

Chapter II The Labor Markets

1 Population

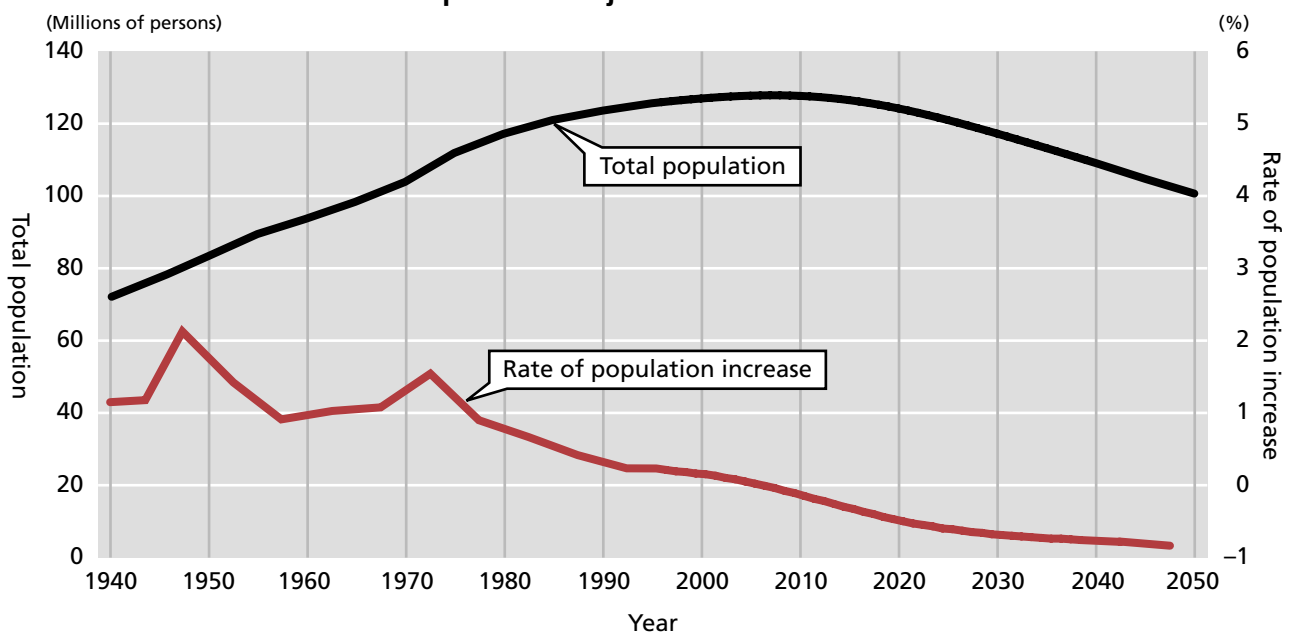
Decline in the Population Growth Rate from the Late 1970s

Between November 1945 (immediately after the end of World War II) and January 2001, Japan's population increased by a factor of 1.74, from 72.15 million to 127.01 million. Higher postwar birth rates and lower death rates stimulated this exceptional increase, taking place in only a half-century. During the first baby boom (1947–49), the population grew at an annual rate of 5%, but growth leveled off to 1% per year in the subsequent 10 years. The second baby boom occurred in the early 1970s, stimulating another rise in the rate of population growth until it once again reverted to 1% growth per year, and then began a steady decline.

Nuclear Families the Main Source in the Decline in the Population Growth Rate

Abandonment of farming villages for urban life was one of the reasons for the changes in population growth. In the cities, nuclear families headed by company employees (who produced fewer offspring) became the norm supplanting extended families. This transition was also marked by the tendency to postpone marriage and child-bearing until a higher average age. The wider availability of postgraduate education, more opportunities for women in the job market, and higher employment rates were also contributing factors.

II-1 Current Situation of the Total Population and Population Increase Ratio and Future Population Projections: 1940–2050



Sources: *Population Census*, Statistics Bureau, Management and Coordination Agency; *Population Projections for Japan*, National Institute of Population and Social Security Research, January 1997

Population to Peak in 2007 and thereafter Decline

The latest forecasts predict that Japan's population will

peak in 2007 at 127.78 million, and then begin to decline for the first time in history (II-1). Demographic changes will also become more pronounced as birth rates fall and

II-2 Changes in Population Pyramids: Medium Population Growth



Source: *Population Projections for Japan: 1996-2100*, National Institute of Population and Social Security Research

the elderly population increases. The working population is already diminishing in both real and proportional terms. As a result, economic growth is slowing, and the burden of supporting the younger and older segments of society is becoming a serious problem. As the labor force ages, a decrease in the number of young workers and overall manpower is observable.

Post-war Period Characterized by Job-related Regional Migrations

Looking at the population shifts between three major urban areas and other areas of Japan over the years shows one striking pattern in the shift from rural areas to major cities during the period of high economic growth in the 1950s and 1960s. With the exception of the eldest sons of families engaged in agriculture, people moved from farming areas (where employment opportunities were limited) to cities, where they could easily find work in the rapidly developing secondary and tertiary industrial sectors. The results of this shift were a depletion of the population in the countryside and overcrowding in urban centers. A subsequent shift saw a migration from congested cities to the suburbs. Geographic shifts in population finally began to subside with the 1973 oil crisis and the subsequent tapering off of economic growth.

