

## Youth Employment and Labour Market Policies in Japan

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# **Youth Employment and Labour Market Policies in Japan**

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# Youth Employment and Labour Market Policies in Japan

## 1. Introduction

Japan has been suffering from a long recession for almost ten years after “the collapse of bubble economy” in early 1990s, and has been renewing the worst records in unemployment and related indexes again and again in 2001. Therefore youth employment situation is as severe as that of other generation, and particularly for those less educated it seems miserable. Furthermore restructuring process of economy and society from 1990s, and newly emerging values and attitudes of young women and men somewhat corresponding to this process make the situation quite complex.

Unemployment rates by age and by sex in about thirty years are shown in Table 1. As shown in Table 1 unemployment rates of both youth (15-19 years old) and young adult (20-24 years old), and those of both women and men have increased since middle 1990s. Particularly of young men in 2000, 14.1 percent have been unemployed.

In this paper, first in chapter 2, institutional backgrounds are mentioned. Particularly, traditional conception of Japan’s mode of education and graduate employment is explained. Although these experiences is becoming historical matter during highly economic development period in 1960s and 1970s, these might be learned in future by interested countries, which would form tight social partnership between schools and employers in order to forming graduates labour market.

In the last part of chapter 2, then, we would focus on current situations. Structural changes in this decade, its impacts on youth employment and social concerns are discussed.

In chapter 3, discussion concerns how youth policies have been formulated to respond current youth employment conditions. In chapter 4, employment conditions are analyzed more in detail. In chapter 5, each policy is discussed from both demand and supply side and from improvement of the matching mechanisms. In chapter 6, best practices will be mentioned, but most of these practices are still under development so that concrete effects on improvement of youth employment are still difficult to evaluate precisely. As a result of previous discussions, chapter 7 treat the remarks on evaluation of policy in micro-term and macro-term, which would be fully discussed in a near future stage, when Japan’s economy were to be observed as on the way of clear recovery. Finally social partnership as ingredients for integrated and coherent approaches toward prospective youth employment will be mentioned in chapter 8.

## 2. National youth policy and employment policy: an overview

### 2.1 Institutional Background on Education and training

#### 2.1.1 *Educational Expansion supporting graduate employment*

This chapter shows an overview of education, training and employment and point basic policy directions and today’s concern.

Formal education has been lasting one of important growing sector since 1872 in

modern Japan. In 1872 formal school system had launched and early at the beginning of 20<sup>th</sup> century more than 90 percent of Japanese enrolled in six-year primary school. Japanese youth had studied hard and school dropouts were gradually assumed as exceptional incidents other than economic difficulty over schooling. In economic rapid development period from 1960s to 1970s, junior and senior high school graduates were highly appreciated as a major source of the labour supply and graduate labour market had been expanded for graduates at all educational levels, not only for university graduates.

The developments of graduate labour market do not necessarily mean the good linkage of school knowledge and competency in working life, but the institutional partnership developed only for placement. This is explained later in this chapter.

### 2.1.2 *Education system*

The main frame of Japanese school education system in the post War period is a 6-3-3-4 single system. According to the system all schools are under the control of the Ministry of Education, Culture, Sports, Science and Technology (Shortly MEXT since the Re-organization in January 2001 and Ministry of Education before that time). Children aged three to five years old can enroll in kindergarten; one to three years are required for completion. Children must attend elementary school and lower secondary school or special education schools for nine years from ages 6 to 15.

Then, upper Secondary Schools consist of three different courses: full-time, part-time, and correspondence. Course duration is three years for full-time, and three or more years for either part-time or correspondence courses. There are two different types of educational content in upper secondary schools: general education and specialized education. General courses mainly provide a general education in response to the needs of students who want to go on to higher education or want to enter the work force, but have yet to select a specific job. Specialized courses concentrate on vocational and other relevant subject areas for students who have a specific occupation in mind as their future career. Agriculture, industry, commerce, fishery, homemaking, nursing, information and welfare, and so on among these specialized courses.

Higher Education includes universities, junior colleges and colleges of technology. Specialist courses at special training colleges are also recognized at this level. For enrollment, students are required to achieve an academic level equivalent to upper secondary school graduation or above. 4 years are required for graduation, and graduates receive a bachelor's degree. Universities may establish graduate schools (postgraduate course) in which university graduates or equivalent may enroll. Graduate schools consist of a master's degree course (standard course duration is 2 years) and doctoral course (5 years), and confer a master and doctor degree respectively on students who complete each course. Students who want to proceed to junior college require the same qualifications as university applicants, although graduation takes 2 or 3 years. Junior college graduates are qualified for university enrollment. Technical colleges differ from universities and junior colleges in that they require an academic level equivalent to lower secondary school graduation for enrollment. Graduation takes 5 years, and the aim is to educate students to become practical engineers. Graduates of college of technology are qualified for university enrollment.

In addition to the schools mentioned above, there are other educational institutions called 'Special Training Schools' and 'Miscellaneous Schools'. These schools provide vocational or technical education in a practical manner and in accordance with students' various needs. Special training schools are divided into three courses: advanced course,



specialized course and general course. The advanced course requires an academic level equivalent to lower secondary school graduation and the specialized course requires a certificate of upper secondary school graduation. Schools with the specialized courses are so-called 'special training colleges'. The general course has no academic requirements for enrollment (see Ministry of Education 1995a)

### *2.1.3 Vocational Ability Development System and other Governmental Schools*

Aside from the above educational systems, there are other systems for vocational training and the development of vocational ability. They are under the supervision of the Ministry of Health, Labour, and Welfare (shortly MHLW since the reorganization in January 2001 and before Ministry of Labour) under the provisions of the Vocational Ability Development Promotion Law. As of 2000 there were 240 human resources development centers (established by prefectures) with an aim of developing vocational abilities in young people who have not yet started work, those who have left work or changed jobs, and those who want to adapt to technological innovations in their workplaces. There were also 33 polytechnic colleges for vocational ability development (most of them established by the government, i.e., the Employment Promotion Corporation). These agencies targeted lower secondary school graduates.

In addition, there are the governmental schools under the control of government agencies or national statutory corporations. These schools provide relevant education to future administrative officers and offer opportunities to develop the abilities required for their administrative duties. There are approximately 70 institutions, which primarily target upper secondary school graduates, including the National Defense Academy, the National Defense Medical College, College of Fishery, Meteorological College, Civil Aviation College, National Tax College, Construction College, Polytechnic University.

## **2.2 Employment policy**

### *2.2.1 Employment policy for youth*

Priority of public youth employment policy in Japan consists of three parts as follows. First, for students who may look for employment school provides career guidance and counseling as extra-curricular activities. For students applying for job, school as delegated free placement service and public employment security offices (PESOs) give them information and advice. For young workers and job-seekers outside school, PESOs and vocational training schools give vocational guidance, vocational training and placement services, with the support system of employment insurance.

### *2.2.2 Placement Service System*

The Employment Security Law is relates directly to the transition from school to working life. The bases of this law provide for placement services at public employment security offices which adjust the supply and demand of labor forces; supplementary services include free placement services provided with official approval at schools, fee-charging placement services for certain ranges of jobs, temporary worker services and recruitment.

Public employment security offices provide a series of services: reception of job offers and applications, vocational ability evaluation by professionals, vocational guidance and consultation, assistance in vocational training, job placement for registered applicants, and guidance on adapting to the workplace after finding a job. Offices also provide

employment information for local communities, not only for job applicants or employers, with the intention of preventing any frictional unemployment caused by lack of information.

### *2.2.3 Employment Insurance system*

In line with the above law, there is an employment insurance system, which is applicable to all businesses except small independent enterprises. This system is intended to offer security to those who are unemployed and seeking new jobs and to assist their smooth reemployment.

### *2.2.4 School's Involvement for placement*

Free placement services at schools are provided in accordance with the student's job selection ability at each educational stage, and depending on the school's vocational guidance system. Such services are provided under Article 25(2) of the Employment Security Law for lower secondary schools, where PESOs play more crucial roles, either of Articles 25(2)-(3) or 33(2) for upper secondary schools, and Article 33(2) for universities, junior colleges and technical colleges, where educational institutions play more independently.

## **2.3 Employment Trends in Young People and in General**

### *2.3.1 Labour participation*

As of 2000, the labour force was about 67.7 million and the labour force participation rate was 62.4%. Within them the number of employee was 53.6 million and that of unemployed was 3.2 million. The trends since 1965 show that the labor force population, the employed and employees have been increasing year by year. The labor force participation rate has been steady at around 60%, while the ratio of employees to the total number of employed persons has been increasing. The number of employees has largely increased while the numbers of those self-employed or employed in family businesses have decreased.

### *2.3.2 Age structure of labour force*

Looking at the trends in labor force participation rate by sex and age, especially among the young (15-29 years old), the group of those aged 15 to 19 shows a large decline, from 36.3% for men and 35.8% for women in 1965 to 17.4% and 18.5% respectively in 1980, and 18.4% and 16.6% respectively in 2000. This is because the ratio of students proceeding to upper secondary schools and higher education increased during this period. As for young adult females, the ratio has been increasing since the late 1970s and 1980s (fro age 20-24 from 66.2% in 1975 to 75.1% in 1990, and for age 25-29 from 42.6% to 61.4 % respectively), presumably due to several factors such as the rising average age of marriage and childbirth, and longer employment.

The proportion of young people aged 15-24 in the overall labor force has declined to 18.1% in 1985 from 21.5% in 1970, with the increasing ratio of students proceeding to higher education. Although with "the second baby boom" generation (those born in 1974 at the peak) growing, the figure had changed to increase slightly or be stable during late 1980s and early 1990s. Then the figure has again been decreasing with the decline in the youth population, to 14.9% in 2000.

As the young were thought of as a new and additional core labor force in our industrial society, and the decreasing youth population and aging of society present serious

problems. The problems of an aging society were recognized at an early stage and relevant measures are being discussed accordingly.

### 2.3.3 *Unemployment*

The unemployment rate has been steady at around 2% since 1975. But, since the start of the current recession in 1992, the trend has been to a steady increase until now in 2001 (see Table 1 ). The youth unemployment rate, for those 15-24 years old, has been at a certain high level relative to that for those aged 30 to 54 up, but the recent increase has been considerable.

## **2.4 Business practices in new graduate recruitment**

### 2.4.1 *Japan's mode of employment practice*

In Japan, big corporations and government agencies make a practice of recruiting at the same time, with March graduates being recruited in the succeeding April as full-time workers with no fixed contractual employment period. They generally prefer to employ new graduates. Many small and medium-sized firms also prefer to recruit new graduates in preference to other groups in the labor force.

This Japan's mode of recruitment developed mainly from the postwar practice in which many large corporations looked to the youth population as a substitute for the exhausted skilled labor force and educated them to fit in their organizations. Employment security measures played an important role in adjusting supply and demand at national level, transferring new high school graduates to local markets to meet the growing demand for a labor force in the cities through its network of public employment security offices nationwide.

In fact, many corporations set up a separate quota for employment; offers for new graduates and for other members of the general population. Public employment security offices also deal with these two groups separately. Relevant statistics are also compiled separately at these offices.

For example, the average rate of registered job openings to applications<sup>1</sup> was 0.72, while the rate for applicants from March 1997 upper secondary school graduates was remarkably high at 1.80. There has been no change in this relationship at any time, indicating that corporations prefer new graduates to other groups in the labor force.

Businesses have been actively investing in in-house training for new graduates, who represent a highly trainable work force. This results in the tendency to put an emphasis on basic or general education at secondary education as an appropriate foundation for later on-the-job training, rather than vocational training at upper secondary school level. This has contributed in some ways to the unpopularity of vocational education at upper secondary school level.

### 2.4.2 *Small and medium-sized business and public human development system*

Some small and medium-sized businesses which cannot afford to invest as much in employee training as large corporations recruit graduates from public human resource

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<sup>1</sup> the number of registered openings divided by the number of registered applications; here, 'registered' means that the registration period of those who registered at a public employment security offices remain effective

development center and vocational training schools.

