

## 6 Employment of Youth, Older Persons, Women and Foreign Workers

### Youth Employment

#### Present Situation and Future Outlook

Up until the early 1990s, Japan was known as a country where the transition from school to work was smooth and youth unemployment was low. This was ascribed not only to vigorous demand for labor, but also to the practice among firms of hiring young workers on the basis of their trainability and the existence of well-developed support for high school graduates to smooth the path from school to work.

In the latter half of the 1990s, however, the situation changed dramatically. The youth unemployment rate rose and unstable employment patterns gained ground among younger age groups. For over a decade from the mid-1990s, Japan's youth labor market continuously deteriorated.

While the economic upturn from 2002 generated some improvement in employment conditions for the

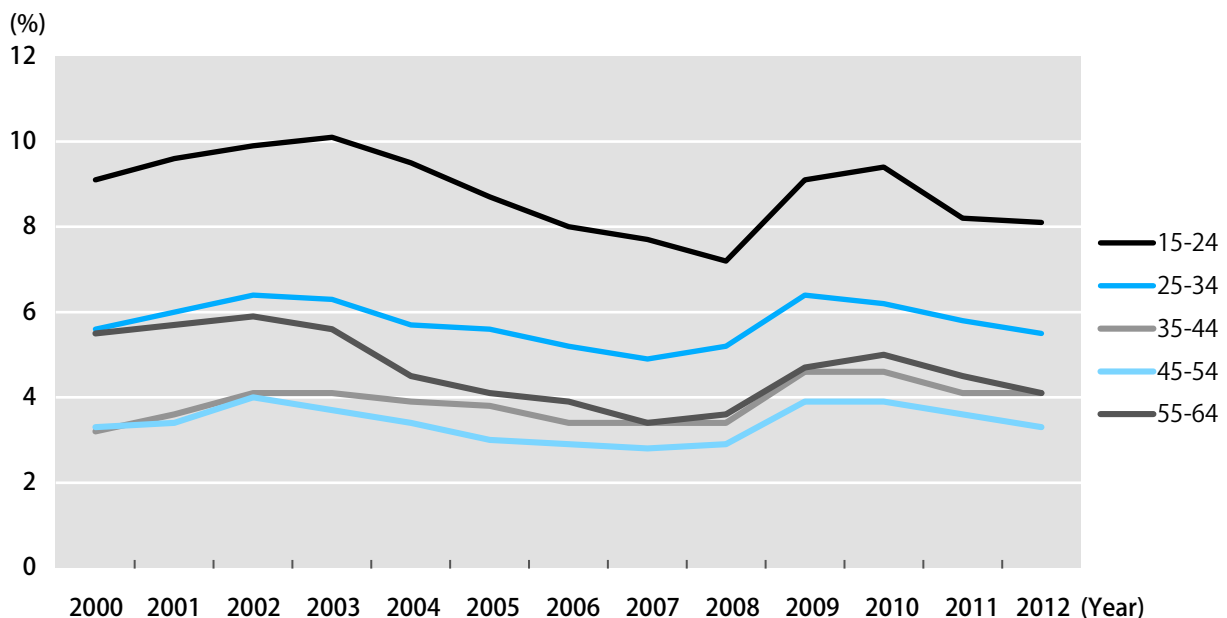
young, the labor market become polarized, even during the recovery, it was difficult for those who entered the labor market during the downturn to find stable employment.

In response to the impact of the 2008 financial crisis, demand for young workers cooled once more, and it became difficult for new university graduates to find work.

#### Movements in Youth Unemployment Rates

Youth unemployment rates were low in the 1980s, but then rose sharply until the end of the 1990s before declining as the economy recovered. Since 2008, however, there are indications that unemployment is on the increase. Compared with other age groups, only youth unemployment is rising sharply. Here, the figures inside the < > marks for 2011 are complementary estimates

Figure II-26 Trends in Youth Unemployment Rates



Source: Statistics Bureau of Ministry of Internal Affairs and Communications, *Labour Force Survey*

Note: The impact of the Great East Japan Earthquake on March 11th, 2011, caused a temporary suspension of the Labour Force Survey in Iwate, Miyagi and Fukushima Prefectures. Here, the figures inside the < > marks for 2011 are complementary estimates (actual figures: based on 2010 National Census standards, ratios: based on 2005 National Census standards).

