

CHAPTER 6

EMPLOYMENT PRACTICES

The Japanese employment system

6.1 The Committee was told that Japan now stands at a turning point in its history comparable to the arrival of western technologies in the late 19th century and the Allied occupation in the period of 1945 to 1952 after World War II. Japan was said to be in slow but irreversible transition toward a more decentralised, diverse, flexible society.¹ Some of the most significant social changes, with potentially far-reaching ramifications, are those relating to employment practices.

6.2 Japan enjoyed extremely low unemployment for most of the postwar years. Between 1953—when the government started to collect relevant statistics—and 1995, the jobless rate never exceeded 3 per cent. But following the collapse of the ‘bubble economy’ of the 1980s, the jobless rate rose to 4 per cent in the mid-1990s, reaching a record high of 4.9 per cent in February 1999, with more than 3 million people out of work.² The 4.9 per cent rate was maintained during 2001 and by August had reached 5 per cent, the highest level since regular reporting of unemployment figures had begun in 1953.³

6.3 This situation shocked many Japanese, who had long believed in the unique employment practice of Japanese companies: lifetime jobs supported by seniority-based salaries and trade unions that favoured cooperation over confrontation with management. There was a long-held understanding that major Japanese corporations—which maintained a paternalistic view of the employer–employee relationship—would rarely lay off or fire workers, because they put the interests of workers ahead of shareholders.

6.4 In fact, the postwar jobless rate was kept low only because Japan enjoyed steady economic growth. As Akira Takanashi, Chairman of the Labor Ministry–affiliated Japan Institute of Labour, has commented ‘It has nothing to do with employment practices’.⁴ In reality, the employment model was

1 Dr Yasuo Takao, Lecturer, School of Social Sciences and Asian Languages, Curtin University of Technology, *Committee Hansard*, 24 February 1999, p. 118

2 ‘It is actually equivalent to about 10 per cent in the way we measure it... Anyone who works one hour in the last week of a month is employed in Japan—one hour in one week in one month.’ (Professor Reid, *Committee Hansard*, 25 February 1999, pp. 192, 194 ; ‘Unemployment rate for July seen hitting 5%’, *The Japan Times*, 24 August 2001)

3 ‘Unemployment rate reaches 5% threshold for first time’, *The Japan Times*, 29 August 2001

4 Reiji Yoshida, ‘Lifetime employment myth fades amid jobless realities’, *The Japan Times*, 9 March 2001

anchored in the prewar mobilisation of labour in service to company and state, and its postwar evolution relied on the purging of social democratic forces, including a powerful emergent union movement, so as to gain a compliant and disciplined labour force for Japan's economic recovery and progression.⁵ The legacy is a system which has served Japan well in the past but is rigid and structurally resistant to change.⁶ Dr Yasuo Takao explained:

The state building of modern Japan required all the institutions, all the individuals, to move in the same direction, and therefore to this end Japanese political institutions were highly centralised. Japanese society was heavily regulated. However, this old strategy began to fail to function in today's Japan; that is the core of the problem.⁷

6.5 In addition, such practices as lifetime employment covered only a limited portion of the entire workforce. As Hisashi Yamada, senior economist at Japan Research Institute Ltd explained, 'The so-called typical Japanese employment practices have only applied to male full-time workers at large companies, which account for only around 20 per cent of the nation's entire labor force'.⁸ According to the Labour Ministry, for example, as of 1997, the average male worker at companies with 1,000 or more employees had spent 16.8 years with his employer, whereas the figure was 10.6 years at smaller firms with fewer than 100 employees. Large companies, which were associated with lifetime employment, had fired large numbers of workers during economic slumps in the past. During the slump after the oil crisis from 1975 to 1978, for example, around 500,000 workers were fired by corporations with 500 or more employees. Most of those jobless were absorbed by small and middle-size companies, which generated 1.7 million jobs during the same period. The problem in the current economic malaise is that these smaller firms no longer serve as shock absorbers for the economy's ups and downs. 1998 data show that the number of people hired at firms with fewer than 500 employees decreased by 310,000 in that year, contributing to the rise in unemployment. The tight lending policies of financial institutions toward small firms, coupled with moves by major companies to review their long-standing ties with affiliated subcontractors, has weakened the ability of small companies to offer jobs in recent years.⁹