There are three pre-employment courses; two years for lower secondary school graduates, or one year or two years for upper secondary school graduates. The total number of enrolled trainees became gradually decreased. Particularly, number of enrolled graduates from lower secondary school has drastically declined from 16,574 in 1980, 7,496 in 1990 and to 2,251 in 2000. Instead, two courses for upper secondary school graduates became slightly larger, i.e., from 7,849 in 1980, 9,049 in 1990 and to 10,192 in 2000. This is partly because of evolution of in-house training and partly because of enrollment expansion of formal education of each corresponding education/training level. In order to respond to these expansion trends, particularly, of university education, ten polytechnic colleges for upper secondary school graduates have been extended, upgraded or newly established since 1999 into "advanced two year courses" for those who finished "two year post-secondary courses" and need higher levels of knowledge and skills, equivalent to those of undergraduate education in university. Those institutions with high levels of training courses are called 'polytechnic college', but, 'DAIGAKKOU' called in Japanese, which mean somewhat equivalent institution to university.

As the number of trainees show, even though the importance of this public training in certain specialized area, such as wide ranges of specific skilled workers in SME for construction and heavy industry, the coverage of this system is still limited. Thus in Japan, human resource development policies seem to have placed an emphasis on support for in-house training rather than public employment training.

## **2.5 Structural Changes**

### *2.5.1 Demographic changes*

The total population in Japan was 83.2 million in 1950. In 1950, there were more than 2.3 million in each age cohort from age of 0 to that of 3, who formed the first postwar baby boom generation. This generation, which reached its teens in the mid-to-late 1960s, when plans to "double the national income" had resulted in a period of rapid economic growth, were a strong source of social pressure for the expansion of upper secondary schools and higher education.

In 1990, the total population reached 123.6 million, an increase of 49% from 1950. Each cohort for the age from 16 to 18 reached over 2 million respectively. These cohorts are called the second baby boom generation, children of the first baby boomers. They functioned as a strong source of social pressure for the expansion of lower secondary schools and higher education from the late 1980s to the early 1990s.

Now in 2000, the total population is 127.4 million and the proportion of young aged 15-24 (those of concern of youth employment) became 12.2 % in 2000, from 20.6% in 1950, 19.0% in 1970 and 15.2% in 1990, respectively. At the same time, however, the population under the age of one who were born in 1999 numbered just 1.17 million, which was the lowest postwar figure. The total fertility rate (TFR) for 1999 decreased to 1.34. Because of this, it is expected that the population will begin to decline early in this century, and will continue to do so throughout this 21<sup>st</sup> century.

The socio-economic effects caused by a decline in the number of children extend to various areas: a decline in labor force, possible impedance of economic growth, an increasing

financial burden on the working generation, and a decrease in their net income. Also, other social effects caused by this trend to fewer children include a predicted diversification of family structure, and with it concern about the provision of basic services to the public.

In order to reduce these negative effects as much as possible, various social frameworks should be adjusted to needs in the new age because they have been established on the assumption of growing population. The various social frameworks predicated on the assumption of population growth which have existed until now must be refashioned as a matter of urgency.

### *2.5.2 Economic and social changes since 1990s*

Nominal GDP per capita in Japan was drastically improved during fifty years after the War II, it was only about 10 % of that of the U.S. in 1955. Even the GDP per capita adjusted with purchasing power parity, is 24,900 US dollars, which is counted as those within top income group of countries. However, Japan is suffering its worst long-term economic downturn in the postwar era. Positive intervention policies, for example, the buying of support of dollars by the government in response to the yen appreciation depression influenced by the Plaza Accord in the late 1980s, caused a large increase in the supply of money. This prompted speculative trading of stocks and lands, which turned into the boom known as 'the bubble economy' in the early 1990s. Since 1993, when the "bubble economy" burst, Japan has been experiencing a long recession.

The Japanese economy has experienced a rapid change from the boom to the recession, within a relatively short period from the late 1980s to the early 1990s. Furthermore, reforms of the postwar economic structure in organized and controlled ways under the guidance of the government have been immediately required in various areas. The directions of these reforms are recognized as such key words or slogans, as "structural adjustment" and "privatization or deregulation" toward "market mechanism and competition in global standard".

On the matter of graduate employment, it is one of examples affecting students' employment activities and employers' recruitment behaviors that employment agreement practices between universities and employers have been abolished in 1998. Now, new ways of supporting employment and a smooth transition to working life have been discussed from many viewpoints. It will be discussed in following section of "internship".

### *2.5.3 Globalization and the Age of Information*

Emerging factors that have presented new difficulties to economic society and education in recent years are globalization and the shift to an information-oriented society.

Today, with rapid globalization and increased mutual dependency beyond national borders, competition and friction in the world economy continue to intensify. The speed and density of the flow of human resources, materials, and information in this global society are increasing. Concerted efforts to deal with global problems such as protecting the environment are becoming ever more important.

In this age of globalization, Japanese must coexist economically and socially with other countries in order to develop and mature further, and it is therefore important to develop global-minded personnel who can share a rich life both materially and spiritually with people of other nations.

Recent developments in information technology have been amazing, and the shift to an information-oriented society has advanced in a variety of areas, from business and research to education, culture and entertainment. The spread of personal computers and cellular phones for home use has been explosive, while businesses enjoy improvements in management efficiency through the use of e-mail and the introduction of Electric Commerce. Appropriate measures are required to adjust promptly to this highly sophisticated information society, such as specialist training, the improvement of the environment for study and research through the active use of multimedia, and the development of students' information literacy.

## **2.6 Major concerns on youth employment**

### *2.6.1 Gender Equality of employment opportunity*

Although huge progress has been made to achieve gender equality in Japan, further change is still needed in this regard. The goal of creating a society which will allow both men and women to respect each other's human rights and the full exercise of their individuality and ability is now seen in Japan as being a major priority in setting Japan's course for the 21st century. White Paper on Gender Equality is reported in 2000 under the Basic Law for a Gender-Equal Society. The report outlines the situation of women in various fields of society and their status in relation to human rights. It also documents achievements to date with regard to gender equality and presents plans to promote the social changes necessary to achieve gender equality.

With respect to the workplace, home and community, the report notes (1) that women are getting married later, (2) that marriage results in women having a heavier workload than their husbands in terms of the housework, child-care, and family-care responsibilities, (3) that women's employment patterns are becoming more varied, and (4) that differences between men and women in the field of information technology are becoming less pronounced.

The discussion on youth employment comments on changes in the ratio of women working in various specialized fields due to the increasing enrollment of women in Japan's universities, and to the changed patterns of enrollment in terms of their field of specialization at university, and persisting stereotypes concerning the roles of men and women among the older generations. For the older generation, probable and plausible pathways through education to career was from specialized field to professionals such as school teachers and nurses, or to get married with some practical skills in the field of home economics or broad knowledge of general culture in the field of humanities. However, the change of enrollment patterns and choice of employment field shows that differences by gender of individual educational and occupational choices are becoming smaller, and so that gender equity in working place are more to be required (Table2 and Chart1).

### *2.6.2 Values of industry and work orientations*

The work ethic of "social contribution" has supported Japanese modern industrial society, but is now being avoided by young people. According to the so-called "views of the New Species", the values and actions of young employees, such as the emphasis on private life and declining dedication to the organization, are beyond the understanding of the "older generation" who are superiors in the structure of the company, and have been arousing concerns. Such disharmony in the work ethic may be one of the conflicts in the transition towards a "post-industrial society". There are survey results related with this concerns.

Concerning the typical work ethic of today's young people in Japan, according to the fifth survey of Young People's Awareness in the World conducted by the Agency of Administrative Affairs in the Prime Minister' Office, it was pointed out that compared to young people in ten other countries<sup>2</sup>, Japanese young people have a stronger awareness of labor as a "social duty" than those in other countries (the Management and Coordination Agency, 1994). Namely, as a result of analyzing the significance of labor based on the factor analysis, it is possible to grasp the work ethic in a two-dimensional way; i.e., first, is it grasped from a personal or social significance, and secondly, is labor an objective or a means? As its combination, the work ethic is divided into four categories; i.e., "social contribution", "self-realization", "hardships" and "social duty" (see Chart 2).

If judged in this way, the first category of "social contribution" tends to accept work ethic as a social objective, for example "labor is a social duty" and "I want something to do, no matter how much money I have," and it is a model of the "older generation" that pulls the industrial society forward, probably standing for those workaholics who dedicate themselves to the company even when it means dying from overwork.

It is found by an international comparison that Asian countries like South Korea have a strong tendency towards this, and young people in Japan cannot be said to have such strong tendency. Rather, in Japan, the tendency of feeling a "social duty" is stronger. That is, values such as "labor is the duty of an adult member of society," but "if I had money, I would prefer a life of leisure" and preferences towards "a workplace where work is comfortable and not busy". People understand that labor is "the duty of adult members of society" and therefore one must work. However, they do not think that playing such a role is of high value. Such evasion from labor is probably a reflection of the passive attitude towards social participation itself.

In addition, the category of "self-realization" is a trend in which people generally "work to earn an income" but "also want to do something if the money is available." These values of the "New species" (Sengoku, 1991) have been considered frequently seen in the so-called "post-industrial society", but they are rather more frequently seen in European countries and the U.S. Finally, the category of "hardships" becomes something like "to work is to earn an income" and "if I have enough money I prefer a life of personal leisure." Such a work ethic is also rarely seen in Japan.

Compared to ten other countries, many of the young people in Japan have work ethic such as "labor as social duty", but at the same time they also show an attitude of wanting to avoid work, that is, "a preference for comfortable work which is not busy." For young people in Japan, even though work is something social, it probably has not had any more value than performing a social duty.

The background that such viewpoints became popular in late 1980s lies in the "restructuring" within companies. The position of the intermediate managerial staff who supervises young employees has become subtle while their image as the model superiors has been blurred. Far from this, due to "death from overwork", young people are staying away from the ways in which the "older generation" have worked, while management that aims to restructure the company has become critical of "the organization-dependent middle-aged and the elderly".

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<sup>2</sup> Source was "The fifth World youth survey" done in 1993. The countries surveyed are U.S.A, U.K., Germany, France, Sweden, South Korea, Philippines, Thailand, Brazil, Russia and Japan. Number of samples responded in each country was 1,000 or more.

Therefore, concerning the ideal method of selecting an occupation, the recent feature of young people's values with regard to occupations can be positively evaluated to some extent. For example, instead of simply remaining at the same organization, one simply changes to a job where there is something he/she wants to do. However, the gradual advent of a society where it is difficult to support "Industrious attitude", the core work ethic in modern industrial society, has been giving rise to social apprehension.

### 2.6.3 Concerns on inactive youngsters, so-called "parasite singles"<sup>3</sup>

In summary, today's social concerns on youth are mainly of values and attitudes of working industriously and independently<sup>4</sup>. Related concerns are followed by the problem of "parasite singles" as "unmarried people who live with their parents even after graduation from university, and depend on their parents concerning basic living necessities."(Yamada 1999)

Gender(2000) pointed out on the matter of youth employment and concerns of "Parasite singles", as following. According to Yamada's calculations, based on figures from the national census, unmarried people aged 20-34 who live with their parents, the so-called parasite singles, total no less than 10 million. The number of such single people is most probably increasing across the country. Unwilling to lower their living standards by marrying, or living independently from their parents, these parasite singles prefer the higher living standard achieved by continuing to live in their parents' home. Accordingly, the increase in the numbers of parasite singles results in rapidly growing numbers of late marriages and couples with fewer children.

The emergence of such parasite singles can be partly explained by social and cultural factors unique to Japan, and partly by political and economic factors. As for the latter factors, the structure of the lifetime employment system, and employment practices such as the seniority wage system, which favor middle-aged and elderly people, as well as social security schemes that treat elderly people generously, seem to affect the creation of parasite singles.

The emergence of parasite singles can be seen as casting a shadow over the Japanese labor market for young people as well. Since parasite singles do not face financial difficulties, they do not look for jobs with high wages, treating work as something akin to a "hobby." Because of this attitude, if they find their job uncongenial, they immediately give it up. The resulting unemployment of young people is a "luxury unemployment" that does not involve real financial necessity. To them, work is a discretionary pastime, or a means of earning pocket money.

