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Work-sharing

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This lecture will discuss work-sharing in Japan and Europe. It is based mainly on two new books, *Japanese-style Work-sharing*, by Wakisaka Akira, and *The Real Image of Work-sharing*, by Takenobu Mieko (both in Japanese).¹⁾ Using these books as our starting point, we will examine the most important issues regarding work-sharing. These include the main types of work-sharing; work-sharing experiences in Europe, especially in Germany, France, and the Netherlands; work-sharing experiences in Japan, including the cases of Hino Automobile and Hyogo Prefecture; and the difficulties of utilizing work-sharing in Japan.

Why is Work-sharing Important?

Until recently, Japan's unemployment rate was low. Companies were anxious to hire school-leavers, provide on-the-job training, and employ them for years. Part-timers were hired largely to provide buffers for the regular work force. Today, however, companies want to reduce labor costs and increase labor flexibility. They are hiring few regular workers (seishain), they are trying to reduce the number of older workers, and they are hiring more part-time workers (paato) and other non-regular workers (hiseishain). As a result, the unemployment rate among younger and older workers has risen sharply.

The employment system remains centered around male household breadwinners who are expected to be loyal to their companies. They still mostly work long hours and accept difficult transfers. Moreover, the falling number of regular workers and the rising number of paato mean that the remaining regular workers often have to work even longer hours. These practices make it difficult for regular workers to spend time with their families.

In addition, the economic role of women is changing. Young women used to work as regular employees for only a few years before marrying or having children, and married women would only work part-time in order to "supplement" the family income. Women's pay was almost always low. However, more and more women want to pursue careers. Moreover, since many men have lost jobs or have had pay reduced, more married women are attempting to help support families, not just supplement their husbands' incomes. In addition, the number of single working mothers

1) In addition, Wakisaka has summarized much of the information in his book in the June 2002 edition of *Japan Labor Bulletin*.

is increasing, partly because of a steady rise in the divorce rate. But it is difficult for most women to find work that pays enough to sustain a family.

The reform of the pension system has also helped to stimulate debate on work-sharing. In 1999, the government revised the pension system so that the pensionable age will rise to 60 to 65. The change is being implemented in stages from April 2001 to April 2013. As a result, it has become necessary to help people aged 60 to 65 to find employment. Moreover, the number of persons aged 60 or over is going to increase greatly in the next five years.

Work-sharing seems to be a way to help to resolve these problems. Work-sharing could help to protect or create jobs by reducing work hours — a worker might lose some income, but that is usually better than losing a job, especially during an economic recession. By protecting jobs, work-sharing could also relieve the anxiety that many workers feel, and maybe even help promote economic recovery in Japan by encouraging greater consumption. It could also improve the quality of family life by reducing working hours, and help working mothers to pursue careers by allowing them to work flexible hours or short hours while their children are small. Finally, it might promote skill development by enabling some workers to take time off from work to pursue training or education.

Some European countries have made extensive use of work-sharing. The Netherlands has been widely praised for using work-sharing and other flexible work practices to reduce unemployment and promote growth, and the so-called Dutch Model has attracted great interest in Japan. Unfortunately, work-sharing is often difficult to implement, especially at the national level. There are problems with work-sharing in all European countries that have experimented with it. As discussed below, Japanese employment practices will probably make it especially difficult to use work-sharing on a wide scale.

The Work-sharing Issue

Japan's employment problem²⁾

Japan's unemployment rate is close to the U. S. rate, but Japan has much higher rates of long-term unemployment and part-time employment. Not only did Japan's unemployment rate rise in the 1990s, but there were important changes in the patterns of employment and unemployment. Until recently, the number of non-regular workers declined when the economy went into recession. Since 1990, however, the proportion of part-timers has increased steadily while the proportion of regular workers has declined. Between 1997 and 2001, the number of non-regular workers fell by 1.71 million, and the number of regular workers increased by 2.06 million workers. More and more non-regular workers are men.