5 Gavan McCormack, *The Emptiness of Japanese Affluence*, St Leonards: Allen and Unwin, 1996, p. 81

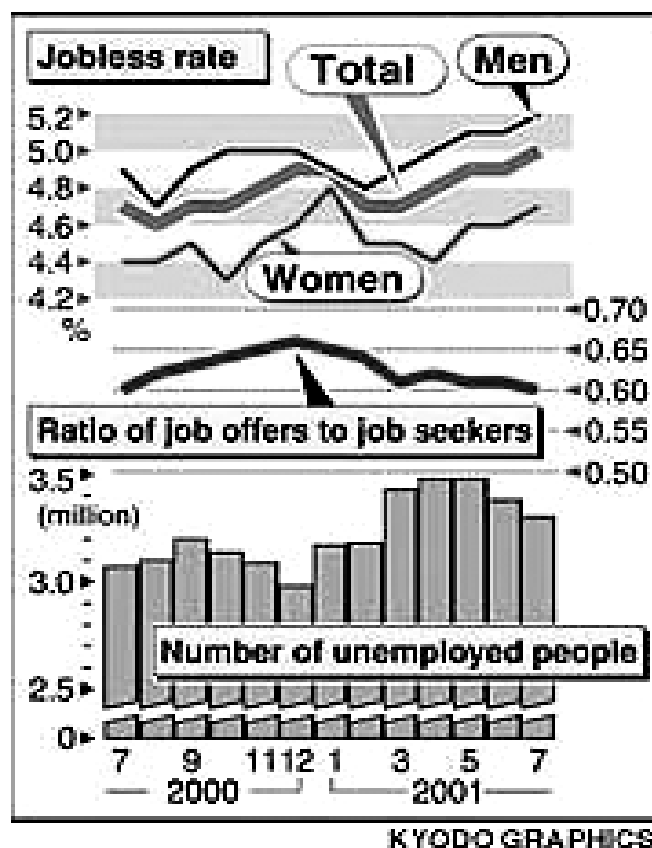
6 Dr Aurelia George Mulgan, submission no. 20, p. 15

7 Dr Yasuo Takao, *Committee Hansard*, 24 February 1999, p. 118

8 Quoted in Reiji Yoshida, 'Lifetime employment myth fades amid jobless realities', *The Japan Times*, 9 March 2001

9 Reiji Yoshida, 'Lifetime employment myth fades amid jobless realities', *The Japan Times*, 9 March 2001

6.6 The Japanese employment system has operated as two sectors. The high productivity 'first' sector is dominated by large manufacturing firms in export industries. These firms maintain the company recruitment or lifetime employment system. Japan's highly regulated 'second' or 'low productivity' sector absorbs the larger part of Japanese workforce. This regulated sector produced 40 per cent of Japanese GNP in the 1990s.¹⁰ In turn, the two sectors stand on a substructure made up of a day labouring underclass, the members of which must compete for work in the domestic construction and other industries.¹¹ Deregulation is thus likely to have its greatest effect on the regulated secondary sector, which employs the majority of Japanese.



10 Dr Aurelia George Mulgan, submission no. 20, p. 15

11 Tom Gill, 'Yoseba and Ninpudashi: Changing Patterns of Employment on the Fringes of the Japanese Economy', J.S. Eades, Tom Gill and Harumi Befu (eds.), *Globalization and Social Change in Contemporary Japan*, Melbourne, Trans Pacific Press, 2000

6.7 Japan's well-known paternalistic company system actually applies to only 20 to 40 per cent of the labour force; to male blue and white collar workers employed by the large export industries.¹² Meanwhile, although aspired to by secondary sector industries, the company employment conditions of the first sector do not apply. In fact, small businesses at the base of the *keiretsu* corporate families have always retrenched unwanted staff during difficult times.¹³

6.8 In the secondary sector, bankruptcy and unemployment is becoming a feature. In 1997, an estimated 120,000 small businesses closed.¹⁴ Female employees have been the most affected as a high proportion work for small and medium businesses.¹⁵ Staff lucky enough to retain their jobs have experienced salary cuts and lost their regular biannual bonus, making it hard to balance the weekly budget.¹⁶ This comes on top of the transfer, over several years, of Japanese industry offshore to take advantage of lower labour and investment costs in North East and South East Asia.¹⁷

6.9 The recession has subjected both the highly productive first and the highly regulated secondary sectors to convulsive change. Since 1992, the Japanese Government's main response to this has been the implementation of eleven fiscal stimulus packages totalling US\$2.1 trillion. Most of the money has gone, and will continue to go, into largely superfluous but massive infrastructure projects, such as a sequence of major bridges.¹⁸ The result is that, while manufacturing rapidly lost jobs, the construction sector found more than one million new jobs in 1996–97.¹⁹ Critics say these jobs are unsustainable and judge the projects as unnecessary, and in many cases, environmentally

12 DFAT, *A New Japan?*, p. 36; cf. the estimate in Reiji Yoshida, 'Lifetime employment myth fades amid jobless realities', *The Japan Times*, 9 March 2001 (quoted above, fn. 8) that the typical Japanese employment practices have only applied to 'male full-time workers at large companies, which account for only around 20 per cent of the nation's entire labor force'.

13 For example, during the oil shocks in the 1970s, the initial surge of the yen in the mid 1980s and today in the present crisis, *Japan Swings*, p. 255

14 'Japan: Cover Story', *World Press Review*, June 1998, p. 10

15 Marika Sugahara and Ban Sugahara, *Japanese Women Yesterday and Today*, Foreign Press Centre, 1996, p. 21

16 'Japan: Cover Story', *World Press Review*, June 1998, p. 10

17 In 1995, according to a Ministry of International Trade and Industry survey, Japanese companies for the first time manufactured more overseas than exported from Japan itself. 'Japan the Challenge of Change and Reform', Dr Frank Frost, Parliamentary Information and Research Service, Parliamentary Library, 97th Inter-Parliamentary Conference Seoul and Bilateral visit to Japan, April 1997, p. 3

18 See 'Mostly the Wrong Medicine', 'Japan: Cover Story', *World Press Review*, June 1998, p. 10. Andrew Cornell, 'Dithering wins the day again', *The Australian Financial Review*, 12 March 2001