## 3 Implementing youth policies with collaboration among various social partners

### 3.1 History of Japanese partnership for graduate employment

#### 3.1.1 Japanese historically formed partnerships supporting labor market formation for new high school graduates

It is not necessarily the case in Japan that the relatively weak emphasis put on

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<sup>3</sup> This section owes fully on Genda (2000).

<sup>4</sup> There is another survey mentioning the preference of youth to more traditional value of 'stability'. A "corporate lifestyle survey" conducted by Sanno University targeting 526 new workers in 2001 revealed that new graduates are seeking greater stability in employment. Although over 50% of the respondents still claimed that they do not want to work under a seniority system, this figure was 7 points lower than the previous year. The percentage who wanted a seniority system increased by 6.5 points to 40%.



vocational education, and the relatively heavy weight put on in-company training had been accompanied by difficulties in the transition from school to work. Indeed, one could go further and say that, as shown in Table 3, Japan, as a country with widely disseminated high school education centered on general education, and exceptionally among such developed countries, had achieved a smooth transition into employment.

Specifically, the smooth transition of Japanese high school graduates to work had been achieved as a result of three closely interconnected factors: (1) the habitual practices of government offices and private large companies; (2) the structured guidance and placement mediation efforts on the part of schools; and (3) administrative intervention. A social system oriented toward human resource distribution was formed during the period of high economic growth (Yoshimoto 1996, Yoshimoto et al 1998, Rosenbaum et al. 1989, OECD 1996a, 1996b, 2000).

### *3.1.2 Employer's recruitment practices*

The basis of "Japan's mode of employment practice" is to be found in the habitual recruitment and employment practices of government offices and firms, namely the one-off recruitment of new graduates during a set period, the seniority system and the lifetime employment system.

In practice, many firms set aside a special quota, separate from general job-seekers, for new graduates, and public job placement offices also treat them as a special category. This means that at any time, regardless of the state of the economy, the percentage of job offers is higher for new graduates than general job-seekers. This is because companies evaluate new graduates more highly in terms of their work potential, or "trainability" as Thurow (1975) points.

Practices of this kind have been established in the postwar period between the period of economic recovery and that of high economic growth. As a result of the lack of vocational education in schools, training developed in ways such as on-the-job training within companies. In this way, required skills were formed and acquired. This meant that at the time job applicants were recruited, they were selected less on the basis of their ability at that point in time and more on the basis of their trainability (potential ability). As guidelines or alternative guidelines, importance was attached to such evidence of selection procedures in school education as a record of the schools attended and marks gained in the course of internal school tests (the ranking given by the school). This in turn created a vicious circle whereby vocational education in schools became more and more neglected.

### *3.1.3 Job placement guidance and counseling by schools*

Within high schools, in the area of job placement assistance, screening and internal school selection are carried out in the same way as for those wishing to proceed to higher education, with the result that schools substitute for companies in terms of the selection process. Because schools enable the candidates required by companies to apply in a suitable manner, the final selection process by the company can be carried out in a short time with relatively little competition. The point that is worth stressing here is that schools are consciously aware of the selection criteria of companies, and that "academic achievement", representing the internal value criteria of schools, are cleverly intertwined with these at the time of selection and job placement guidance.

There have been good circumstances for low achievers until the collapse of bubble economy that because of basic trends of labour shortage during several decades even

graduates with low academic achievement were able to find at least any place of new employment through the partnerships among school, employers and public employment services.

It is clear from this that as the basis for interfacing between the positions and sets of value criteria held respectively by schools and companies a "partnership" is formed, moreover that both sides share a negative viewpoint regarding the effectiveness of vocational education in schools. Be that view as it may, it is a fact that between the school and the company, in terms of the "actual results" or the "reality" of the interfacing concerned with the employment of students, a "quasi-contractual" relationship of trust is formed.

However, after the collapse of bubble economy, in case of general high school students who wanted to get a job, labour market condition became worse and school's support became more weakened, thus the prospects of finding employment within and through high school have seriously obscured.

#### *3.1.4 Administrative intervention and adjustment*

The legal basis for involvement by official government agencies in the transition to work is the Employment Security Law. With regard to adjusting the supply and demand of labor, this law defines the fundamental function of introducing employment opportunities to job seekers through Public Employment Security Offices, and as a supplementary function, also makes provision for such services as a free employment placement service for schools, a partially paid employment service, and the dispatching of workers for specific purposes.

The government office in charge of labor matters, in liaison with the government office in charge of education, gets involved in considerable detail in employment matters affecting new high school graduates, including setting up meetings and selection schedules for job-seekers and employers. With regard to the specific division of responsibilities for the administrative work involved in job placement, the nature of the interface between the educational institution and the Public Employment Security Office differs according to the educational level.

In the case of pupils who leave to find work after completing lower secondary school, the final stage of compulsory education, the Public Employment Security Office has a central role. In the case of universities, junior colleges and special training colleges, the educational institution undertakes job placement almost completely autonomously. High schools occupy an intermediate position, and with a view to deciding on the distribution of duties, very detailed liaison is carried out as set out above.

Historically speaking, during the early period of high economic growth in the 1960s, Public Employment Security Offices all over the country, using their nationwide network, looked to local regions as a source of supply to satisfy labor demand in the towns. Specifically, the government administration developed a large-scale employment introduction program whereby they arranged for new lower secondary school leavers to travel to large cities in groups for job placement. A system was established under which the offices in large cities would receive notification of job vacancies and send details of these through the nationwide network to local offices for them to pass on to lower secondary schools. This was the period when government-subsidized "group employment trains" were formed to take new employees to assignments, e.g. 1,000 kilometers away from their home. Later, high school leavers became the main source of labor supply, but the shape of the large-scale employment introduction service continued.

Moreover, from the later part of the 1970s, along with efforts to raise the level of regional and local economies, the administration's policies changed to ones of encouraging high school graduates to find jobs in local areas, aiming to get those who had come to universities in the large cities to go back to their home towns for work through such devices as "U-turn employment fairs".

## **3.2 Newly implemented employment policies**

### *3.2.1 Emergency employment measures since 1999*

In 1999, the Japanese government announced an emergency package of measures to increase job security and strengthen industrial competitiveness against long lasting recession. The mainstay of the package - which was launched at a time when the employment situation is still deteriorating, with unemployment at a postwar high - consists of a series of measures to create more than 700,000 new jobs in the public and private sectors. Of the 700,000 new jobs to be created, the national government and local bodies aim at directly creating 300,000 new jobs.

The major employment measures for the private sector call for the government to increase long-term employment opportunities by easing regulations on setting up new enterprises, developing and encouraging new industries, aiding business start-ups, and releasing government information concerning intellectual property to the private sector.

The government will also work to diminish mismatch in the labor market and to facilitate job mobility by giving a wider range of private companies permission to act as employment agents. It will also form an employment information network to take advantage of information residing in private employment agencies.

### *3.2.2 Employment security law revised in 1999*

The Employment security law for placement service and employment security were revised in order to adequately deal with the structural reform of Japanese economy and strengthen the function of making adjustments of the labor supply and demand relationship. These laws have been in effect since December 1999. The draft guidelines call for the liberalization of a number of professions currently restricted in terms of job-placement services. It also suggests penalties for agents who leak private information of job applicants.

The nation's job-placement services are provided mainly by Public Employment Security Offices. Private job-placement services have not played a major role due to many restrictions. Recently, however, the mismatch between job offers and job applicants in the labor market has become more pronounced in terms of age and job type due to changes in the industrial structure and the attitude of job applicants toward work. In fact, the unemployment rate is deteriorating and the period required for jobless people to find employment is becoming longer.

As a result, calls to ease restrictions on private job placement companies have been getting louder. Economic circles in particular have wanted to encourage private companies to provide job-placement services and substantiate the services (see JIL 200d).

### *3.2.3 Enforced measures in 2001 using ICT*

Active use of information and communication technologies have being encouraged to

effectively offer various services and information from public employment security offices. Specifically, the Internet become popularly used on a trial basis to provide information on job offers received at the public employment security offices in the Metropolitan and Kinki areas as well as in other large cities known as ordinance-designated cities, other job-related information (information on subsidies, labor market, etc) and an outline of services available from the employment security offices.

To secure job opportunities under the harsh unemployment situation, full efforts are being made to develop job markets by posting the staff on that task and working in cooperation with the economic groups. At the same time, arrangements are being made to permit job seekers to access work-related information by setting up " Hello Work Information Plaza" in the Metropolitan and prefectures as a basis for providing employment information secured.

#### *3.2.4 Employment promotion measures for young people*

For new graduates, finding employment means a great turning point from school to career life and therefore its smooth transition is desired. However, the employment situation for new graduates has become worse and worse since the collapse of the bubble economy in early 1990s, with the resultant increase in the number of those graduating without employment prospects.

There are also many graduates who leave their jobs early due to the lack of their understanding of the work they have chosen.

To cope with the situation, the Employment Security Bureau is supporting new graduates who are seeking jobs, by offering employment information and employment counseling, and introducing prospective employers to students. To help students develop their occupational awareness and make the right choice of their jobs, the bureau is also making efforts to promote the introduction of an internship program under which students have a work experience while at school, besides giving seminars and holding study trips to places of work.

#### *3.2.5 Revision of the Employment Insurance Law in 2001*

An employment insurance system is established as a core of an employment-related safety network. Under the system, necessary unemployment benefits are paid, such as job seeker benefits (basic allowances), child-care and nursing care benefits, and training and education benefits. Besides this, various employment promotion measures are being implemented, including three projects (concerned with employment security, workers' ability development and employment welfare).

The Employment Insurance Law has been revised in 2001, owing to the financial deterioration of the current insurance system, which has been caused by increasing unemployment, and the longer period required for individuals to get back to work. The system went into deficit in fiscal 1994, and has registered a substantial deficit every year since. During this period the deficit was covered by drawing on reserves, which peaked at ¥4.8 trillion in fiscal 1993 and have been shrinking every year since. The reserves are expected to fall to ¥270 billion in fiscal 2000. The new legislation will raise insurance premiums and vary the period of eligibility for unemployment benefits depending on the reason for becoming unemployed (see Table 4 and Home-page of MHLW).

For those young workers who have not worked longer in one work place or who have

worked only less hours as part-time workers, this revision of the law have expanded the eligibility of the benefits. Also for young job-less graduates this insurance are becoming more to support with subsidies to employers providing training opportunity for them, discussed later.

### **3.3 Internship**

#### *3.3.1 Implementation of internship*

The opportunities for Japan's university students to obtain work experience at companies have gradually expanded over the past few years. Such job experience is generally provided through an arrangement called "an internship." Internships provide students with experience working in a field related to their major and to their future career, and can take various forms.

In July 2001, the overall unemployment figure reached 5%, the worst figure in the postwar period. In addition, in the context of deregulation policies such as the abolition of the agreement on a fixed period for recruiting university graduates, internships as a graduated model of transition from education to employment are attracting attention as an important policy device.

For a long period after World War II, the Japanese labor market remained stable, and there is less needed the work experiences of candidates in graduate labour market. Thus job-based and experience-based study training was not debated with any particular seriousness from the perspective of the Japanese labor market. However, following the collapse of the bubble in 1992, the employment environment for new graduates became noticeably worse.

Considering internship to be significant for universities, students, and companies, the Ministry of Labour, the Ministry of Education, Science, Sports and Culture, and the Ministry of International Trade and Industry published a basic guideline for promoting internships in 1997.

In its 1997 report, "Behavioral Planning for the Creation and Reform of Economic Structures", the Government examined the problems of internships in terms of the links between the three Ministries concerned with education, labor and industry, and suggested furthering the concept of balanced development. In addition, in such the central level of policy forums as "Urgent Economic Policies to open up the 21st Century" and an "Educational Reform Program", the promotion of internships has been suggested (Ministry of Education 1997).

Specifically, from both the employment and the education sides, as well as from the perspective of industrial promotion, companies and other organizations have offered employment experience over a wide range to pupils and students. At the present time, program development and support is being undertaken over a wide range by the relevant government agencies.

