, the higher the unmarried rate becomes and the lower the birthrate becomes regardless of education or the attribute of the first employment. However, married birthrate did not become lower even among young cohorts. The increase in the number of women who have no baby is due largely to the increase in the number of unmarried women.
- ii. Factors for the choice of marriage/childbirth depend on cohort. Among “Pre Equal Employment Opportunity Act Generation,” the lower the education is, the more they had babies, but there is no difference of birthrate between high and low educations among “Post Equal Employment Opportunity Act Generation.” Among younger generations, persons who experienced one year or more of unemployed period during the period from graduation to the first employment were often unmarried. Regular employees at the first employment were often married and had babies as well as persons whose first companies had the childcare leave system.

It is suggested that it is important to secure employment opportunities for unmarried first working career, stabilize the career and support the career constitution in which women can be married and have babies through the establishment of work environments where women can continue their work even after the marriage/childbirth.

**b. Women's marriage/childbirth and continued employment - centered on the effect of childcare leave system -**

By comparing “Pre Equal Employment Opportunity Act Generation” (born in 1950 to 1960) with “Post Equal Employment Opportunity Act Generation” (born in 1961 to 1975), workers who retired from work due to marriage or childbirth even after the Equal Employment Opportunity Act were clarified. Analysis results can be summarized as follows:

- i. Though the number of women who continue working after the marriage increased, many of young cohorts retired from work due to pregnancy/childbirth of the first child and the number of women who continue the employment until the childbirth did not increase. The number of women who were early reemployed after the childbirth among “generations after the Equal Employment Opportunity Act” increased, but the number of reemployed female regular employees was rather smaller than before.
- ii. While “Post Equal Employment Opportunity Act Generation” can continue the employment during the period of marriage, pregnancy and childbirth through the spread of childcare leave system, continued employment becomes difficult associated with expansion of women's job categories and increased non-regular employment patterns.

In order to expand women's continued employment after the marriage/childbirth, the issue is to promote the spread and taking up of childcare leave system and enhance the support for balancing work and life which complements the system.

**c. Current situations of support system for balancing work and childcare for men in workplaces and analysis on desire of taking up childcare leave**

A survey on current situations of support system for balancing work and childcare was conducted among male employees who are in the period of

childcare, and an analysis on desire of taking up childcare leave system was conducted among male employees who have potential needs for taking up childcare leave (assumed to have a child in the future). As a result of the analysis, the following points were found:

- i. The introduction of support systems for balancing work and childcare into workplaces was not enough nor recognized. It is extremely rare that men are involved in childcare by taking time off from work or adjusting work, but approximately 40% among male workers took time off from work when their children were sick in bed or when watched over them.
- ii. Approximately 30% among male workers desired to take up the childcare leave. Especially, more than one-third of those who are “unmarried” or “married but no child” desired to do it.

Piecing together above 1) and 2), it is suggested that support measures for balancing work and life including current childcare leave system should be reviewed and made more flexible and suitable for users’ needs.

#### **d. Realities and issues of telework as a support measure for balancing work and life in childcare period**

Telework is examined from the viewpoint of support measures for balancing work and life in childcare period. According to results of the interview survey, follows were found:

- i. Self-employed telework such as contracting business with outsourcers can be an effective tool for female workers who retired from work due to marriage or childbirth to continue the employment with no absence (or even with an absence of a couple of years).
- ii. Corporate-employed telework patterns based on the employment contract with employers in childcare period are diversified.
- iii. As for a combination of corporate-employed telework and short-time working system, problems on operating short-time working system for childcare were strongly pointed out. The combination of flextime working and corporate-employed telework makes both working places

and time zone flexible and enables the flextime working even in childcare period.

- iv. Even if working through telework, it is a basic premise to create an environment which can outsource childcare as well as normal work.

Working in life space shows not only an advantage in easy balancing of work and life (childcare/housework) but also an issue of difficult distinction between work and life.

#### **e. Situation of balancing family-care and work and needs for taking up family-care leave**

Realities of balancing work and family-care and issues of support for balancing work and life were clarified focusing on employees who carry out family-care.

- i. Many of caregivers did not take a long vacation such as family-care leave system but used paid holidays which were given from companies as much as possible to deal with a difficult situation.
- ii. Even though there was a need for taking up family-care leave, they felt great concern about putting coworkers troubles or reduction in income. The result showed that persons who needed to take up family-care leave felt more concerns and could not take up it.

Family-care situations differ greatly in individuals, different from childcare, a standard model for it is hard to be assumed. Therefore, it is important to be a flexible system which meets users’ needs.

### **C. Family life and work-life balance**

Current situation and issues of harmony between work and life were clarified centered on family roles.

#### **a. Men’s sharing of housework/childcare in childcare period**

We examined situation of men’s housework/childcare in childcare period and the regulated factors, mainly working condition factors such as working hours, from men’s viewpoint through the analysis of men’s answers. Follows were found as incentives/disincentives for men’s housework/childcare:

- i. Husband's sharing rate of housework/childcare tends to become lower when living with parent and becomes higher when his wife is working.
- ii. Husband's sharing rate of housework/childcare tends to become lower when his working hour is 55 hours or longer a week (in case of employee). Husband's sharing rate becomes higher when he has a sense of balancing work and life like "both men and women balance work and life" or "men balance work and life and women are in charge of housework" rather than when he has a sense of traditional gender roles like "men and women are in charge of work and housework respectively".
- iii. Husband's sharing rate of housework/childcare becomes lower when his commute time is one hour or longer (in case of employee). Husband's sharing rate tends to become higher when he desires to take up childcare leave.

It is important to review social practices based on a sense of traditional gender roles and build labor and working conditions in which men can be involved in housework and childcare.

**b. Relationship between work and life - Characteristics of working hours for each employment pattern and the relationship with role behavior**

We clarified relationship between marital employment patterns and roles from the viewpoint of marital time allocation in work and family life. As a result of analysis, follows were found:

- i. When wife has no employment, she is in charge of most of housework alone. However, wife wants to increase working time but husband wants to increase time spent with his family. Especially, husband often feels conflict between work and family, and his traditional role causes distortion in family life.
- ii. When both husband and wife are working as non-regular employees, marital working hours are the longest compared with other double-income couples, wife is in charge of most of housework, childcare and family-care and husband's sharing rate of housework is low. However, wife rarely feels conflict between work and family. Husband spends time working longer than wife and his

- income is substantially higher than hers but he wants to spend time on family life.
- iii. When husband is regular-employee and wife is non-regular employee, both his working hours and income are substantially higher than hers. Both husband and wife affirm traditional gender roles and actually wife is in charge of most of housework. However, since wife wants to increase working time but husband often wants to keep his working time, the working time difference between husband and wife is decreasing. While husband often feels conflict between work and family, wife rarely feels such conflict.
- iv. When both husband and wife are regular-employees, both differences of working hours and income between husband and wife are smaller compared with other double-income couples. Both husband and wife affirm fair gender roles. Wife's sharing rate of housework is higher than husband's but lower than other couples. Both husband and wife often want to reduce time spent on work and increase time spent on family life. This shows that their working hours have invaded time to be spent on family life.

Such conflicts between work and family life have had an impact on family life in the form of husband wife who are employees with no child. Persons who will care for family in the future are generally wives rather than husbands, regular employees rather than non-regular employees among husbands and occupied wives rather than unoccupied ones. It will be more important how to support family-care as well as childbirth and childcare amid the advance in the employment and increased double-income couples.

**c. Analysis on harmony between work and life for men**

We analyzed impacts of men's participation in housework/childcare in childbirth/childcare period and women's participation in working on family income and marital occupational attainment for a long working career. We compared husbands with unoccupied wives, wives who retired from work in childbirth/childcare period and were reemployed and wives who continued the employment in childbirth/childcare period, and follows were found:

- i. Husbands with unoccupied wives have higher income than others and older cohort has higher average income. Younger cohort produced managers slightly more than older one and the possibility of becoming managers is significantly higher with age. Persons who work for companies with 30 to 299 employees become managers more than persons who work for companies with 29 or fewer employees.
- ii. Husbands with wives who were reemployed prefer to choose work as same as husbands with unoccupied wives. The rate of producing managers is high. The possibility of becoming managers for persons who work for companies with 30 to 299 employees is high, but salary rise after middle age stagnates. Family budgets are supplemented by the non-regular employment of wives. This is remarkable tendency of wives with husbands who are white-collar employees.
- iii. Husbands with wives who continued the employment account for about a quarter in each generation, but their income and the rate of becoming managers are low. However, wives' financial contribution is the greatest and marital average income is also the highest.

Husbands with unoccupied wives have higher income than others but husbands with wives who continued the employment have the highest marital income. However, the participation of husbands with wives who continued the employment in childcare is low.

#### D. Local society and work-life balance

We analyzed local environment factors which have an impact on harmony between work and life.

##### a. Women's employment and local resources

We clarified the effect of local childcare services on the employment of women with preschoolers. Analysis results are as follows:

- i. Targeted women with preschoolers who use (are using/will use) nursery schools are not the majority force. However, according to birth year, the usage rate of nursery schools slightly rose compared with children born in around 2000.
- ii. The use of nursery schools has a significant effect

on the employment of women with preschoolers. The situation of building local nursery schools (concretely, the number of nursery schools in the prefecture divided by the population of the prefecture) has no direct effect on the employment of women with preschoolers, but has an effect on the use of nursery schools and this has an indirect effect on the employment of such women.

Available nursery schools are important resources for women who want to balance childcare and work. If the number of nursery schools increases, the number of working women with preschoolers may increase through the use of them.

##### b. Regional differences in work-life balance

We clarified the current situation and issues of harmony between work and life from the viewpoint of relationship between working hours and regional unemployment situation. Analysis results are as follows:

- i. As for regional differences in actual working hours, actual working hours in Hokkaido and Tohoku are longer than that in Kanto and those in Shikoku are short. Overtime hours in Tohoku, Kita-Kanto, Hokuriku, Tokai, Chugoku and Kyushu are longer than that in Minami-Kanto.
- ii. The unemployment rate which is a proxy variable of supply-demand situation in labor market had a negative impact on working hours, but was not statistically significant. As for working days, it was expected that the implementation of the five-day work week was different depending on region, industry and company size, but there was no clear tendency according to the statistical results.
- iii. We analyzed factors related to harmony between work and family life from three viewpoints: paid working time, time spent in family life and balance between work and family life. As a result, many of respondents in Tohoku, Kinki, Shikoku and Kyushu want to increase working hours and change tie time spent in family life. On the other hand, many of respondents in Hokkaido, Kanto, Hokuriku and Chugoku want to increase the time spent in family life.

In order to harmonize work and life, it may be efficient to work on making regional employment

systems rather than uniform response throughout the nation. It is necessary to improve regional employment environment which can flexibly respond to factors that influence individual decision making.