19 Gavin McCormack, 'Japan : Tokyo Woes', *Lateline*, 1 April 1998, p. 5

destructive.²⁰ The Japanese Government's talk of fiscal reform is thus seen as elaborate window dressing, or at worst, pork-barrelling to retired bureaucrats now running the construction industry.²¹ If the government cannot extricate itself from these ties it will not be able to invigorate other sectors, such as the information technology, multimedia and service industries which Japan will need to grow for future prosperity.²²

6.10 The features of the Japanese employment system which were widely seen in the 1980s as a unique source of economic strength—on the job training of generalist recruits; life-long employment within one organisation and a rigid seniority based promotion and pay system—are now increasingly being seen as a source of weakness. In particular, the inflexibility of the system has inhibited use of female labour, and it has saddled Japanese organisations with onerous labour costs. Under the traditional Japanese seniority system, the age-linked wage curve rises straight from 25 years of age to 50 years of age, then becomes top-heavy and levels off at the age of 55.²³ Dr Yasuo Takao told the Committee the 'long-tenured, seniority-based employment system cannot facilitate the promotion of young, capable workers'.²⁴

Lifetime employment system

6.11 A growing number of Japanese companies believe it is no longer necessary to maintain the lifetime employment system, according to a survey conducted in January 2000 by a Labour Ministry working group. The survey of 591 companies found that only 9.5 per cent of the firms continued to attach importance to life-long employment, while 38.3 per cent did not and 51 per cent did so on a limited basis. Regarding their employment policy,

20 Mark Simkin and Gavin McCormack, *Lateline*, 1 April 1998, pp. 3; 8; see also 'Japan: Cover Story', *ibid*

21 *Japan Swings*, pp. 127–28 and 'Japan: Cover Story', p. 11

22 *World Press Review*, June 1998, p. 10. In his Policy Speech to the 151st session of the Diet on 31 January 2001, Prime Minister Yoshiro Mori said: 'The promotion of the IT revolution is the key that will ensure the development of our nation in the 21st century and make it a 'Century of Hope'. Within the Strategic Headquarters for the Promotion of an Advanced Information and Telecommunications Network Society established based on the Basic Law on Information Technology (IT Basic Law), the initiative of e-Japan was just adopted as the national strategy to be pursued by both the public sector and private sector individuals. Hereafter a concrete action plan will be compiled in the form of the Focused Plan by the end of March. Based on that, I intend to move full speed ahead to turn Japan into the foremost advanced IT nation in the world within five years.' Quoted in *The Japan Times*, 1 February 2001

23 According to a survey by the Institute of Labour Policy, in 1997 the model regular hour wages of male skilled or office workers with high school diplomas in major enterprises came to ¥160,300 at the age of 18, ¥279,400 at the age of 30, ¥335,400 at the age of 35, and ¥570,900 at the age of 50. However, in an Economic Planning Agency survey of company managers in 1997, 44.6 per cent of respondents said they had revised their seniority wage systems (Department of Foreign Affairs and Trade, submission no. 32, p. 56)

24 Dr Yasuo Takao, *Committee Hansard*, 24 February 1999, p. 119

65.2 per cent said they were cutting down on the number of permanent employees, while 59.2 per cent would hire more part-time or temporary staff; 30.7 per cent of the companies said they would expand mid-career recruiting programs. The survey also showed 97.2 per cent of the companies would place more importance on employees' capabilities and achievements when assessing their job performance.²⁵

6.12 However, most Japanese people do not believe the introduction of an unalloyed freely competitive, merit-based system is necessarily desirable. It is seen as antithetical to social harmony and the Japanese group-based approach to life and work. Dr Takao said statistics indicated that Japanese workers still tended to support the lifetime employment systems, despite agreeing with a merit based wage system rather than a seniority-based wage system: 'They still really prefer lifetime employment systems'.²⁶

6.13 Japan by and large has not concluded that the Japanese way is outdated. Some Japanese have argued that Japan does not need to generate any more national wealth beyond what it already has. In this view, Japanese consumption has reached saturation point.²⁷ A survey cited by the Prime Minister's Office in Japan suggested that Japanese adults rated spiritual wealth more highly than physical wealth. Dr Takao commented:

My parents' generation worked hard in the fifties and sixties. They built Japan. In those days they actually worked sometimes 10 or 12 hours a day, and they built, after World War II, Japan returning from the ashes... The younger generation, once they reached the affluent lifestyle, think about, of course, their own leisure time, and spirituality in their own lives.²⁸

6.14 As retrenchment is seen as un-Japanese at big company level (the Japanese term is *kubi kiri*—'getting the chop'), large firms have sought to reduce staff numbers by limiting new intake and by cutting back on part time staff.²⁹ The corporate structure thus ages and becomes top heavy while the young experience a rise in unemployment rates, doubling the national average. Companies also seek to ease out older employees at middle management level because the seniority pay system makes them more expensive to keep.³⁰ By transferral to subsidiary firms or by offering retirement packages, Japanese companies managed to cut their work forces by 3–5 per cent annually from the

25 'Support down for lifetime employment, survey shows', *The Japan Times*, 15 November 2000