At upper secondary education level, in particular, in the new Courses of Study (National curriculum), issued in 1999, planed for implementation in 2003<sup>5</sup>, internships have

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<sup>5</sup> As the Course of Study cover whole twelve years of school curriculum from 1<sup>st</sup> grade of primary school to 3<sup>rd</sup> grade of senior high school , the cycle of revision of the Course of Study is about ten years and need some lags for implementation at upper school level. That is because of gradually implemented system according to the

been made obligatory for specialized high schools, thus providing a lead in terms of practical implementation (Ministry of Education 1999).

### 3.3.2 *Expansion of Internship*

It is found by various surveys that the implementation rate of internships from 1997 to 2000, for both high schools and universities is rising in geometric progression (Yoshimoto et.al. 2001). That said, in the case of high schools, the rise is slow for general high schools as compared to industrial and commercial high schools. On the other hand, the implementation rate for universities has doubled, and expansion is taking place not only in faculties of engineering and agriculture, but also in those of humanities and social sciences. Furthermore, the length of practical training in companies is becoming somewhat shorter, in a majority of cases less than a week for high schools and around two weeks for universities, but there is now a gradual trend in the direction of a longer period.

Some internship programs have been established independently by companies; others have resulted from initiatives taken by universities, or have resulted from a joint initiative by local universities and employers' associations. Some have been arranged by non-profit organizations. Some universities have developed crediting mechanisms so that internships may be treated as a form of course work.

Most internship programs are intended for second- and third-year students and last from one week to a month during the spring or summer vacation. Some programs are designed to give students opportunities to learn the companies' activities through job shadowing and job training. Other programs require the student to engage in the same jobs as employees and to produce actual results. While some programs involve no compensation, others result in students receiving full pay or a pay rate equivalent to that obtained for ordinary vacation jobs. In principle, the internship is not seen as committing the firm to hire the student upon graduation.

Until recently Japanese firms had accepted science students as short-time employees, but many of those schemes served mostly as a "factory tour" to provide information on the workplace, and thus few firms expected such students to actually work together with regular employees during their involvement in such programs. Behind the interest in intern programs is a recognition that the number of students is falling as the youth population contracts, and concern over a deterioration in the academic performance of university graduates. Moreover, it is becoming more difficult for firms to employ new graduates en masse and then allocate them to an appropriate section in accordance with character assessments made after they have been hired.

### 3.3.3 *Policy Issues on Internships as reforms measures*

Reflecting these factors, Japanese firms are now striving to hire new graduates who are as much as possible already competent to slot into one of the reduced number of positions available. This shift in economic climate in part accounts for the recent popularity of internship programs in Japan. At the moment, only a few of the internship programs are clearly publicized as being a means of recruitment. However, a good number of firms are still hoping to recruit outstanding students through these kinds of programs.

The internship system can be said to have undergone significant quantitative expansion, but a range of problems can still be identified in the area of quality. The

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advancements of pupils and students grade.

expectations of high schools, universities and companies regarding internships are still limited because of unpredicted costs of management for those not implementing and because of some strict guidelines of internship as not employment activities but purely educational programs set mainly by Ministry of Education. Thus if the financial support from the government side is suspended, there are fears that at that point, the level of activity will fall.

Specifically, It is still frequently the case that rather than internships being negotiated autonomously between schools on the one hand and firms or local areas on the other, matters have not progressed beyond the stage of dependence on governments.

Thus, as later mentioned, mediating organization to provide adequate information and encourage both sides of schools and employers.

## **4 Basic overview of employment opportunities and labor markets**

### **4.1 Employment**

#### *4.1.1 Some types of surveys on employment of the graduates and the youth*

There are several indexes on evaluating the situation of graduate employment. As mentioned previously, graduates employment process in Japan starts in a half or one year prior to the graduation. Therefore firstly, my surveys were done for students looking for future employment jointly by Ministry of Education and Ministry of Labour. Where jobs for high-school graduates are concerned, the Ministry of Education conducts surveys at the end of October, December, and March, monitoring the proportions of final-year students who have been promised jobs.

Secondly, then at the time of graduation, most graduates are assumed to get any full-time employment with guidance of school or institutions and so a statistical survey of graduates is carried out through each school or institution of graduation, as part of “School Basic Survey”. There are many surveys in the third category after graduation. Some surveys focus on the status of new graduate employee, as well as those on youth labour conditions in general, mainly done by Ministry of Labour.

#### *4.1.2 Reduced graduate employment for high school*

The Ministry of Health, Labour and Welfare (MHLW) reported in May 2001 that the unemployment situation for high school graduates has been serious for the last decade, although a slight recovery in 2001(MHLW 2001). Of about 208,000 job seekers who graduated in March 2001, about 193,000 had succeeded in their job-hunting by the end of that month, a success rate of 92.8 percent. This is 0.7 percent slightly recovered from the same period in 2000 (92.1%), but it is recognized under traditional well-functioning transition system of new graduates in Japan as still a serious figure. because the failure rate almost amounts to 10 percent.

First destination of graduates from both lower and upper secondary education surveyed in “The School Basic Survey” done by Ministry of Education, Culture, Sports, Science and Technology shows that since the establishment of new school system the percentage of those going directly on to upper level education institution have continuously increased and the percentage of “others” and “Deceased & unknown” (most unemployed) increase since 1990s (see Table 5 and Table 6)

#### *4.1.3 The worst level of promised graduate employment for high school students*

Another survey by the MHLW has revealed in November 2001 that the ratio of job vacancies to job seekers among high school students due to graduate in March 2002 was 0.83 as of the end of September 2001 (i.e. 9 months prior to graduation)<sup>6</sup>. The number of students job seekers due to graduate in March 2002 totaled 223,000, 3.8 percent down from the same period in 2000. However, the number of job vacancies was 185,000, a more drop of 10.0 percent over the same period. Of those 223,000, 37.0 percent have been promised employment by the end of September, the worst record ever the survey done, nearly the half of the number of the same period in 1990 (69.7 percent) when the economy was booming.

The MHLW has provided several reasons behind the low job vacancy rate and promised employment for high school graduates: the deteriorating employment situation, which has made it easier for enterprises to employ university graduates and two-year college graduates instead of high school graduates, and the general reluctance of firms to hire new employees while the future of the economy is uncertain. Another line of reasoning attributes the low rate to changes in the industrial structure, which has limited job opportunities for high school graduates to certain service sectors and manufacturing.

#### *4.1.4 Weakening job placement function in high school*

Now that there are only three promised students for every ten job seeking students in September, high schools can no longer play the relevant role of job placement coordinators. In rural areas, the deficiency in the absolute number of job vacancies is a serious problem, while in large cities attractive vacancies are becoming scarcer. As a result, job-seeking high school students tend to choose part-time or non-regular employment, thus may be creating a new social problem.

The recession since the collapse of bubble economy resulted in fewer jobs being available. This was especially true in terms of clerical jobs for female high-school students. Therefore MEXT and MHLW have sent to inform the results of its survey to employers' associations and prefectural boards of education, and to ask them to assist in locating job opening for graduates.

#### *4.1.5 Difficulties of graduate employment for higher education institution in 2001*

The Ministry of Health, Labour and Welfare (MHLW) and the Ministry of Education, Culture, Sports, Science and Technology (MEXT) has released the results of the sample survey of new graduates in 2001 from higher education institutions in May 2001. The rate of graduates who have successfully found employment was, 91.9 percent for university graduates, 86.8 percent for junior college (female graduates only) and 84.1 percent for special training college graduates. The ministry attributes this rate of the employed to the fact that more companies are cutting back on the number of graduates they are employing straight out of university and college.

The latest sample survey for the final year students in higher education institution who would graduate in March 2002 reported that the unemployment situation became serious again. The proportion of university students graduating in March 2002 who have been promised employment by the 1<sup>st</sup> of October 2001 showed a significant drop. The 2001 survey of 5,300 students about to graduate from national, public and private universities, two-year colleges, and colleges of technology and special training colleges, revealed that as of 1<sup>st</sup>

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<sup>6</sup> The job vacancy rate stood at 3.08 for students graduating in March 1992, when the economy was booming.



October, 65.0 percent of job-seeking four-year university students had been promised employment. For junior college female graduates, the rate of promised employment was 36.6 percent. By gender, the figures for four-year university graduates were 67.6 percent for males and 60.6 percent for females.

The figures above are for graduates who wanted to find work, but, perhaps as a reflection of the serious employment situation, the proportion of these is declining. Of all four-year university students due to graduate in March 2002, only 72.3 percent took action to find jobs while still at university. For junior college female graduates, the percentage of those wanting to find a job stood at 77.7 percent, 1.7 percent down from 2000. Analyzing the situation, the Ministry of Education conjectures that “an increasing number of students, faced with the harsh reality, might have put off getting jobs by spending another year on campus or going on to graduate schools.” (also see Table 7 and Table 8)

#### *4.1.6 Occupation and status of new graduates in labor market*

“School Basic Survey” has been providing the various changing trends on distribution of both industry and occupations of new graduates employment since 1955 (MEXT each year). For senior high school graduates clerical jobs have been almost diminished, particularly those in banks completely replaced with university and college graduates. The main remaining occupations for high school graduates are in the field of skilled work and manufacturing or personal services, which might seem to youngsters not an adequate entries for promising occupational career. The recent increase of “freeter” as mentioned later might be related with this employment prospects (Table 9)<sup>7</sup>.

Employments for higher education graduates have also changed. For junior college graduates, who were mainly female, teacher and clerical jobs are substituted partly with increased university graduates and partly with the innovation of office automations. In case of university graduates, in general, they went into employ more in the third industry, such as retail or service than ever. They became placed more at clerical and sales jobs. In respects of relationships between the field of study and the field of work such as industry and occupation, there are constant tendency of loosely coupling. More graduates of teacher training and more female graduates became to get a job in general graduate labour market. More female graduates are entering into the men-dominating occupational field, such as wholesales industry or sales jobs, and engineering jobs (see Table 10 and Table 11).

#### *4.1.7 Starting salary in youth labor market*

A survey conducted by Nikkeiren (Japan Federation of Employers' Associations) on the starting salaries of new graduates in spring 1998 found that the starting salary for college graduates in clerical jobs averaged ¥201,300. This was a small increase of 0.5 percent over the previous year. The change from 1997 represented the lowest growth rate since 1966. The average starting salary for college graduates in technical jobs was ¥202,173 (up 0.5 percent over the year before). That for college of technology graduates in technical jobs was ¥177,309 (up 0.6 percent), and that for junior college graduates in clerical jobs was ¥169,743 (up 0.5 percent). Thus the survey showed that for the fourth straight year, the growth rate was below one for graduates at all levels of education.

The survey also found that 34.6 percent of the companies polled had frozen their starting salaries. The figure was 30.2 percent the year before. Only 61.5 percent of firms

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<sup>7</sup> In case of the School basic survey it is only cover the field of activities of the employed as a full-time worker. Thus the category of “others” include some part-time workers, but no further information on occupation..

raised their starting salaries, down from 57.7 percent the preceding year. Both the placement rate and the starting salary growth rates for new college graduates clearly indicate that the recession has considerably affected the labor market for new school graduates.

Table 12 shows the results of “the Basic survey on wage structure” done by Ministry of Health, Labour and Welfare (MHLW each year). From early 1980s and now on, the salary of university graduate have increased, particularly that of female graduates and there is emerging a differences between educational levels.

#### *4.1.8 Self-employment and venture entrepreneurship*

Entrepreneurship for venture in the field of newly growing economic field such as ICT and other area is encouraged for young women and men, particularly in the field of engineering at university. Many national universities established a center for bearing this motivation and attitudes to students, called such as “Venture Business Laboratory”, and other centers for liaison with industry since middle of 1990s.

#### *4.1.9 Contract workers with fixed-term contract*

The Ministry of Labour has surveyed the situation of contract workers in September 1999, yielded the following results. About 70 percent of all firms surveyed employed workers on a fixed-term contract. Among these firms, “part-timers” and “contract workers” accounted for some 60 percent of all fixed-term employees, and “temporary workers” and “workers under other types of fixed-term employment contract” accounted for another 14-15 percent. A relatively high proportion of firms cited “reduction in labor costs” as the reason for hiring employees with fixed-term contracts.