### **E. Toward collaboration between enterprises, families and local societies**

Based on issues of harmony between work and life indicated from various angles, we analyzed the balance between childcare/family-care and work from the viewpoint of interrelations between enterprises, families and local societies.

#### **a. Continued employment in childbirth/childcare period and support for balancing work and life - centered on interrelations between enterprises, families and local societies -**

We analyzed reasons why many women retired from work in pregnancy/childbirth period in spite of the spread of childcare leave system and clarified issues of expansion of continued employment in childbirth/childcare period. Analysis results are summarized as follows:

- i. The number of women who work for companies until one year before childbirth increases in younger cohort, but younger cohort often retired from work one year before the first childbirth and the number of women who continue the employment until the childbirth did not increase.
- ii. The childcare leave system has no effect of enhancing continued employment alone but it has an effect of it when combined with childcare support from family/relatives or use of nursery schools. It is important to combine the childcare leave system and nursery schools for younger cohort.
- iii. Continued employment is difficult in younger cohort due to decreasing effect of continued support from family/relatives, non-regular employment and expansion of women's job categories.

In order to expand the continued employment in childbirth/childcare period, it is necessary to enhance the support for continued employment in pregnancy period as well as support for childcare after the

childbirth. In order to enhance the support, it is important to expand support measures systematically so that supports from enterprises, families and local societies can function synergistically.

#### **b. Family-care leave system and long-term care insurance system - Issues of support for balancing work and family-care -**

We analyzed the situation in which employees need to take day-off for family-care and a specific method of taking day-off while the use of long-term care insurance services is expanding. Analysis results are summarized as follows:

- i. Employees who were involved in preparations for start of family-care took day-off as paid holiday, absence, tardiness and early dismissal.
- ii. Even though there is a family-care leave system in companies, most of employees did not take up the family-care leave but paid day-off for family-care.
- iii. Employees who applied for the long-term care insurance service at the onset of the service took day-off as absence, tardiness or early dismissal for family-care.

Most of employees who need to take day-off for family-care try to balance work and family-care without family-care leave even though the use of long-term care insurance services is expanding. It is important to establish a leave system which meets the need of family-care such as flexible period of taking up family-care leave, flexible number of taking up and response to the need of day-off which is not suitable as leave so that the support for balancing work and family-care can function effectively.

## **4. Toward the Establishment of Systematic Support Measures**

### **A. Situation where support measures are hardly provided to people who need support**

We analyzed the realities of balancing work and life and the effect of support which enable the balance between work and life focusing on enterprises, families and local societies that are many life areas related to the balance between work and life.



We found that: (1) People face various balancing issues through courses of their lives. Childbirth and childcare right after the delivery are major focal points of the balancing issues but there are more to them. People are facing balancing issues in various events such as childcare, family-care, career change and reemployment. (2) Heartless chains have been created. A failure of balancing work and life at some stage influences the subsequent balancing work and life and makes it more difficult; for instance, unmarried person's turnover makes the balance between work and marriage or childbirth difficult and also influences the balance between work and life at reemployment or family-care stage. (3) Changes in society make the balance between work and life more difficult. With changes in household, occupation and industry such as changes in living with or without parents and changes in working or employment patterns of both men and women, the balance between work and life becomes more difficult. (4) individual support systems do not work well for balancing work and life. Support systems for balancing work and life such as childcare leave and family-care leave, support systems such as sharing of housework and childcare services were central to supports for balancing work and life in three living areas, enterprises, families and local societies, respectively and improved and expanded the support measures. In order to make the support for balancing work and life more effective, it is important to build a systematic support measures in which enterprises, families and local societies can collaborate.

In short, it is becoming more and more difficult to realize the balance (harmony) between work and life even though the balance between work and life is becoming more important. People face many balancing issues through courses of their lives and they raise expectations for the support measures. On the contrary, changes which prevent the balance between work and life are steadily progressing. As a result, effective and appropriate support measures have been hardly provided to the people who need such support. For this reason, stronger support systems, especially systematic support measures in which enterprises, families and local societies can collaborate are expected.

## B. Support system for balancing work and life

Then, how should the support system and support measure to realize the balance between work and life be established?

Certainly the expansion and improvement of support systems for balancing work and life would improve the balancing environment. However, it is not realistic to expect unlimited building of additional nursery schools and expansion of childcare leave nor rational in terms of the cost performance. Unlimited expanding measures which place a heavy burden on enterprises and use large amount of public funds would not be able to meet with public approbation.

Therefore, it is important to form a systematic framework to improve the balancing environment and realize the balance between work and life. We should seek a framework of the support for balancing work and life which promotes the improvement of environment that enable the balance between work and life, leads to improved and expanded support system and flexible operation and provides such system to persons who need the support.

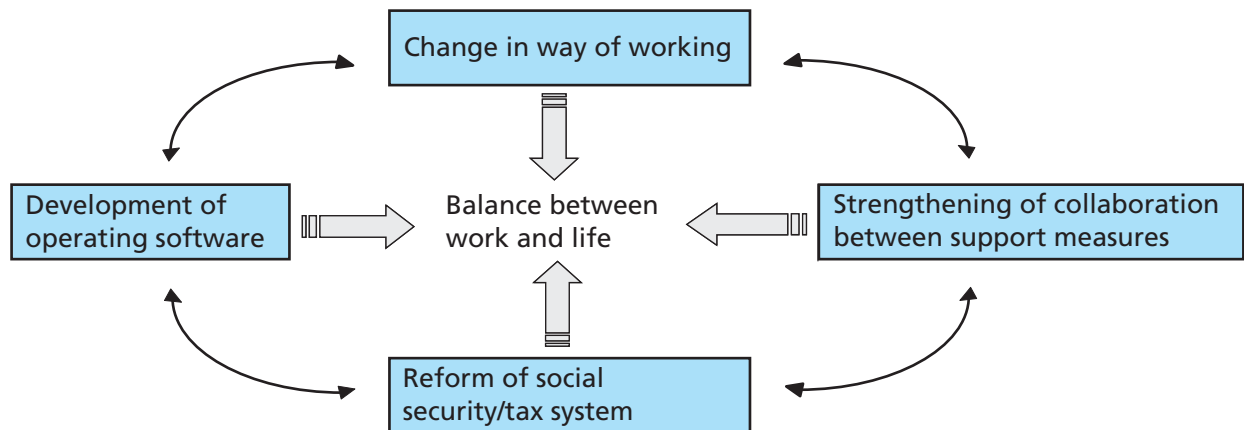
We therefore would like to present a framework of the support for balancing work and life as a trial balloon based on findings in this study. Figure 2 shows a support system for balancing work and life. There are four pillars in the support system for balancing work and life: (1) Change in way of working, (2) Strengthening of collaboration between support measures, (3) Development of operating software, and (4) Reform of social security/tax system. These pillars in the framework will improve the balancing environment and promote the realization of balancing with synergy of them.

### a. Change in way of working

The analysis in this report clarified that the most common cause of difficult balance between work and life is the way of working from all angles. Many of women are forced to retire from work due to childbirth or childcare. Husbands who are jointly in charge of housework/childcare cannot spend time for childcare or housework. The main reason why they cannot balance work and life is their way of working. Workers in childcare period are not only ones who



Figure 7-2 Support System for Balancing



cannot balance work and life. As clarified in the analysis of family-care, quite a lot of people retired from work due to the difficulty of balancing work and family-care.

Note that the way of working has changed for the past decade and non-regular employment and *Seikashugi* have penetrated. Part-time working and dispatched working are central to the non-regular employment and are regarded as ways of working which make coordination with life easier than regular employment. However, as clarified in the analysis, since non-regular employees are hard to enjoy support measures for balancing work and life compared with regular ones, they are forced to retire from work due to difficult balance between work and childbirth or childcare. On the other hand, the penetration of *Seikashugi* is basically evaluated by not time but achievement, but as a result of relaxed control of working hours, working hours are not shortened but rather lengthened more and more.

In short, Japanese employment practice is heading for collapse and new employment patterns are being sought but the viewpoint of harmony/balance between work and life has not been practically considered and today's way of working has been fixed. During this time, childcare leave and family-care leave have been improved and expanded as supports for balancing work and life. However, as clarified in the analysis, the rate of women who continue working even after the childbirth did not rise. The childcare leave has taken root and

functioned as a support measure for women who continue working, but has not produced an effect on stemming the tendency of retirement. The rate of men who desire childcare leave is not exactly low, but actually they cannot take up it. The rate of taking up family-care leave is low. The family care leave does not function as a support measure for workers who need to balance work and family-care.

We should judge that support measures cannot respond to changes in the way of working. The important thing is to review the way of working and improve the support measures from the viewpoint of harmony/balance between work and life.

The reviewing points of the way of working are flexible working hours and strengthening of selectivity/self-determination. It would be unavoidable that the labor time management changes as services become economization and computerized. If *Seikashugi* which evaluates by not time but achievement is the basic rule, flexible working hours, strengthening of selectivity and expansion of autonomy should be realized.

The important thing for support systems is the issue of support for balancing work and life for all workers. There is a limit to a system to support issues such as childcare and family-care alone. Such isolated system does not mean anything to persons who are not interested in such issues and is rather regarded as an impediment to the duty and it is difficult to gain public acceptance. As clarified in the analysis, total life support measures should be aimed

based on the premise that all workers face issues of balancing.

### **b. Reinforcement of the collaboration between support measures**

Support systems for balancing work and life such as childcare leave and family-care leave in enterprises, supports such as sharing of housework in families and nursery services in local societies are central to supports for balancing work and life and those have been improved and expanded. As clarified in the analysis, a support for balancing work and life alone does not produce an effect well. In order to produce an effect more, it is important to expand systematic support measures so that they can support balancing synergistically. That is, the collaboration between support systems is important issue.

After the enforcement of the Next Generation Education and Support Promotion Act which clearly describes the roles of the nation, local governments and enterprises, local governments started to seek the collaboration between enterprises and local nursery services by their own initiatives. In addition, livelihood support and childcare support centers have been established in each region. It is expected that under the leadership of centers, families, enterprises and local societies organically collaborate and support measures for balancing work and life mutually complement and synergize to enhance the power of support.

As for enterprises, the collaboration with regions and families will be an issue to be pursued. The building of more effective support measures can be expected by collaborating with regions and families rather than aiming at the improvement of support systems for balancing work and life such as childcare leave system and on-site day-care centers by enterprises alone.

As for mutual collaboration between support measures, this report verified that there is a synergy effect based on survey data of the analysis, but did not clarify the realities and possibilities of the collaboration yet. This is an issue in the future and we would like to study how to enhance the power of support by organically collaborating families, enterprises and local societies and mutually complementing and synergizing

each support system for balancing work and life and what way of collaboration will be possible.

