

Employment and Workers in Japan



Hiring New Employees at Fixed Times

- Most Japanese companies employ young people fresh out of school in once-a-year recruitment drives
- Prospective graduates are tested, interviewed, and finally hired.
- The decisions to hire or not is based on personal qualities rather than suitability for a specific job.
- Intermediate recruitment is sometimes used to acquire “sokusenryoku”



In-House Education and Training

- The enterprise provides any special job training necessary after the person is hired.
- In-house education and training consists of OJT (on-the-job training) and Off-JT (off-the-job training).
- Employers and workers are conscious of the importance of human resources development.
- Recently, they put stress on supporting employee's self-education and their career development.



Lifetime employment

- The term “lifetime employment,” refers to the practice of companies continuing to employ the people they hire up to a mandatory retirement age.
- Unless employees retire of their own will, their employment basically continues up to retirement age.
- Indeed, the rate of employees who reached the mandatory retirement age at companies where they first entered registered just 20- 30% in the 1990’s.
- In the 1990s, many critics advocated that lifetime employment has become dysfunctional.
- Nowadays, it is thought that Japanese employees can’t necessarily expect long-term employment.
- The abandoning of lifetime employment may raise weakened morale and commitment, skill-down of employees or a serious shortage of manpower.

Seniority Based Wage/Salary and Promotion

- “Nenko joretsu” is the system in which salary and job position rise in accordance with age and length of service.
- Japanese companies have operated it in dependence upon personnel evaluation consisting of competence, performance and affecting appraisal.
- This system makes it possible to set a wage curve that keeps pace with outlays that increase with age.
- The effect of this, together with the lifetime employment system, is that an employee will concentrate on his or her job with a sense of security and loyalty to the company.
- All employees receive their raises called the “periodic salary increase” at the same time every year.
- This system worked well until the burst of the economic bubble. But it also included some negative aspects.

“Seika Shugi,” performance-based system(1)

- In the mid-1990s, some Japanese companies, particularly major ones, began to introduce annual salary systems as the “seika shugi,” performance-based system.
- The main purpose of introducing them was to suppress the otherwise sharply increasing wages of middle-aged and older employees.
- The characteristics of “seika shugi”
 - * institutionalizing an employee’s demotion
 - * evaluation on the basis of competency as well as divisional performance and individual performance
 - * a tendency of periodic salary increase to disappear
 - * an increase of differentiation in wages through the personnel evaluation

“Seika Shugi,” performance-based system(2)

- The performance-based pay system presents the problems from an economic standpoint.
 - * possibility to objectively measure each employee's performance, especially for tasks that require teamwork.
 - * employees become inclined to prioritize tasks or aspects of a job for which they are more likely to receive an objective evaluation.
 - * employees are motivated to set their goals low, whereas employers try to impose higher goals on them

Retirement Age

- Most large Japanese companies set retirement age at age 60. Some medium and small companies set it at age 55.
- Japan faces the challenge right now: that of the mass retirement of the postwar baby boomer generation.
- The extension of employment up to age 65 is needed.