Many fixed-term employees cited the reasons for working on a fixed-term contract basis as “convenience of workplace” (about 40%), or “the desire to earn extra income to support their families” (about 30%). However, the highest proportion (40%) of “contract workers” surveyed indicated that they chose their current work status and job “to make use of their experience.” About 40 percent of part-timers who actually work long hours claimed that they had been “unable to find regular employment.” (also see Ministry of Labour 1999)

#### *4.1.10 Temporary workers*

The Temporary Work Services Association of Japan announced the results of its survey conducted in September, 1999, on temporary workers and their attitudes to work. The survey targeted 9,151 registered temporary workers of whom 95.6% were female and 87.5% were in their age of 20s or 30s.

According to this survey, while 45.2% of the respondents replied that they wished to remain working in their current capacity as temporary workers, another 36.6% said that they would like to become full-time employees. The survey also revealed that while about 50% of the respondents were satisfied with their workplace relationships and their work, only one in three persons was satisfied with their wage levels or with the opportunities that their work presented for challenging their skills.

The survey showed that 67.3% of the respondents had worked for the same employer for the past year, indicating that most temporary workers tend to keep on renewing their contracts over multiple three- and six-month periods (see JIL 2001d).

## 4.2 Unemployment

### 4.2.1 *Rise in Unemployment Rate among Youth*

The fact that the employment situation has deteriorated among young people can be seen in the Labour Force Survey, which has recorded a soaring unemployment rate among the youth of Japan. The seasonally-adjusted unemployment rate in November 2001 was a record high 5.5 percent. In particular, the rate for those 24 years old and younger has increased. Of approximately 3.50 million unemployed people in November 2001, 600,000 were aged 15 to 24. The number of unemployed people aged between 25 and 34 totaled 810,000. Thus, nearly half of those underemployed in July were under the age of 35.

While the annual average unemployment rate in 2000 as previously shown in table 1 for the population aged between 15 and 19 stood at 12.1% and for those aged 20-24 stood at 8.6%, it was 6.2% for the 25 to 29 age group, 3.4% for the 35 to 39 age group. The rate for young males is conspicuously high; for males between 15 and 19 the unemployment rate was 14.1%, for aged 20-24 9.6% respectively.

### 4.2.2 *Early turnover of new graduates workers*

The Ministry of Labour has estimated from employment insurance data that about 70 percent of the junior high-school graduates in 1995 who found employment at private enterprises upon graduation have since left their first job within three years. The figure is about 50 percent for high-school graduates for the same year; and 30 percent for graduates of two-year colleges and four-year universities. This may be partly because of the differences of youth attitude and the maturity based on age and experiences, but more because of the differences of current employment conditions and future promotion prospects dependent on the educational level as explained in previous section as evaluation seeking “trainability”.

The figures include a considerable number of people who left their jobs voluntarily. Since large companies have kept their recruitment of new graduates to a minimum, increasing numbers of graduates have had to find employment in small or medium-sized companies where turnover rates are traditionally high. Many had failed to get job offers from the companies they wanted to work for, or had failed to get the particular job they wanted. At the same time, the number of young people who do not get jobs and remain unemployed has been increasing.

### 4.2.3 *Increase in the Number of Separated Workers in Six Years*

Every year, the Ministry of Labour conducts a survey on employment trends, to gauge the migration of regular workers. The survey, published in August, covered about 14,000 establishments selected from companies having five or more regular employees, about 130,000 new employees and about 120,000 people who had left an employer during the 1997 period. According to the preliminary findings, 12.56 million people began or left jobs during 1997; the labor mobility rate stood at 29.6 percent. That represented an increase of 930,000 people and a rise of two percentage points, from the previous year. The rate of hiring new employees was 14.4 percent, up 0.6 points from the preceding year. In contrast, the rate of job separations was 15.2 percent, up 1.4 point percentage points from the year before. The rate of job separations increased for the first time since 1991, when the rate was 15.2 percent.

By gender, the job separation rate was 12.9 percent for men and 18.9 percent for women, up 1.4 percentage points over the previous year for both groups.

The largest number leaving their jobs (4.09 million) did so for personal reasons, followed by 640,000 at the end of a fixed-term contract, 440,000 for management reasons, 340,000 owing to the mandatory retirement age, and 330,000 for reasons connected to the worker's responsibility. Male workers who left jobs for management reasons grew 31.1 percent over the year in question, and those who left jobs after completing a fixed-term appointment grew 25.6 percent. Those who were separated for reasons of their own responsibility grew 24.5 percent. On the other hand, female workers who left work for their own responsibility rose 39.0 percent, and those who left because they had reached the mandatory retirement age rose 21.5 percent, indicating that the number of those leaving for non-voluntary reasons grew quite substantially.

### 4.3 Underemployment

#### 4.3.1 *Increase of the "Freeters" (a kind of part-time worker)*

The standard and common definition of underemployment is those who working less than a specified number of hours and available for additional employment. According to this definition, in post-War periods part-time working house wives have been most mentioned. However now, young part-time workers are of policy concerns. According to the Labour Force Survey, 45.3 percent of the employed youth aged 15-19 were only working less than 30 hours per week and particularly for female youth the figure was 54.5 percent in 1999 (Management and Coordination Agency 2000). Even young adults aged 20-24, 15.8 percent worked less than 30 hours (male 14.8 percent and female 16.9). Furthermore, 19.7 percent of youth and 5.4 percent of young adult work at most less than 15 hours (Table13).

These working behaviors are dependent not only because of the current severe labour market conditions but also because of young peoples' choice of their working style. Let us dig into this matter in detail.

This is because the number of high school and university graduates in the spring of 2000 who neither went on to further education nor became employed on a regular basis was approximately 324,000. The number started to increase in 1993 following the collapse of the bubble economy and 9.2 percent of all graduates joined that category. Nearly half of those who took a job after graduation left their job within three years. Reflecting the increasing number of graduates who are not gainfully engaged, Japan's "freeters" have been drawing attention as a social phenomenon.

People who are not employed as regular employees and make their living as non-regular employees have come to be known in Japan as "freeters." The word "freeter" has been concocted by combining the English word "free" with the German word for worker, "arbeiter." The term first came up in the late 1980s during the period of the bubble economy. Although the term is not precisely defined, the White Paper on Labour defines "freeter" as chiefly men and unmarried women aged between 15 and 34 who work on a part-time basis or in side jobs ("arubaito") continuously for less than five years.

Ministry of Labour estimated that the number of "freeters" in 1997 totaled 1.51 million, roughly twice as many as in 1987. Another definition, however, also includes dispatched workers. By that definition, the number is estimated at 3.4 million.

Behind the growing number of "freeters" is the traditional recruitment practice, which efficiently located new graduates in the job market during the period of high economic

growth, is no longer suited to the current situation. So far, new graduates have been hired en masse each April and this — an acclaimed employment practice in Japan — has partly checked an increase in unemployment among youth people. Now the practice seems to be declining, and “freeters” seem to be one by-product accompanying the collapse of the old and stable system of allocating the supply of young labor.

On the demand side, however, the increased number of “freeters” seems likely to be attributable in some measure to the overall reduction in employment due to the recession and to the increased number of middle-aged and elderly workers, as well as a greater tendency for firms to hire workers with experience as needed throughout the year. Consequently, even if young people wish to have a regular job, they are often obliged to work part-time or in side jobs (arubaito).

On the supply side, higher levels of education seem to have come with a change in attitude towards work. Many graduates are not attracted by prospects of full-time regular employment immediately after graduation from high school or university. However, an acute problem for the “freeters” is that they fail to acquire proper vocational skills so long as they remain employed on such a basis.

#### 4.3.2 Profiles of the “Freeters” by some surveys

Against this backdrop, the Japan Institute of Labour (JIL 2000a) conducted an intensive interview study in 1999 with 97 men and women under 35 years old who were neither housewives, students, nor regular employees. Each interview lasted one hour. The results found that the average number of working days per week of “freeters” was 4.9, and that their monthly income averaged ¥139,000.

As for their educational level, 47.4 percent were high school graduates, 13.4 percent were university graduates, and 11.3 percent had dropped out of a technical school or a two-year college. Their average age was 22.7, and 63.8 percent of them lived with their parent(s). Together with these survey results, JIL pointed out that there are three types of “freeters:” the “moratorium types” who have no immediate future vision; the “freeters with a dream” are those who are anxious to work in show business or in other professional areas; and the “dead-end freeters” who are obliged to stay in such employment because they have failed to get regular work.

According to another survey also conducted by the JIL, the “Work style Survey of Young People”, targeting 1,000 respondents, 2001, one in three people between the ages 18 and 29 have worked as part-time freelance workers at some point in their lives (JIL 2001a).

According to the survey, despite the high percentage (38%) of respondents who said that they became freelance workers as a strategy for finding the type of job they really wanted to do, only 12.5% became full-time workers after finding the job they wanted. Of the other reasons for working part-time, 26% of the respondents chose to work to “pay for tuition or basic necessities,” and 22% said that they began working for “no single reason.”

Sixty-three percent of the respondents had considered working full-time. Fifty-four percent of these respondents said that they had thought about applying to work full-time because “full-time work provides better conditions and benefits,” while another 41% said that they have reached an age at which they “would feel more secure” if they had full-time work.

Sixty-three percent of the respondents (75% of males, 47% of females) have succeeded in finding full-time employment. The survey found that the more effort the

respondents put in from an early stage, the better the chances were of their finding such work.

The Ministry of Education (2000) conducted a questionnaire survey on the recruitment of high school graduates, with emphasis on “freeters.” The survey was given to 4,000 individuals who had graduated from high school by the end of March 1996 and March 1998 and to 3,000 parents and personnel in charge of recruitment in enterprises and at high schools. The valid response rate was about 75 percent.

The results showed that 27.1 percent of the “freeters” surveyed said that they were employed as a “freeter” “because they did not know what they really wanted to do;” another 21.5 percent replied that they “did not regret their employment status because there was something they wanted to do (apart from getting regular work);” 15.9 percent thought that “they should have thought more seriously (about their future);” and 13.5 percent felt that “they were glad that they did not get a regular job because they were now free to do what they liked.”

## **5 Active labour market policies**

### **5.1 Supply side**

#### *5.1.1 School education (1) Vocational courses and integrated courses in senior high school*

In order to improve social reputation of vocational education and relevance of school curriculum on working life at upper secondary education, Ministry of Education has introduced many reforms since 1990s (Ministry of Education 1995a 1995b). The common directions are (1) students active and voluntary attitudes to learning, (2) broad range of vocational subjects with various kinds of work experiences (3) good articulation between secondary school and higher education including good pathways for vocational high school graduates and (4) individual school’s initiatives. According to these directions, two policy initiatives are mentioned here, the integrated course and the subject and course of information.

The integrated course was established in 1994 to provide a comprehensive education through elective subjects. Students are able to select subjects independently from a wide variety of subjects from both the general and specialized courses, according to their individual interests, abilities, aptitudes and career paths.

In this new type of course, the aim is to combine general education and specialized education in line with students' optional choices, and to introduce as basic compulsory units, "human beings and industrial society", "information-related courses" and "problem-based courses".

"Human beings and industrial society" will offer career guidance aimed at developing the knowledge, abilities and attitudes required by working adults, and consideration of individual future lifestyles and career paths in the light of Japan's industrial development and social change. In addition, there are many cases where "partnerships" with third parties outside the school form the basis of "experiential learning" and "study visits".

#### *5.1.2 School education (2) Response to the information-oriented society*

Consistent and systematic information education through all stages of school

education will require sufficient improvement of related subjects and active use of computers in virtually every subject. Elementary schools will employ computers for children's learning activities in the "Period for Integrated Study" and other classes. Lower secondary school will require students to learn the information basics including basic computer skills in industrial art and homemaking class. Upper secondary school will establish a new required subject area of "Information Study" (Ministry of Education 1999).

### *5.1.3 Liaison with companies in the context of specialized, vocational education*

The development of partnerships for traditional Japanese-style "employment" did not lie in the direction of strengthening the continuous nature of "education" in school and within the company, but rather presumed an educational cut-off on the part of both sides. This being so, study or hands-on experiential learning arranged in liaison with companies hardly developed at all outside vocational high schools.