### **c. Development of operating software**

In order to enhance the effectiveness of support measures, it is important to develop operating software. It is most obvious that family-care leave system has been introduced but not used so much. The need of family-care leave is high and enterprises are active to introduce it, but it is not used so much. As clarified in the analysis on family-care leave, the main reason is that the support needed for workers who implement family-care is not consistent with the leave systems.

The childcare leave is also faced with similar problems. It is true that the childcare leave system has been highly introduced and the rate of taking up it is also high. It is verified that it is effective in women's continued employment. However, it is also true that many of women retired from work due to childbirth. The childcare leave functions effectively as a support system for women who continued working after the childbirth, but many of women retired from work without taking it.

After the enforcement of the Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave, enterprises are obligated to introduce both childcare leave and family-care leave systems and these systems have been introduced. However, there are still many challenges for entrenching them as support systems for balancing work and life which are appropriate to the realities of enterprises and fit with workers' needs.

It is important how to operate support systems, in other words, to develop operating software so that the systems can promote the balance between work and life and become effective. This issue is not included in this report but was analyzed in the JILPT Research Report No. 50. There is a big gap between employees' needs for balancing work and life understood by enterprises and actual employees' needs for balancing work and life. It is pointed out that communications in enterprises and workplaces are important to bridge the gap.

Enterprises are forced to introduce childcare leave and family-care leave systems by law, but those

systems should not be rigid and are required to be institutionalized as effective tools for enterprises' employment management and beneficial systems to support the balance between work and life for employees. To that end, it is necessary to accumulate and develop software which can flexibly operate the systems to respond to the realities of enterprises and employees' needs and it is important to improve the environment in which we can systematically deal with such issues. Above all, it is important to establish a mechanism in which enterprises become active in developing such software.

Currently revolutionary changes in labor legislation are starting. Conventional rigid regulations are being transferred to self-regulations through negotiations between labor and management. For instance, the Act on Special Measures for Improvement of Working Time Arrangements which shows a framework in which labor and management voluntarily negotiate and the Acts concerning of labor contracts which clarifies rules of working conditions based on labor contracts signed between labor and management are examples of changes to enhance the self-regulations. It is expected that such changes encourage enterprises to actively deal with the support for balancing work and life.

#### **d. Reform of social security and tax systems**

The last one is the reform of social security and tax systems. As mentioned above, the most common cause of difficult balance between work and life is the way of working. Such way of working is provided by tax and social security systems. Even though the number of double-income households is much more than that of single-income ones, tax and social security systems are modeled on single-income households. It is often pointed out that there is a difference in requirements for social insurance depending on employment patterns and working hours, full-time housewives receive preferential treatment in the pension system and the tax-free limit is set for married women. These are all designed for single-income households. These factors synergistically induce wages of part-time workers lower, generate wage gap between men and women,

entrench roles of husband and wife as a worker and a housekeeper respectively and specialize issues of balancing work and life as women's issues.

It is required to reform them to be neutral tax and social security systems in an impartial manner for double-income households, single-income households and single-person households. However, there are a lot of discussions what social security and tax systems should be and it is difficult to solve. If double-income households are regarded as the model, for instance, should taxable subjects be individuals or double-income couples? Which is preferable? It is important to fundamentally consider what social security and tax systems should be from the viewpoint of balancing work and life.

### **C. Toward practical measures to realize balancing work and life beyond philosophical support measures**

It is believed that four measures individually improve the balancing environment and entirely promote the improved balance between work and life and the support for balancing work and life by building mutual relations between measures. This support system is a practical proposal to improve the balancing environment and make support measures effective so that appropriate support measures can be provided to persons who need the support. This is a proposal to realize a society in which the reform of the way of working that enable the balance (harmony) between work and life is expanded, such reform is supported by social systems, a framework in which support measures complement each other is formulated, ideas effective in operating support measures are accumulated and many people achieve balanced lives.

The proposal on support systems presented in this paper is intended to hold the line against the philosophy which discusses the preference of the balance/harmony between work and life from general viewpoint and aims to contribute to the expansion of practical supports which promote the achievement of balancing work and life. We hope this analysis and implications are useful to the balance between work and life and expansion of support.

## Appendix A: Survey List

### 1. "Survey on work and life"

#### A. Purpose

To survey realities of companies' employment management, local services and family support at each life stage such as marriage, childbirth, childcare, independence of children, family-care retirement and others in order to clarify issues on building of a social system which enables to harmonize work and life.

#### B. Summary of survey

##### a. Main survey items

(1) Career, (2) Marital history, (3) Education, (4) Childcare history, (5) Family-care history, (6) Family history, (7) Current employment situation, income, etc. (8) Attitudes toward work, career, life, etc.

b. Respondents: 4,000 samples among men and women between ages 30 to 54 and their spouses.

##### c. Method

i. Stratified two-stage random sampling

ii. Survey method: Individual interview for respondents and writing for their spouses

iii. Period: 17 June to 18 July 2005

iv. Entrusted to: Shin Joho Center, Inc. (a research company)

v. Collected from 2,448 respondents and 1,425 spouses

(Collect rate from respondents: 57.9% [including 230 extra samples])

### 2. "Survey on work and family-care"

#### A. Purpose

To survey companies' support measures for balancing work and life, especially usage of family-care leave system, usage of local family-care support services and realities of familial/kindred shared care in order to clarify issues of support measures which enable to balance work and family-care.

#### B. Main survey items

a. Family-care situation (Situation of families who require nursing care, care period, respondents' degree of involvement in care, etc.)

b. Employment situation (Taking of family-care leave, working time adjustment, turnover/career change during care, etc.)

c. Family environment (Familial/kindred shared care, etc.)

d. Regional environment (Usage of long-term care insurance system, usage of care volunteers and neighboring support, etc.)

e. Future prospects and needs of support for balancing work and life

f. Attitudes toward the balance between work and family-care

C. Men and women between ages 30 to 59 with families who require nursing care

#### D. Survey method

a. Sampling of all applicable dedicated persons for mail-in survey by the research company<sup>3</sup>

b. Survey method: Mail-in survey

E. Survey period: 15 February to 5 March 2006

F. Entrusted to: INTAGE, Inc. (a research company)

#### G. Collection

The number of sampled persons: 1,468

The number of collections: 1,381 (including 357 non-respondents)

The number of sampled persons except non-respondents: 1,111

The number of collections except non-respondents: 1,024

The collect rate except non-respondents: 92.2%

### 3 "Interview survey on the realities of female teleworkers and SOHO workers"

#### A. Purpose

To clarify what telework and SOHO work (non-employment pattern) can do for female workers' continued employment during childcare period and their issues.

#### B. Main survey items

a. Marriage/childbirth and turnover and situation of starting homer work/SOHO work

b. Situation of telework/SOHO work and family/childcare

c. Situation of career development after the start

<sup>3</sup> When using dedicated persons, it was confirmed that there was no significant bias to respondents compared with "Survey on Work and Life". For details, refer to JILPT 2006e.

of telework/SOHO work

#### C. Respondents and selection method

Using the information etc. on each website, the survey was conducted on eight representatives of female teleworkers/ SOHO workers, leaders of workers groups and worker registration agencies.

#### D. Interview method

Questions (and additional questions) were sent by e-mail and respondents were asked to send answers by e-mail (or partly by phone) (hereinafter referred to as “E-mail method”).

E. Survey period: November to December 2003

### 4. “Interview survey on telework during childcare period”

#### A. Purpose

To clarify what telework (employment pattern) during childcare period is of significance as a support measures for balancing work and life and its issues.

#### B. Main survey items

<Interview of enterprises>

- a. Process of introducing telework system and the summary of the system
- b. Realities of application and operation of telework system
- c. Advantages and issues of telework system

<Interview of workers>

- a. Process of application for and application of telework system
- b. Usage of telework system
- c. Advantages and issues of telework system

#### C. Respondents and selection method

Based on various data and information, introduction and use of telework system for workers during childcare period were confirmed and the survey was conducted on enterprises and workers with certain prior information. Direct interviews were conducted on six enterprises (persons in charge of human resources in principle), five female workers and one male worker. Two enterprises, six female workers and three male workers whose information was indirectly obtained by the direct interviews were added to the analysis targets.

#### D. Interview method

E-mail method and oral interview method were adopted depending on the targets. (Additional

questions were sent by e-mail even in the case of oral interview method.)

#### E. Survey period

From 2004 to 2005: E-mail method was used from May to December 2004 and oral interview method or e-mail method was used from May to December 2005.

### 5. “Interview survey on combination of telework and other support measures for balancing work and life”

#### A. Purpose

To clarify what advantages the combination of telework and short-time working or flextime working has and its issues from the standpoint that the combination of support measures for balancing work and life enhances the effectiveness of support.

#### B. Main survey items

<Interview of enterprises>

- a. Summaries of telework system, short-time working system and flextime system
- b. Realities of combination of telework system, short-time working system and flextime system
- c. Advantages and issues of the combination of systems

<Interview of workers>

- a. Process of application for and application of the combination of systems
- b. Usage of each working system
- c. Advantages and issues of the combination of systems

#### C. Respondents and selection method

Among above interview survey results in 2004 and 2005, cases applicable to the combination of systems were used as necessary with additional interviews and enterprises in which the combination of systems was confirmed by various information and their workers were newly added to the survey targets. Cumulatively direct interviews were conducted on four enterprises (persons in charge of human resources in principle) and six female workers. One enterprise and one female worker whose information was indirectly obtained by the direct interviews were added to the analysis targets.

#### D. Interview method

E-mail method and oral interview method were



conducted depending on the targets. Additional and new interviews were conducted by e-mail method in 2006.

E. Survey period: Additional and new interview survey was conducted from April to August 2006.

## Appendix B List of study results

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## Chapter 1. Summary

### 1. Objective of the Research

In the late 1990s, amid the prolonged recession following the collapse of the so-called “bubble economy”, a large number of middle-aged and older white-collar workers, who had formed the core of their companies, were let go by their employers due to bankruptcies and lay-offs. Unemployment in these two groups can cause a wide variety of problems, particularly if the unemployed worker is the head of a family; serious family issues could arise, including difficulties in paying for children’s education. When one is forced out of a job involuntarily, their career is abruptly terminated and losing one’s job due to corporate restructuring can cause feelings of one’s self being denied significance, thus resulting in psychological issues. The unemployed also face the difficult challenges of integrating their past career with one they should establish going forward. The qualities of the middle-aged and senior unemployed who visit “Hello Work”, public job-placement offices, have consequently changed and their issues have become more complex.

In postwar history with the background of recession and institutional changes, such as the extension of the retirement age, the labor administration has sometimes tried to improve and strengthen their re-employment support services for the middle-aged and seniors; however, times are now different. As the “life-long employment system” has collapsed and personnel management has become increasingly performance-based at the company side offering jobs, and as the unemployed, job seekers, face various and more complex career challenges, the labor administration must promote new re-employment support services to accommodate these new difficulties.

