

# How Companies Can Support the Development of the Next Generation—A Proposal for Work-Life Balance

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## 1. Expectations for a Growing Corporate Role

When the Law for Measures to Support the Development of the Next-Generation takes effect in April 2005, companies will have to formulate action plans for programs that support employees in raising children. While the new requirements do not apply uniformly to all companies—those with over 300 employees must formulate plans, while smaller companies need only make an effort—they do represent a new approach to promoting programs for the next generation by requiring companies to formulate employment plans. In addition, the law also provides for official recognition of companies that produce desired results, so that excellent companies may in the future be rewarded with social recognition in the same way that companies today are recognized for excellence in environmental issues.

The main purpose of the law is to reverse the persistent decline in Japan's total fertility rate, which threatens to significantly reduce the size of future generations. Recognizing that more participation is needed at all levels of society to foster the next generation, the law calls for corporate organizations to play a larger role.

Against this backdrop, we evaluate the success of previous policies to reverse the falling birthrate since the 1990s. After isolating the key issues, we then recommend a “work-life balance” approach for corporate programs as the most practical way to develop the next generation.

## 2. Limited Impact of Birthrate-Raising Policies Since the 1990s

In 1989, when the total fertility rate dipped below the 1966 low of 1.58 (1966 was a particularly unpropitious year for childbirth, according to the oriental zodiac), policymakers reacted to this “1.57 shock” by urgently hammering out a series of policies in the 1990s addressed specifically at reversing the falling birthrate. A key focus of these policies was to balance work life and family life, particularly with regard to raising children. Thus the declining birthrate was attributed not to the fact that more women were working. The solution, policymakers thought, was to create an environment in which they could balance work and child-raising.

The main laws passed were the 1992 Childcare Leave Law, 1994 Angel Plan, and 1999 New Angel Plan. Focusing on the workplace and community, these laws sought to enhance the ability to balance work life and child-raising.

Today, however, over a decade after the 1.57 shock of 1989, the total fertility rate has persistently declined, falling to 1.29 in 2003. Moreover, the women’s labor participation rate—which the policies targeted—has hardly budged among married women and women with children. For example, the labor participation rate of women with children age 3 or less has edged up a mere 3 percentage points, from 29.3% in 1990 to 32.2% in 2003 (Figure 1). Moreover, according to the Ministry of Health, Labor and Welfare’s *First Longitudinal Survey of Children Born in the 21st Century (2001)*, of women who were working one year prior to childbirth, 67.4% quit their jobs and became unemployed within six months after childbirth. The policies, which aimed to boost the birthrate as well as employment rate of mothers, have thus been of limited impact.

**Figure 1 Labor Force Participation Rate of Women**

	1985	1990	1995	2000	2003
(%)					
<b>Labor force participation rate</b>					
Men	78.1	77.2	77.6	76.4	74.1
Women	48.7	50.1	50.0	49.3	48.3
marital status: never married	53.0	55.2	59.2	62.2	62.1
married	51.1	52.7	51.2	49.7	48.5
youngest child: age 0~3 years	–	29.3	28.6	28.0	32.2
age 4~6 years	–	50.0	48.9	48.6	51.2
<b>Ratio of women in labor force</b>	39.7	40.6	40.5	40.7	41.0

Notes: Data on age of youngest child shows ratio to all households with children (married couple with children, married couple with children and parents)  
 Sources: Statistics Bureau, Ministry of Internal Affairs and Communications, *Labour Force Survey*, and *Special Survey of the Labour Force Survey* (for data on age of youngest child to 2000).

The failure of these policies to produce desired results can be attributed to three deficiencies in corporate programs that seek to balance work and family life.

First, the programs are targeted at working women. Second, the programs are costly for companies to implement. And third, most programs focus on supporting child-raising for workers with children, and fail to reexamine overall work styles.