Concentration of Population in the Greater Tokyo Area

The heavy concentration of population in the Greater Tokyo area, as opposed to other urban centers, poses many difficulties. Also noteworthy (though not so much in terms of absolute population) is the tendency for people to move from their birthplaces in the countryside to an urban center, and later back to their hometowns or a city near their hometowns.

Globalization Brings Increase in the Foreign Population

With the globalization of the economy, the foreign population in Japan is also increasing. In the past, North and South Koreans accounted for the majority of Japan's resident aliens. Today, they represent only a little more than 40% of that population (II-3). On the other hand, there has been an influx of Chinese and other Asians, and of Central and South Americans of Japanese descent who have come to Japan seeking employment, and who hold permanent-resident visas. This trend has been increasing since the days of the bubble economy in the 1980s. The influx from Brazil began to subside in 1998, but that from Peru continues to grow. The number of registered aliens has increased steadily as well, reaching 155.6 million in 1999. Nevertheless, foreign residents account for only 1.2% of the total population.

II-3 Changes in Registered Alien Population by Nationality

	1990	1995	1999
	(Year end figures)		
Total	1,075,317	1,362,371	1,556,113
North/South Korea	687,940	666,376	636,548
Distribution (%)	64.0	48.9	40.9
China	150,339	222,991	294,201
Distribution (%)	14.0	16.4	18.9
Brazil	56,429	176,440	224,299
Distribution (%)	5.2	13.0	14.4
Philippines	49,092	74,297	115,685
Distribution (%)	4.6	5.5	7.4
U.S.	38,364	43,198	42,802
Distribution (%)	3.6	3.2	2.8
Peru	10,279	36,269	42,773
Distribution (%)	0.9	2.7	2.7
Others	82,874	142,800	199,805
Distribution (%)	7.7	10.5	12.8

Source: *Statistics on Aliens in Japan*, Immigration Association, 2000

2 Labor Force

Labor Force Declines, Labor Force Ratio Remains Stable

In 1955, the number of Japanese people capable of working (which includes the population over 15 years old) was 59.25 million. In 2000, this number had jumped to 108.54 million (estimated in November 2000). Labor force includes those people over 15 years old who hold jobs and qualify as “employed persons,” as well as “completely unemployed persons” who want and seek jobs, but cannot find employment. The labor force was 41.94 million in 1955. Although this figure was 67.66 million in 2000 (male: 40.14 million, female: 27.53 million), that year was the first in 25 years (since the first oil crisis) that the size of the labor force declined from that of the previous year. The ratio of the labor force to the general population over 15 years old is called the “labor force ratio” (or the “labor force population ratio”). In 1955, Japan’s labor force ratio was 71.0%, but it declined to 62.9% after the first oil crisis, and has remained quite stable at this level even today. In 2000, Japan’s labor force ratio was 62.4% (male: 76.4%, female: 49.3%).

Features of Labor Force Ratio in Japan

Figure II-7 shows the labor force ratio classified by sex and age in 1960 and 2000 and characterizes the following long-term trend of Japan’s labor force ratio.

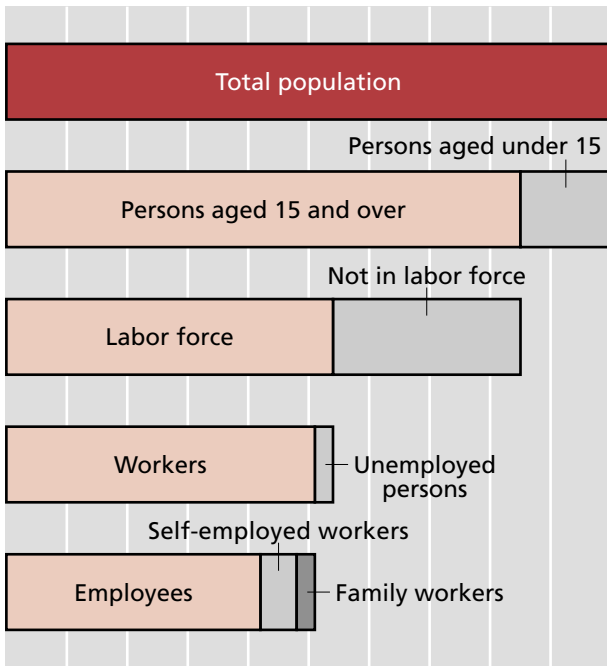
- (1) The ratio of younger people (male, 24 years old or under) tends to decline, but the ratio of the elderly (55 years old or older) tends to increase. The other age groups demonstrate no significant change.
- (2) The female labor force ratio develops in the shape of the letter M: the labor force ratio of female workers declines in the female workers’ late 20s through their 30s, and increases again after that. For the last 20 years, the valley section of this letter M has shifted rightward and upward simultaneously. In addition, both peaks of this letter M have become higher. This graph reveals an increase in the labor force ratio. Above all, the increases of female workers in the 25–34 and 55–64 age groups are prominent. The figures show that the number of female workers was 5.31 million in 1955, but that by 2000, the number of female workers had dramatically jumped fourfold to 21.40 million.