The goal of our project is to develop new tools

that will contribute to the improvement and strengthening of re-employment support services of the middle-aged and seniors over the next three and a half years from October 2003 making use of study results accumulated by the study team of this project.

### 2. How to Advance the Study

It became clear that tools to be developed should have the following characteristics:

- A. Development of tools/systems that contribute to the advancement of fundamental processes of re-employment support services from self-recognition to employment.
- B. Development of new types of tools/systems, instead of mere replacement with existing tools/systems.
- C. Development of tools/systems that can be used in public facilities such as “Hello Work” public job-placement offices.
- D. Development of tools/systems giving due consideration to the time restriction.
- E. Development of tools/systems that utilize JILPT research experience and resources.

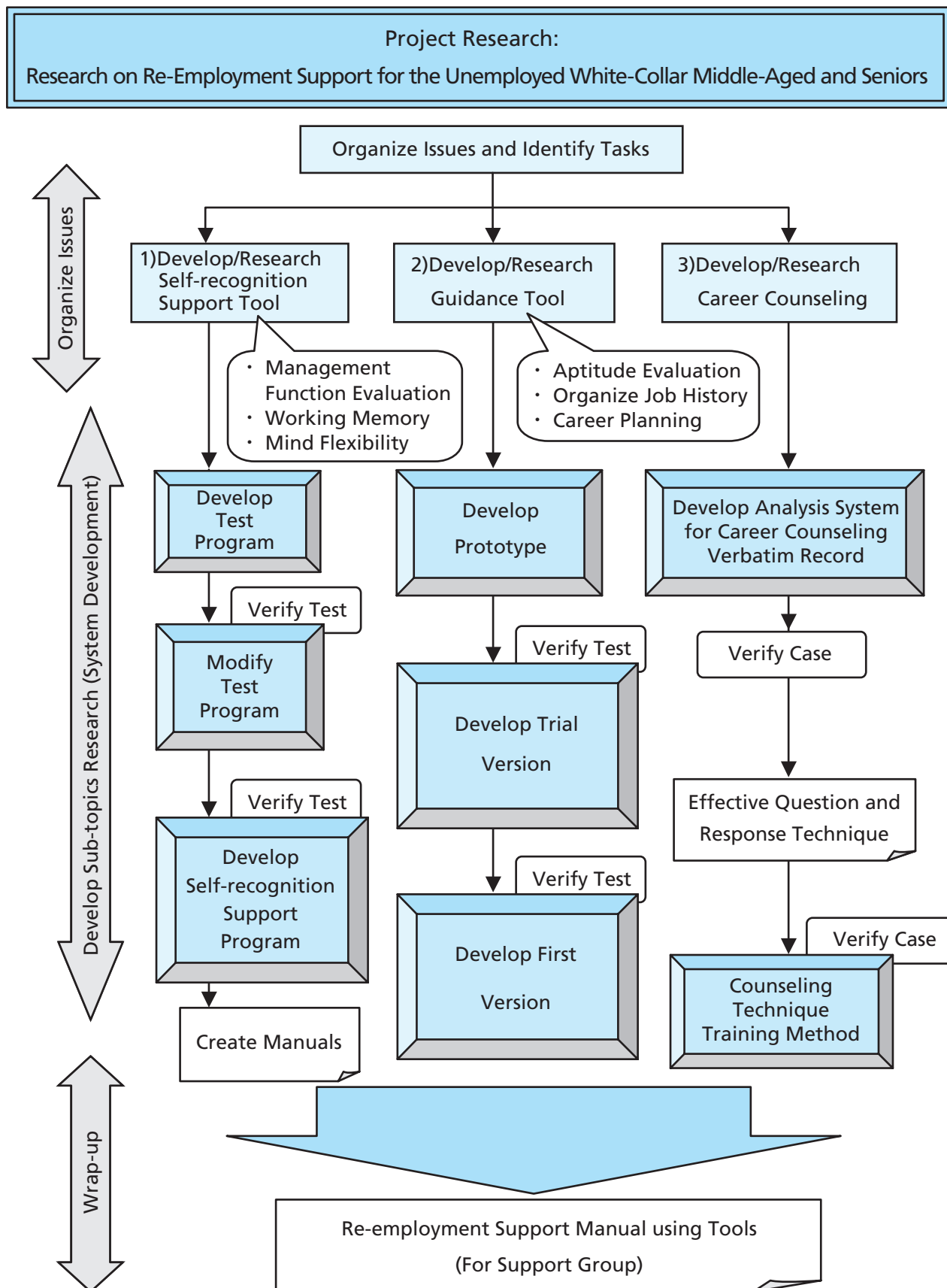
When implementing our research, we identified subjects for specific development and research by reviewing related surveys, hearings, and materials; subsequently, we selected the following three themes:

- i. Development of a new tool to support self-recognition
- ii. Development of a new guidance tool to support career planning
- iii. Development of a technique to provide appropriate career counseling

The following figure shows a conceptualized chart of our research.

The outline and current situation of a new tool and a system developed under each theme is reported from Chapter 2. The situation is as of March 2006.

Figure 8-1 Project Research Flow Chart



## Chapter 2: Development of a New Tool to Support Self-recognition

### 1. Introduction

Under this theme, the following three tools were developed and released as “Self-recognition tools”:

- A. Management function behavior list
- B. Working memory/Short-term memory test
- C. “Mind flexibility” list

Each tool is discussed below:

### 2. Management function behavior list

#### A. Objective

Middle-aged and older job seekers generally experienced managerial roles in varying degrees in their careers, and it would be beneficial for both middle-aged and older job seekers and employers to make use of their experiences.

This list shows various situations of issues to be solved and behaviors to solve them, and asks them to answer the certainty of their behaviors. With characteristics of their behavioral patterns obtained from their answers, this list will estimate and show individual potential management function profiles and obtain management function advantages and job information in which such advantages can be used to assist seeking possible careers and career options from the aspect of management function.

#### B. Methods

i. The list consists of 18 situations of issues to be solved (*example: When you go to a shop to buy a product, there is no such product at the shop and the shop clerk says it takes about three months to get it on backorder. Although there is a different product with similar functions, its design is far worse than you want. What would you do?*) and 3 to 7 behaviors to solve them (*example: a) I would wait for three months to get what I want., b) I would buy the different product with similar functions, etc.*). Respondents are asked to answer the certainty of behaviors to solve issues on a scale of one to five (1: Not to adopt, 2: Unlikely to adopt, 3: No opinion, 4: Likely to adopt, 5: Highly likely to adopt).

ii. On the other hand, a database of “work survey slip”, a work analysis questionnaire developed based

on McCormick’s Position Analysis Questionnaire (PAQ), combined with the list above 1) is prepared for many incumbents.

iii. As for the pattern of answer to the list, an estimate value is calculated by the conversion to 18 management function scales selected from “work survey slip” data based on the database above 2), and the management function scale profile will be made based on it (see Figure 2 for 18 management function scales).

iv. Job seekers will deepen the understanding of his/her best management function utilizing obtained management function profile for his/her reference when seeking and selecting jobs.

### 3. Working memory/Short-term memory test

#### A. Objective

Middle-aged and older persons may not be able to perform duties as before due to physical and mental aging. In addition, in consideration of possibilities of inexperienced work, it is necessary to examine if he/she can learn a new job. Therefore, in the process of middle-aged and older persons’ career counseling and guidance, it is necessary to not only clarify job seekers’ experiences but also consider if they can perform such duties. Job seekers should deepen understanding of themselves and more actively consult based on such understanding. This test is for understanding of mental aging which is difficult to realize unlike physical aging and for considering if they can effectively continue to perform such duties. In this test, as data for consideration, working memory and short-term memory which have not been measured before as characteristics of vocational capabilities, necessary information processing capabilities in performing cognitive tasks, are measured and evaluated. This is because duties requiring reasoning, decision-making, planning and information processing are performed by mental information processing in many cases. The performance of such advanced cognitive tasks is supported by complex psychological information processing of stored information.

#### B. Methods

i. Measurement and rating of working memory:

**Figure 8-2 18 Management Function Scales**

- I. Mental process (Which level can the person solve an issue which requires mental process such as reasoning, decision-making, planning and information processing at?)
  1. Work arrangement
  2. Information transformation
  3. Numerical information processing
  4. Individual decision-making/determination
  5. Job-related decision-making/determination
  6. Use of instruments/equipment
- II. Human relations (Which level can the person respond to human relations required for executing the work and the associated psychological stress at?)
  7. Oral communication
  8. Written communication
  9. Oversight/Instruction
  10. Teaching
  11. Accommodation/ Adjustment
  12. Advice
  13. Tense human relations
  14. Struggling in human relations
- III. Job requirement (Which level can the person respond to required labor conditions and job characteristics at?)
  15. Morality
  16. Consultation
  17. Adaptability
  18. Inspection

The function of working memory which performs information processing and storage at the same time, called “mental notepad”, is measured to evaluate the attention control capability. Specifically, calculation formulas of addition, subtraction, multiplication and division are expressed and respondents are required to determine if the calculation results of those formulas are correct (verification of formula). At the same time, they are also required to memorize the underlined part of numerical values in the formulas.

After the expression of 2 to 6 calculation formulas, each formula is expressed with the blank where the underlined values should be in. Respondents are asked to fill in the blank. The expression time of the formula is five seconds, the expression interval is one second and trial interval is two seconds. The number of corrected formula is defined as operation span capacity and its capacity is evaluated.

Although this age group of the middle-aged and older persons shows smaller capacity of the working

memory than that of younger persons, their performance is improved when repeating the measurements, so there may be learning effect. The results will be rated on a scale of one to four compared with averaged level of younger persons' operation span capacity: Working memory capacity is: 1. Far lower, 2. Slightly lower, 3. As same as averaged value of younger persons, and 4. Higher than averaged value of younger persons. Comments for understanding themselves corresponding to those ratings will be made.

ii. Measurement and rating of short-time memory: The short-time memory capacity, how many numerical values can be memorized in a very short time, is measured. Specifically, respondents memorize two to six memorizing cards. Then target cards are randomly expressed and they answer if those are memorizing cards. The expression time and expression interval of memorizing cards are one second respectively and the expression time and expression interval of target cards are two seconds respectively.

It has been found that the function of short-time memory does not show major changes up to like the age of 60. The results will be rated on a scale of one to four compared with averaged level of younger persons: Short-time memory function is: 1. Far lower, 2. Slightly lower, 3. As same as averaged value of younger persons, and 4. Higher than averaged value of younger persons. Comments for understanding themselves corresponding to those ratings will be made.