26 Dr Yasuo Takao, *Committee Hansard*, 24 February 1999, p. 125

27 Department of Foreign Affairs and Trade, submission no. 32, p. 57

28 Dr Yasuo Takao, *Committee Hansard*, 24 February 1999, p. 126

29 *Japan Swings*, p. 256

30 Mr Christopher Pokarier, submission no. 10, p. 5

early 1990s.³¹ Other firms have used the flexibility in the system has, through salary reduction in difficult times, as a means of retaining staff.³²

6.15 One way in which Japanese business has sought to circumvent the high cost structure associated with the life-long, seniority-based employment system has been to increase the number of permanent part-time workers. According to the Japanese Governments' 1997 *White Paper on Labour*, the ratio of non-regular workers (defined as part-time, temporary, commissioned and other) was increasing across all industries and companies regardless of their scale. The most notable features of the non-regular workforce are an increasingly high ratio of non-regular female workers to their male counterparts; the increasing ratio of part-time employment among all types of non-regular workers; and the existence of a high percentage of non-regular workers in the wholesale, retail, restaurant and service sectors. Non-regular workers typically attract relatively low wage levels, with an expanding gap between regular and non-regular workers' wage levels; and a high number of working hours which in fact approach those of regular workers, especially in the construction and manufacturing industries. According to the *White Paper*, although a considerable number of non-regular workers wished to move into full-time positions, a system which was conducive to this shift had yet to be established.

6.16 In the June 2000 annual report on labour, the Labor Ministry reported that, between 1992 and 1997, the number of part-time workers between 15 and 34 years increased by 50,000 to 1.51 million. The Ministry ascribed the sharp increase mainly to a growing loss of work incentives among young people and difficulties faced in finding regular employment (two thirds of them wanted a full-time job but were unable to obtain one). Of the 1997 total, women outnumbered men by 900,000 to 610,000.³³ During the decade of the nineties, the number for part-time workers had doubled to 11.38 million, representing 21.8 per cent of the total workforce. Companies eager to reduce their wage costs as they restructure have hired part-timers. Such workers remain a bargain as long as Japan continues to refrain from ratifying the 1994 International Labour Organization convention that calls for equal treatment of full-time and part-time workers.³⁴

31 *Japan Swings*, p. 257

32 Sometimes popular opinion has forced them to do so. When the Pioneer electronics company tried to sack 35 middle managers in 1993, their protests were supported by the media resulting in re-employment with a 10 percent drop in pay. *Japan Swings*, p. 256

33 'More young people take part-time jobs: report', *The Japan Times*, 28 June 2000

34 'A new breed of workers', *The Japan Times*, 7 July 2000

Unemployment

6.17 Aside from the actual system of employment in Japan, the biggest challenge facing Japan is growing unemployment, which in December 2000 officially stood at 4.8 per cent, with the monthly average jobless rate for 2000 unchanged from the annual record high of 4.7 per cent (3.2 million persons) reached in 1999.³⁵ The official figure for December 2000 was later revised to 4.9 per cent by the Ministry of Health, Labour and Welfare, a record-high level which was maintained during 2001.³⁶

6.18 The worst hit groups were the very young (15–24 years old), which rose to 10.5 per cent for men in September 2000, and among older workers between the ages of 55 and 64, at 6.3 per cent, up 0.1 per cent over the previous year. For women, the jobless rate was highest between the ages of 15 and 24, at 8.4 per cent, down 0.2 point, and between the ages of 25 and 34, at 6.8 per cent, 0.6 point lower.³⁷ April 2000 data showed that 81.6 per cent of university graduates found employment; 60.8 per cent of junior college students and 79.3 per cent of high school graduates found employment. These percentages were record lows. The rate of high school seniors finding jobs was also the lowest ever.³⁸

6.19 The job situation for 2001 high school graduates was bleak, according to a survey released by the Labour Ministry in September 2000. The survey said there would be 256,000 high school students leaving school in March 2001 with hopes of joining companies, which were offering only 163,000 jobs nationwide, bringing the openings-to-applications ratio to 0.64, up a mere 0.02 point from the record low in 2000. The ratio was 0.22 in Hokkaido and 0.24 in southern Kyushu, while firms provided as many jobs as applicants in regions in and around Tokyo and Nagoya. In March 2000, a record high 13.3 per cent of junior high school graduates failed to find jobs, up 5.4 points from 1999.³⁹

6.20 A survey by the Labour and Education Ministries released in November 2000 showed that 63.7 per cent of university students graduating in March and seeking employment had found jobs, while 42.5 per cent of prospective high school graduates seeking jobs had secured employment. Although these hiring rates were marginally higher than the record low marked at around the same time in 1999, job market prospects still looked bleak, according to the survey. The rates were 0.1 percentage point higher than in 1999 for university students, and 1.3 percentage points higher for high school

35 'Jobless rate unchanged at 4.8% for December', *The Japan Times*, 31 January 2001

36 'Jobless rate stays at 4.9%; spending remains in a lull', *The Japan Times*, 3 March 2001

37 'Unemployment level climbs back up to 4.7%', *The Japan Times*, 1 November 2000