Factors Behind the Change in Labor Force Ratio

The following factors are thought to have caused these changes in the labor force ratios.

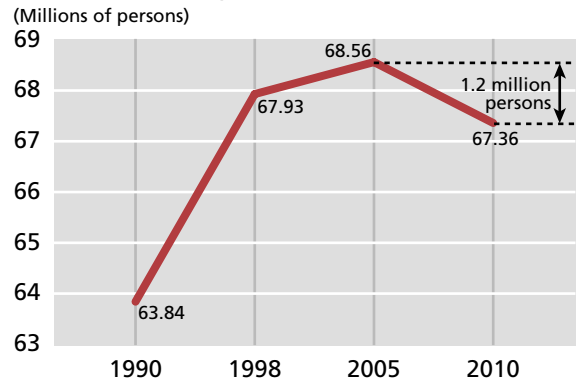
- (1) Both men and women have become better educated. In 1960, the ratio of those who attend high school was 57.7% of junior high school graduates (male and female combined, excluding those who were educated via correspondence courses). This figure jumped to 95.9% in 2000. In addition, the ratio of those who attended universities (undergraduate courses) and community colleges (liberal arts) was 10.3% in 1960 (male and female combined, including those who already graduated from high school but failed the entrance examination in the previous year). This figure increased to 45.1% in 2000. As a result of these developments, the labor force ratio of teenagers has declined.
- (2) Since women often quit their jobs during the period of marriage, childbirth, and child rearing, the labor force ratio of those women in their late 20s declined. Recently, however, many wives and mothers have continued to hold jobs through these personal changes. Moreover, women have begun to delay marriage and childbirth, and the ratio of single women to women in general has increased. Above all, women with higher educations have a stronger tendency to continue their jobs during marriage, childbirth, and child rearing than women with less education.
- (3) In addition, women who have devoted themselves to childbirth and child rearing, primarily women in their 40s, are increasingly returning to the full-time and part-time job markets.

II-4 Labor Force Population



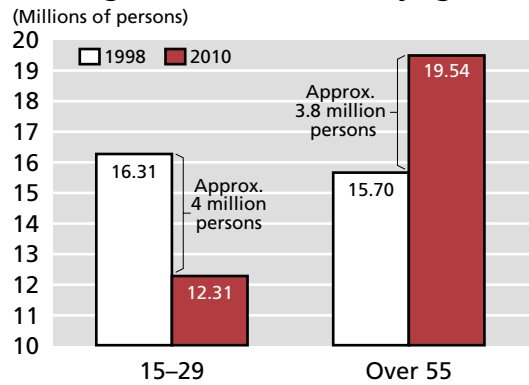
Data: Refer to Appendix 3

II-5 Changes in the Labor Force



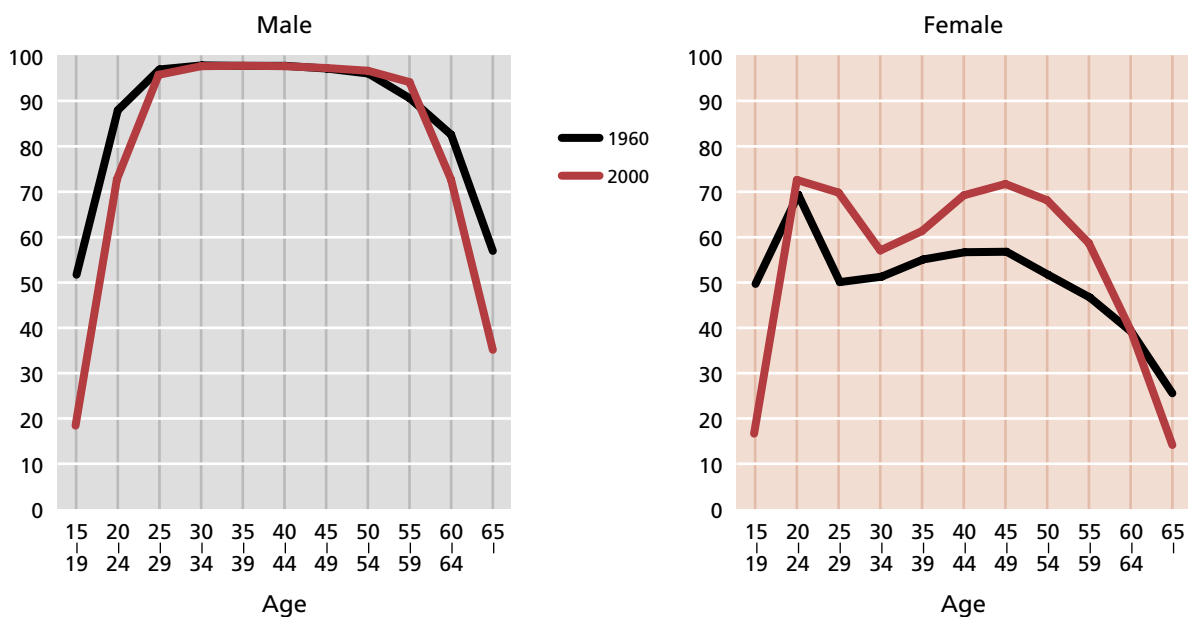
Source: 9th Basic Employment Measures Plan, Ministry of Labour

