

# **Telework In Japan:** **Where It is and Where It is Going**

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## **1. Circumstances Surrounding Telework in Japan**

Since telework is a reform of work-style, each nation has its own conditions in terms of technology penetration level, sense of workers/managers, and legal systems. Therefore, we have no uniform type of telework on the international level. In other words, global factors coexist in telework. However, it is not bad to have local factors. Rather, if a nation can identify its local factors, it could acquire useful information from other nations. This might lead to further progress of worldwide telework in the future. From this standpoint, I will review the current circumstances surrounding telework in Japan.

**Origination:** As I will describe later, high land price was the main reason for telework.

Since most Japanese go to work by train, we did not have an environmental issue because of commuting by vehicles.

**Working Environment:** Although the system of life employment is crumbling now, major companies still hesitate to lay off their employees for their restructuring. As a result, the mobility of the labor market is relatively low, but there is less chance of social instability.

**Management Style:** Management by time is preferred more than management by objectives.

A manager and his/her subordinates work together on an assumption of a trust relationship.

**Working Style:** The sense of belonging to a company rather than having a job or a position is still strong among middle and older aged employees. This tendency is going to disappear among young people.

**Confirmation of Telework Effect:** Not enough data yet. Few cases reported on improved productivity or cost efficiency. No experience of being useful at the time of calamity. Telework has not been the necessary condition for employment yet.

Home Life: People commute to their companies even though it takes time. They don't worry much about balancing work and home life. There is no extra space in a house for setting up a home office, in most cases.

Revision of Legal Systems: It takes time for a consensus to be reached.

Communication Fee: Fixed charge system is not yet available for Internet access and local telephones.

Mobile Equipment: Laptop PCs are widely used among Japanese companies. Cellular phones are more popular in Japan than in the rest of the world. Young people are not hesitant to use information equipment at all.

Human Resources: In a state of crisis because of an aging society and fewer children.

Social Reform: Typically, traditional major corporations take leadership with governmental support.

Teleworker Population: 1996 estimation: 700,000 white-collar workers

(4.2% of 16,000,000)

2001 prediction: 2,500,000 white-collar workers

(16.5% of 18,000,000)

## 2. Past Activities

It was late in the late 1980's when the word 'telework' started to appear in Japan. At first, the main focus was on satellite offices, which is only one factor of telework. At that time, Japan's economy was growing. Land price was high and there was a shortage in the labor force. Traffic conditions were in a state of severe congestion. Therefore, some companies started to establish their branches in suburban areas where land prices were relatively low and the traffic was less congested and allowed the local employees to work there. Although they also had a goal of attracting talented people with an image of a company with excellent employee benefits, they still followed the conventional way of conducting and evaluating a job and managing the processes. Some construction companies even built resort offices in scenic areas.

On the other hand, in an attempt to decentralize the development base as a result of business expansion, other companies built new buildings with 'spot' offices as regional bases in

burgeoning industry districts, so that their engineers and salesmen could stop by while moving from one base to another.

Local governments also welcomed the above movement because such decentralization of corporate offices would relax economic and social concentration to capital cities and promote regional development.

The major driving force and coordinator for the trend of establishing satellite offices was The Satellite Office Association of Japan. This association has Japan's 70 major corporations as its regular members and 70 regional governments/municipalities as supporting members, with support from the National Land Agency, the Ministry of International Trade and Industry, the Ministry of Posts and Communication, and the Ministry of Construction.

However, as the economic conditions of Japan changed radically, all the factors promoting the establishment of satellite offices vanished. Now, land prices stopped rising, and the unemployment rate is going higher although the traffic congestion is still a serious problem.

The topic of satellite offices by itself isn't drawing people's attention at all. Rather, there is a reflection now that simple expanding and reinforcing a workspace without long or middle term management strategy would not induce much effect. The corporate survival is a much more important matter than creating a comfortable working environment for each employee. The companies' greatest interest of today is in how to come up with a measure which reduces office cost, raises labor productivity, and distributes surplus workers to other areas of business.

Sensitive companies are starting to reduce excess offices, to raise labor productivity by changing work procedures, and to absorb employment into improved customer services.