38 '165,000 graduates seeking jobs: survey', *The Japan Times*, 12 March 2000

39 'Job outlook still bleak for high school graduates', *The Japan Times*, 9 September 2000

students. Around 354,000 graduating students were yet to find jobs, consisting of some 221,000 university and junior college students and roughly 133,000 high school students. ‘Companies are getting highly selective in hiring’, the ministries said. ‘Even if their earnings are recovering, they are not hiring as large numbers of staff as they used to but are looking for only highly talented, reliable people. This is making it difficult for some students to find jobs.’⁴⁰

6.21 Many Japanese corporate workers were trained to serve only their employers’ needs, and had few opportunities to acquire skills that they could use if they moved to other companies.⁴¹ There is a perception that younger workers are easier to train and, partly for this reason, there are few jobs in contemporary Japan for older workers, who are the most eager to find work because of their family commitments and their inability to access pensions before the age of 65 (and from 2001 before the age of 66).⁴² In evidence to the Committee, Mr Pokarier explained:

The average retirement age for a core employee in a Japanese firm was somewhere between 52 to 55. You could not access your pension entitlements until 65, so you had to find a post-retirement income position. Very often that was brokered by your employer. That is where the real pain is. Precisely because tough decisions have been made by firms, those jobs are no longer there. A lot of those male employees have kids in university just at the time when they are trying to find their second job and they cannot. That is one of the reasons why the baby boomers do not want to spend a lot of money at the moment.⁴³

6.22 According to the Labour Ministry, older jobless people were apparently unable to respond to employment demands in newly emerging business fields, due to age and lack of relevant skills. The Ministry said that while new jobs were mainly created in such service industries as medicine, information, education and social welfare, many unemployed people in higher age groups lack technical skills and are unable to take up the opportunities. Akira Takanashi, Chairman of the Japan Institute of Labour, argued that all industrial sectors were seeking workers with more specialised knowledge and skills as they shifted from mass production to knowledge-intensive services and production systems. This argument was supported by figures from the Industrial Employment Stabilization Center of Japan, a government-affiliated corporation that promoted re-employment and temporary transfers to other companies. Of the 4,522 people who had sought jobs through the Center as of

40 ‘Graduates face difficulty in finding jobs’, *The Japan Times*, 11 November 2000

41 Reiji Yoshida, ‘Lifetime employment myth fades amid jobless realities’, *The Japan Times*, 9 March 2001, quoting Hisashi Yamada, senior economist at Japan Research Institute Ltd

42 Department of Foreign Affairs and Trade, submission no. 32, p. 57

43 Mr Christopher Pokarier, *Committee Hansard*, 16 April 1999, p. 427

September 2000, former white-collar management workers comprised the largest group, accounting for 1,696. However, only 1,401 job offers at the Center were for such positions. While 3,698 job offers came for positions requiring technical and specialised skills, only 1,010 people approached the Center seeking such openings. Among job seekers, ‘middle-aged and elderly people formerly in white-collar jobs who were forced to accept early retirement due to corporate restructuring are the main force,’ said Yutaka Nishimura, assistant manager of the Center’s public relations section.⁴⁴

Voluntary redundancy and dismissal

6.23 Analysis by the Ministry of Labor showed that Japanese business was most reluctant to resort to either voluntary redundancy or dismissal as a way to cope with employment adjustment issues.⁴⁵ Japanese companies have always been reluctant to embrace the practice, common in the West, of implementing massive layoffs during a business downturn. Yet, current conditions have pushed Japanese corporate executives into taking steps, which are similar to Western practice, usually in the form of large-scale early retirement programs and other staff downsizing and payroll trimming in the name of ‘restructuring’. In late 2000, the National Tax Administration announced that in 1999, the number of employees working at private companies had decreased for the first time in 50 years. So did the average income of these salaried workers, mainly because of reduced semi-annual bonuses, even though wages rose slightly.⁴⁶

6.24 A survey conducted in January 2000 by a Labour Ministry working group showed that a growing number of Japanese companies believed it no longer necessary to maintain the lifetime employment system. According to the survey of 591 companies, only 9.5 per cent of the firms said they continued to attach importance to life-long employment, while 38.3 per cent did not and 51 per cent did so on a limited basis. Regarding their employment policy, 65.2 per cent said they were cutting down on the number of permanent employees, while 59.2 per cent would hire more part-time or temporary staff. The survey showed 30.7 per cent of the companies said they would expand mid-career recruiting programs. It also showed 97.2 per cent of the companies would place more importance on employees’ capabilities and achievements when assessing their job performance.⁴⁷ The number of people laid off in September 2000 increased by 10,000 from a year earlier to 990,000 for the first upturn in seven

44 Reiji Yoshida, ‘Lifetime employment myth fades amid jobless realities’, *The Japan Times*, 9 March 2001

45 Department of Foreign Affairs and Trade, submission no. 32, p. 57

46 ‘Help needed for discontented workers’, *The Japan Times*, 14 December 2000

47 ‘Support down for lifetime employment, survey shows’, *The Japan Times*, 15 November 2000

months, while the number of people who voluntarily left their jobs slipped by 90,000 to 1.09 million for the third consecutive monthly drop.⁴⁸