Companies should have no difficulty meeting the formal requirement of the new law to formulate an action plan. However, this superficial level of participation will do little to reduce the declining birthrate or provide benefits to companies. Some observers may even regard the support programs as a fetter to corporate vitality. However, we believe that the value of these programs to human resource strategies can be clarified, and that they can indeed function effectively to

benefit both workers and employers.

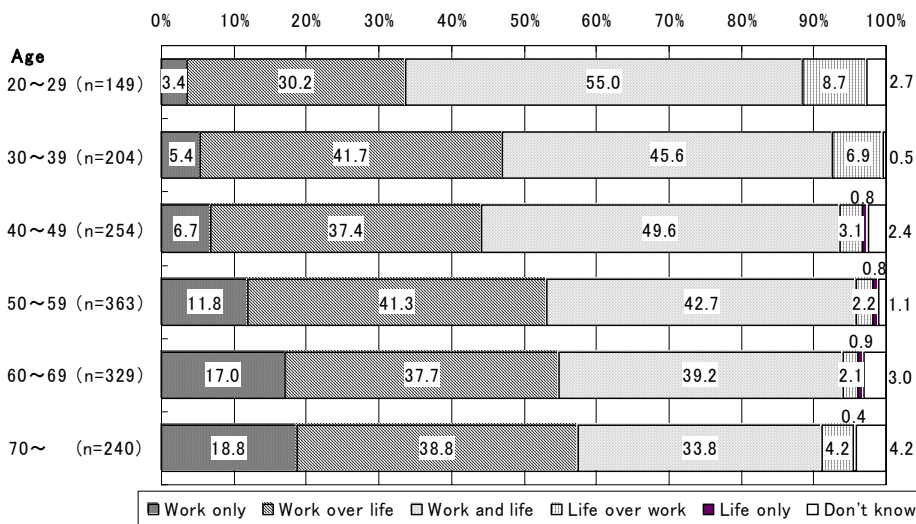
Below we examine the three issues in greater detail, and then present our proposal on how companies should engage in programs for optimal effects in fostering the next generation.

### 3. Next-Generation Programs Should Address All Employees

First we need to consider who is being served by work-life balance programs. Indeed, the limited effectiveness of previous policies to reverse birthrates can be attributed to their narrow focus on working women.

Today, the desire to balance work and family life is shared not only by most women, but also by men. As Figure 2 shows, the largest proportion of men in their 20s, 30s, and 40s desire a lifestyle that balances work and family life. To be successful, human resource management must grasp what employees expect regarding compensation, and satisfy them in a reasonable way. Unless management understands the work attitudes and compensation needs of employees, worker motivation is difficult to maintain, which in turn threatens work productivity. We thus need to recognize that both men and women share a common desire to balance work and family life.

**Figure 2 Desired Work-Life Balance Among Men**

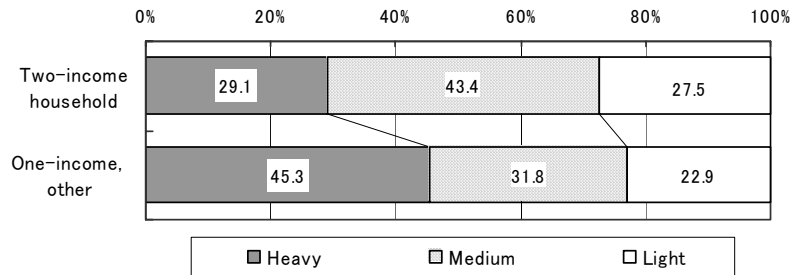


Source: Cabinet Office, *Gender Equality Opinion Survey—Men's Lifestyles (2000)*.

In addition, the importance to men of a work-life balance is related to their wife's attitude toward raising children. As Figure 3 shows, women perceive the burden of child-raising differently depending on their work status. Housewives perceive a larger burden compared to working women, presumably because the housewife must assume full responsibility in raising children, and perceives the husband as playing an unsatisfactory role. Thus programs to help men balance

work and family life must recognize the impact on the spouse's attitude toward raising children. As long as policies focus only on employed women, the impact will be limited.