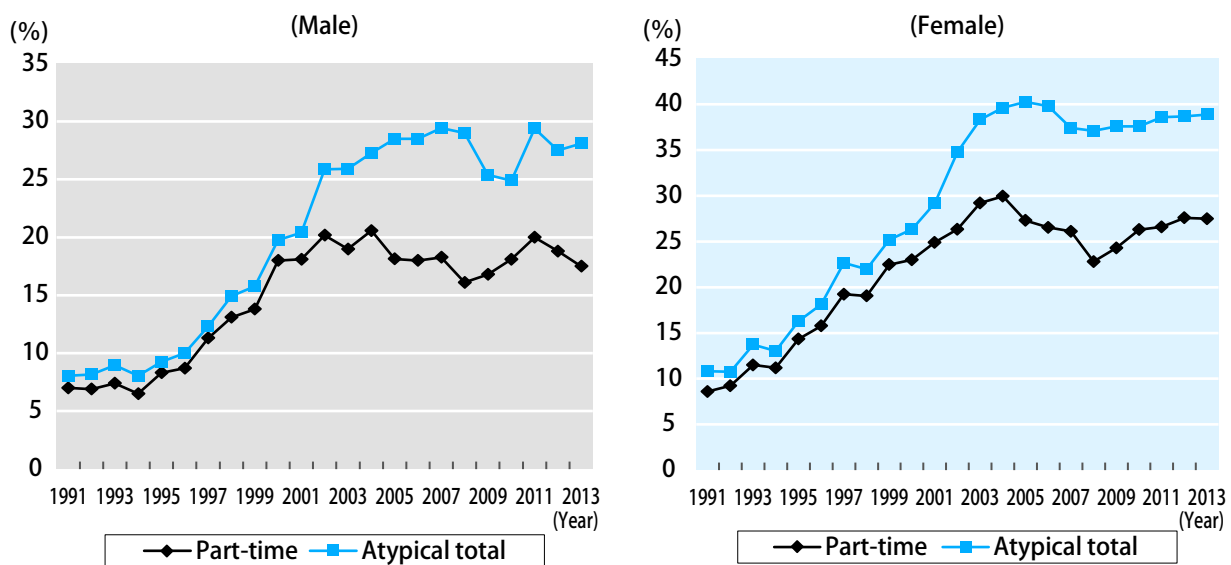
## Changes in Status of Employment

Figure II-27 shows the changes in status of employment in the 15- to 24-year-old age group. From the mid-1990s, the proportions of young part-time workers (collectively called “freeters”) and “atypical” employees (i.e., people employed other than as permanent employees) increased continuously before dropping slightly in 2006 because of economic recovery and demand for workers to replace retiring baby-boomers. Moreover, until 2002, most of the

atypical employment was accounted for by part-time workers and workers in temporary jobs (Arbeit), but the share of indirect employees, such as dispatched workers, contract employees or shokutaku (entrusted) employees, is growing.

However, with regard to the figures for men, the proportion of those involved in ways of working other than as permanent employees is rising, having bottomed out in 2009, and the figures for women have also been increasing again since 2008.

**Figure II-27 Status of Employment of 15-to 24-year-olds**



Sources: Compiled from Ministry of Internal Affairs and Communications, *Special Survey of the Labour Force Survey* (each February); for 2002 onwards, from the January-March and long-term time series tables in MIC, *Labour Force Survey Detailed Tabulation*

Notes: 1) Number of non-agricultural/ forestry industry employees (excluding directors)=100

2) The impact of the Great East Japan Earthquake on March 11th, 2011, caused a temporary suspension of the Labour Force Survey in Iwate, Miyagi and Fukushima Prefectures. Here, the average figures of January to March in 2011 are complementary estimates (based on 2010 National Census standards).