Another change was that many large firms began to use voluntary early retirement (*kibo taishoku*) in the 1990s. Before 1990, voluntary early retirement was often used mainly by small- and

2) This section is based mainly on Wakisaka (chapter 2).

midsize enterprises, but rarely by large firms. Since the mid-1990s, however, large firms have often used early retirement, especially to reduce the number of older employees. One important reason for the change was that it became difficult for the large firms to transfer (shukko) redundant older workers to affiliated enterprises because the affiliates could not absorb any more workers. This situation was especially marked in the steel industry.

The statistics indicate that many young unemployed people have quit their jobs voluntarily. However, Wakisaka points out that there are problems with these statistics. People who quit because they fear that the company may fail are classified as involuntary. Older workers have more trouble finding new jobs so they are more likely to lose their jobs as a direct result of company failure and be classified as involuntary quitters. Wakisaka argues that companies fired more people than necessary in the late 1990s because of rigid employment practices, and that work-sharing could help to reduce the problem by making employment more flexible.

Types of work-sharing

Wakisaka says that there are two very basic types of work-sharing: emergency (kinkyu hinan-gata) work-sharing and work-diversifying (tayo-shugyo) work-sharing. Emergency work-sharing is reducing work hours to protect jobs resulting from economic slowdowns. Work-diversifying work-sharing is allocating the existing work hours to allow designated employees to make time for other activities, especially child care. Work-diversifying work-sharing is used mainly by women.

Wakisaka further divides work-sharing into four main types.

- (1) Job-protecting work-sharing, type 1. Hours are reduced to protect jobs, generally in response to sudden business difficulties.
- (2) Job-protecting work-sharing, type 2 (older worker-protecting work-sharing). Hours are reduced to maintain jobs for older workers. This type is primarily a strategy for coping with an aging workforce.
- (3) Job-creating work-sharing. The total work hours and wages of individual employees are reduced in order to create new jobs for other people. This version of work-sharing has probably received the most attention recently.
- (4) Work-diversifying work-sharing. This is the newest type of work-sharing. Work is allocated (wakachiau) to facilitate flexible work time or to facilitate work by older workers and/or mothers, or to make time to promote activities such as continued training and education, etc.

Types 1 and 2 entail reducing work hours; pay may or may not be reduced. Unions typically argue against reducing pay, or at least against reducing it proportionately to the reduction in hours worked. Sometimes increases in productivity may make it possible to maintain full pay. Types 1 and 2 are usually the types most often discussed by unions and managers. Type 3 was developed in Europe as unemployment became a major social problem. Type 4 is said to be the newest type of work-sharing as it represents a response to new lifestyle and career patterns, such as the in-

creasing labor force participation of mothers with young children.

Survey data for Japan³⁾

The government-sponsored Survey Research Group on Work-sharing (Waakushearingu ni kansuru chosa kenkyukai) conducted a survey on work-sharing for the Ministry of Labor in October 2000. Questionnaires were sent to both personnel managers in large firms and to individual workers. The results were announced in April 2001.

The results show that large firms are most interested in work-diversifying work-sharing followed by older worker-protecting work-sharing. Very few firms are either using job-protecting work-sharing or are considering using it, even if they have conducted restructuring. Very few firms have so far used older worker-protecting work-sharing, but many firms said that they are investigating it. A surprisingly large number of firms said they are using or are investigating work-diversifying work-sharing. Firms that are performing well are especially interested in diversifying, presumably because they want to attract recruit and retain skilled employees with family responsibilities. Firms that are performing poorly are especially interested in older worker-protecting work-sharing.

Employees, like firms, showed the most interest in work-diversifying-type work-sharing followed by older worker-protecting work-sharing. Women (nearly 75%) and men under 40 are naturally most interested in work-diversifying work-sharing. Men over 40 most interested in older worker-protecting work-sharing.

Companies that have introduced or are considering short-time work hours tend to list keeping personnel and preventing quits as their main motivations. Raising productivity is another important motivation. Reducing costs, improving image, and improving employee morale are other motivations. The greatest concerns of companies are that the employees' sense of responsibility or commitment to the company might weaken and that productivity might decline. As Wakisaka notes, many companies believe that shorter working hours could raise productivity while others fear that it would decrease productivity. Companies that actually use reduced work hours (of which there are only 42 in the sample) list the main drawbacks as declines in productivity and declines in worker commitment. Companies have little interest in using work-sharing to protect jobs. When facing short-term business difficulties, they generally still prefer to reduce overtime and hire non-regular workers. Wakisaka believes that opinion may change as economic conditions continue to worsen, and he believes that companies are also concerned about how they would maintain fairness if they introduced new systems.