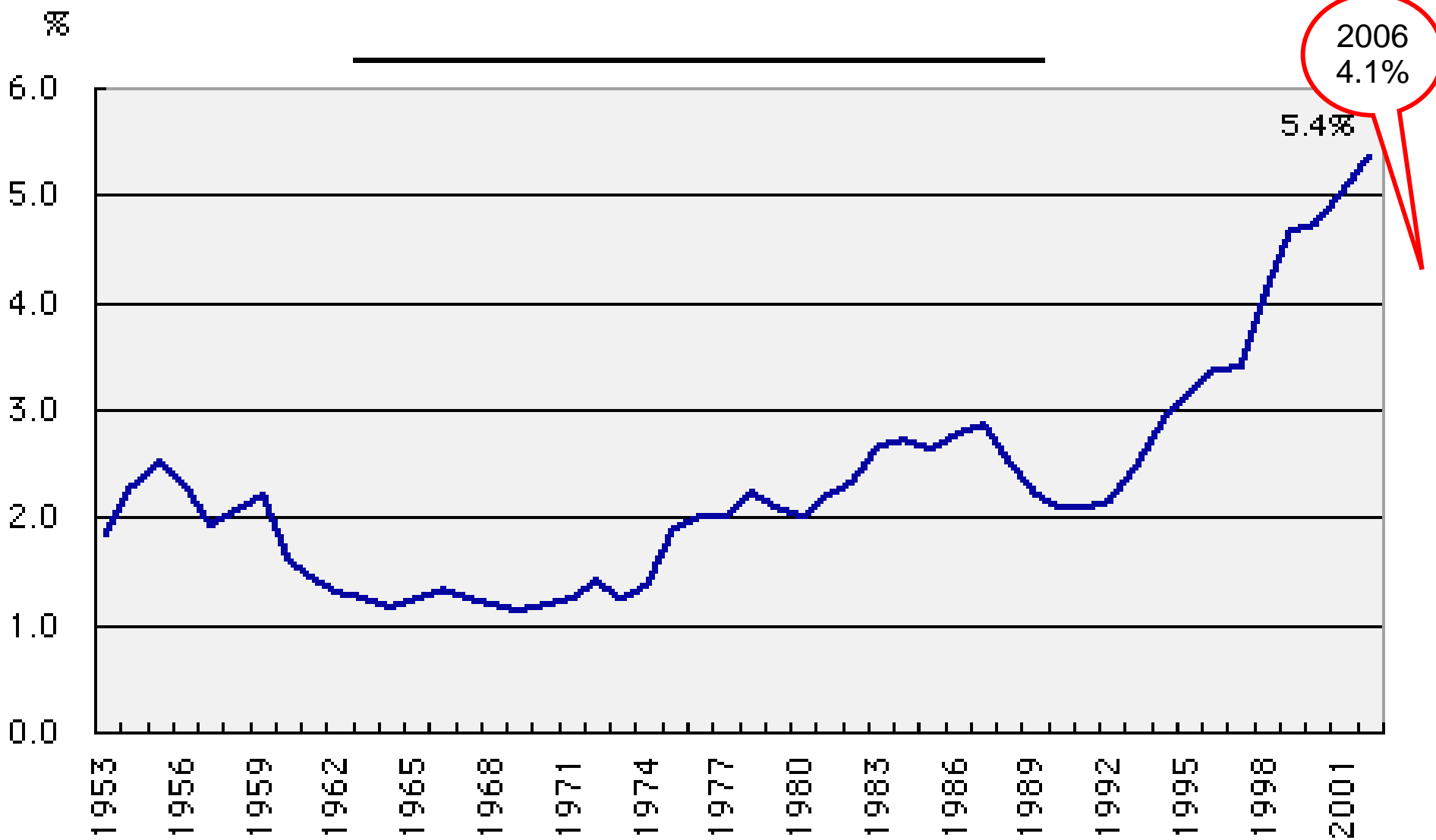
High Level of Unemployment Rate

- Due to the recession following the collapse of the bubble economy at the beginning of the 1990s, unemployment continued to rise, and reached 5.4% in 2002.
- In addition to a fall of the job creation in the tertiary industries, the relocation of manufacturers offshore to escape the effect of yen appreciation has given rise to this long-term structural unemployment.
- Since 2002, although the unemployment rate had a tendency to fall with economic recovery, it remained at the high level of 4.1% in 2006.

Changes in Unemployment Rate

Year	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
National	2.1	2.2	2.5	2.9	3.2	3.4	3.4	4.1	4.7	4.7	5	5.4	5.3	4.7	4.4	4.1

Unemployment Rate for a long time in Japan



(データ出所) 総務省統計局

Comparison of Unemployment Rate

- Compared with some countries, the unemployment rate of Japan has remained at the lower level relatively.