II-6 Changes in the Labor Force by Age Group



Source: 9th Basic Employment Measures Plan, Ministry of Labour
 Note: There is no significant change in the 30-54 years age group from 35.93 million persons (1998) to 35.5 million persons (2010).

II-7 Changes in the Labor Force Participation Ratio by Sex and Age: 1960-2000



Data: Refer to Appendix 2

Source: Latest Demographic Statistics 2000, National Institute of Population and Social Security Research

3 Changes in Employment Structures

Decreasing Numbers Employed in the Agricultural Industry

When looking at the recent fluctuations in the employment structure by main industries (See I-2, II-8), the number of those employed in the agricultural industry continues to decline consistently, with a total of 2.97 million persons employed in 2000, representing a 4.6% share of the employment market. The number of persons employed in the construction industry showed a sharp increase due to the building rush in the wake of the bubble economy years from 1990 to 1995, but this sector too is recently in a downward spiral, having decreased for three consecutive years to employ 6.53 million persons in 2000 (representing a total of 10.1% of the workforce).

Deindustrialization and the Manufacturing Industry

The manufacturing industry has been greatly affected by the globalization of manufacturing activities in particular. In 1995, with the dollar-yen exchange rate of US\$1=¥80, not only large corporations but also small and medium enterprises began to move their manufacturing operations overseas, leading to a “deindustrialization” phenomenon. Looking at the numbers of those employed in the manufacturing industry, in 1993, with the yen continuing to appreciate rapidly, the numbers of those employed in the manufacturing industry began a downward trend. From 1993, the numbers of those employed in the manufacturing industry have fallen for eight consecutive years, to a level of 13.21 million in 2000. Japan’s overseas manufacturing production rate began to increase after the conclusion of the G5 Plaza Accord in 1985, and by FY1998 (estimate) had reached a level of 13.8% (*Basic Survey on Overseas Business Activities*, MITI, 2000). Within this figure, the share of overseas production for transport machinery manufacturers stands at 28.2% and for electric machinery manufacturers at 21.6% (both figures for FY1997), reaching levels greatly above the average and causing anxieties about the falling levels of employees in the technology divisions of these two industries. In a situation in which

these types of manufacturing are increasingly showing an international division of labor in their activities, a market shift is being contemplated in which domestic focus would be placed on strengthening research and development and high value-added divisions.

Increasing Numbers Employed in Service Industries

On the other hand, in tertiary industries, employee numbers are increasing in the service industries. These figures have consistently increased over a ten-year period, reaching a figure of 17.18 million in 2000, accounting for a 26.7% share of the workforce. However, a downward trend is being witnessed in employee numbers in the wholesale, retail, and food and beverage industries. After rising steadily until 1998, employee numbers peaked in 1999, to drop off slightly for the first time in five years in 2000, with total employee numbers totaling 14.74 million, or a 22.9% share of the workforce.