#### 4. "Mind flexibility" survey slip

##### A. Objective

One of mental factors making middle-aged and older persons' reemployment difficult is to stick to previous experiences and images and decrease options of his/her reemployment. The more the individual experience was successful, the stronger they stick it. Therefore, they may focus attention on one thing and get stuck in it or may not be able to flexibly examine the possibilities. Such small issues in which younger persons can easily overcome would be obstacles for their reemployment. So, we paid attention to "mind flexibility" (rigidity) as one of

factors in which they cannot increase options of their reemployment and have no job images of new options, and developed an inventory to mentally support their reemployment by reminding themselves their "mind flexibility" which narrows their possibilities.

##### B. Methods

The flexibility used in this system consists of the following five categories, and is rated on a scale of one to five: 1. Not applicable, 2. Less applicable, 3. No opinion, 4. Slightly applicable, 5. Very applicable.

The scale of flexibility used in this system was developed in this study based on the earlier study.

- i. Lack of adaptability (Example: Easily able to adapt to the new environment\*)
- ii. Lack of flexibility/applied skills (Example: Quick-thinking person\*)
- iii. Rigid insistence (Example: Stuck in his/her way)
- iv. Lack of imagination/creativity (Example: Like to daydream or imagine wasting his/her time\*)
- v. Excessively maintaining discipline (Example: Schedule-dependent person)

\*Opposite examples

Pointed advice will be provided depending on the "flexibility" as well as profiles for five scales.

### Chapter 3. New Guidance System Development to Support Career Planning — Career In-site MC

#### 1. Background of the study

In considering support for reemployment of middle-aged and older persons, it is often pointed out that the importance for career choice is to take advantage of techniques and skills acquired in the past career. However, if they undue focus on the past work and career, they may narrow the range of career choice by themselves. Though it is true that taking advantage of skills acquired in the past career is important, it is sometimes necessary to review the individuality from simple viewpoint: what I can do now and what I like including hobbies and daily life.

Therefore, "Career In-site Mid-Career (MC)" was developed, aiming to give middle-aged and older

persons a chance to review their individuality away from the past work and career for a while and consider the career choice based on current capacity and hobbies. The system which can be used to evaluate aptitudes, seek jobs and check off aptitudes and jobs by computer is called Computer Assisted Careers Guidance System (CACGs). “Career In-site MC” is a CACGs developed for middle-aged and older persons.

## 2. Structure of system

This system is equipped with the following four functions on the model of typical system in the West: “Aptitude evaluation”, “Integrated evaluation”, “Occupation information service”, and “Career planning support”. Across all age groups, it is important for career choice to understand oneself, and their career, match these, and prepare a career plan (see Figure 8-3).

## 3. Direction of utilization

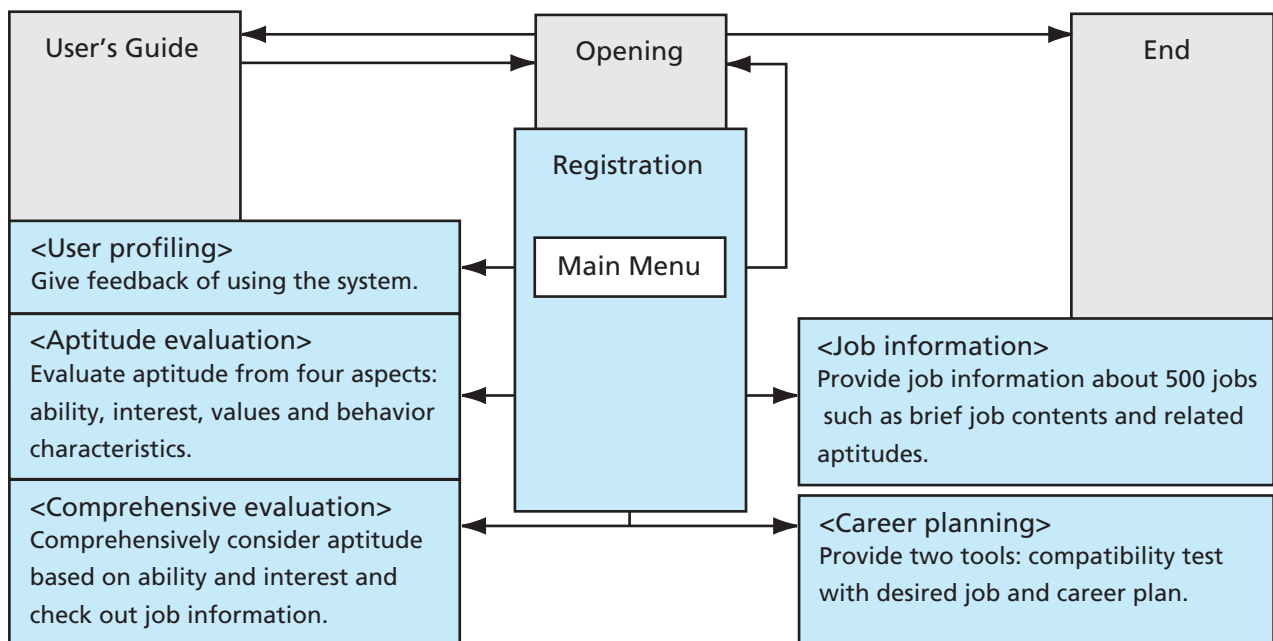
“Career In-site MC” can be used for the following situations as a career guidance system for middle-aged and older persons:

A. As a tool for consultation for persons in charge of

career counseling or for career counselors

According to hearings conducted during the development process, there was a need that middle-aged and older persons would like to consider his/her aptitude when seeking a place of reemployment. On the other hand, when the person decides to seek a particular job similar to former job or seeks a job with conditions other than aptitude such as work location and wage, it is less often to require aptitude evaluation. When the person would like to find a new line of work or review oneself in seeking a place of reemployment, it is often to require aptitude evaluation. Therefore, in order to deepen understanding of oneself and newly discover oneself, it is effective for considering reemployment that persons in charge of career counseling and career counselors incorporate the use of the system into their counseling process, designate inspections to be carried out and consider the results together. Someone reported that especially when job seekers had difficulty in seeking a place of reemployment, it was effective to utilize a such tool for rebooting their mind.

Figure 8-3 Structure of “Career In-site MC”





B. As a tool for middle-aged and older persons to deepen understanding of themselves

Similar to “Career In-site” younger persons’ version, various scales to deepen understanding of oneself are embedded into “Career In-site MC”. Especially there are job interest evaluation and behavior characteristics evaluation which are new scales revised drastically from younger persons’ version. These two evaluations are embedded in consideration of viewpoints required for aptitude evaluation for middle-aged and older persons. The job interest evaluation shapes the direction of middle-aged and older persons to find their interest from their behaviors in daily life regardless of their own job experiences. The behavior characteristics evaluation let them know their basic character/characteristics, thinking characteristics, favorite work environments and good or bad interpersonal skills to find a clue of new job. With these two scales, it is believed that viewpoints to review more aspects of themselves are embedded into “Career In-site MC” than that of younger persons’ version.

Scales of ability and value evaluations which are similar to younger persons’ version have been reviewed based on the standard of middle-aged and older persons. Both are useful tools for understanding themselves. These evaluations are relatively easy ways to review their characteristics from various viewpoints and can be used for understanding of themselves.

C. As a tool of changes in the consciousness of middle-aged and older persons

When a company conducted MC for the aptitude test for persons who wished to take at the joint job interview, 40s and 50s persons looked only to jobs which they experienced before. For instance, if the person’s former job was clerical job, he/she sought clerical job only. However, one person told that he experienced “Career In-site MC” and the result was he is suited to interpersonal job, and he decided to try to seek a job other than clerical job.

There was concerned that this trial at the floor of serious joint job interview might give negative impression to job seekers as an unrealistic “aptitude test by computer”. Surprisingly, however, there were many persons who wanted to use and appreciated it.

It was also valuable experience for developers to directly obtain job seekers’ impressions and evaluations of using the system. It was found through the trial that even middle-aged and older persons with many years of job experience need the aptitude test and may consider it as a material for finding a job.

On the other hand, there may be many persons using the system curiously during the waiting time for their joint job interview. They can obtain knowledge jobs related to their own aptitude by using the system with its results in any way. Since it is easy to use, they may be honest or frankly accept jobs suggested by not people but computer as a reference. If there is a stereotype of career choice at the scene of middle-aged and older persons’ reemployment which tends to be serious, it may be of significance to use this kind of system at ease.

## Chapter 4. Effective procedure of career counseling — Career counseling for middle-aged and older job seekers

### 1. Problems

According to interview survey of persons in charge of career counseling (hereinafter referred as “staff”) in public institutions which conduct career counseling, the problems of career counseling for middle-aged and older job seekers are as follows:

- A. There are not many job openings.
- B. Vocational capability should be reconfirmed.
- C. There is a perception gap of pay standard.

Staff call on middle-aged and older job seekers to understand the difficulty of labor market, reconfirm their own ability and re-realize realistic pay standard.

However, these are problem-solving methods from staff’s perspective. Job seekers’ perspective is different; they emphasize attitude and behavior toward jobs. This is the nature of problems of career counseling for middle-aged and older job seekers. Thus, this is a gap what is considered as “real”. Since employment practice and system have drastically changed, works and jobs have drastically renewed and job seekers’ values, working styles and lifestyles have diversified, the way of career counseling which gives priority to “realistic” determination based on

staff's knowledge and experience has reached a limit.

In this study, we will redefine the career counseling as “a process that job seekers and staff confirm real images each other, think each other and remake mutually acceptable real images” and develop a tool which can be used by staff to promote effective career counseling taking a cue from social constructionism.

In the career counseling process, a communication tool between job seekers and staff is words. We exchange information about “real images” and remake “real images” by words. (We do not remake “reality” itself but remade “real images” will provide a new framework of jobseekers’ behaviors.)

Then, at the career counseling of “Hello Work”, which words do job seekers and staff use? How do they affirm respective “real images”? How do they think together? How do they remake acceptable “real images”? In this study, we developed “career counseling/employment placement verbatim record production/analysis system (hereinafter referred as “system”)” which analyzes characteristics and process of the career counseling from the viewpoint of “expression technique” in languages based on the career counseling verbatim records between job seekers and staff aimed at more effective and efficient career counseling.

## 2. Framework of the study

The framework of the study to analyze the process of Hello Work’s career counseling is described as follows:

### A. Topics of career counseling

Topics are real images shared between job seekers and staff in languages. There are five topics of career counseling (see Figure 8-4): job seekers’ “past experience”, “current situation” and “future activity”, “interpretation” such as understanding and feeling of those events and “society” as social systems such as employment system and labor market behind the events.