Within the vocational high schools, practical training and study concerned with work as adopted hitherto was continued, and efforts were made to provide large numbers of opportunities for work preparation and for hands-on experiential study. Within specialist high schools too, including the traditional industrial craft studies, a significant number of projects developed in close collaboration with local communities, all hoping to invigorate local industries in a wide variety of areas. For example, in agricultural courses, about 35% to 45% of overall study time was taken up by specialized study, and about half of this time was allocated to practical training. In industrial courses too, practical skill development courses, including hands-on training and industrial drafting, took up about half of the time allocated to specialist study, and considerable effort was devoted to providing manufacturing experience, including out-of-school activities.

That said, looking at specialist courses as a whole, the links between in-school practical lessons and out-of-school practical skill training were not always sufficiently strong, moreover, there is evidence of a widening gap in terms of responses by schools to modern scientific and technological development and multi-disciplinary industrial developments.

If we look now at on-site practical training in the context of liaison with schools, the implementation ratio is 42.7% for agricultural courses, 11.4% for technology courses, and 19.2% for commercial courses (Ministry of Education 1996 survey). It is clear therefore that, with variations from school to school, even in the case of specialized courses, links between local society and companies are insufficient, and that the opportunities offered to students to study the attitudes to work of employees are not necessarily adequate.

Against this background, in 1996 the Ministry of Education initiated a "Liaison Promotion Project between Vocational High Schools and the World of Industry", and designated practical implementation research districts. In these districts, the aim is to establish and strengthen links between specialist high schools and the world of industry by such means as on-site practical training for students, the introduction of outside lecturers, and practical training for school staff. These pilot projects are now followed by a largely spread implementation of internship as later discussed.

From the industry side as well, within the context of industry activities aimed at making a contribution to society, there have been various attempts to try and promote school/industry joint education, for example, on-site practical training induction programs, study visits to factories and offices, work experience, "children's visits" and so on (Tokyo Chamber of Commerce and Industry, 1993). However, many problems are still unsolved,

including problems of working conditions and safety, travel and accommodation fees, credit recognition for industry-based practical training, securing agreement from firms for visits and training, and the establishment of a permanent "Collaboration Committee"(see Yoshimoto et. al. 1998).

#### *5.1.4 Seventh Basic Plan for Vocational Ability Development in 2001-2005*

In 2001, the MHLW presented its Seventh Basic Plan for Vocational Ability Development for the 5-year-period of 2001 to 2005. In this Basic Plan, the Ministry sets forth, in view of changes in the labor supply-demand structure, its priorities for vocational ability development. These are support for an individual's ability development, consolidation of an ability evaluation system in order to respond adequately to the conversion of the industrial structure, expanding new fields resulting from sophisticated information telecommunications and encouraging social dialogues and division of labour among social partners along with ongoing deregulation.

Among the areas to be addressed in the Plan, one of the priority issues for vocational ability development is "consolidation and substantiation of the vocational education system." As implementation of the previous Plan (sixth), the Lifelong Ability Development Center is opened in 1997 as a facility to offer vocational education for white-collar workers. This center analyses the realities of white-collar jobs and then is required to develop, implement and spread "model" vocational training programs. In addition to these implementations, the seventh Plan strengthens measures to deal with matters involving white-collar workers by expansion and substantiation of the Business Career System (the vocational ability acquisition system) and also stimulation of evolution of competency or qualification system at the private business sector. The focus of new reform for this individual ability development is now set on the career analysis and counseling. Career counseling are now expected as the fields of newly growing demands for professional activities in a wide ranges of work place, such as the guidance and counseling section at junior and senior high school, the personnel section in the company for the employee to ask training information and counseling and the public and private job placement agencies. The government has shown the estimation which amount to 50,000 employments.

Meanwhile, there are four areas of vocational ability development for working individuals. Under the Plan, the Ministry promotes "individual-based vocational ability development" as follows. First, help will be provided to individual workers enabling them to make up an "ability development plan" by provision of information and consultative services. Second, help is given to companies to improve their systems for voluntary vocational ability development through vacations, paid time off for education, during working hours and by providing expenses for vocational ability development plans. There are special arrangements provided for young workers and students in school and colleges. The focus is set on internship and other trainee program supported by employment insurance funds, co-operated with MEXT as mentioned previously.

#### *5.1.5 Support on vocational training for small and medium-sized business under the Plan*

The Plan also proposes that the government offer support for smaller-sized venture businesses. According to the seventh basic plan for vocational ability development, it is required to make active use of "the Project for Fostering People at Small- and Medium-sized Firms" and support measures stipulated in "the Law for Securing Labor Force in Small- and Medium-sized Enterprises".



### 5.1.6 *Reassessing Job-ability Qualification Systems*<sup>8</sup>

From the latter half of the 1970s until recently, personnel management in major companies has been based largely on a job-ability qualification system, but currently an increasing number of firms have begun to reconsider that approach. Because employers have gradually been facing with serious problems of on the one hand the treatment of middle aged employee with relatively high salary, and on the other hand unwillingness of young employee with relatively low salary, which might be another reason of emerging new value and attitudes of young generation.

A job-ability qualification system is a scheme for evaluating workers in terms of some assessment of their basic ability to execute and carry out a job. Such ability was not necessarily closely linked to being in a specific position, and a worker might move to a higher classification without being promoted to a higher position. Also, most systems did not incorporate provisions for downgrading. In general, wage systems in large Japanese firms were determined by a basic wage component linked to seniority (i.e., length of tenure) and an ability-based component determined by classification of job-ability. Each component carried a similar weight. It was believed that the wage component based on job-ability reflected merit and could be fine tuned in a more flexible manner to changes in actual duties carried out by each employee. It was seen as being superior to a wage system based on short-term performance and achievement, an important consideration when the long-term training of workers was concerned.

However, the “ability to carry out a job” proved in many cases to be too abstract, and promotion to higher posts on this basis tended to end up being determined in accordance with tenure — the “seniority system.” Thus, with the economy stagnant and the market becoming increasingly competitive, firms employing an aging labor force have begun to reconsider the existing personnel management system. They have begun to look for new criteria such as performance and achievement, which can more closely link the worker’s short-term performance to his/her remuneration.

This rethinking has been particularly conspicuous in the treatment of those in managerial posts. Many firms have adopted an approach, which allows the annual salary system to be adjusted. This allows short-term achievements to be reflected in wage levels. Surveys have found that about 30 percent of large firms in Japan have adopted this approach for employees in managerial positions

On the other hand, the evaluation and classification of workers not in managerial positions (i.e., those who are union members) have tended to be conceived with an emphasis being placed on long-term personnel training which has been highlighted by the job-ability qualification system. The changes at this level have tended to place more emphasis on the concrete roles and abilities of workers while promoting greater transparency and rationality within the system.

If these reforms become popular, in some fields such as professional and technical jobs, employment conditions would be improved for young graduates. Though, these reforms are still not enough developed to extract the clear evidence of effectiveness on employments structure.

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<sup>8</sup> This section is based mainly on JIL( 2001c).

### 5.1.7 *Reform proposal on high school graduate employment*

The final report considering the Job Seeking Behavior of High School Students was recently released in 2001 (MEXT2001). The research committee had been established by the Ministry of Education, Culture, Sports, Science and Technology. The report concludes that job vacancies formerly filled by high school graduates are now being filled by university graduates. This reflects a general downward trend in the demand for high school graduates.

Recognizing the seriousness of the situation, the report cites as major problems (1) the immaturity of the students in their thinking about occupations and the working life; (2) the absence of systematic and continuous guidance through internships and other programs which high schools should provide for students during their schooling; and (3) the declining effectiveness of conventional job placement practices in Japan's high schools.

Three practices of placement of high school graduate in particular were questioned: the prearranged linking of certain schools with certain employers in the labor market; the way in which internal selections occurred for specified employers within the high school, and the "one-on-one system."

(1) The first is a practice whereby a company makes its job vacancies known to specified high schools, and only students of those schools are able to apply. (2) In line with this practice, each high school carries out its own internal selection process to decide which of the students wishing to apply to a certain company should actually be recommended. (3) High schools have also adopted the one-on-one system that restricts each student to applying to a single company.

This series of practices used to play a role in the swift and smooth transition of students from school to workplace. These employment practices, however, have also been seen as a factor hindering students from forming their own views about particular kinds of jobs and from making their own career decisions.

The report makes proposals concerning relaxation of the rigid practices. It recommends that students at any high school should be allowed to apply for any job vacancy. In addition, each student should be allowed to apply to a maximum of three companies simultaneously through his or her school.

### 5.1.8 *Guidance and counseling*

The above report also proposes that in order to encourage high school students to develop their own ideas about occupations and working life, new measures should be taken to promote vocational education from primary school; a "career advisor" system should be set up by utilizing teachers with specialized training or former businessmen; and to encourage internship programs that enable students to experience for themselves the realities of various vocations.

This idea is based on the revision of "National Curriculum Standard" in 1999, which will be implemented in 2003 for senior high school students (Ministry of Education 1999). It was mentioned as the background of the revision that there was a tendency for school education to emphasize volumes of knowledge. Now, however, the school education looks itself from the children's standpoint and places a high value on the development of children's intellectual interests and inquiring minds. Thus, the school education positively conducts its activities by emphasizing the importance of motivating children to learn by themselves and helping them develop abilities to learn, reason, judge, express themselves accurately, discover

and solve problems, acquire basic creativity and act independently in response to social changes. Additionally, children are encouraged to use their knowledge and skills comprehensively in daily life in order to successfully relate their knowledge acquired at school with the actual life. This requires the promotion of such educational activities as hands-on learning activities, problem-solving activities and activities to teach how to research and how to learn.

Particularly, the upper secondary education is asked to aim at helping students appreciate the meaning of their own life, develop mind and ability to choose career and deepen understanding of the society. New standard ask, that depending upon students' interests, the upper secondary education provides them opportunities to learn the basics in the specialties of their choices and that it encourages them to further develop individualities and independence.

## **5.2 Demand side**

### *5.2.1 Job creation and public works*

Job creation for young generation had been one of key priority policy areas before the restructuring decade of 1990s. In 1960s and 1970s, more incentive grants and administrative supports were provided for increasing youth employment in metropolitan and demand-surplus region from local region, and in 1980s for “U-tern” employment into local region of local-origin graduates from metropolitan region. It was another reason of policy priority of youth employments that population proportion of young generation was huge as first baby boom generation was called “Mass generation”.

Now, the emphasis of Emergency Employment measures in 1999 is on middle-aged people. These measures have been including the immediate creation of jobs by promoting job creation in growth industries. The government selected 15 recently established or growing sectors - the medical and welfare, life and culture, information and telecommunications, new manufacturing technology, transportation, environment, business support, marine, biotechnology, urban environment, civilian aircraft and space, new energy sources and energy-saving, human resources, internationalization and housing -.

Then the government is giving incentive grants to employers who speed up their plans to hire rather middle-aged or elderly people who have involuntarily left their former jobs, and to employers who are offering on-the-job training.

### *5.2.2 Subsidizing wage employment<sup>9</sup>*

In response to the record high joblessness among new graduates, in 1996 the Ministry of Labour has initiated countermeasures which include (1) the extension of eligibility for short-term, free employment vocational training programs for high school students, as well as allowing private firms (in addition to vocational colleges and private job training institutes) to conduct such training programs, and (2) subsidizing the vocational training provided by firms that have hired recent university graduates without jobs.

Where the scheme for allowing private firms to conduct job training is concerned, now in 2001 the government provides subsidies of about ¥60,000 per month per person as training costs, and job-seekers can in principle receive the training free. The training period to

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<sup>9</sup> This section is edited with the citation from JIL (2000b)

be covered by this scheme is three to six months, and the expected number of trainees will be 6,000, six times as many as in 2000. The program is now available not only for university and two-year college graduates but also to graduates of high school and college of technology. It is aimed at those who have registered at a Public Employment Security Office but have not found a job. The graduates can choose where to receive training from among the firms seeking new employees.