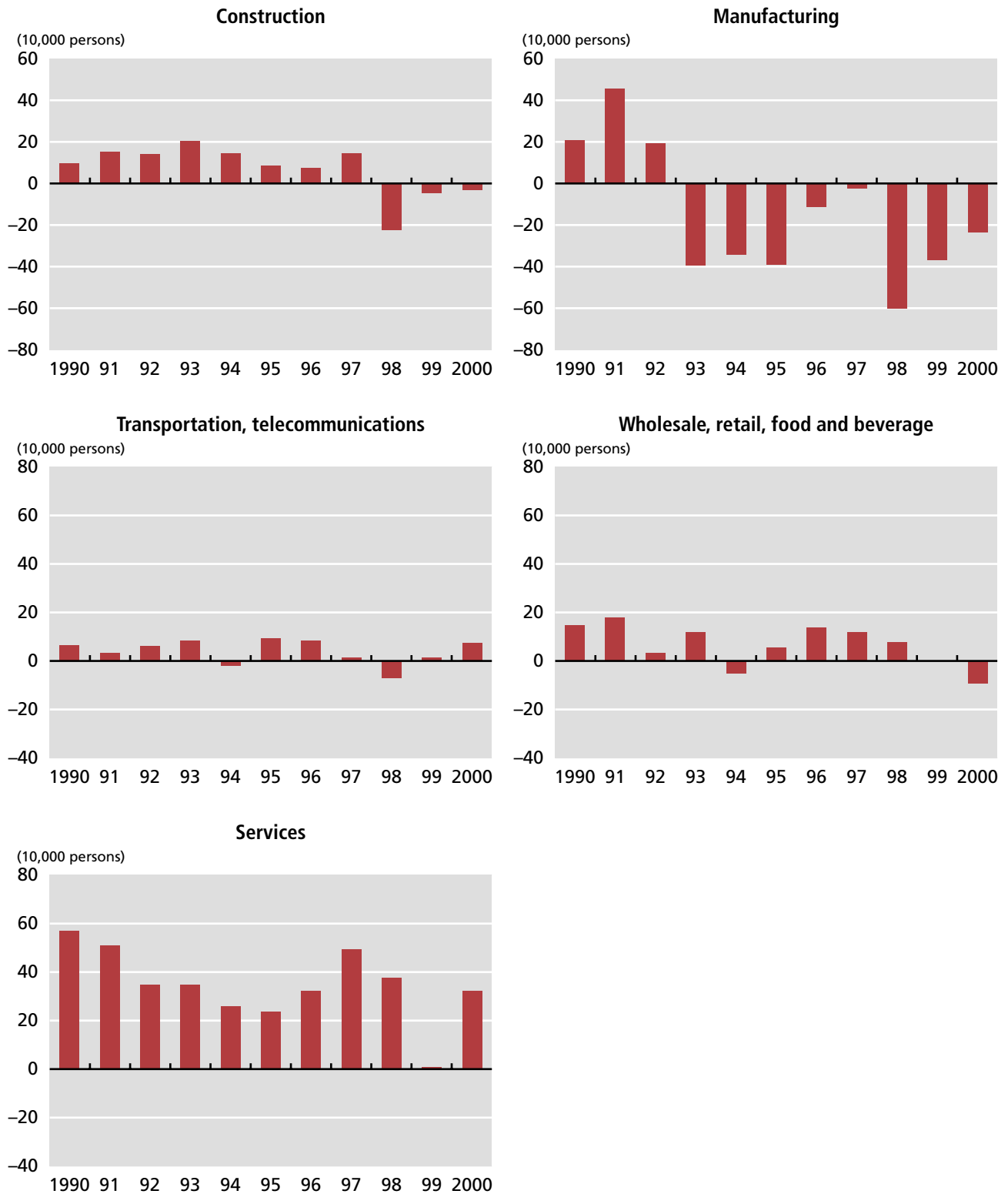
Responding to IT and Maintaining and Training Human Resources

Concerning employment structure by type of work, reflecting the changes in the industrial structure, the number of workers employed in the agricultural, forestry and fisheries industries has fallen by half from 10% in 1980, to 4.9% in 2000. Moreover, due to the globalization of the manufacturing industry and the construction recession, the numbers of those people engaged in skilled factory work, manufacturing and construction have also fallen, accounting for a figure of 24.5% of the total workforce in 2000. On the other hand, the number of those workers engaged in specialized or technical work has risen consistently over the last ten years, to reach 13.2% of the total workforce (11% in 1990). In the future, with international competition becoming all the more severe, the necessity is increasing to cultivate and maintain human resources capable of responding to the IT and technology revolutions. Another important

issue will be to improve treatment of workers by basing evaluations on merit, and by offering a wider

variety of career opportunities and providing better training at all levels.

II-8 Yearly Increases and Decreases in Employment Structure by Industry



Source: Report on the Labor Force Survey, Management and Coordination Agency, 2000

4 Diversification of the Employment Structure

Non-regular Workers Comprise 27.5% of the Workforce

Japan's economic structure has been undergoing a fundamental shift in orientation, moving away from secondary industries (e.g., manufacturing) and toward tertiary industries (e.g., services). Behind this shift to a service economy lies a broader diversification of the employment structure, as demonstrated by the increase of part-time workers and dispatched workers (workers supplied by temporary employment agencies). According to the "Survey of the Diversification of Employment Status" issued by the Ministry of Labour in 1999, non-regular workers, mainly women and employees of small and medium-sized companies, comprise 27.5% of the labor force. The majority of these non-regular workers were part-time workers (20.3%), followed by temporary and casual workers (1.8%), and dispatched workers (1.1%) (Appendix 4).

11.38 Million Part-time Workers

The survey uses two definitions for part-time workers: "official" part-time workers and "other" part-time workers. Part-time workers, as defined by the Management and Coordination Agency's Labor Force Survey, numbered 4.71 million in 1985, and 11.38 million in 1999 (II-9).

Characteristics of Part-time Workers in Japan

Most part-time workers are housewives, but they are not evenly distributed among all occupations. Part-time workers are used in three main industries: wholesale and retail, food and beverage, and services, and are most likely to be found working in manufacturing industries. Furthermore, in terms of the different types of workplace, shops are the most prevalent followed by factories (Appendix 4).

Employers benefit from the use of part-time workers in two ways: (1) lower personnel costs and (2) the ability to meet changing business demands on a daily or weekly basis (II-10). Part-time workers report that they prefer work schedules that suit their convenience,

and that they wish to earn money to help meet household or educational expenses (II-11).