	1995	2000	2001	2002	2003	2004
Italy	11.5	10.4	9.4	9.0	8.5	
France	11.4	9.3	8.5	8.8	9.5	9.6
Germany	8.0	7.8	7.8	8.6	9.1	9.5
Canada	9.4	6.8	7.3	7.7	7.6	7.2
U.S.A.	5.6	4.0	4.7	5.8	6.0	5.5
U.K.	8.5	5.4	5.0	5.1	5.0	
Japan	3.1	4.7	5.0	5.4	5.3	4.7

Difficulty of Finding Employment for Youth

- The unemployment rate for young people has been about twice as high as the rate for all ages. It stood at 12.8% for 15-19 year olds, and 9.3% for 20-24 year olds in 2002, and fell to 9.4%, 7.7% respectively in 2006.
- An Increase of young people called “Free Timers” or “NEET” has caused some social problems.
 - *suffering some disadvantages of income and securities
 - *lack of opportunity to acquire any occupational skills
 - *keeping irregular hours and threat of rise in youth crime
 - *causing enormous economic losses

Unemployment Rate of Young People

	1970	1975	1980	1985	1990	1995	2000	2001	2002	2003	2004	2005	2006
All age	1.1	1.9	2.0	2.6	2.1	3.2	4.7	5.0	5.4	5.3	4.7	4.4	4.1
15-19 years old	2.0	3.6	4.1	7.3	6.6	8.2	12.1	12.2	12.8	11.9	11.7	10.2	9.4
20-24 years old	2.0	2.9	3.3	4.1	3.7	5.7	8.6	9.0	9.3	9.8	9.0	8.4	7.7