Women who want to raise their children and work at the same time are increasing daily, as well as the growing necessity to care for an aging society. The need to work at home to earn a second income is also a driving factor. The ratio of SOHO entrepreneurs is rising, as well.

These are all actual and potential needs for telework programs. However, insurance and taxation structures are not yet in place. Although many companies are recognizing that they have to work on telecommuting some time in the near future, few corporations are implementing it as a formal system.

### 3. Present Conditions

As I have described, it seems that telework in Japan has been detouring. But now, there is a new movement. Leading corporations, grasping an opportunity from the recession to understand the true meaning of telework and its potentiality started working on telework as a part of their business strategies.

Here are some backgrounds:

- Increased pressures for the improvement of labor productivity from intensified competition with foreign businesses called Mega Competition
- Efforts against expected shortage of workers in view an aging society with fewer children
- Governmental supports to improve labor efficiency (e.g. amendments to labor laws, relaxed taxation, etc.)
- Widespread use of PC/Internet improvement on security technology, lowered telecommunication fee resulting from the division of Nippon Telephone and Telegraph
- Preventive measures in preparations for the post-recession competition of acquiring talented people.
- Strategic introduction of telework in expectation of a secondary effect:
  - Improvement in working attitudes of workers/managers by the introduction of MBO, promoting self-reliance and professionalism, strengthened competitiveness in human resources as the result, etc.

In response to these movements by corporations, there are some actions in the academic field, as well.

The Satellite Office Association of Japan decided to change its name to The Telework Association of Japan, and to expand the scope of its activities to Telework, in general, on June 17, 1999. The Ministry of Labor joined with other governmental agencies supporting this association. This year, members from Japan's 70 top corporations are engaging in activities such as investigations of the problems to be settled in legislation, advice on deregulation, investigations on the effect of telework on health, policies that promote telecommuting, and estimating the size of the telework market.

The Telework Society of Japan was inaugurated on June 5, 1999 and is established for the purpose of academically researching telework by members from the industrial world, academic

fields, and government agencies. It is expected to clear some obstacles that are causing a delay in legislation by advising legislative and administrative agencies in cooperation with The Telework Association of Japan.

The Fourth International Conference on Telework was held in Tokyo from August 30 to September 3, 1999. This conference was cosponsored by the International Telework Foundation and International Flexwork Forum, with the theme of telework strategies for the New Workforce. Fifty-one papers from 14 countries were presented, and the following statements were adopted:

Telework creates innovative business styles

Telework makes SOHO society a reality

Telework brings barrier-free opportunities

Telework supercedes regional distance

Telework enables diverse lifestyles

#### 4. Future Perspectives

Telework is of course the wisdom of the whole society, not only of established corporations. However, it is also a fact that Japan's social reforms have been invoked when corporate management strategies and a governmental policy complement each other. Probably this tendency will continue to exist for some time in the future, even though being less distinctive. In order for telework to be recognized widely, corporations and governments need to separate their roles.

First, corporations should develop telework by their independent efforts. Information and communication companies should develop service/support projects in order for other companies to use telework. To raise the mobility of labor, newly recruited employees need to learn that they are not employed for their companies but employed for their jobs. Veteran workers must have some defined qualifications so that they can work as an independent contractor after they leave their companies. Corporations should also outsource some of their conventional functions. Telecommuting should also be institutionalized as a form of labor.

Governments should reinforce communication infrastructures to promote lowering fees by means of competition. They also need to expand to a flex-work time system. For the investments that are part of a company's responsibilities, public telework offices should be established and a new tax system to support SOHO's be introduced as public investments. In

short, both sides need to work together to implement a reform scenario that develops a labor market that is highly mobile.

I would like to add a comment to the immediacy of reform: both corporations and governments are already moving toward the above reforms on the same course; now, a catalyst is needed for those reforms to be implemented. That catalyst is: Japan's economy is stagnant at this time, and when it starts to recover around the year 2002, we will have a labor shortage. To overcome this dilemma, an improvement of labor productivity by several measures with telework as one of them is essential. A highly mobile labor market will improve labor productivity. Some companies may have telework opportunities that go beyond the borders of Japan. Therefore, we all should start considering these issues from an international and cooperative point of view.

Thank you for the opportunity to present these comments at the 1999 ITAC International Conference.