II-9 Changes in the Number of Part-time Workers and Workers Supplied by Temporary Employment Agencies

(10,000 persons)

Fiscal Year	Part-time workers	Dispatched Workers
1985	471 (11.1)	–
1986	503 (11.7)	14.4
1987	506 (11.6)	26.8
1988	533 (12.0)	31.2
1989	602 (13.1)	42.7
1990	722 (15.2)	51.0
1991	802 (16.3)	63.1
1992	868 (17.3)	65.4
1993	929 (18.2)	57.5
1994	967 (18.8)	57.6
1995	896 (17.4)	61.2
1996	1,015 (19.4)	72.0
1997	1,114 (21.1)	85.5
1998	1,113 (21.2)	89.5
1999	1,138 (21.8)	106.7

Data: Refer to Appendix 4

Sources: The definition of part-time workers derives from the Management and Coordination Agency's annual *Labor Force Survey*. Part-time workers are defined as persons working an average of 1–34 hours per week. The figures in the table represent combined totals for male and female workers.

"Workers supplied by temporary employment agencies" are as defined in the Ministry of Labour's *Report on Employment Agencies* (1999). The figures in the table include ordinary and specialized temporary workers registered with temporary employment agencies.

Note: The figures in parenthesis indicate the percentage of short-time workers among employees. Unit: %

FYI

Law Concerning the Improvement of Employment Management for Short-time workers

"Official" part-time workers: According to the Labor Code official part-time workers work regular hours at one place of employment, but a shorter workweek than full-time employees.

"Other" part-time workers: ("Other" part-time workers is a term used by employers)

1.06 Million Dispatched Workers

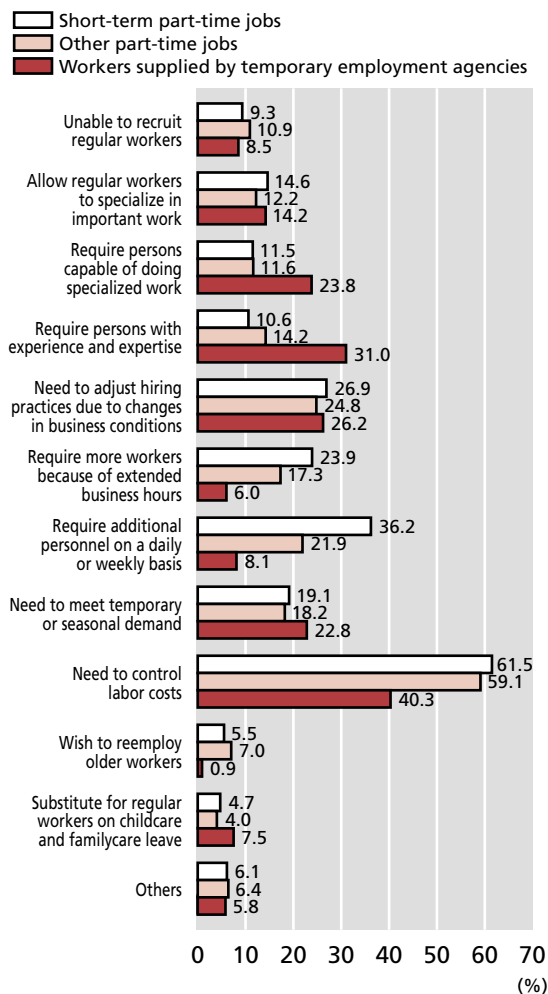
Dispatched workers are defined by the Manpower Dispatching Business Law, enacted in 1986, as “workers under contract to a dispatching agency, who are entrusted with specific duties by the companies to which they are assigned.” At first, dispatched workers could only be used to perform duties that required a high degree of specialization. However, a revision made to the law in 1999 allows dispatched workers to perform any type of work, except: (1) longshoring, (2) construction work, (3) security, and (4) work determined by orders based on opinions submitted by the Central Employment Security Council. According to the “Report on Employment Agencies” issued by the Ministry of Labour, there were 144,000 dispatched workers in 1986, and 1,067,000 in

1999 (II-9). Companies report that their main reason for using dispatched workers is to economize on personnel expenses (II-10).