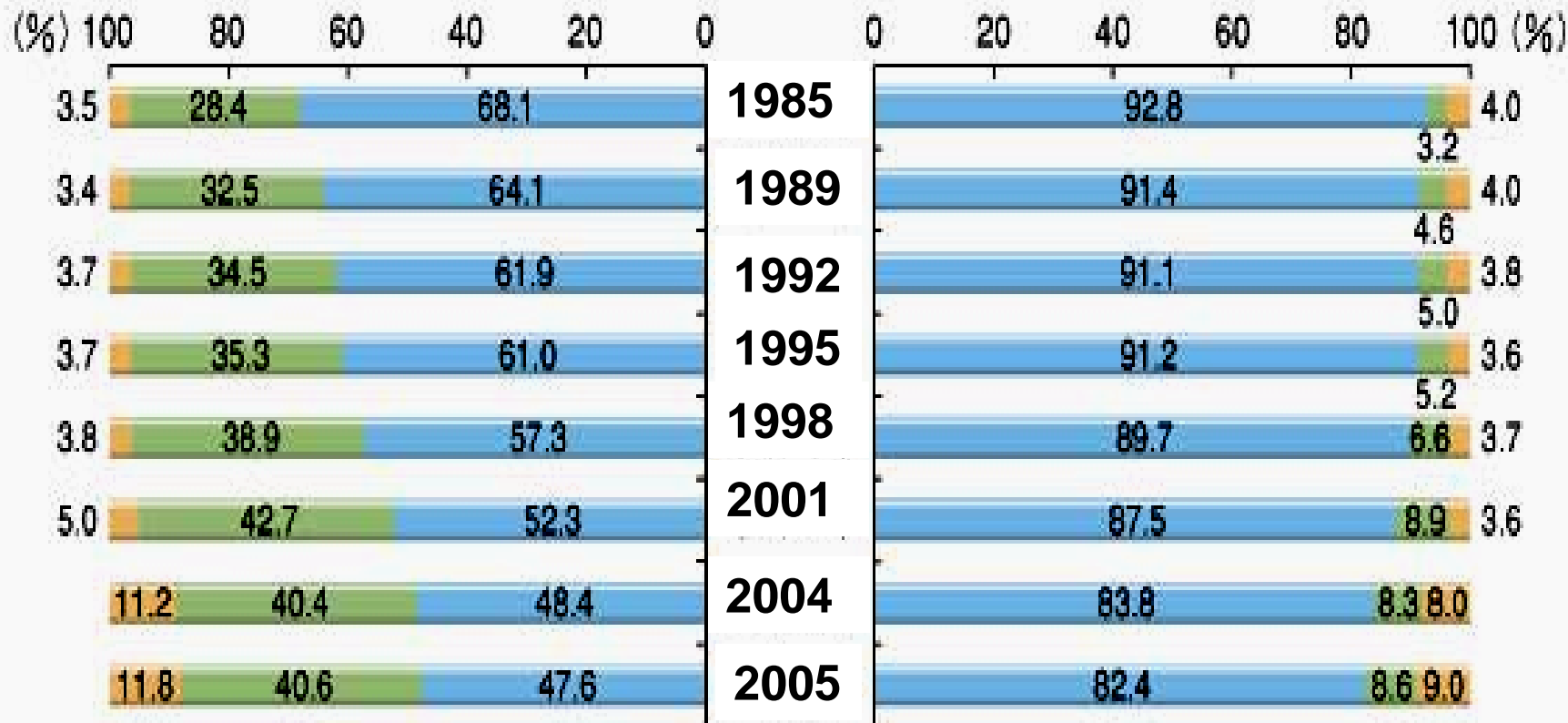
Increase of Non-regular employees

- The number of non-regular (non-standard) employees such as part-time workers, temporary workers, dispatched workers and contract workers has increased in recent years.
- Their percentage among all employees substantially increased in a decade between 1995 and 2005: from 8.8% to 17.6% for males and from 39.0% to 52.4% for females.
- In 2003, the total number of them was 15,100 thousand, corresponding to more than one third of all employees.
- Working conditions of non-regular employees such as wages, insurance and welfare programs are worse than those of regular employees.
- A discussion towards the improvement of their working conditions is under way at present.

Ratios of regular employees, part-time workers and others

Women

Men



- Regular employees
- Part-time workers
- Others (temporary staff, etc)

(備考) 昭和60年から平成13年は、総務省「労働力調査特別調査」(各年2月)より、16、17年は「労働力調査年報(詳細結果)」より作成。

The Status of Women in the Workplace

- As the labor force of women has increased over a long period of time, females occupied 41% of the labor force in 2005.
- As for the women's labor force participation by age-group, the rates of the 25-year or older group have risen, especially from 52.1% to 68.2% in 25-35 year olds between 1985-2005. This rise reflected an increase of women who continued working after marriage or birthing, and a rise of average age for marriage or birthing.
- The Equal Employment Opportunity Law was enacted in 1986 and revised in 1997 (enacted in 1999).
- Although the law prohibits employers from discriminating against men or women concerning employment opportunities and promotion. gender-based differences in employment and labor conditions are still considerable.