**Figure 3 Mother's Perceived Burden of Raising Children**



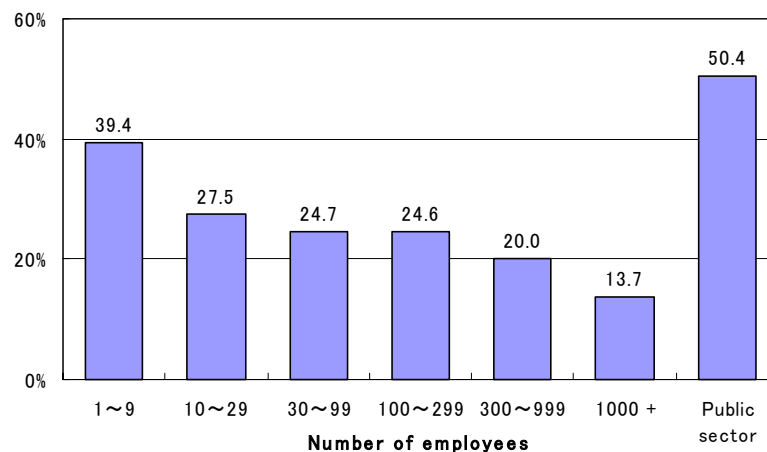
Source: Kodomo Mirai Dantai, *Survey of Attitudes Toward Raising Children (2001)*.

#### 4. Benefits to Companies

We next examine whether introducing corporate programs to balance work and family life is as prohibitively costly as commonly assumed.

People tend to assume that only large companies with ample resources can introduce these programs. Admittedly, large companies tend to have higher implementation rates for support programs. However, the retention rate for women after giving childbirth is actually lowest at large companies (with at least 1,000 employees), because women use it as an opportunity to quit work. In fact, retention rates are significantly higher at small and medium companies (Figure 4).

**Figure 4 Percentage of Women Who Return to the Workplace After Childbirth**



Source: National Institute of Population and Social Security Research, *The Second National Survey on Family in Japan Report (2000)*.

The data suggests that small and medium companies are probably implementing some form of

support program to retain employees. Indeed, large companies are not the only recipients of the Ministry of Health, Labor and Welfare's "Family Friendly" award, given to companies with exemplary support programs. Other companies have also implemented support programs, probably out of necessity.

In recent years, several studies have focused on the increasingly important issue of how such support programs affect business performance results.

According to Dex and Scheibl (1999), the benefits of support programs are greater for companies. These benefits include: (1) higher retention rates, morale and productivity due to less new recruitment, absenteeism, and illness, (2) improved efficiency of investment in training and development due to higher retention rates, (3) enhanced corporate image as a caring employer, (4) better quality of job applicants, and (5) preventing highly skilled workers from changing jobs to a competitor. Perry-Smith and Blum (2000) found that companies with comprehensive work-life balance programs have higher sales and earning growth and market performance than companies with almost no programs. Finally, Kossek and Ozeki (1998) point to the possibility that satisfaction at work and home enhances work motivation, thereby contributing to corporate performance.

In Japan, the Ministry of Economy, Trade and Industry (2003) found that a high ratio of women employees positively affects the return on assets (current profit to total assets). They point to the importance of two factors: the small disparity in length of service between men and women, and existence of reemployment programs when workers quit due to childbirth or other reasons. Moreover, the Japan Institute of Workers' Evolution (2004) finds a correlation between employing women and improvement in business performance.

These studies suggest the possibility that by harnessing women's capabilities and implementing work-life balance programs, companies can enhance work motivation and thereby boost corporate performance.

Furthermore, in recent years, support programs have grown increasingly important in an area of human resource management called diversity management. Diversity management refers to the strategy of harnessing the diverse values and ideas of employees so as to adapt flexibly and swiftly to the changing business environment. According to one study, this approach can generate more growth for the company, and greater happiness for individuals (Nihon Keidanren, 2002).