These topics will give meaning to relations between events such as “past experience”, “current situation” and “future activity” through “interpretation” based on “society”, and will be

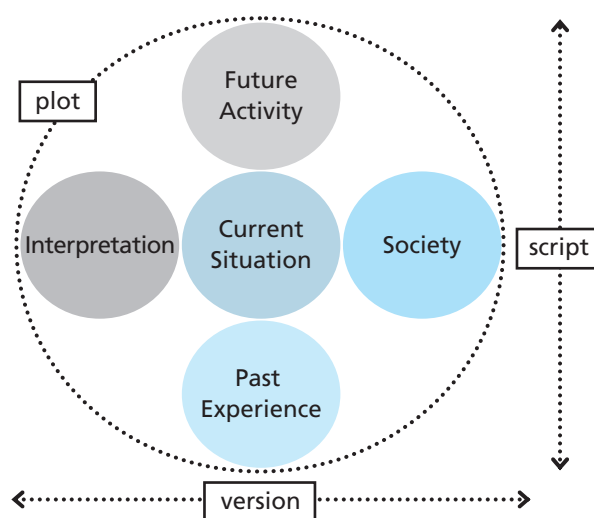
adjusted to the structure of story.

### B. Structure of story

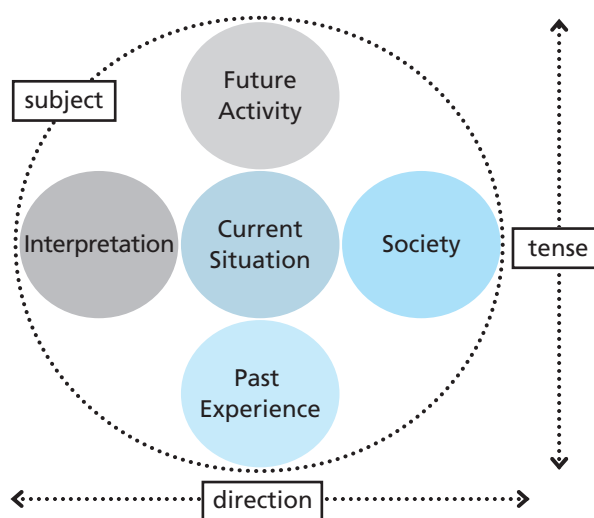
The structure of story is that job seekers and staff cooperatively adjust relations and order between topics from the viewpoint of “plot”, “version” and “script” (see Figure 8-5).

- i. Plot: Subject and theme of the story are expressed.
- ii. Script: Events are expressed in chronologic order (past, present and future).
- iii. Version: Viewpoint of told story is expressed.
  - i. and ii. are generally considered as components

**Figure 8-4 Construction of Story and Topics**



**Figure 8-5 Expressional Technique and Topics**



of the story in narrative studies of psychological therapy and counseling or studies which consider a career in occupational psychology and career counseling as a story.

In the case of career counseling, when constructing a story, since individual interpretation and social system and mechanism as well as events have a significant impact, it was considered that viewpoints of career should be multifaceted so iii. was added.

### C. Expression technique

An expression technique in languages is necessary to adjust relations and order of topics. We named this technique as “expression technique” and defined as “a technique consisting of processes of career counseling or expressions in plural languages to express career in which job seekers and staff can select and conduct appropriate expressions with depending on counseling situation and flow”.

There are four expression techniques: “progress”, “subject”, “direction” and “tense” (see Figure 8-5). As described later, there is “measures” as a sub-technique of “progress”. These are divided roughly into “process expression” to proceed the process of career counseling and “career expression” to adjust topics to the structure of story.

The techniques of the career expression are closely related to the structure of story. “Subject” corresponds to “structure”, “direction” corresponds to “version” and “tense” corresponds to “script” respectively (see Figure 8-4 and 8-5).

### 3. Development of career counseling/employment placement verbatim record production/analysis system

Based on above framework of the study, we developed software, “career counseling/employment placement verbatim record production/analysis system (hereinafter referred as “system”)” prototype version (Ver. 1.51.) which analyzes characteristics and process of the career counseling utilizing verbatim records.

There are following four purposes of the system development:

A. Verbatim records of career counseling/

employment placement can be efficiently produced by determining a certain format.

B. Produced verbatim records can be efficiently coded in accordance with predetermined classification standard.

C. With given codes, verbatim records can be quantified according to a certain standard. Those values can also be properly displayed.

D. The following activities can be helped through above processes 1) to 3):

- Externalize experiences on career counseling/employment placement.
- Conduct case studies on career counseling/employment placement.
- Consider models on career counseling/employment placement.

### 4. Use of tools

As an analysis result of true career counseling cases by the system, Hello Work’s typical career counseling behaviors and problems of career counseling for middle-aged and older job seekers were emerged. A few examples are given below:

In the career counseling of Hello Work, staff controls job seekers’ remarks and actively proceed the counseling, thus they tend to lead the counseling. Through time, however, as the counseling progresses, the percentage of staff’s “questions” and the percentage of job seekers’ “answers” become lower on average. That is, staff are more likely to control and lead job seekers’ remarks in the first half of the counseling but less likely to do in the second half of it.

In the case of counseling for younger job seekers, as the counseling progresses, they are actively involved in the counseling and staff may be less likely to actively participate in it. On the other hand, in the case of counseling for middle-aged and older job seekers, both they and staff are less likely to show any time series variation.

As the counseling progresses, both younger job seekers and staff are more likely to tell own thought, idea and feelings. This trend is toward interaction. On the other hand, in the case of counseling for middle-aged and older job seekers, they are more likely to tell their own thought, idea and feelings in the second

half of the counseling without going along with staff.

In the case of counseling for younger job seekers, as the counseling progresses and staff are less likely to tell the past, they are also less likely to tell their past. On the other hand, in the case of counseling for middle-aged and older job seekers, they are more likely to tell their past in the second half of the counseling without going along with staff.

Younger job seekers are more likely to open themselves to staff. On the other hand, middle-aged and older job seekers are more likely to open themselves in the second half of the counseling without going along with staff.

As the counseling progresses, younger job seekers are less likely to tell their past as same as staff. On the other hand, middle-aged and older job seekers are more likely to tell their past in the second half of the

counseling without going along with staff. Therefore, as same as self-disclosure, it is considered important for staff to wait until middle-aged and older job seekers tell their own past.

A workshop program adopting these knowledge and techniques is planned to improve staff's expertise of counseling.

The report in Japanese is written by authors below:  
(As of March, 2007)

Junpei Matsumoto, Research Director, JILPT  
Mutsuo Shimada, Advisory Researcher, JILPT  
Hisao Naganawa, Senior Researcher, JILPT  
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The Japan Institute for Labour Policy and Training developed a new system providing employment and career information via the Internet, which has been publicly available as of September 2006. Since its publication, the system has been featured on many newspapers, and introduced on career sites, websites of placement centers and career resource centers in universities with banners linked to it, resulting in more access volume than expected. This chapter explains the development history and functions of Career Matrix.

### 1. Background and Objectives of Development

#### A. Background and history of development

Throughout of the shifts in its names from National Institute of Vocational Research, National Institute of Employment and Vocational Research, Japan Institute of Labour, and then to its current name, the Japan Institute for Labour Policy and Training is responsible for collection, organization, and provision of career information which are among the important responsibilities taken over from the Ministry of Labour. Among them are revision of the Ministry of Health, Labour and Welfare Occupational Classification, authoring of Occupation Handbook, development of CD-ROM editions thereof and OHBY: Occupation Handbook for Youth, as well as the research in the current status of and demand for the occupational information and in the trends in the fields related thereto overseas.

In 2000, the Institute was entrusted development of a new system by MHLW and commenced the development of the comprehensive Internet site dedicated to the provision of information on occupation and career. The Institute later expanded the study into a full-scale research and development as one of the comprehensive research projects by the Institute in 2003.

#### B. Demands for system

##### i. Demand for universal terminology and standard

The standardization of the information on occupation has not necessarily been progressed. For example, Hello Works (Public Employment Security Offices), private staffing agencies, job opening classifieds, manpower supply companies and other related organizations are currently employing their own original occupational classifications better befit to their respective businesses. No uniform occupational classification has been enforced, or no terminology in the skills, knowledge, and work environment has been standardized in job/human resource descriptions.

Furthermore, the job opening information offered by the employers remains merely general description regarding the jobs and work conditions. The foregoing is attributable to the lack of organized terminology to describe the qualities of the actual personnel for a specific position. Meanwhile, experience, occupational ability, aptitudes described in a uniform terminology is not available for individuals seeking employments as a result of the absence of such terminology. In some cases, detailed descriptions approximately the previous experience and current ability upon career changes can be observed, where such uniform terminology for the descriptions is also unavailable.

There also exists requirement of uniformed standards as well as the uniformed terminology explained in the foregoing. This requirement is accrued from the demand for an articulated skill level required in the event where a certain skill is required at a specific level.

##### ii. Possibility and necessity of various searches

Conventional information on occupations mostly

comprises description of duties. This is due mainly because the occupational classifications are systematized pursuant to the occupational subdivision based upon occupational analyses. More detailed subdivision and more differentiation between occupational positions are the emphases of the method of this kind. These emphases cancel out some perceptions toward the positions as to the extent of similarities among those positions and their respective situations in the context of other positions.

On the other hand, the new information service system utilizing information technology can render those positions as structures comprised of various qualities which in turn can be used in searches and in clarifying the relationship of the position with others. By utilizing the information on the various qualities of a position, individuals seeking employments can perceive possible existence of occupational positions which initially appear to be totally different from the respective previous positions of the individuals, and where the individuals can apply their respective skills and aptitudes.

### **iii. Necessity for prompt information collection**

Occupational information has been collected by job analyses conventionally. However, overwhelming volume of personnel and costs required by the conventional method makes it a challenge to continually implement the collection by means of this method. Today's society with drastic changes in various aspects has made the job analyses increasingly insufficient to cover shifts in occupations.

Today's society, as such, gave rise to the demand for development of alternative methods to supersede the job analyses and therefore, the demand for deliberate upon methods with inexpensive and prompt information collection. To address these demands, a method to directly collect information on a specific position from individuals at the position was developed in this project. The method is explained in details later in this article. One of the

objectives of this development is to equip the system with this function to directly collect information.

### **iv. Optimal placement of human resources and intelligence infrastructure of the IT era**

In the same sense as infrastructural development is the foundation of economical and social development, the progress and upgrading of industrial society requires, as a prerequisite, intelligence infrastructure making optimal placement of human resources available. In addition, full stride of the ability each individual has been required in supporting advanced industrial society, which also makes it necessary to establish information provision oriented toward the improvement of the ability.