## Polarization of the Labor Market

The bulk hiring of fresh graduates that characterizes the hiring practices of large firms in Japan has been regarded as reducing opportunities to become a permanent employee unless hired as one straight out of school or university, and the recession has made becoming a permanent employee even more

difficult. However, as a result of the economic recovery, there was an overall increase in the shift from atypical employment to permanent employee status. Nevertheless, when going out to work after leaving school, there has been no change in the tendency for careers to polarize into permanent employee status or atypical employment.

**Table II-28 Status of Employment of 25-to 29-year-old Male**

	High school graduates	University graduates
Regular employees fixation	39.4	57.0
Regular employees turnover	17.6	15.1
Regular (temporary atypical)	3.2	1.1
Other to regular	7.3	5.6
Continuously atypical	12.0	9.0
Regular to atypical	5.2	2.4
Self-employed, family business	3.9	1.7
Without occupation	9.0	6.6
No response/ unknown	2.4	1.5
Total	100.0	100.0

Source: Japan Institute for Labour Policy and Training, *Current Status of Youth Employment, Careers and Occupational Skills Development, Data Series No.61*

Based on the special tabulation of the Employment Status Survey carried out by the Ministry of Internal Affairs and Communications in October 2007, let us check the career types.

In the case of men, “settled permanent employees” (those who became permanent employees immediately after leaving education, have not changed jobs and were permanent employees at the time of the survey), accounted for 39.4% of high school graduates and 57.0% of university graduates; “permanent employees who have changed jobs” (those who became permanent employees immediately after leaving education, have experience of changing jobs and becoming permanent employees at another company, and were permanent employees at the time of the survey), accounted for 17.6% of high school graduates and 15.1% of university graduates; “formerly atypical permanent employees” (those who were formerly atypical but are now permanent employees) accounted for 3.2% of high school graduates and 1.1% of university graduates; “permanent employees from another type” (those who were in the “other type” category immediately

after leaving education, but were permanent employees at the time of the survey) accounted for 7.3% of high school graduates and 5.6% of university graduates. In addition, “consistently atypical” (those who were in atypical employment, unemployed or without an occupation, or self-employed or employed in the family business immediately after leaving education and who were still in atypical employment at the time of the survey) accounted for 12.0% of high school graduates and 9.0% of university graduates.

### Trends in Japan’s NEET Class

Japan’s NEETs—young people Not in Education, Employment, or Training—are defined as young persons aged 15 to 34 who are not enrolled in education, are single, are not homemakers or carers, and are not seeking employment. According to the Ministry of Internal Affairs and Communications’ (MIC) Employment Status Survey, their number declined from 690,000 in 2002 during the recession to 630,000 in 2007, when conditions were better. As a proportion of the young population, however, there was a slight increase from 2.0% to 2.1%.