For example, Fuji Xerox, recipient of the Family Friendly award in fiscal 2002, was praised as follows: "In the backdrop to their efforts was the respect for diversity as a common value of the company. Labor cooperated in forming a study committee, and is engaged in improving the childcare program and work environment." The recipient in fiscal 2004, Kao Corporation,

announced its respect for diversity in an “equal partnership” declaration while promoting work-life balance.

Today, human resource strategy favors diversity over homogeneity in organizations because diversity enhances performance in a changing environment. Programs that balance work and family life, which form a key part of these strategies, are expected to promote more optimal use of previously under-utilized human resources.

## **5. Beyond Child-Raising Support—The Work-Life Balance Perspective**

The growing importance of reassessing styles of work is something that previous birthrate-oriented policies failed to address. Going forward, policies that focus on child-raising that and fail to provide flexible working opportunities are unlikely to succeed any more than the previous policies. Thus it is important to introduce the perspective of work-life balance.

Work-life balance, a new approach that has gained attention in recent years (MHLW, 2004), covers a broader area than the family-friendly policy. It means supporting the overall balance between work and life of workers. Life includes not only raising children and family life, but a broad range of activities such as community life, personal hobbies and education.

In the U.S., work-life balance was designated as a national concern in Senate Resolution 210 passed in September 2003 and entitled: “A resolution expressing the sense of the Senate that supporting a balance between work and personal life is in the best interest of national worker productivity, and that the President should issue a proclamation designating October of 2003 as ‘National Work and Family Month.’” In the U.K., the Department of Trade and Industry initiated a “work-life balance campaign” In 2000, urging employers and workers to adopt work styles that balance work and family life. A Challenge Fund was also set up “to help employers develop and implement work-life balance strategies that will benefit the business, the customer and the employee.” Since 2000, the fund has supplied 11.5 million pounds to approximately 450 employers.

The U.K. has designated “adjusting working patterns” as a major policy to enable people to balance work with other responsibilities and activities. This differs from the U.S., where the purpose is more ambitious: to support work-life balance through organizational measures, systems, programs and concepts, so as to shift the corporate culture and management style. However, in both countries, developments were propelled by changing worker attitudes and a growing awareness among management that they desperately needed to enhance workers’ lives to maintain corporate competitiveness and activity.

For example, according to one study of the U.K., 40% of upper level managers have been driven by long work hours to search for new jobs within one year. In the U.S., a survey of men aged 20 to 39 found that 70% will forego pay raises to spend more time with their family (AWLP, 2004). Employers are growing concerned that left alone, worker motivation will decrease, and the loss of concentration at work will in turn jeopardize corporate performance.

In the U.S., child care support programs were enhanced as more married women entered the labor market in the 1980s. Then in the 1990s, as other employees (men and those without children) increasingly expressed a desire to balance work and home life, programs were launched to support long-term care, in-house counseling, fitness centers, tuition subsidies, and seminars. To address these growing demands, child care support programs were successfully developed into more comprehensive work-life balance programs (Pak, 2002).

In Japan, instead of limiting the role of programs that develop the next generation to persons with children, we should designate them as programs to balance work and home life, and thereby create an environment for people to raise children without hardship.

## **6. Possibility of Work-Life Balance**

Numerous issues are involved in trying to balance work and home life. To realize the demands of workers who want to adapt work hours and workplace conditions to home life, work conditions need to be established that satisfy labor. In the past, work conditions have been established collectively, and a major goal of labor unions was to raise collective work conditions uniformly. However, the work-life balance varies for each individual, and can even vary for each individual depending on their life stage. Growing worker diversity means that we must accept more diversity of treatment, which makes a certain amount of disparities inevitable. An important point, then, is how to establish disparities that are fair.

Above all, flexible working options need to be offered, each with treatment that is acceptable to labor and arrangements that are adaptable to changing individual circumstances. Present economic and social trends unmistakably point to further growth in two-income households. Thus it is especially important to create an environment wherein workers can freely choose for themselves from the available combinations of flexible working options and treatment.

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