Changes in employment practices

6.25 According to Japanese labour experts, since 1990, changes have started to occur in employment practices across the Japanese economy, fed by the need for labour with specialist skills in high technology areas, expansion of the service sector, and an expansion in industry out-sourcing. However, as with most change occurring in Japan, the changes to Japan's employment system have been incremental rather than radical. It is still mainly only in the software systems area that it has become the norm rather than the exception to change jobs, although the Labour Ministry announced in July 2000 that a survey had found that one out of every five white collar workers changed employers in mid career.⁴⁹

6.26 Few Japanese are prepared to countenance that Japan's unemployment rate could rise much beyond about 5 per cent. At the same time, due to efforts to restructure, it is also not expected to return to previously very low levels.⁵⁰ Mr Nakano commented to the Committee:

The 4.9 per cent unemployment rate is really an astonishing number for the Japanese, yet we understand the unavoidable necessity to undergo fundamental change because in companies it has been said that overemployment was hindering the restructuring of the Japanese economy or the Japanese company way of business. That overcapacity was the kind that was hindering the economy. That is why, as Japan goes into social economic change, especially structurally, that employment ratio for the time being continues, unfortunately.⁵¹

6.27 Employers are also needing to confront the reality of a growing scarcity of available labour market, which in turn is forcing them to address the issue of how to make better use of women and older workers.⁵² Dr Smith explained that the job stability of male regular employees in large companies was formerly buffered by the expendability of part-time workers. Almost all female workers came in as regular employees only to be retired upon marriage and child rearing. They then came back as part-timers with short-term contracts and no union representation or training or promotion opportunities. It had been hoped that the Equal Employment Opportunity Law of April 1986

48 'Unemployment level climbs back up to 4.7%', *The Japan Times*, 1 November 2000

49 'A new breed of workers', *The Japan Times*, 7 July 2000

50 Department of Foreign Affairs and Trade, submission no. 32, p. 58

51 Mr Hiroshi Nakano, *Committee Hansard*, 3 September 1999, p. 795

52 Department of Foreign Affairs and Trade, submission no. 32, p. 58

would have given women equal representation in the labour force in terms of promotion and career opportunities. But the employers set up a dual track system in which there was a career track which women could choose to enter only with the understanding that they would perform equally as men did: they would be available for transfer to any region in Japan or overseas; they would have to be on duty night and day and weekends for drinking with clients and so on. It would be almost impossible for a woman to provide support to her husband and also function at the same level of job involvement as her husband, so very few women were able to choose the career track other than single women without children. Most chose the general track, the conditions of which were virtually the same as those prevailing before the Equal Employment Opportunity Law.⁵³

Women in the employment market

6.28 Mounting public pressure to encourage women to continue working caused the government to revise the Equal Employment Opportunity Law to require companies and local governments to give employees leave to take care of family members. Under the revised law, employers cannot dismiss employees for taking such leave. Unlike the original law, which only required employers to ‘make efforts’ to ensure equal treatment of female employees, the revised law, which took effect in April 1999, also bans gender-specific job descriptions in classified advertisements, as well as sexual discrimination in employment, deployment, promotion and job training. Another characteristic of the revised law is that it encourages employers to take positive action to increase the number of women at the workplace. Akiko Yoshimoto, an officer of the Labour Ministry’s Women’s Bureau, commented: ‘With the revised anti-discrimination law and family leave law, I believe Japan’s legal framework (for supporting working women) has reached the level of that of other industrialised countries’.⁵⁴

Older workers and employment

6.29 Attitudes towards Japan’s time honoured life-time employment system, whereby a worker could expect to join a company after finishing school or university and stay until retirement, have been changing for some time. Workers aged over 40 years, unless highly specialised, tend to still prefer the traditional Japanese employment system. The attitudes of younger people however have changed, and they are less tied than older generations to the company, preferring to keep their work and private lives separate, in a way more akin to patterns in Western countries. Japan’s comparatively independent

53 Dr Wendy Smith, *Committee Hansard*, 17 May 1999, p. 562

54 Quoted in Kanako Takahara, ‘“New breed” of woman emerges in Japan’, *The Japan Times*, 7 August 2000. The belief is held in some quarters that the law still ‘lacks real teeth’ (‘Behind the quest for more babies’, *The Japan Times*, 10 January 2001)

second wave of baby boomers (born in the early 1970s) are increasingly critical of the system.⁵⁵ Companies conventionally recruit youths straight from school or college, positions are not advertised and there is little mobility for mid-life career change.⁵⁶ Young Japanese balk at these conditions; at the long hours, lack of holidays and the frequent transfers companies demand.⁵⁷ Surveys show they are more individualistic, less loyal, change jobs more frequently and are more focussed on family and personal fulfilment.⁵⁸ Moreover, as the recession deepens, company employment conditions have become even less desirable. ‘Voluntary’ (unpaid) overtime is increasingly expected, leading to the phenomenon of *karôshi*—death caused by overwork—which occurs at an estimated (but unsubstantiated) high of 10,000 deaths a year.⁵⁹

6.30 In recognition of the rising unemployment problem, especially among older workers, the Japanese Government put in place a range of measures designed to promote employment in the regions and to encourage companies to take on new workers through government subsidy assistance arrangements. The Government lowered the minimum age at which companies could accept wage subsidies for hiring older workers from 55 to 45 years.⁶⁰