Employees said that the main advantages of work-sharing were creating time for, in order, other activities, harmonizing family life and work (ryoritsu seikatsu), and improving skills. Women are most interested in harmonizing family life and work, and men most interested other activities and improving skills. Employees are most worried about loss of pay (including severance pay) and the

3) This section is based mainly on Wakisaka (pp. 114-28).

effect on promotions. Wakisaka suggests that while employees are now worried about losing pay, opinion will shift as economic conditions worsen.

Older men are very interested in older worker-protecting work-sharing. Companies are mainly interested in finding ways to maintain employment for 60-65-year-old workers, not in reducing regular work hours. The survey indicates that there is almost no support for legislated work time reduction. Both employees and managers think that this should be negotiated between themselves.⁴⁾

Work-sharing in Europe

Most of the interest in work-sharing in Japan has been inspired by European experiences, so we will examine them first, beginning with Germany. France has promoted the most ambitious work reduction plan. The greatest interest has been inspired by the Netherlands. The Dutch Model of employment practice seems to have had great success in reducing unemployment and promoting more flexible lifestyles.

Germany

Wakisaka describes Germany as an example of the use of job-protecting work-sharing. Volkswagen was the first widely publicized case of a large company using work-sharing. Volkswagen began using work-sharing in 1993. By then, Volkswagen's orders had fallen 25%, making 30,000 of the company's 100,000 workers redundant. There were fears that large-scale dismissals would damage the regional economy. In November 1993, the union and the regional employers association signed an agreement to begin work-sharing. Work-sharing reduced the damage to the regional economy, and also helped the company to reduce costs. Volkswagen calculated that 30,000 dismissals would have resulted in cost reductions of 6.1% per vehicle, but that work-sharing resulted in a 13.1% reduction (Wakisaka, p. 63).

Most workers affected by the agreement experienced actual pay reductions of 11-12%. Although work hours were cut 20%, the total labor costs savings were limited because of fringe benefits (including medical and pension costs). In contrast to Japan, there was no overtime to be reduced. Even though the labor cost savings were limited, the managers believed that the agreement helped the company by maintaining worker morale.

France

Wakisaka describes work-sharing in France as an example of job-creating work-sharing (pp. 73-76). Unemployment rose sharply in the late 1970s, and the government began to shorten the workweek in order to create jobs. In 1982, the workweek was reduced to 39 hours and a 5-week paid vacation was introduced. However, that policy failed to reduce unemployment, so in the late

4) However, Visser (1998) notes that government pressure was very important in bring employers to agree to negotiate work-sharing with the unions in the Netherlands.

1990s Prime Minister Lionel Jospin decided to shorten the workweek to 35 hours. The new law took effect in January 2000 for large firms, and later for small firms. The government provides indirect subsidies, in the form of reduced social insurance contributions, to firms that reduce hours while maintaining or increasing employment. In contrast to the Netherlands and Germany, unions do not have a cooperative relationship with companies and the government. Therefore, the government established the new system. It persuaded employers to accept reduced work hours by offering tax breaks.

The results are still unclear (*The Economist* 2002b). On the surface, the results seem mostly positive. Unemployment has fallen and productivity has risen. Large manufacturing firms like Renault and Peugeot like the new system because they can use labor more flexibly. One reason why the 35-hour week has been at least partly successful is that France has been adopting more flexible work practices for a decade. More people now work part-time. The 35-hour week seems to have helped reduce the housework gender gap because men seem to tend to use the extra time to help at home, and women use it to rest (Takenobu, p. 156). Workers like the extra free time, but say the work becomes more intense (Wakisaka, p. 75).