## Employment of Older Persons

### Relatively Stable Trends of Employment of Older Persons

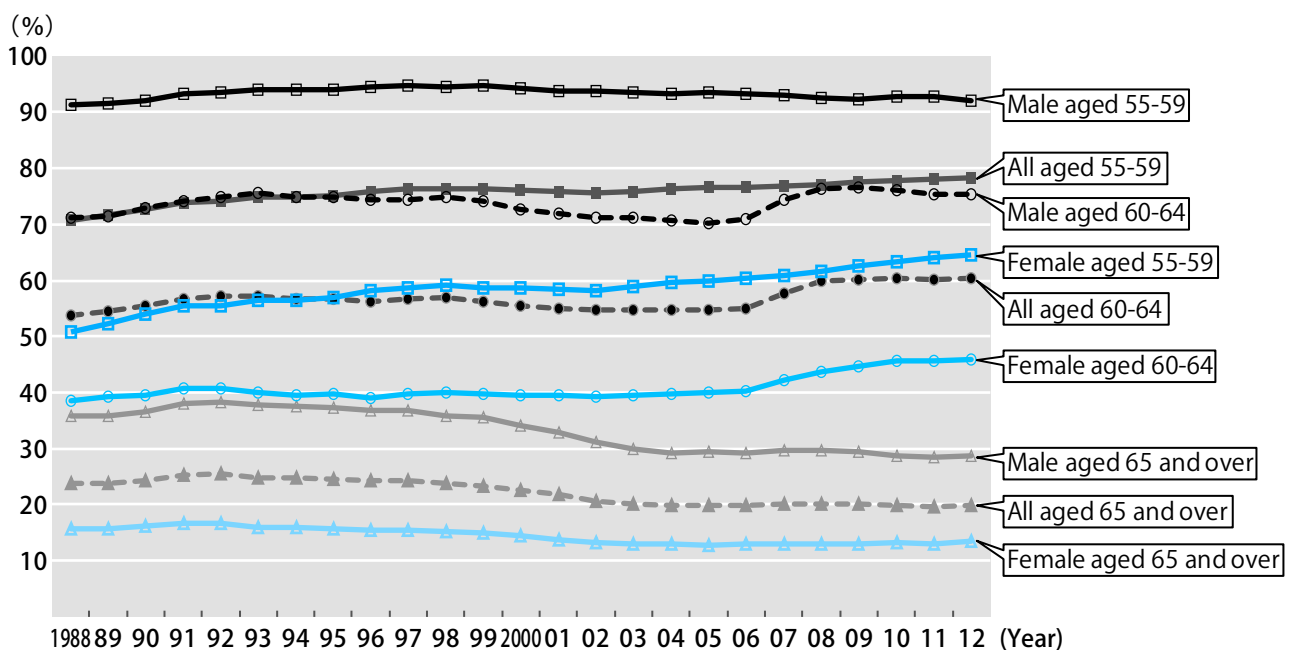
In line with the Act on Stabilization of Employment of Older Persons, “older persons” are defined in Japan as persons aged 55 or above, and we use the same definition in this section to outline the employment situation of older people divided into three age groups: 55- to 59-year olds, 60- to 64-year-olds, and the 65-and-over age group.

If we look at changes in the labor force participation rate so as to ascertain the level of labor supply accounted for by older persons, in the 55-59 age group, the figures for men are at the lower end of the 90% range and are more or less stable, although showing some weakness; on the other hand, the

figures for women have been increasing over the long term, reaching the lower end of the 60% range in recent years. In the 60-64 age group, the figures for men have conventionally shown a slightly decreasing trend, while those for women have remained flat at around 40%. Both increased between 2007 and 2009, but returned to the original trend thereafter. In the 65-and-over age group, the figures for both men and women had been demonstrating a downward trend since the latter half of the 1990s, but this decline appears to have stopped in recent years. The proportion of employed persons in each group (i.e., the employment rate) has exhibited a similar trend.

As far as one can see from these movements, it can be said that in recent years, the employment situation for older persons has been strong, centering on those in their early 60s.

**Figure II-29 Labor Force Participation Rates among Older Age Groups, 1988-2008**



Source: Statistics Bureau of Ministry of Internal Affairs and Communications, *Labour Force Survey*

Note: The figure for 2011 has been published as a complementary estimate to supplement missing data due to the Great East Japan Earthquake.

Looking at the overall unemployment rate for older persons, during the moderate but prolonged economic recovery, the unemployment rate for all age groups had been decreasing, having peaked in 2002 and 2003. The rate rose again from 2008 to 2010