Already on the Internet are various employment sites offered by public/private organizations, due to the advancement of information technology in the society as well as the governmental policy promoting governmental functions in electronic forms. The Ministry of Health, Labour, and Welfare has already commenced its information services including *Hello Work Internet Service*, *Shigoto Joho Net* (Job Information Network), and is considered to further expand its services in the future by establishing sites concerning skill development, sites regarding job creation and continuing employment of aged and disabled and other employment sites. A supersystem to provide uniform glossary of terminology and common standards, as well as to mutually connect organically related subsystems is required in order for the websites to be systematically and mutually linked and to generate synergistic effects. The informatization of corporate human resources and personnel management has recently shown significant progress. There is also required a system acting as informational intermediary in order to link those information systems of corporate human resources and personnel management to related websites on the Internet.

To mutually link these various websites is one of the vital functions of the system developed in the project.



## **2. Research and Development of Career Matrix**

### **A. Occupational information development**

#### **i. Previous occupational information development**

The Institute has authored and published various occupational commentaries and illustrated reference books including Occupation Handbooks (first to fourth editions) for years. These mainly descriptive references with pictures and illustrations were all published as printed materials only. Among those references for use on personal computers are CD-ROM of the Occupation Handbook Fourth Edition developed in 1997 and CD-ROM edition of OHBY: Occupation Handbook for Youth developed as an information source of occupations for junior high school/ high school students in 2002. With these developed references, occupational information has been transformed from printed references to databases for use on personal computers, and such contents different from descriptive references as pictures, movies and even function for users to conduct self-diagnosis have been included in the CD-ROMs in the course of their updating.

Information service has been made available via the Internet by Career Matrix. Thanks to Career Matrix, the latest occupational information has become accessible at no cost by anyone, anytime, anywhere. As for the information provider, Career Matrix has made it available to provide a massive volume of the latest information for more recipients at affordable costs. As mentioned earlier in this article, the Internet has been utilized not only in provision but also collection of information, thereby brought innovative change in development of occupational information.

#### **ii. Selection of occupations to be included**

In consideration to its vital role to give information utilized in job seeking and recruiting activity as well as to give career guidance, the selection criteria for the occupations to be included first prioritizes those with more number of employees, those with more intensified increase of

employees, and those with more numbers of job openings posted at Hello Works. And then the selection was made among those with common qualifications and/or licenses, those with more representativeness in occupation classifications, those attracting more applicants or popularity, those being the standards of aptitudes or job characteristics, and others.

The more occupation it encompasses, the more useful it may be, and the more the costs for development and maintenance will be. Also, attempt to augment occupation to be covered means facing difficulties incurred from the absence of any society or group related to the occupations of prospective inclusion, or the sparse employees therein. Consideration to the foregoing, the numerical target of the occupations to be included in Career Matrix was set to approximately 500 occupations. The target number of occupations to be included would cover approximately 90 % of all the employees nationwide based upon the estimation derived from the number of employees in the minor groups of Population Census.

#### **iii. Collection of occupational information**

The primary method for the information collection is to visit and survey societies and groups related to a specific occupation. The Institute is visiting the societies and groups to collect the information and to commission to compile occupational commentaries. The Institute visited approximately 600 societies and groups prior to the publication of Career Matrix. The Institute may visit companies or offices about which referrals were made to the Institute by the societies and/or groups. The Institute is recording essential duties and works of the occupation on pictures to be offered in Career Matrix. Upon photo sessions with model businesses, the Institute communicates with a business selected for a certain occupation, visits the business, takes pictures allowing time required, and selects the best shot among the pictures taken. In addition, the Institute is constantly correcting various statistics and related data on occupations and industries.

## B. Development and implementation of “jobs survey system on the web”

As a new attempt in the project, collection of occupational information by the Web monitors (i.e. consumer monitors for survey) has been introduced in the development of Career Matrix. Occupational information prior to the new attempt had been collected by individuals trained for the “Job Analysis” visiting workplaces and other locations to observe the ongoing duties and to have a hearing with parties concerned for the collection. However, this conventional method is becoming more incapable of getting on a par with the fast changes in occupations and society, because of difficulties in costs and personnel, as well as the time required for it.

On the other hand, the number of service monitors of the research companies using the Internet has grown up to significant numbers due to the widespread Internet and there are some research companies with more than one million web monitors. This prospect seeks to utilize the web monitor to directly collect information on a specific position from individuals at the position. The survey was conducted over four years using the Web monitors of three research companies. The survey first inquires regarding the monitor’s occupation followed by the web Occupational Analysis System in the event the occupation falls in one of the occupations subjected to Career Matrix. A total of approximately 1.9 million web monitors were subjected to the survey over the period. Detailed occupational information was collected from the web monitors with occupations subjected to Career Matrix after identifying the occupation of those 1.9 million web monitors.

The Web Occupational Analysis System first provide a task list prepared for each occupation to select tasks the web monitor is engaged on his/her position. Should there be any task which is not in the list; the web monitor can describe the task in a box provided for the description. Then the web monitor will proceed to evaluation of the skills (35 items) and knowledge (33 items) in five grades from “necessary” to “not necessary at all,” followed by evaluation of the interests (six items) and work styles (six items) preferred on the occupation, and further proceed to

the evaluation of work environment (14 items) of the occupation also in five grades. Total evaluation items amount to 94.

Various statistical assessments were conducted for the data thereby collected to exclude questionable data, and then organized as the figures to be the standards of the respective occupations. The world of occupations is excellently rendered by numbers despite the fact that the further statistical assessments are currently performed as the collected data is available for various assessments from different points of view.

## C. Link to the other related systems

The development of link with Hello Work Internet Service which allows to browse employment information of Hello Work has already been completed. Related information of Hello Work Internet Service is now accessible from the occupational information pages. If, for example one is interested in the occupation of the “Computer Programmers” and seeking to have it as his/her occupation after referring to Career Matrix, then he/she can browse actual employment opportunity information of the occupation by clicking a button on the occupation page of the “Computer Programmers.” The development has been completed as mentioned earlier, and no problem is identified on its operation. However, the further inspection must be yet to be performed for any possible defects under various conditions before making it publicly available.

More and more websites related to vocational trainings and skill development is developed by other organizations on the Internet today. Currently, evaluation and developments are under way at the Institute to make links to these websites available. Once the links are made available, the locations where one can participate in the education and training programs required for the occupation he/she found in Career Matrix will be available just a click away.

## D. Usability evaluation and monitoring —trial and adjustment of the system—

In consideration to its public nature, the development of Career Matrix has to assume access

by users of various backgrounds (e.g. age, gender, educational levels, etc.) in the society. To better address the assumed users, the Institute designed the system for the comfortable use of any such users by means of numbers of evaluations of usability and monitoring for the identification of problems from different points of view to implement minute examinations and improvements.

Tests by users for the evaluation of usability are conducted three times per annum in the course of development. The test seeks to identify problems by letting the subjects use Career Matrix and observing the subjects. Subjects encompass various individuals including students, professionals, women, men, youth, middle-aged, and elderly.

Multiple usability specialists are asked to objectively evaluate the possibly problematic points by using the system from the specialist's point of view in the specialists' evaluation of its usability. The specialists' evaluation of its usability has been conducted annually in the course of development.

As for the research monitor survey, career professionals in charge of labor exchange or career guidance at Hello Work, career counselors at high schools and universities, industrial counselors are commissioned to use Career Matrix for the collection of evaluation and opinions. General public, including individuals seeking employment, students, youth with no occupations, and freeters (young part-time workers) are also asked to try Career Matrix for the collection of evaluation and opinions.

### 3. Functions and Components of Career Matrix

#### A. Key pages and their contents of the system

This chapter specifically explains the functions of Career Matrix. The explanation is laid out following the actual steps to use Career Matrix, by starting off from the top page of the entire system, followed by occupation search, and then proceeding to suitable occupation search navigation, career analysis, and ending up with occupational information page.

#### i. Top page of the system (online portal)

Figure 9-1 shows the top page of the system. In the center of the page are the central functions of the system including “occupation search,” “suitable occupation search navigation,” and “career analysis navigation.” On the left of the page is “Occupation Spotlight” which introduces one occupation a week as well as “Theme of the week” which introduces occupations related to a theme specified for the week. Numbers of various related websites are introduced below those weekly contents, thereby making it an online portal as the general information site for career guidance, guidance for employment or career change, career development, employment or vacant position and other subjects. On the right of the page is “Topics” introducing issues of today in guidance for employment or career change. Below the Topics is the Occupation Page View Ranking which introduces occupations with the most page views for a particular week. Further down below is “Notices” where information related to the operation of the Career Matrix is posted located above the section where operation manuals and brochures of the system can be downloaded.

#### ii. Occupation search

“Occupation Search” provides various search methods for an occupation search. “Keyword Search” allows users to search occupations by words contained in the names and descriptive references, whereas “Category Search” allows them to search occupations by classifications employed in the Occupation Handbook as revised to its fourth edition after first publication in 1981 by the Institute. “Search by Theme (objectives)” allows users to search occupations by 52 thematic descriptions such as “Processing things,” “Designing,” “Taking care of people,” and “Work overseas” which constitute the characteristics of occupations. A listing of occupations related to a theme will appear as users specify the theme. “Theme of the week” on the top page introduces one of those themes every week. Themes under the heading “Search by Theme” are sorted into four groups, namely Themes Related to

Figure 9-1 Top Page of Career Matrix



職業とキャリアに関する総合情報システム  
**CAREER MATRIX**

サイトマップ | Q&A | お問い合わせ  
提供: 独立行政法人 労働政策研究・研修機構

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- ▶ ジョブタウン
- ▶ 適職探索ナビ
- ▶ キャリア分析ナビ(ベーシック版)
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- ▶ 人材採用支援システム
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- ▶ マイリスト
- ▶ 職業レファレンスブック
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1.緊急雇用対策の推進/第2次補正予算案(厚労省12月20日)  
 2.10月1日現在の大学等内定状況を発表(厚労省12月16日)  
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Objects (i.e. themes oriented to objects as is known and represented by “T” of “DPT (Data, People, and Things)” located at the top of the section, Themes Related to Concepts or Ideas (i.e. themes oriented to information as is known and represented by “D” of “DPT,”) located below the Themes Related to Objects, Themes Related to People (i.e. themes oriented to people as is known and represented by “P” of “DPT,”) and Other Themes. Occupation Search also includes search by initial letters of the occupations and search by the Classification of Occupation for Employment Security Service (ESCO).

### iii. Suitable occupation search navigation

The Suitable Occupation Search Navigation is mainly for students and youth. This function allows users to explore their prospective occupations benefit to their results of occupational interest test, focus in their occupation selection or “working styles,” their skills and other information. Answering to questions of a brief self-diagnosis test gives users the results appearing on the page based on which they can be furnished with ideas of occupations befitting to their respective selves.