However, the positive economic statistics may be misleading. The reduction of work hours means that productivity is almost certain to rise. However, output-per-worker has not increased. In addition, the main reason for the increase in employment may be the new tax breaks, not the reduced work hours. In addition, since work hours have been reduced, pay raises have been very low. This probably hurts low-income families hardest. It may be one reason why more women have started working part-time, as wives try to compensate for husbands' frozen earnings. Finally, while many large firms like the 35-hour week, most smaller firms do not gain from shorter working hours. Because of the difficulties, *The Economist* (2002b) speculates that the government may abandon plans to force small firms to reduce working hours.

The Netherlands

Wakisaka describes work-sharing in the Netherlands as an example of the use of work-diversifying work-sharing (pp. 77-89). The so-called Dutch Model has become famous as a means of simultaneously reducing unemployment, holding down inflation, and promoting growth. Much of the Netherlands' economic success is credited to the Wassenaar Accord. This was an agreement reached in 1982 between the government, business, and unions on a program to revitalize the economy. (The representatives met in Wassenaar, a suburb of the Hague.) The Netherlands' economy had been weak for several years. Major problems were high spending on welfare and high wages. At Wassenaar, the unions agreed to restrain wage demands in return for job security, the employers agreed to discuss work hour reduction, and the government agreed to reduce spending and fight inflation.

The Wassenaar Accord was a long-term approach. In fact, the Netherlands' economic performance did not improve much in the short term. But from 1982 to 2002, Dutch GDP grew by an annual average of 3.0%, faster than the European Union (EU) as a whole, and almost as fast as

the United States. Unemployment fell from a peak of 11% in 1983 to less than 2% in 2002. That was the lowest rate in the OECD.

Today, about one-third of jobs in the Netherlands are part-time. The expansion of part-time work has been promoted by broad range of government policies, including pay equity policies (Takenobu, chapter 9). These policies have been established partly because of union pressure. In 1990, the unions began to call for promoting part-time work, partly because many Dutch people wanted opportunities for flexible work. In addition, from 1990-93 average weekly working hours fell sharply, and many wives wanted to supplement their husbands' falling income by working part-time. In 1993, unions and employers signed the "New Direction" accord, which encouraged wage restraint and work hour reduction (Visser 1998: 281-82). New Direction also encouraged investment in human capital (i.e., education and training).

More reforms followed New Direction. In 1994, pension and paid vacation time was made proportional to total hours worked, regardless of weekly average. In November 1996, the labor law was revised. The new version required that part-timers be treated as equal to regular workers, and it allowed any worker to shift from full-time to part-time status. The practice of "work time discrimination" was ended, and all part-timers became eligible to receive minimum wages (Takenobu, pp. 176). In 2000, the labor law was revised to allow workers to choose to be either part-timers or full-timers. In 2000, the right of workers to demand desired working hours was established. That further reduced discrimination against part-timers.

The new policies seem to have been very successful. The employment rate (people in work as a proportion of the total working-age population) has increased sharply.⁵⁾ In 1982, it was just 52%. Today it is nearly 74%. That is about the same as the U. S., and well ahead of the EU average of around 66%. However, the Dutch work the fewest hours in the OECD because full-time work hours are rather short and because many recently created jobs are part-time. Part-time work accounts for a third of total employment, twice the average for the OECD and the EU. One advantage is that it is much easier for professional women to raise families without sacrificing their careers (*Asahi Shimbun*, May 21, 2002, p. 22; *Asahi Shimbun*, May 28, 2002, p. 22; Takenobu, chapter 10).

A distinctive feature of Dutch employment policy is that it emphasizes promoting part-time work for women instead of protecting full-time jobs for men (Wakisaka, pp. 88-90). Sweden has instead emphasized creating full-time jobs for women, and it has established a comprehensive childcare system to allow women to work full-time. But the Netherlands' childcare system is much less developed, so promoting full-time jobs for women is not a practical strategy, at least for now. The government's employment policy is focusing on supporting 1.5-income households. Many Dutch want a broader social transformation. They want to see the country move toward a 0.75-0.75-income employment system.