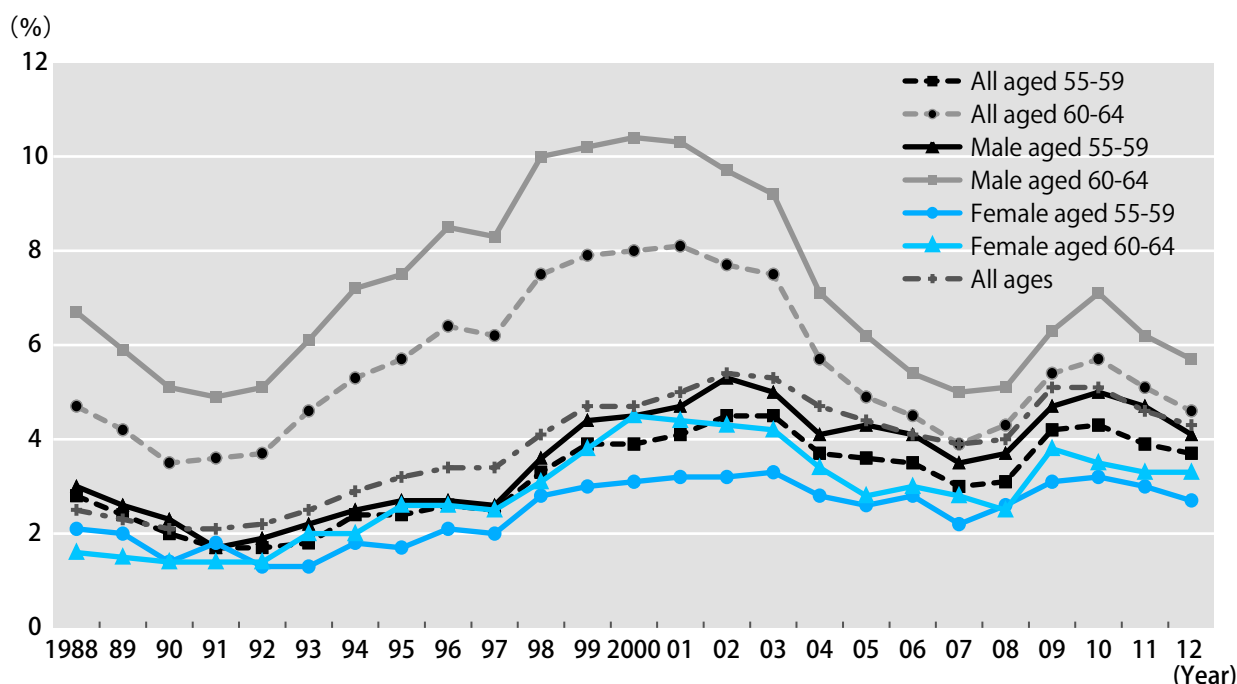
amid a harsh economic climate, but thereafter returned to a decrease. In comparison with the overall average of age group totals (4.3% in 2012), men in the 60-64 age group (5.7% in 2012) are significantly higher than the average, as is the total for men and

women in the 60-64 age group (4.6%). However, all other age groups are below the overall average.

In addition, if we look at developments in the labor force participation rate and the unemployment rate, the decline in the labor force participation rate among men aged 60-64 that has been seen since the latter half of the 1990s can be said to have been due to a lack of employment opportunities, something that

clearly reflects how poor the employment situation is for this age group. There has been some discussion of the maturity of the pension system as a factor behind the decline, but this factor is not seen as particularly strong and has had hardly any impact in recent years. The high level of employment motivation among older persons in Japan (particularly men) is thought to be basically unchanged.

**Figure II-30 Unemployment Rates among Older Age Groups**



Source: Statistics Bureau of Ministry of Internal Affairs and Communications, *Labour Force Survey*

Note: The figure for 2011 has been published as a complementary estimate to supplement missing data due to the Great East Japan Earthquake.

### Relative Stability against Backdrop of Various Policy Responses

Older persons in Japan have traditionally faced more severe employment conditions than other age groups. In around 1985, for example, the unemployment rate for 55- to 59-year old males (3.9% in 1985) was considerably higher than the rate for all age groups (2.6%). Since the 1990s, however, it has been lower.

The main factors affecting the employment of older persons in Japan are the mandatory retirement system employed by firms and the age at which mandatory retirement is set. For a considerable period

following World War II it was set at 55, at which age workers encountered major changes in the employment environment. The mandatory retirement age was subsequently gradually raised from the 1970s to the early 1980s, and the revision of the Act on Stabilization of Employment of Older Persons in 1985 prohibited the establishment of a mandatory retirement age of less than 60. This had a considerable impact, leading to a relative decline in the unemployment rate among 55- to 59-year-olds. Following an amendment to the Act in 2006, moreover, companies were obliged to permit continued employment until age 65 if the worker so