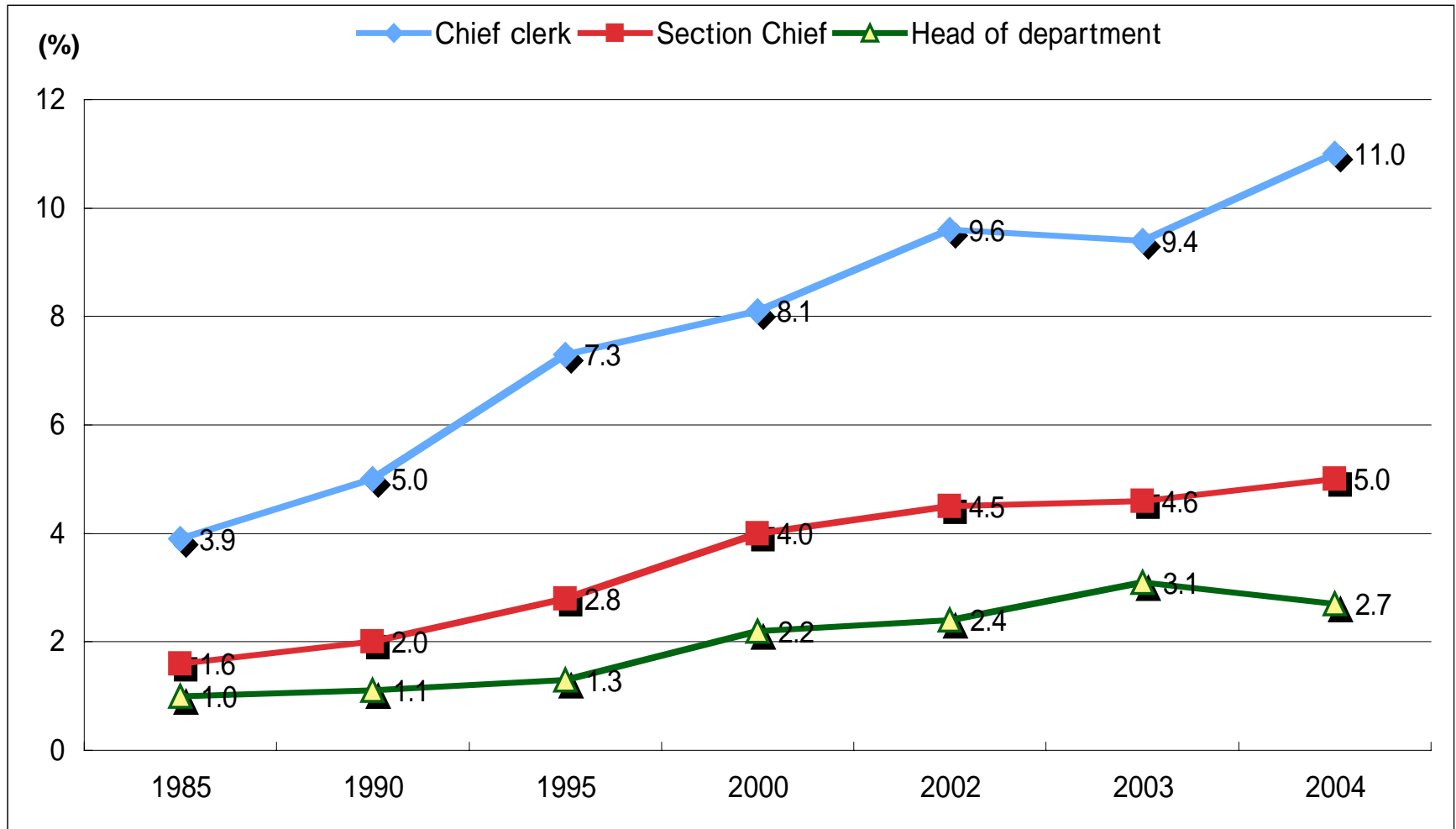
Two courses for women; sôgôshoku vs Ippanshoku

- Many companies have adopted two courses to hire women; “sôgôshoku” (management career track engaging in planning and decision-making jobs and expected to become executives) and “ippanshoku” (general track engaging in general office work).
- Companies have hired employees by course and staffed, promoted, educated and trained them depending on the course.
- it is very difficult for women who were hired as “ippanshoku” to convert to “sôgôshoku.”



Ratio of Females in Positions of Management

- Although increasing, women in managerial positions are few yet.