However, there are many problems with part-time work in the Netherlands. It makes it easier

5) The newest employment statistics are from *The Economist* (2002a: 7).

for many women to work, but women still have most of the low-paying and part-time jobs. Most part-timers are women. In 1999, 68.4% of women worked 35 hours a week or less, compared to 17.2% of men, and part-time work was mainly in low-paying jobs (*Asahi Shimbun*, May 28, 2002, p. 22; Takenobu, chapter 10). Diane Sainsbury, a Swedish professor, says that the Dutch employment system makes most women into unequal workers (Takenobu, p. 160).

Many of the Netherlands' jobs are temporary or are subsidized by the government (Takenobu, ch. 10). The new policies have lowered unemployment among the young. The Netherlands has the highest participation rate for 15-24-year-olds in the OECD. However, the participation rate for 55-64-year-olds is low, even though the Netherlands, like most rich countries, needs for older persons to continue working as the population ages. There are also fears that work hour reduction may redistribute wealth but slow growth (Visser 1998: 284-87).

Another big problem is that about 1 million people receive worker disability insurance (WAO) (*Asahi Shimbun*, June 5, 2002, p. 30; Takenobu, chapter 10). This is about 15% of the working-age population (people 15 to 64 years old). WAO provides about 70% of the wage from the recipient's previous job. The WAO disguises a lot of unemployment. One source estimates that the real rate of unemployment is around 12%. The government has been trying to revise the WAO to make it more flexible and less costly. The system is expensive but it helps workers to retrain if they lose jobs.

Work-sharing in Japan

Hyogo Prefecture⁶⁾

Hyogo Prefecture became Japan's main pioneer in work-sharing in 1999, and it has become the model for other local governments (*jichitai*) that have adopted or that are considering adopting work-sharing. Hyogo's motivation was a worsening employment crisis. The regional economy had been suffering from a failure to develop new industries even before the 1995 Kobe Earthquake. In April 1999, the job offers-to-applicants ratio fell to an all-time low of 0.32, third worst in the country.

The final shock led the prefectural government to establish a commission to study employment issues in June 1999. Work-sharing was one of the policies it considered. In September, the Hyogo labor office sent a study team to Europe to study employment policies, especially in Germany and the Netherlands. A joint team of Rengo Hyogo and local employers also sent a team to Europe. The prefectural officials in particular were greatly impressed with the Dutch model, particularly policies designed to equalize the treatment of full-time and part-time employees, and to encourage greater choice in lifestyles. The combined shocks of industrial decline, the earthquake, and rising unemployment also helped to stimulate new thinking.

Another study group was established in December. It called for establishing work-sharing pro-

6) This section is based mainly on Takenobu (chapter 4) plus Wakisaka (pp. 128-29, 133).

grams that promoted equality of status, encouraged greater diversity in lifestyle choice, and avoided cutting pay. The study group soon produced an accord, called the Hyogo Accord, in emulation of Holland's Wassenaar Accord. In May, the study group issued work-sharing guidelines. The guidelines advocated the ideals often associated with work-sharing, including an appeal to create a gender-equal society. As Takenobu points out, Hyogo's progressive work-sharing guidelines emphasized worker-friendly job protection policies while a set of guidelines produced by Kankeiren (the Nikkeiren branch based in neighboring Osaka) emphasized measures that protected companies, such as calling for wage reductions if work-sharing was instituted (p. 57). The Hyogo guidelines called on the central government to help promote work-sharing and gender equality by, for example, changing the tax and pension rules that encourage women to work only short-time hours. The plan also took close account of the costs to business that would result from work-sharing, and called on the central government to provide subsidies to make up the costs.

The work-sharing guidelines also led to the establishment of the Career-Up Program, which was a job-creating experiment. The prefectural government implemented the plan in April 2001. It reduced overtime allowances for prefectural employees by ten percent and used the money to create 170 short-time (30 hours per week) jobs for 18-29-year-olds. These jobs were intended to provide young people with job experience and skills, and to reduce overtime for regular employees. The program became a model for several other regional governments, including prefectural governments in Hokkaido, Aomori, Iwate, and Kyoto, and for the municipal governments in Sapporo and Sendai, that are planning to establish their own work-sharing programs.