Future Challenges for Non-regular Workers

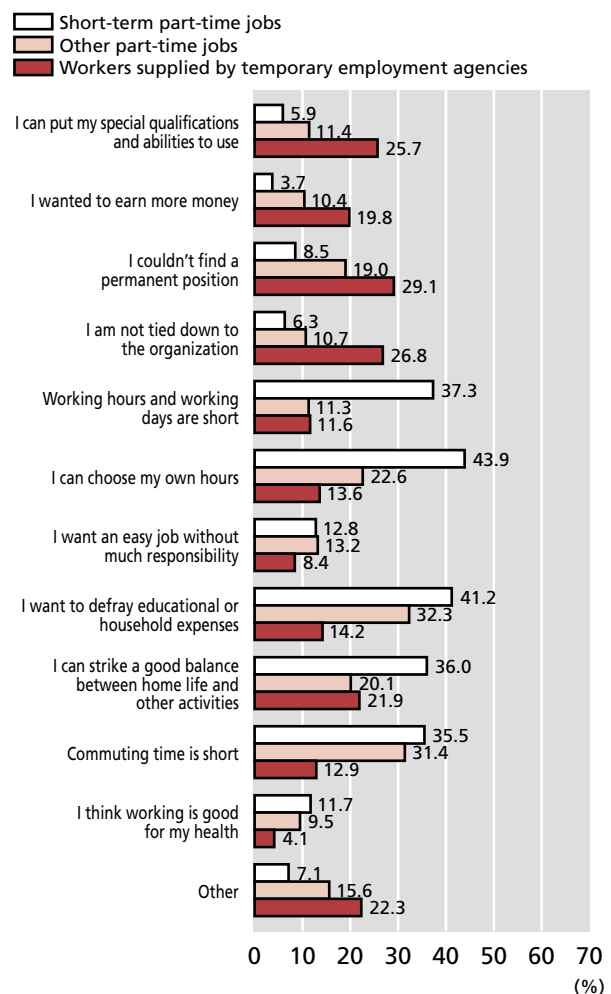
It is clear that the number of both part-time and dispatched workers increased. Due to the growing tendency of companies to combine the use of regular and non-regular workers to lower personnel costs and handle specialized tasks more efficiently, future company policies are very likely to specify the more widespread use of non-regular workers. As this trend becomes the norm, the need will arise for employers to offer more social security benefits and training opportunities to these workers. Regulations specifying their job descriptions will also be necessary.

II-10 Reasons for Hiring Non-regular Workers



Source: Survey of the Diversification of Employment Status, Ministry of Labour, 1999
 Note: Totals do not add up to 100 because multiple responses were permitted

II-11 Reasons for Choosing the Employment Form of “Non-regular Worker”



Source: Survey of the Diversification of Employment Status, Ministry of Labour, 1999
 Note: Totals do not add up to 100 because multiple responses were permitted

5 Employment Trends and Changes in the Employment Structure

Change in Employment Structure

In 1950, there were 36 million workers in Japan. By 2000, there were 64 million, an increase of 28 million over approximately half a century. The large numbers of new workers who entered the labor force during the decades following World War II altered Japan's industrial and occupational structures. The major long-term changes in the composition of the labor force, by industry, are as follows.

1. In 1950, workers in the primary industries, which support many of the self-employed (who are likely to join the ranks of the hidden unemployed), accounted for about half of the labor force. By 1995, this figure had decreased to 6%.
2. Employment in the secondary industries (manufacturing sector) grew rapidly during the long period of high economic growth. By 1970, 34% of the labor force was working in these industries. Since this expansion of the labor force enabled the economy to absorb much of the surplus labor from the primary sector, Japan's overall unemployment never exceeded 2%.
3. Later, as employment in the manufacturing sector began to level off, employment in the tertiary industries rose significantly, especially in the service sector. More than 50% of all workers were employed in the tertiary industries by 1975, 60% by 1995.

The occupational structure has changed as well, with a long-term increase in the number of clerical, specialized, and technical workers. Of the 64 million persons currently working in Japan, 54 million are employees, 7.31 million are self-employed, and 3.4 million are working in family-owned businesses. Over the past 50 years, the number of employees has increased, while the ranks of the self-employed and persons working in family-owned businesses have dwindled. The ratio of employees to the total labor force climbed from 39% in 1950 to 81% in 1975, and continues to increase. Unemployment has therefore become more visible, rising to 2% (one million persons) during the oil crises of the 1970s.

Changes in Unemployment Rates and the Unemployment Structure

During the years of high economic growth, the unemployment rate fell to a low 1%, but rose to 2% when economic conditions worsened due to the first oil crisis. It remained at 2% until the collapse of the bubble economy in the early 1990s, when a long-term recession caused it to leap to 3%, and then 4% in early 1998.

There are at least two major causes of the long-term rise in unemployment. The first is the imbalance between supply and demand, which has worsened over the years. Subsequent to the period of high economic growth, demand was influenced by the increasing prominence of the service sector and information technologies, and globalization. These significant changes have created a demand for workers with diverse, specialized skills. Supply has changed as well, with women and senior citizens entering the job market, while young job-seekers adhere to value systems different from that of prior generations. Thus, demand and supply are moving in opposite directions and widening the gap in the market. Another reason for the increase in the unemployment rate is the changing response of businesses to personnel needs. Long-term employment has traditionally characterized Japanese companies. Even in economically difficult conditions, companies struggled to preserve the status quo by refraining from laying off or discharging employees. However, with market competition intensifying and changes in the business climate caused by several recessions following the first oil crisis (including recent global economic slumps), there are only limited employment opportunities within corporate groups. More companies have been forced to reduce their long-term regular employees and to rely on part-time and dispatched workers to keep labor costs down.