The subsidy to defray the training costs of firms which have recently taken on jobless graduates will be financed by expanding the scope of the “Grants for Life Time Development of Vocational Abilities” which originally used to be granted to firms obliged to transfer their middle-aged or elderly employees to different sections or to conduct training to help their employees keep up with technological innovation. Firms that begin a training program of up to six months by the end of September are eligible for subsidies to cover two-thirds of the training costs (three-quarters for small and medium-sized firms) up to a maximum benefit of ¥300,000.

### *5.2.3 Community development through local initiatives*

It is envisaged under the Emergency Employment Measures that the national government and local public bodies will take a number of measures to create temporary employment and job opportunities. These include a scheme to provide special grants for emergency regional employment which will provide funds for educational and cultural, welfare, environmental, recycling and other public works projects which local bodies entrust to private companies and nonprofit organizations (NPOs).

Information on laws and ordinances, budgets and account settlements, government newsletters, and white papers are to be digitized in the interest of disclosure, with the project to be entrusted to private companies to generate more jobs. To deal with the decline in the number of children, measures will be taken on the local level (city, town and village) that include the establishment or improvement of nurseries, which will simultaneously create more jobs.

Finally, the measures call for establishing “NPO Human Resources Job Placement Offices” to register those who wish to participate in the voluntary activities of NPOs and to provide information on these people to NPOs looking for staff members.

## **5.3 Job brokerage**

### *5.3.1 Graduate Employment and recruitment agreement for HEI abolished*

Employment activities of students in higher education institutions and recruitment behaviors of companies for new graduates have been liberated since 1998 in order for students to be able to have more chances to select jobs more effectively and for employers to be able to have more opportunities to show information in a flexible schedule. In fact, demands have been always higher for university graduates in postwar Japan so that companies have competed fiercely to secure able graduates as early as possible. Until the year 1997, higher education institutions had had “a gentlemen's agreement” with employers to fix a nation-wide uniform schedule for employment activities and recruitment behaviors the government supervised companies' compliance with the so-called employment agreement. This compliance had often been violated and always been a controversial problem. During the economic bubble period, many companies refused to comply with the

gentlemen's agreement and gave employment commitments to students even one year or more early before they graduated. The agreement was eventually abolished in 1997. Companies and universities each have agreed more broadly that employment commitments should be made for students on or after October 1 as of a half year before their graduation, and that institutions and companies mutually respect each other's agreement. At the same time, they are seeking to establish new employment practices. Internship mentioned in a previous section, has emerged as one of such new practices.

Employment security offices' validation of job offers and regulations on offers through classified advertisements, which are seen for upper secondary school graduates, do not exist for graduates of institutes of higher education.

Employment activities vary depending on companies and prospective graduates. In the most universal manner, companies provide students with employment information through job magazines issued by the private media. Such magazines are usually mailed to students selected by institutions or their departments. On the other hand, companies supply employment information frequently through universities' employment guidance divisions, professors and other higher education organizations. This practice is a traditional one for natural science and engineering students.

In this case, information supply destinations are limited to certain categories of universities or departments meeting specialized job requirements. Companies also use job magazines and newspaper advertisements to supply information to an unlimited range of universities or departments and take advantage of their employees to contact students at universities from which these employees graduated. In a recent change, companies have begun to adopt measures to more widely disseminate employment information. For example, they make employment information available on the Internet so that anyone can get information and job application forms. Some companies require students to file job applications without specifying their universities, in a bid to give priority to personal capabilities and interests in making employment decisions. Companies are increasingly trying to collect able personnel from a wider range of students by preventing universities or departments from selecting students before job application. Employment activities for graduates from special training and junior colleges are similar to those for university graduates (Yoshimoto et. al. 1998).

### *5.3.2 Revision of employment security laws*

In line with the adoption of Article 181 of the ILO treaty that covers private employment services, including employment agencies and temporary staffing agencies, and the changes in the social and economic situation, employment security laws for staffing service and employment security were revised with consideration given to the protection of workers in order to adequately deal with the structural reform of Japanese economy and strengthen the function of making adjustments of the labor supply and demand relationship. These laws have been in effect since December 1999.

Amid the progress of technological revolution and the increase of workers who wish to work in varied ways, there has occurred a change in the relationship between labour supply and demand. The Employment Security Bureau is trying to make the employment system thoroughly known to people and conduct guidance and supervision over the private temporary staffing agencies and employment agencies so that their non-government labour supply and demand adjustment function can be fully utilized and adequately operated.

In 1999 the Employment Security Law and Worker Dispatching Law were revised as part of a general relaxation of labor market regulations. Revisions to the Employment Security Law opened the way for fee-charging job placement businesses to supply employees to private enterprise. They also relaxed restrictions on the types of jobs which could be filled by such firms. Revisions to the Worker Dispatching Law abolished general restrictions on types of work which dispatched employees could undertake with the adoption of a “negative list” system by which only listed activities were prohibited.

The revised laws allow private job- placement companies to be involved in all areas except construction and port cargo services. Meanwhile, the rules protecting workers eligible for job placement are strengthened. Agents will be penalized if they violate the confidentiality of workers' personal information. Furthermore, guidelines for collecting and preserving personal information on workers are clearly detailed.

### 5.3.3 *Private employment services*<sup>10</sup>

Accordingly, an increasing number of private enterprises are entering the job placement and temporary worker dispatching businesses. Incidentally, these types of firms require permits from the Minister of Labour.

According to the Ministry of Labour, from December 1, 1999 (when the laws came into effect) to June 1, 2000, 293 enterprises offered fee-charging job placement services (an increase of 34% compared to the same period in the previous year) and 898 enterprises were dispatching employees to other firms (an increase of 23%).

As of June 1, 2000, the number of private fee-charging job placement businesses totaled 3,930, an increase of 8.1 percent from the end of November 1999, just before the relevant law was revised. Newcomers included, for instance, a company providing job information which joined the business in order to widen its activities to include the offering of future job placements via the Internet. A major private preparatory school did so with an eye to introducing and dispatching school teachers to private junior high schools and high schools.

The number of enterprises engaged in worker dispatching services as of June 1, 2000 totaled 17,277, an increase of 5.5 percent from the end of November 1999. A company managing dormitories for other companies' employees has created a new affiliate engaged in personnel dispatching services, and plans to dispatch more than 200 domestic helpers per year. A department store is setting up a smaller company from which shop assistants will be dispatched to related companies and associated businesses. Some firms have started to engage both in job placement and in the dispatch of workers.

According to the Special Survey of the Labour Force Survey conducted in February by the Management and Coordination Agency, only 2.8 percent of unemployed people rely on private job placement agencies when looking for work. That compares with 40.1 percent who rely on Public Employment Security Offices. On the other hand, some 900,000 workers were dispatched in fiscal 1998, 4.7 percent more than the previous year.

Thus, although the private sector still plays a minor role in the market, as employment patterns become more varied in the future, rapid expansion of private job placement firms is expected. Moreover, since workers can now be dispatched to any category of job, it is almost certain that their numbers and significance will increase in the near future.

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<sup>10</sup> This section is mainly based on JIL(2000c)

### 5.3.4 *Using the Internet for Job Hunting*

It is becoming common to look for jobs on the Internet. Some regulations for implementing the Employment Security Law were revised, and came into effect on April 1, 2001. They were relaxed for firms that used the Internet for job placements.

Until the early 1990s, university students generally obtained information about employment and careers from magazines which were specialized in such information. By completing and sending a questionnaire included in a magazine, designated firms would send them a company brochure. From the mid-1990s, these magazines began to set up homepages, and then initiated a range of recruitment activities through the Internet.

According to a survey conducted in June 2000 by Recruit Co., Ltd. a major distributor of job information, two-thirds of university students used e-mail every day to enhance their own employment prospects, and roughly half of them browsed websites every day.

Students also use Internet bulletin boards to exchange information and opinions on how particular companies conduct their interviews, how and when they start to give informal assurances of employment to prospective graduates, and so on. Some keep diaries on their own homepages, describing their job-hunting activities. In such ways, young job seekers find out about the real intentions of the firms they consider for employment.

## **6 Best practices for youth employment**

### **6.1 Best practices of Internship**

#### *6.1.1 Employer planned Internship as a measures of recruitment<sup>11</sup>*

Policy initiatives for internship have had a certain impacts for educational institutions to implement their own internship programs and certain minimum consensus of necessity of internship, although there are large differences and contradictory directions, such as some done by headquarter office for students affairs vs. by each laboratory or professor, by credit awarding vs. extra-curricular activities, and by wage earning for students vs. training costs or program fees, and so on. At the side of employers, there are still large majorities of firms which use traditional recruitment practices as graduate employment within short time of applicants interviews. Even some firms which have reasonable understanding on internship, most are only replying the requests of schools and colleges.

Under these conditions, some leading companies have launched their own original internship programs, as following. All of these companies remain regularly mass entry of graduate recruitment, so that the implementations of the internship are done at more experimental bases. Even though, these implementations are in a longer term a very challenging practices.

Matsushita Electric Industrial Co. has decided to adopt a new recruitment scheme whereby it hires university students and others as trainees, then only later decides who to hire as regular employees based on those who received high evaluations during their traineeship. NEC has opened up research and development in its Internet section to university students, and has already marketed some products based on the ideas of the students.

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<sup>11</sup> This section is mainly based on JIL(2001b).

Hitachi provided 20 students who will graduate in 2002 with a two-week internship in several departments, including sales and personnel management. Sony has offered three-week intern positions to 20 students in its personnel management and accounting sections. Mazda has provided a similar four-week program to 16 students in its planning and research sections. Japan IBM has done so for 62 students for four weeks in accounting and manufacturing. Microsoft Japan now has a two to three-month program for 60 students in network management and some of its other operations.

### *6.1.2 Community centered approaches for internship*

As one of critical problems on future development of internship, until the present time, the formation of "intermediary organizations" is being developed at different levels, but their aims differ from one another, and there is no doubt that we are still at the trial and error stage.

For example, internships at university level were mediated and promoted at an early stage by a central government body, 'Chubu Bureau of Trade and Industry' (a major regional branch of MITI). In these cases, university/industry joint research has been developed, centered on large companies, but frameworks have not been developed in the direction of expanding high school internships or of functional differentiation between high schools and universities.

In comparison with this, the formation of an intermediary organization in Kyoto has been on the basis of leadership by local government of Kyoto City. At present, based on community initiatives, the "University Consortium Kyoto" established in 1994<sup>12</sup> and now in 2001 have as the member, n 51 universities and colleges, both public and private, four employers' organizations and Kyoto city. Kyoto was traditional heritage city and thus has more university and colleges pre capita than any other city except Hachioji city. However, because of so many students and relatively less employers, the new policy reform like internship was particularly difficult to implement. At first, the priority of this consortium was credit-transfer among various unique universities and colleges. Because of community-led development of this consortium, the internship has been quite smoothly implemented and enlarged with the intervention of this consortium since 1997. In 2000 it is mediating the internship placement for 250 of internship at private company, 50 at local public administration, 50 for practical training on establishing venture and 60 at NPOs, which is one of the most successful practices on internship in Japan.

In 2001, another consortium, the "High School Consortium Kyoto" has been established, which focus on municipal high schools and employers, but approaches are quite similar, i.e., initiatives of local community and covering both education and R&D. Both consortia are now moving in the wide range of coordination, such as the credit transfer scheme among institutions, internship between school and company, R&D among school, company and city and the collaboration of consortia for articulation between secondary and higher education The future potential of these developments is attracting considerable attention

As mentioned above, it is important to develop mediating organizations for future expansion of internship as basic employment measures. These could act as an intermediary between schools and companies with their widely different organizational cultures, and form mutually beneficial links across a wide area and not simply on an individual basis. And

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<sup>12</sup> At first in 1994, 45 universities and colleges and two local governments established "University Center in Kyoto" and the Consortium succeeding the whole mission established in 1998.



repeatedly to say, community centered approaches can assess both sides of goals, incentives and constraints, under the identical and broad framework of regional community but relevant to each at each aspects.

## **6.2 Best practices of Internet-assisted placement service**

### *6.2.1 Public employment services empowered with the Internet*

Saitama Prefecture launched its own job search website<sup>13</sup> (in June 2000, in advance of a job-search website which is to be jointly managed by the government and the private sector (see the March 2001 issue of the Japan Labor Bulletin). The website maintains a permanent display of 2,000 to 4,000 job vacancies which the prefecture collected, together with some 20,000 vacancies released by five personnel-dispatching and job-placement agencies which have contracts with Saitama Prefecture.