There are controversies about the new policies. There are fears that Hyogo's work-sharing program will provide little training or skill development since it creates only low-paid one-year positions. The Municipal Workers Union (Jichiro) has criticized local governments for sharply increasing the hiring of non-regular employees since 1980 (Takenobu, p. 63). It has also complained that the Career-Up Program expands unstable employment (*fuantei koyo*) (Takenobu, pp. 65-66). However, Hyogo officials and Hyogo Rengo claim that the law is used appropriately to provide job experience. According to Takenobu, the Program appears to have been successful, and the participants have been very satisfied.

While Hyogo Prefecture has established Japan's most progressive work-sharing policy, it is not yet clear how much influence it will have. The Career-Up Program, for example, is experimental, and affects only a few people. A Hyogo Prefecture survey (conducted in July 2000) found that 25% of companies use work-sharing, with the main reasons being to respond to business difficulties (about 40%) and to protect older workers (about 60%) (Wakisaka, pp. 128-29). The use of various kinds of work-diversifying work-sharing is also common, amounting to 15.8% of the firms that use work-sharing. This includes several types of employment practices, including older worker-protecting work-sharing, full-time-to-part-time transition programs, long-term leaves of absence, and work-at-home programs. Of course, the high utilization rate may reflect the weak economy much more than the progressive guidelines.

Tottori Prefecture

Several local governments have instituted work-sharing, but they generally use emergency work-sharing. Tottori is the only prefecture to use job-creating work-sharing (Wakisaka, pp. 134-36). Tottori instituted work-sharing because of the region's economic distress. Chinese competition has ravaged regional industry. Sanyo has laid off many employees and small textile firms are steadily going bankrupt. The average wage for prefectural civil servants was 8,325 yen (2.2%) per month higher than for private sector employees, so the prefecture cut civil servants' wages for three years. About 10,000 civil servants, including teachers, were affected. The average wage cut was 5%. The policy saved about 10 billion yen (roughly 80 million dollars when \$1 equals 120 yen) in three years to use elsewhere. About 3.9 billion is being used to create 220 new jobs for six years in education, welfare, and child care for young children. The remaining 6 billion yen is being used to promote job creation, industrial development, and fiscal reconstruction.

In the case of Tottori, it was relatively easy to institute work-sharing because economic distress is very high. In addition, public sector pay was significantly higher than private sector wages. Even in Tottori, however, there was opposition from public employees.

Hino Automobile

While Hyogo Prefecture conducted Japan's first major work-sharing experiment in the public sector, Hino Automobile became known as the first site of large-scale work-sharing in the private sector (Takenobu, chapter 3; Wakisaka, pp. 98, 139-40). Hino suffered its first-ever operating loss in 1998 after demand for trucks fell sharply. The company then asked the union to accept reductions in work time and pay in order to avoid dismissals. A short-time work plan was instituted in June 1999, but only about 250 55-and-older union members, all in non-production jobs, were affected. Their work time was reduced from 7 hours 55 minutes to 7 hours, and their pay was reduced by one-eighth. 100 of those men soon agreed to voluntary early retirement, so that by the end of 1999, only 150 employees participated in the short-time work system.

Hino did not apply work-sharing to blue-collar workers. According to Takenobu, this is largely because they opposed reductions in their work hours and income (pp. 42-43). Workers in their 30s were afraid that they would not be able to pay their children's education bills and housing loans. According to Wakisaka, the company was afraid that shortening hours for production workers would have made it difficult to operate the just-in-time production system (pp. 139-40). Reducing work hours in Hino's assembly plant would have meant rescheduling deliveries from subcontractors, which provide 70-80% of the parts. The company decided that that was too complicated.

The managers (kacho and above) did not participate either. Instead, their pay is now based on the annual salary system (nenposei), which emphasizes results instead of work hours. In addition, they accepted 20% pay cuts in order to take responsibility for the company's performance.

Since the new system applied to only a few workers instead of the majority of the company's 9,000 employees, the company decided not to call it work-sharing, but rather the short-hour work

system (tanjikan kinmu seido).