Temporary workers

6.31 In May 1998, in recognition of the changed labour situation in Japan, a Government advisory panel recommended changes to the Temporary Labour Law that would lift restrictions on the use of temporary staff across a wide range of work hired through employment agencies. This led to major deregulatory steps in December 1999, in particular the Manpower Dispatching Business Law which liberalised the field of temporary work by widening the scope of jobs that could hire such employees. According to the Labour Ministry, the law led to an expansion of the number of temporary workers in Japan to 1,067,949, an increase of 19.3 per cent in fiscal year 1999 from a year earlier.⁶¹ Most job categories, including construction, were opened to

55 Department of Foreign Affairs and Trade, East Asia Analytical Unit, *A New Japan? Change in Asia's Megamarket*, 1997, hereafter cited as DFAT, *A New Japan?*, p. 32

56 Professor Tessa Morris-Suzuki, submission no. 3, p. 2

57 The Japanese *sarariman* (salaryman) works a 55 hour week, not including overtime. The overtime average of 190 hours per year has increased since 1986. During the period 1975–1990 hours of work for males in their forties increased by forty percent *The Emptiness of Japanese Affluence*, p. 80

58 Department of Foreign Affairs and Trade, East Asia Analytical Unit, *A New Japan? Change in Asia's Megamarket*, 1997, hereafter cited as DFAT, *A New Japan?*, pp. 32; 35

59 *The Emptiness of Japanese Affluence*, p. 85. Some experts believe the estimate of 10,000 such deaths each year may be conservative (‘Death from overwork still threatens’, *The Japan Times*, 9 November 2000)

60 Department of Foreign Affairs and Trade, submission no. 32, p. 58

61 ‘Number of temporary workers up 19% in 1999’, *The Japan Times*, 26 December 2000

temporary workers, whereas only 26 job categories, including secretarial work and tour conducting, were open before 1 December 1999. ‘Last year’s deregulation enabled us to provide more services to our clients,’ said Tohru Omoi, President Adecco Career Staff Ltd, a leading manpower supplier. ‘And more firms began to consider accepting temporary staff in business areas in which they have never done before.’ Temporary workers only made up about 0.5 per cent of the entire working population, but Mr Omoi said that more people had begun to see working as temporaries in a positive light: ‘I think more people have come to recognise being a temporary staffer as a convenient working style, which allows them to adjust their work according to their life plan. And to some people who eventually want to work full-time, working as a temporary is a chance to try out different jobs before obtaining a permanent position.’ He said the demand for temporaries had been especially strong in sales and telephone marketing.⁶²

Wages and training

6.32 Reflecting Japan’s poor economic conditions, wage growth achieved through the 2000 *Shuntō* (‘spring labour negotiations’) led to record-low salary increases on an industry-wide basis.⁶³ In March 2001, Japan’s automobile, shipbuilding and electrical appliance industries offered higher average pay rises compared with the previous year for the first increase in four years. The results of the annual *Shuntō* wage talks in the three industries were usually considered bellwethers for spring wage negotiations in other industries. If the trend was reflected in other industries, the average pay rise at Japan’s major companies would be likely to surpass the record-low 2.06 per cent raise obtained in 2000. The rise was seen to be a result of increased corporate earnings. But against the backdrop of a slowing United States economy and falling stock prices worldwide, the pay increase was smaller than originally projected, according to trade union officials.⁶⁴

6.33 According to the Rengo (Japanese Trade Union Confederation), the great strength of Japan’s traditional employment practice had been the extent and quality of on-the-job training. With a move away from the lifelong employment system and the growing trend to employ part-time and temporary employees, a new issue is who should pay for the training of employees. The disposition of employers in such circumstances is to train only up to the requirements of a particular position, rather than the traditional Japanese approach of seeing training and job rotation as a way to develop the skills of the employee.

62 Setsuko Kamiya, ‘More pros than cons in ‘temp-to-perm’’, *The Japan Times*, 28 November 2000

63 ‘Record-low pay raises offered in “shunto” talks’, *The Japan Times*, 16 March 2000

64 ‘Industries offer to top last year’s pay hikes’, *The Japan Times*, 15 March 2001

The role of unions, leisure and unpaid overtime

6.34 Another issue that has emerged for labour relations is that the traditional union approach of looking after the group is not conducive to dealing with the growing problem of forced redundancy or lack of promotion due to harassment or non-transparent promotion processes. The Rengo has suggested this as the most serious issue which unions have to deal with at present. Generally speaking, the role of unions has become weaker, particularly in respect to part-time workers. A move to establish unions dedicated to the needs of part-timers has just started.⁶⁵

6.35 While leisure time has increased significantly in historical terms, on international comparisons, Japanese still work longer than employees in the United States, the United Kingdom, France and Germany, despite efforts for many years now by the Ministry of Labor to have Japanese work shorter hours. Commuting time to and from the office is also considerable for most workers who live in the largest cities. A survey taken in 2000 by Rengo showed that 50 per cent of the respondents—and 60 per cent of those working at big companies with more than 1,000 workers—sometimes worked overtime without pay, which violated the Labour Standards Law. Japanese trade unions, which are mostly company unions, tend to avoid confrontations with management over such issues. The Socioeconomic Productivity Center, made up of employers, trade union representatives and intellectuals, estimated in a 1999 report that if unpaid overtime were eliminated, 900,000 new jobs would be created; if all overtime were abolished, an additional 1.7 million jobs would become available.⁶⁶