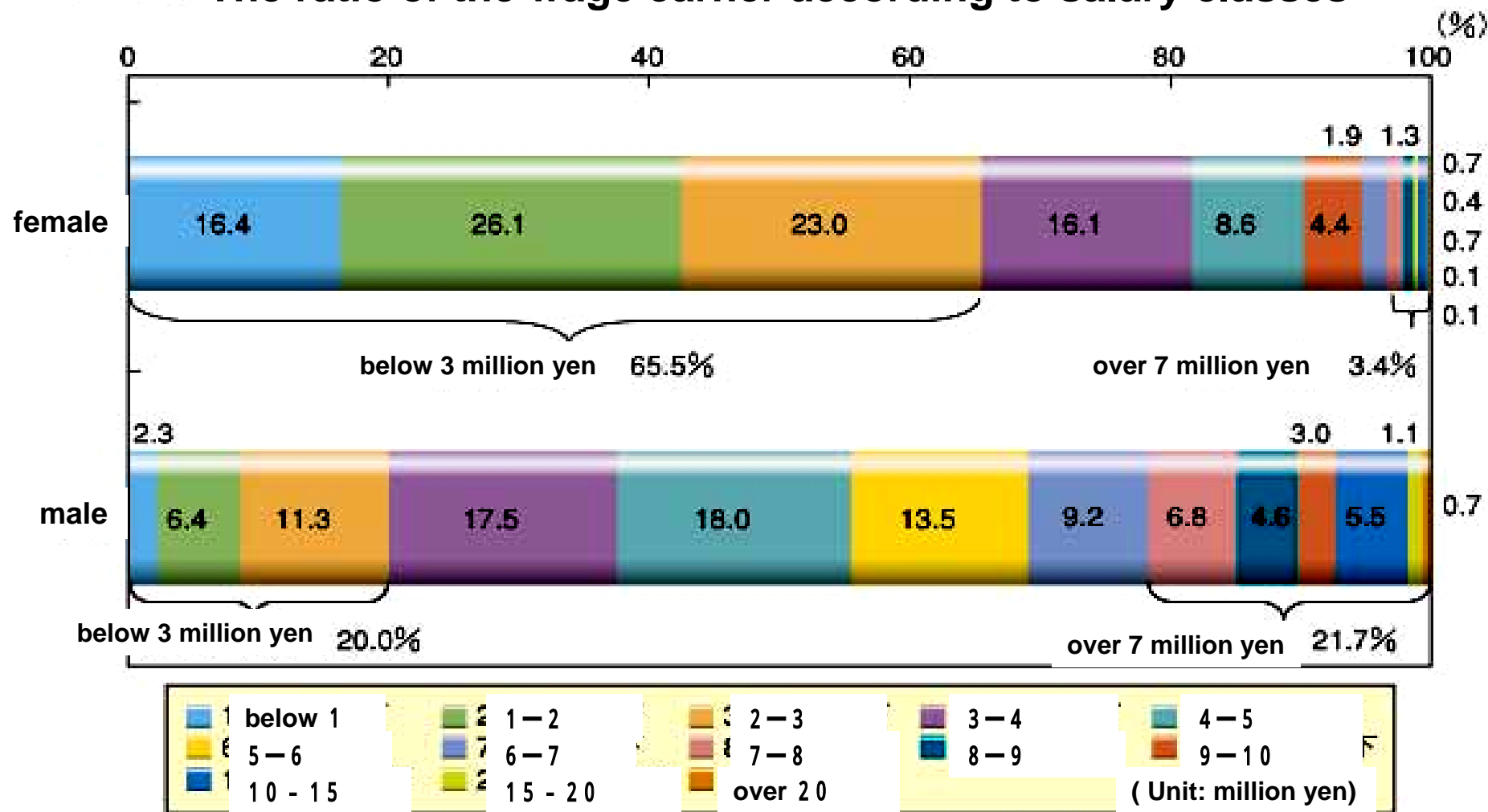
Reasons for delaying promotion of female employee to higher positions

- Many women retire for childbirth or childcare. (42.8%)
- Because not many women have been hired, they account for a small proportion of workers as a whole.(34.7%)
- Lack of interest in actively training female workers.(29.3%)
- Too much overtime.(22.2%)
- Male workers tend to shun talented women.(2.9%)
- Atmosphere in workplace makes it difficult to take childcare leave.(2.4%)

Gender-based wage difference

The average wage for women was only 50.7% of that for men in 2005.

The ratio of the wage earner according to salary classes



(備考) 国税庁「民間給与実態統計調査」(平成16年度)より作成。