### iv. Career analysis navigation

Career Analyses Navigation is a system for the individuals with work experience. Users can enter their own respective previous occupations and duties to get resulting statements of the analysis such as "If you have previous experience of the occupations and duties entered, then you have strengths in...(appealing points,) and therefore you are suitable for occupations including..." Also made available is the advanced edition of the Career Analysis Navigation featuring calibration of the skill levels and knowledge levels automatically calculated based upon the entered background to evaluate possibility of a specific occupation for career change or finding employment, and to clearly specify appealing points and challenging points. The appealing point represents the strength or advantage of the individual as is the case of the basic edition, whereas the challenging point represents insufficiency to be fulfilled or improved in order to be on the specified occupation.

Challenge points is planned to be linked to information on methods to improve and to related educational and training institutions, as well as to information on the actual training courses and seminars.

### v. Occupational information page

Occupational Information which will be provided as the result of using the systems comprises of “Occupation Description” which gives the overview of the occupation with pictures, “How can I make it my occupation?” presenting the approach to the occupation, “Work Condition Characteristics” presenting information including the number of employees and their working hours/average wage of the occupation, “Occupation Profile” which is digitized characteristics of the occupation, and “References” introducing similar positions, websites of related organizations and the link to “Job Job World” providing graphic information of the occupation.

### B. Provision of numerical values of characteristics and uniform terminology/standards

The “uniform terminology” and the “uniform standards” for job seeking, job offer and skill development were also developed along with the system. Provision of the “uniform terminology” and the “uniform standards” means provision of common occupation names, common classifications, common terminologies in the related fields, and common standards, the absence or ambiguities of which had been responsible for various mismatches and other issues in the course of job seeking process, including discrepancies between the characteristics of backgrounds, skills, and interests of the job seekers and those required by the recruiting employers accrued in collating both.

Total 94 categories comprised of 35 categories of skills, 33 categories of knowledge, six categories of interests, six categories of working style, and 14 categories of work environment are defined and standard value for each category are entered in the system. Ninety-four numerical values (as columns) prepared for each of approximately 500 occupations

(as lines) amount to 5,000 numerical values prepared in the form of a matrix.

The standard numerical values of 94 categories were collected by the aforementioned “Jobs Survey System on the Web,” and are the values derived by arranging the grading of individuals with the occupation. The numerical values are also presented as the “Occupation Profile” of Occupational Information, and are used to identify the connections between the characteristics of an individual and specific occupations in the “Suitable Occupation Search Navigation.” Furthermore, the numerical values are the standards for analyzing backgrounds in the “Career Analysis Navigation.”

#### **4. Publication and Operation of the System**

Since its publication in September 2007, Career Matrix has been providing information services 24 hours a day, 365 days a year, without any service interruption. This chapter explains the systems, operational structure, and page view etc. trend of Career Matrix.

##### **A. Consistent information provision**

Since its publication, Career Matrix has been providing exactly the same information on three websites listed below. Those three sites constitute so called “mirror site” relationships. Mirror site is a method used for sharing loads and constant information provision. Those three sites are situated at locations geographically detached from each other, that is to say, one located at the university of the Institute in Asaka City (Saitama), another one located at the research center of the Institute in Nerima Ward (Tokyo), the other one is located at a data center in an undisclosed location within the Special Wards of Tokyo. The data center with multiple security measures can be considered to be totally prepared for disasters and hackers, at the cost of convenience in doing research and development such as information update, system replacement, changing server setup. To address the issue, two out of three sites are situated within the server rooms of the Institute, while the other one is situated in a data center. Hacking, defacement, or attack which was concerned

at the time of publication has not taken place up to now for the system being without any confidential information or personal information. Those three sites have multiple servers respectively in order to ensure the redundancy required for sharing loads and stability. Thanks to the multiple servers, information service of the sites has no effects whatsoever even if one of the servers is stopped for maintenance. Due to the information provided from three sites comprised of multiple servers, the information provision of the system as a whole has not been interrupted since its publication. The unavailability of the system must not take place in consideration to the occasions where the service is used, including inquiry into job description upon job seeking or career change, and use in the class at schools. The service must be readily available whenever it is called for.

<http://cmx.vrsys.net>

<http://cmx.hrsys.net>

<http://cma.vrsys.net>

##### **B. Operation structure**

As for the personnel aspect of the system operation, approximately four individuals from the Institute employees or other sources respond to inquiries into the contents of the system around the clock, and also four individuals from the system development company personnel address technical issues. The number of inquiries regarding defects of the system or operation procedures has been less than expected since its publication. Most of the inquiries pertain to license, such as media organization seeking a license to cover the system, or to introduce the system in magazines or websites.

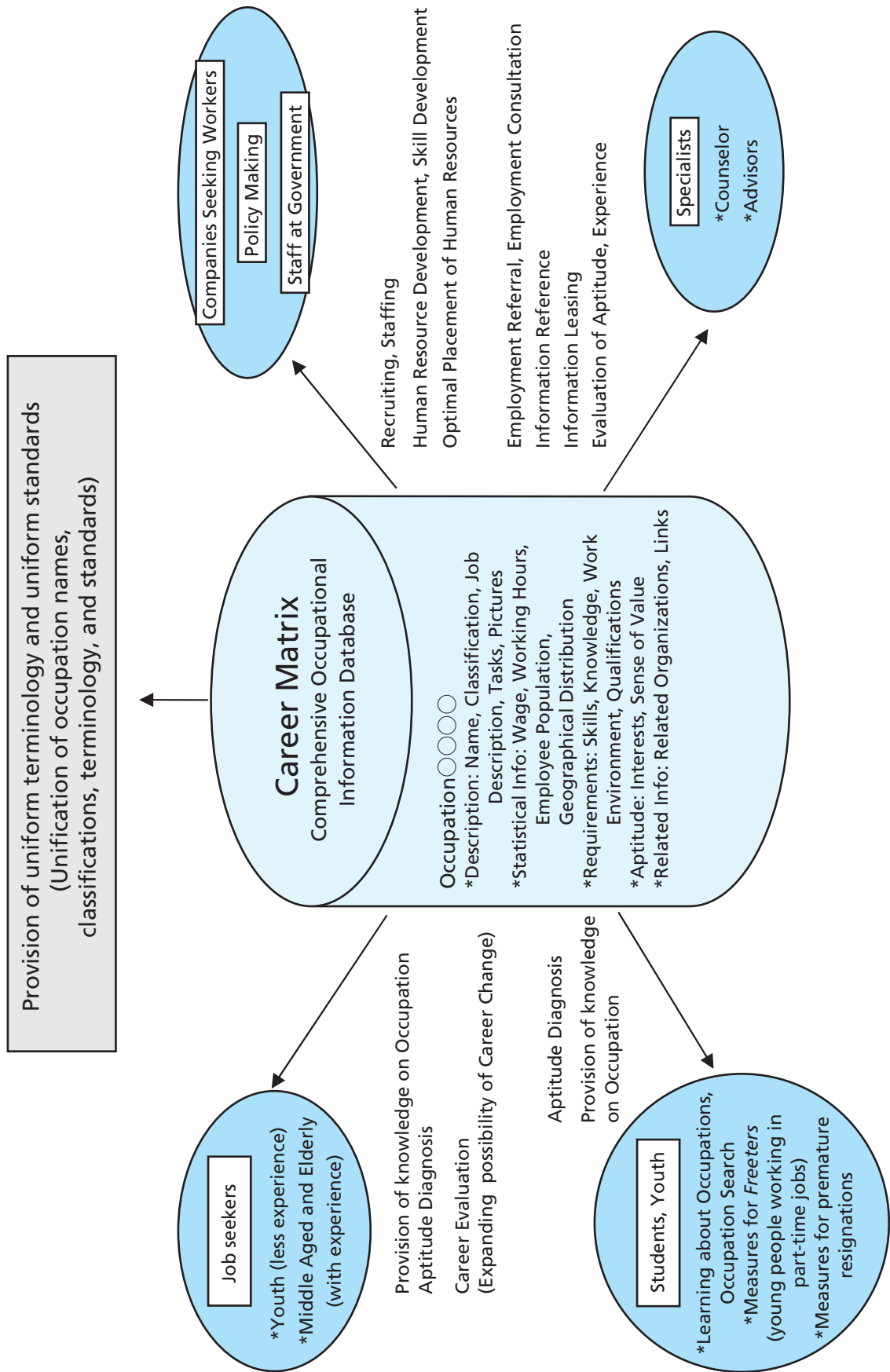
Collaborative software has been introduced to share information on inquiries and answers among the multiple individuals responding to inquiries both at two locations of the Institute and the system development company. The personnel in charge of inquiry are simultaneously handling other tasks including updating/adding the information contents and revision and development of the system.

##### **C. Page view status**

The number of page views of those three sites amounted to 2.8 million in September 2006 where the



Figure 9-2 Functions and roles of Career Matrix



site was published, and then has remained around 1.4 to 1.8 million per month thereafter. There were days where the number surged to several hundred thousands due to the exposures on newspapers and other media when it was published. However, the recent number of page views per day is approximately 50 thousands to 80 thousands on weekdays and around 30 thousands on weekends and holidays. The period from around 10:00 a.m. to 5:00 p.m. has more number of page views per day, and the number peaks off at 2:00 p.m. The number decreases at 7:00 p.m. then recovers to a fair number of page views until midnight. The number decreases thereafter to the lowest around 4:00 a.m.

## 5. Future System Development and Expansion

With enormous number of page views, Career Matrix has become a standard website of its kind. However, merely a part of the entire system has been developed. Development is still under way with its expansion and evolution scheduled in the future. The system for the experts is among those developed in the ongoing concrete development plan. The system released in September is for general public and is readily accessible by students, youth, and individuals seeking career change, and other people in general. There is a demand for a system customized for career experts including career counselors at school, personnel at Hello Works who support career guidance, career change or finding employment. The customized system provides technical information required in career counseling or career guidance. The development of the customized system is now under way with the tentative product name of “Career Matrix Pro.” A system to support recruiting activity of companies, and a system to facilitate staffing, making changes in the staff, and skill developments

within companies are also currently being developed. These new systems utilize the database that the existing system has, and that digitizes the characteristics of occupations to support human resources personnel of companies. The human resource development aspect and human resource management aspect of the new systems can be of great use for policy makers and persons in charge of administration of employment stabilization

Figure 9-2 shows functions and roles of Career Matrix organized in a conceptual diagram. Career Matrix has set a goal not only to be an information system which supports individuals seeking employment in finding jobs and career change, and which is an information source of career guidance for students and youth, but also to be an information system used by companies seeking workers and career experts. On the other hand, the most fundamental function and role of Career Matrix can be defined as the provision of uniform terminology and uniform standards comprised of common occupation names, common classifications, common terminologies, and common standards. Therefore, the objective of Career Matrix is to disseminate the uniform terminology and uniform standards of the relevant fields by means of making Career Matrix widely used.

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The report in Japanese is written by an author below:  
(As of March, 2007)  
Shinsaku Matsumoto, Senior Researcher, JILPT

URL: <http://www.jil.go.jp/english/lsj.html>

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