The Work-sharing Accord

Nikkeiren and Rengo have had much different positions on work-sharing. Nikkeiren claims that wage cuts should be a precondition of work-sharing, and that work-sharing should be applied only when necessary. Rengo opposes proportionate wage reductions proportionate to work hour reductions.⁷⁾ The federation argues that the first priorities in instituting work-sharing should be encouraging employees to take paid leave-time and reducing unpaid overtime. Rengo also insists that work-sharing should be applied broadly to the work force as a whole and that it should not necessarily entail wage reductions. However, Rengo President Sasamori Kiyoshi acknowledged in 2001 that in some cases work hour reductions combined with wage reductions would be necessary.

In December 2001, Nikkeiren, Rengo, and the Ministry of Health, Labor, and Welfare (MHLW) established the Work-sharing Investigation Council (Waakushearingu kento kaigi) to discuss work-sharing policy. Representatives from the three organizations signed a document, Basic Thinking on Work-sharing (Waakushearingu nituite no kihonteki na kangaekata), on March 29, 2002.

The agreement includes five main principles. These are: (1) Efforts to institute work-sharing should emphasize two types, emergency work-sharing and work-diversifying work-sharing; (2) In deciding work-sharing arrangements, labor and management should consult closely and strive to maintain or raise productivity; (3) Rengo, Nikkeiren, and the government should strive to create an environment conducive to work-sharing arrangements that will promote diversified work and lifestyles; (4) Fair pay and personnel management systems should be established to promote work-diversifying work-sharing; (5) In the case of emergency work-sharing, managers must strive to maintain jobs, and workers must be flexible about reducing work hours and attendant income arrangements. The third principle indicates that the government will provide financial support to promote work-sharing, and the fourth principle emphasizes that per-hour pay should not be reduced.

Rengo, Nikkeiren, and the government agreed on April 25, 2002 that the government would provide financial support to companies to promote work-sharing (*Asahi Shimbun*, April 26, 2002, p. 29). Companies that provide new jobs for older workers may receive 1 million yen, plus 300,000 yen for each regular worker and 150,000 per part-timer. It is estimated that 19.7 billion yen will be disbursed to some 3000 companies. The number is expected to be limited because many parties oppose the use of government funds for this purpose. Rengo, on the other hand, argues that the amount is insufficient. The government said it intends to get funding approved for the 2002 budget. The manufacturing sector is enthusiastic about work-sharing, although some manufacturing firms have stopped implementing work-sharing systems because they expect to benefit from rising demand in the U. S. The MHLW believes that the new policy will help to promote the use of diverse employment-promoting work-sharing, which is its long-term goal.

7) See Tatsui (2002) on Rengo's work-sharing views.

Obstacles to Work-sharing in Japan

There are several difficult obstacles to instituting work-sharing in Japan. The most difficult problem is probably the wage system. Wages for most full-time workers are only loosely related to hours worked. Many workers are expected to work a lot of overtime, and much of this is unpaid (*saabisu zangyo*). In addition, the recent establishment of the discretionary system (*sairyo seido*), which exempts many white-collar workers from time limits, and the increasing use of performance-based pay systems are further reducing the relationship between work time and pay. These factors make it difficult to determine work hours, much less reduce them or reallocate them.

Employers often resist the establishment of work-sharing systems. The main exceptions are companies facing severe business difficulties, like Volkswagen and Hino, Japanese companies considering work-sharing to maintain jobs for older workers, and some American and Japanese companies that are promoting flexible work schedules (so far mainly for working mothers). As surveys cited by Wakisaka show, most Japanese employers are not interested in work-sharing. They fear losses of productivity, higher personnel costs, and weakening of worker loyalty.

Japanese employers are likely to resist work-sharing. Wakisaka suggests that the belief in a male breadwinner model is still very strong in Japan (p. 158). Therefore, many employers may believe that it is appropriate to treat full-time workers and part-time workers (and men and women) differently. The differentiation between full-time workers and part-time workers helps companies to reduce labor costs, since full-time workers work long hours, and part-time workers often work long hours but receive much lower pay and benefits. Moreover, a recent Nikkeiren survey indicates that employers have little interest in work-sharing (Wakisaka, p. 130), while one think-tank survey indicates that academics are much more enthusiastic about work-sharing than either managers or workers (Wakisaka, p. 132). Takenobu observes that German employers were unhappy about Japan's resistance to reducing work hours, especially after Germany greatly reduced work hours in the 1980s (p. 150).