### *6.2.2 Private Internet-assisted placement service*

At Recruit's site<sup>14</sup>, some 5,500 vacancies can be investigated in terms of job category, job experience and knowledge required, location, and other attributes. The same website provides a "job information mailing service" for people who have registered with the website and specified a list of desirable vacancies beforehand. Some 270,000 people were enrolled at the end of March 2001.

Since simply publishing information about job vacancies and job seekers on the Internet is not identical to making a job placement as defined by the law, such publishing does not require any legal procedures or permission. However, receiving information about job vacancies and job seekers, and arranging for employment agreements between firms looking for workers and job seekers is defined as making a "job placement" and is subject to legal restrictions. Until recently, job placement agencies have been required to provide job seekers in writing with information such as working conditions, the scope of duties, etc.

Now they are able to provide such information in an e-mail format. The revision of the law also scrapped regulations concerning the minimum floor space of job placement agencies in cases where such agencies use the Internet to allocate jobs. The Ministry of Health, Labour and Welfare is hoping that the revision of the law will encourage placement agencies that use the Internet.

Quite a few websites now provide information about switching jobs. In March 2001, NEC's "Biglobe" comprehensive website<sup>15</sup>, expanded its job information pages to include information on vacancies, personnel introductions, dispatching, and opportunities for studying abroad. The site includes more than 60,000 pieces of information obtained from Recruit and 13 other associated companies.

## **6.3 Best practices of new qualification and wage scheme in business<sup>16</sup>**

### *6.3.1 A case of the revision of wage system*

NEC Corporation, one of Japan's giant IT manufacturers, adopted a new system in

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<sup>13</sup> [www.shigoto.pref.saitama.jp/](http://www.shigoto.pref.saitama.jp/)

<sup>14</sup> [www.career2.recruitnavi.com/](http://www.career2.recruitnavi.com/)

<sup>15</sup> [www.biglobe.ne.jp](http://www.biglobe.ne.jp)

<sup>16</sup> This section is mainly based on JIL(2001c)

October 2000(JIL 2001c). (1) Existing job grades have been abandoned, and the level of qualifications have been combined into four categories. The categories are newly specified in accordance with the nature of the work, and new grades of qualification have been established within each category. For those in clerical and technological jobs, employees engaged in planning and comprehensive duties which require high degrees of discretion and judgement are placed in category A; other clerical and technological jobs can be found in group B; manufacturing and inspecting jobs are in group C; and special duties such as patrolling are in group D. The roles of white-collar workers vary, and confining them to Groups A and B has made the situation clearer for many employees. Category A involves jobs for which actual performance and results are seen as important and wage levels vary widely according to the evaluation of each employee. Jobs in Category B are for workers who are expected to produce steady results by accumulating work skills and know-how.

(2) Job types are set within each job category, and the “practical behavior and skills required for better results” are explicitly defined for each job type and each qualification grade. From this, employees are able to learn concretely the “practice files” — the behavior and skills required of them.

(3) The basic wage component that formerly consisted of the duties-qualifications payment and the component linked to seniority have been combined in one calculation to obtain each employee’s “basic monthly salary.” Wage levels are determined by personnel evaluations and are to fall within a “monthly salary band” fixed within each job category and a qualifications grade. The monthly salary band and “basic pay rise table” are open to all employees for reference. By referring to that material, each employee can learn how the company has evaluated their performance.

(4) The criteria for evaluations are defined in terms of “practice” and “results.” Raises in the basic monthly salary and the qualifications grade are based on the “personnel evaluation,” which varies in accordance with the degree of achievement in practice (the employee’s actual behavior or performance) and the level of skills required. “Practice files” refer to the extent to which performance targets were achieved and actual achievement of targeted performance, whereas bonus payments are based on only the skill levels achieved.

The term “practice” as it is used by NEC refers to something often called “competency” by other Japanese firms which have recently adopted performance-based wage systems (including Fuji Xerox Co. and YKK Co.). In recent years a growing number of firms have become concerned with the notion of “competency.” As job-ability qualification systems come to be reviewed and efforts are made to introduce evaluation systems, a clearer and more reasonable system of setting remuneration for employees will result in the precise roles required of ordinary employees being better specified. In the end, it is believed that this will strengthen the ability of firms to provide motivation for human resource development.

Again as competency based management system become popular, there must be more chances provided for youngster well equipped in schools and colleges, although it could not be concluded on any effectiveness for youth employments.

## **7 Measuring the effectiveness of youth policies**

### **7.1 On improving youth unemployment**

It depends on more or less fundamental economic and social conditions, whether youth employment policies have clear and direct effectiveness on the results of improving

employment outcomes. Japan's government are now targeting both the structural adjustment in every policy sphere – mainly in order to respond the challenges of privatization trends – and the recovery of economy from long lasting recession. This means that policy measures could be adopted by public body are seriously limited and that in spite of many policy initiatives as mentioned above, effectiveness may be difficult to grasp by analyzing statistical data analysis of employment condition up to the present.

At the time of economic recovery, labour demands for youth graduates would be improved particularly faster than other labour demands and, of course than other economic indexes. Because of shrinking of youth population, still relatively low wage of young workers, and common conceptions of investing more on youth in general, new school graduates employment are expected to be recovered soon, except high school graduates who is gradually becoming into minority positions.

On the matter of deregulation policies, such as abolishment or revision of employment agreement between schools or colleges and employers, it may fit for massified university graduates to compete under more market mechanism, as long as these activities are done under the good coordination with school educational program. However, it may be harmful for senior high school graduates, because they are gradually seen as minority and more institutional supports are required theoretically as a safety net.

## **7.2 On functioning of brokerage system**

Many revisions of employment and related laws and regulations, there is emerging various channels for placement, such as those using ICT technology and mass-media, private employment services and those public focused on youngsters. Although some concerns on digital-divide are often discussed, media-literacy of Japanese youth is becoming richer and richer, besides implementation of school subjects. These competencies would be corresponding explosive evolution of computer games, cellular phones and computer networks, all of which might attract the more the younger generation.

Now in the process of the employment and recruitment of university graduates, posting activities of “the entry sheet” containing basic information as a curriculum vitae, which mean the intention of possibility of apply, are more standardized through the use of Internet than ever before. Company recruiters first make the pre-selections according to this entry sheet and then several stages of interviews. Thus, on the one hand it may be possible to select more with traditional criteria of the “trainability”, or the social prestige of colleges of graduation, but also on the other hand there would be more allowance for locally situated students to bring the timely information and reply to the recruiters in certain limited time. In facts, ICT has now gradually showing both opposite possibilities of digital divides and alternative tools for disadvantaged students overcoming disadvantages, such as geographical distances.

## **7.3 On ‘freeter’ issues and youngsters’ work attitudes**

For involuntary part-time workers, various emergent policy measures from more demand sides are required, such as those informing them promising occupational careers. There are still less satisfactory evidences on improving demands for youth, and less on labour demand in general as well.

On the contrary, for voluntary ‘freeters’ medium- or long-term measures are required

and also more sympathetic understandings should be pursued because they may be not problem but asset. Building the internship and other work experiences into school and colleges are one of challenges of cultural innovation which was completely different from the experiences in one hundred years of modern Japan.

Thus, even though the internship has gained a great popularity in universities and colleges, there are still remaining questions whether the programs become a ingredient and integral part of the total curriculum as a whole. The depth of experiences, partnership between school and employer, and the integration of work experience programs among primary, secondary and higher education institutions. Therefore community based intermediary organization may play a very crucial role toward next development of this kind of measures.

## **8 Youth employment and the social partners**

### **8.1 Approaches of employer's organization**

With a view to responding to these changes, one can see an increasingly strong tendency to move away from the clearly vertically structured workplace organization and toward the adoption of a flexible, flatter type of organization in the form of, for example, project-type structuring. In addition, driven by the need to respond to rapid changes in demand and increasing sophistication, companies are actively moving in the direction of increasing outsourcing with a move to attaining greater efficiency and the external procurement of specialist expertise.

In 1995, the Japan Federation of Employers' Associations issued a report, "The New Age of Japanese Management", in which they suggested the active adoption of fixed-term employment contracts.

Employer's organization and related economic circles have been pointing out in their policy reports, titled "From School to Combination of Schools" (1995) and "Recommendation for Combination of Learning, Working and Playing" (1996) by the Japan Committee for Economic Development and others. That is, there has been the assertion that the trammels imposed on the children's education by schools and teachers should be freed through more active cooperation between schools and local communities as well as the industry, and that "study", "work" and "leisure" should be organically combined with each other. Along with this, there has come the recognition that a social dialog between various social walks is necessary, centering on the methods to realize this. The era has come when dialog and partner

### **8.2 Vision of trade union on partnership and dialogue**

As the proposal by the General Labor concerning education and nurturing of talented personnel, there is the summary "In Order to Sustain Brilliance in Life in the 21st Century: Vision of "Work" and Study" prepared in 1996 by the Rengo Comprehensive Life Development Research, a think-tank in Rengo. It is worth noting is that discussions were carried out by this think tank with the participation of the staff members of the Japan Teachers Union, an affiliated organization in Rengo, and that the proposals concerning education which were not ideologically critical of the government and economic circles were

made by labor circles and from the places of education. In these discussions, the following objectives were declared: (1) Emphasizing the basics and rudiments, and social features: Securing the civil minimum (2) Learning at each student's own pace: Shifting from lateral diversity to vertical flexibility (3) Overcoming stages of education: Shifting from the distinction of stages of education to the division of functions (4) Ensuring the opportunity for lifelong study: Surviving in this knowledge-based society.

It was pointed out that it efforts should be made to carry out the reform based on social partnerships between trade unions and economic circles, between schools and local communities, and between teachers and administrative agencies of Ministry of Education and to have a dialog between them (Ichikawa, S. and Rengo Comprehensive Life Development Research Institute eds. 1996).

### **8.3 Policy monitoring of transition of youths to adults/citizens**

In order to support youngster's smooth transition to working life in Japan through the medium of a partnership of the parties involved, an accurate grasp of the real situation is indispensable. Many kinds of statistical surveys are undertaken every year and the "transitions" of high school graduates, before and after graduation, are clarified in great deal. However, this process embraces a number of problems. Specifically, the statistical surveys are limited to grasping the diversity of individual movements and linking these to the social background or to individual experiences with a view to analyzing and suggesting policy-level issues.

In many developed countries, statistical follow-up surveys on "transition from school to work" have developed on the basis of equality-driven policy initiatives aimed at clarifying and reforming social inequality in the area of educational opportunity. Through the medium of a fresh analysis from this viewpoint, evidence-based research concerning education has been accumulated. Especially in recent years, with European integration as the key, interest has been rising in follow-up statistical surveys of this kind.

In Japan too, structural changes can be seen in the career patterns of young people following the period of high economic growth, and as can be deduced from current surveys, as shown in Chart 2, there is a possibility that appropriate guidance concerned with education and employment has not been given to one quarter of the cohort. Moreover, the size of this stratum is expected to increase. In particular, there is a need for policies, which aim not merely to provide a 'safety-net' to ensure that those who follow unusual career paths are not disadvantaged, but to prevent young people from being excluded from society in the first place ('inclusiveness'). However, the reality is that the government bodies in charge of education and labor respectively are only interested in grasping the situation from their respective viewpoints.

On an international level too, there are common concerns about the issues of transition. An international statistical survey, which will focus on and follow individual careers in terms of "the transition of young people from school to work" is currently being prepared. It is a reasonable assumption that this will have very great significance at policy level.

### **8.4 Relevance of Recommendation of UN high-level Panel for Youth Employment**

## **Network**

As Japan economy cannot find the light of exit from long tunnel of recession yet, there is many policy initiatives are not appreciated fully of these effectiveness. However according to our a half century of experience to build Japan's mode of graduates employments at secondary schools and colleges should be appreciated as one of best practices of partnership and social dialogues, these must be met the recommendations of UN high-level Panel for Youth employment Network.

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