6.36 One development that could lead to the legalisation of unpaid overtime involved a system under which corporate professionals were free to set their own working hours. They would be paid according to their job performance, their special knowledge, skills and creativity, and would not receive overtime pay. The system, which initially covered 11 job categories such as technology experts and certified public accountants, was expanded under the April 1999 revised Labour Standards Law when business research and planning experts were added to the list. According to a Rengo survey of companies that adopted this system, 60 per cent of the respondents said there was no change in their working hours after it was introduced. However, 33.7 per cent of the respondents said their actual working hours increased, while only 6.8 per cent said their hours decreased. None of the respondents with a nominal workday of seven and a half hours or less said they finished working within normal hours.⁶⁷

65 Department of Foreign Affairs and Trade, submission no. 32, p. 58

66 Kiroku Hanai, 'Help Japan: take time off', *The Japan Times*, 24 April 2000

67 Kiroku Hanai, 'Help Japan: take time off', *The Japan Times*, 24 April 2000

6.37 Another problem is low overtime pay. Workers are usually paid 25 per cent extra for overtime in Japan, compared with 50 per cent extra in the United States.

6.38 Japanese workers are also reluctant to take paid vacations. According to a 1998 Labour Ministry survey, workers at companies with a workforce of more than 30 used an average of only 51.8 per cent of their allotted vacation time, down from 56.1 per cent in 1993. This suggested that reduced recruiting by companies was making it increasingly difficult for workers to take time off. Some Japanese companies now required their workers to use all of their vacation time according to prearranged schedules under management-labour agreements, but these accounted for only 20 per cent of all companies.⁶⁸ Japan has not ratified the 1970 revision by the International Labour Organization of a convention requiring employers to grant three weeks of paid annual leave, at least two of which must be taken consecutively.⁶⁹

6.39 Japan's current high unemployment is ascribed to two major factors. One is cyclical, or the shortage of demand in a period of economic contraction. The other is structural: the 'mismatch' between job applications and offers, a problem seen more widely in a period of industrial reorganisation. According to the Health, Labor and Welfare Ministry, the weight of the second factor has increased in recent years, indicating that the supply-demand gap in the job market has widened in qualitative terms as well. In 1998, when unemployment averaged 4.1 per cent, 3.2 percentage points of it were attributed to the structural factor. In 2000, this factor accounted for 3.7 points of the 4.7 per cent jobless rate, and it is probable that this factor was even more responsible for the higher level of unemployment in 2001.

6.40 Corporate layoffs are the biggest reason for 'structural unemployment'. With banks stepping up efforts to write off bad loans in line with Prime Minister Junichiro Koizumi's reform program, a further wave of job cuts by moribund businesses seems unavoidable. Hardest hit are white-collar workers in low-productivity sectors like construction and distribution. Of the 3.3 million people who were out of work in July 2001, 990,000 were the 'involuntary unemployed', who quit for reasons such as corporate restructuring. By contrast, 1.14 million were the 'voluntary unemployed', who left of their own accord. Their number has tended to rise more rapidly in recent months than that of the involuntary unemployed. The distinction between 'voluntary' and 'involuntary' is often artificial. Those in their 40s and 50s who leave their companies under preferential early-retirement programs are regarded as voluntary leavers and are therefore treated in the same way as regular retirees in the payment of unemployment insurance benefits, even though many had to quit in the name of early retirement.

68 Kiroku Hanai, 'Help Japan: take time off', *The Japan Times*, 24 April 2000

69 'Death from overwork still threatens', *The Japan Times*, 9 November 2000

6.41 Getting jobs through public employment centres has been becoming more difficult, with only one in four applicants managing to find work. Most applicants are rejected largely because they are 'too old' or ask for 'high pay'. Prospects for re-employment are particularly bad for middle-aged and older people. The Koizumi government immediately began using a 60 billion yen emergency fund to subsidise companies hiring workers aged between 45 and 59. The fund is deployed on a nationwide basis over a six-month period. The worsening employment situation threatens Prime Minister Koizumi's structural reforms before such changes are launched. If that occurs, unemployment and the economic slump could touch off a long-term vicious circle.⁷⁰

6.42 Employment practices in Japan, long viewed as an essential component of the success of the Japanese economy, have more recently been under intense pressure to adjust to the exigencies of structurally induced recession, an ageing population and social changes centering around rapid evolution in the status and roles of women. Given the close economic ties between Australia and Japan, it is highly desirable that both countries continue to communicate and consult with each other on employment practices. The provisions of the Australia–Japan Partnership Agenda regarding industrial relations may provide an appropriate framework for discussion and consultation. They are:

With a view to promoting mutual understanding of respective industrial relations environments, the Governments of Australia and Japan will continue to exchange high-level tripartite industrial relations delegations between the two countries approximately every three years.

Recommendation

The Committee recommends that the Australian Government, utilising the industrial relations objectives of the Australia–Japan Partnership Agenda, continue to consult with Japan on employment practices.

70 'Unemployment demands quick action', *The Japan Times*, 31 August 2001