The government seems unlikely to put much pressure on companies to adopt work-sharing. Government pressure or subsidies were important to promoting work-sharing in France and the Netherlands (Visser 1998), but the Japanese government usually avoids putting direct pressure on employers and unions. Furthermore, Japanese employers have insisted since the mid-1990s that labor costs need to be reduced, and work-sharing programs usually raise costs.

The benefits of job-protecting work-sharing or job-creating work-sharing are not necessarily clear. Reducing work hours usually raises hourly labor costs and sometimes lowers productivity (though it can also raise productivity). As discussed above, the results of France's ambitious work-sharing program are not yet clear. In Japan, as Wakisaka observes, the workweek was reduced from 48 hours to 40 hours in 1997, but unemployment actually rose (however, the policy affected primarily smaller firms, and it is not clear how much the new law actually changed employment practice).

Some Japanese workers have opposed work-sharing because they are afraid of losing income. Volkswagen's workers accepted wage reductions partly because they were very well paid. However, according to Takenobu, Hino's production workers did not believe that they could afford wage reductions. In addition, the civil servants in Tottori Prefecture opposed wage reductions that were used to fund new jobs.

Work-sharing programs in Europe are supported by extensive social welfare programs that protect unemployed workers and help them to pursue additional training and education while they search for new jobs. The availability of job training programs encouraged Volkswagen's workers to accept work-sharing (Wakisaka, p. 64). Moreover, generous unemployment benefits and public pensions make severance/retirement pay (*taishokukin*) unnecessary in Europe. Japan lacks a well-developed safety net, and there is strong resistance to raising taxes to fund one.

There may be cultural obstacles to work-sharing. In particular, many Japanese employees seem to accept working long hours, or even prefer to work long hours. At Nissan's office in the Netherlands, only Japanese employees leave the building when it closes at 9 p.m.—the Dutch employees leave much earlier.

Although there are many obstacles to using work-sharing in Japan, the situation could change. Wakisaka believes that the worsening of the labor market will encourage more companies and more people to consider the benefits of work-sharing. Takenobu points out that Hyogo Prefecture adopted an especially progressive work-sharing policy because of its economic crisis. Other Japanese companies have also adopted work-sharing or started to consider it because of difficult economic conditions. The problem of finding jobs for older workers is one difficult condition. In addition, many people now believe that long working hours are increasing unemployment and holding down consumption. The Japan Socioeconomic Productivity Center has estimated that eliminating unpaid overtime alone could create 900,000 new jobs. These calculations could increase public demand for new employment practices.

Conclusion

Work-sharing has become one of the most important economic topics in Japan. Work-sharing usually involves reducing work hours, but it can have different goals: protecting jobs for many workers, protecting jobs for older workers, creating new jobs, or encouraging more diversified or flexible work schedules. Germany's Volkswagen and Japan's Hino are examples of companies that have used work-sharing to protect jobs after demand for their products fell sharply. Many Japanese companies are presently considering using work-sharing to deal with difficult problems, such as pressure to find jobs for workers aged 60 to 65. France has reduced work-hours, creating a macrolevel work-sharing policy. The policy seems to be successful so far, but its effects are not yet clear. Hyogo Prefecture and Tottori Prefecture have also used job-creating work-sharing, but the scale is small so far. Some companies are considering work-diversifying work-sharing to encourage highly skilled men and women with families to work for them.

Work-sharing will be difficult to establish in Japan. As in the United States, work-sharing programs are usually established by individual companies. The government is arranging subsidies to encourage work-sharing, but its support is limited. However, interest by the public is increasing. Major work-sharing programs almost always result from economic crises, as in the cases of Volkswagen, the Netherlands and the Wassenaar Accord, and the Hyogo Accord. Since Japan's economy has failed to revive, people may start to seriously consider new economic programs.

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