High Unemployment Rate among the Young and Elderly

Unemployment is particularly high among males aged 15–24 and 60–64, and females aged 15–24 and 25–34. For younger people, unemployment stems from the imbalance between supply and demand and from a greater tendency for men to resign from or change jobs.

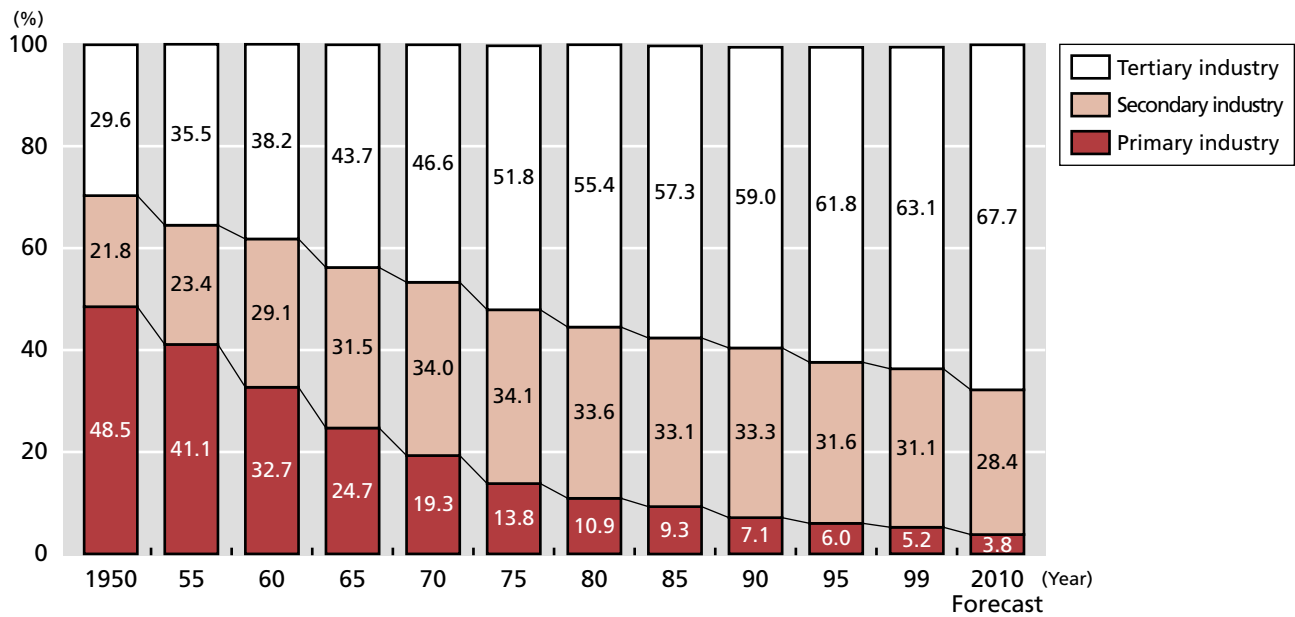
Now that the mandatory retirement age has been raised from 55 to 60, there is less unemployment among men aged 55–59. However, there are now more unemployed men aged over 60 who have difficulty in finding new positions.

International Comparison of Unemployment

II-13 shows an international comparison of unemployment

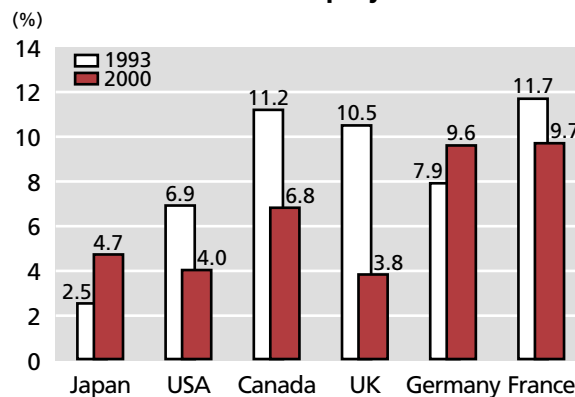
rates based on statistics published by the OECD. The OECD uses rates that have been standardized—adjusted to conform to ILO (International Labor Organization) standards—and designed to minimize the differences in the way Japan, the U.S., and the nations of the EU compute unemployment rates. Since these differences are not great, the OECD figures are very close to official statistics published by the nations surveyed.

II-12 Shifts in the Employment Structure by Industrial Sector



Sources: *Report on National Census*; *Annual Report on the Labor Force Survey*, Statistics Bureau, Management and Coordination Agency, 1999; *Outlook for and Issues Facing Labor Force Supply and Demand (Projections for 2010)*, Employment Policy Research Group
 Note: Please refer to page 4, I-2 for the shift in the number of workers.
 Please refer to page 4, I-3 for the shift in the number of unemployed and rate of unemployment.

II-13 International Comparison of Standardized Unemployment Rates



Source: *Quarterly Labor Force Statistics*, OECD

II-14 Changes in the Unemployment Rate by Sex and Age Group