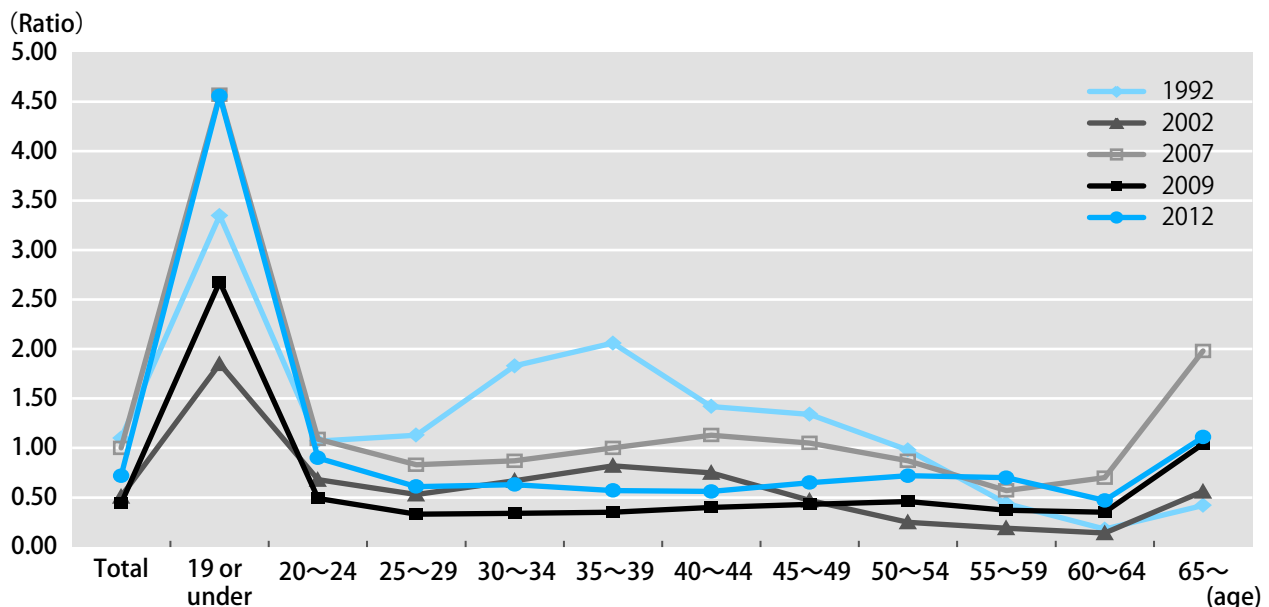
desired. This is thought to have boosted the labor force ratio and curbed the rise in the unemployment rate for the 60-64 age group from 2007 onwards.

Firms also often used to impose an age limit in the thirties or early forties at the latest when advertising job openings, and a breakdown of the job openings ratio in each age group (calculating by dividing the number of job openings by the number of job applicants) shows that while the ratio used to be considerably lower for older persons, the prohibition by law from 2002 of age discrimination in job

advertisements and hiring has, as a rule, made it impossible for employers to impose age limits. Accordingly, the job openings ratio of older persons has ceased to decline in recent years.

Policies to stabilize the employment of older persons (particularly those in the 60- to 64-year-old age group) have thus on the whole been successful. With the worsening of the economic environment due to the 2008 financial crisis, however, unemployment has increased in the 60-64 age group, albeit not as sharply as in the 1990s.

**Figure II-31 Profile of Active Job Opening Ratios by Age Group**



Source: Ministry of Health, Labour and Welfare, *Report on Employment Service*

### Baby Boomers Enter Their Sixties and the Response

Japan's largest baby boom generation following World War II was that born between 1947 and 1949. The members of this large cohort were expected to be entering their sixties from 2007, and in 2006 the Act on the Stabilization of Employment of Older Persons was revised to make it mandatory for firms to continue to employ workers up to the age of 65. Firms complied well with this, continuing to employ workers aged 60 to 64 mainly as shokutaku employees on short-term contracts, and there was no

large exodus of older workers from the workforce in 2007 or 2008. However, the "baby boom generation" will gradually enter their latter 60s from 2012 onwards, and developments will need to be watched closely from now on.

### Job-hunting Difficulties of Older Persons

While the job situation of older persons has on the whole been stable and measures on the employment front have yielded results, it needs to be borne in mind that this concerns mainly those who were already in permanent employment when they entered

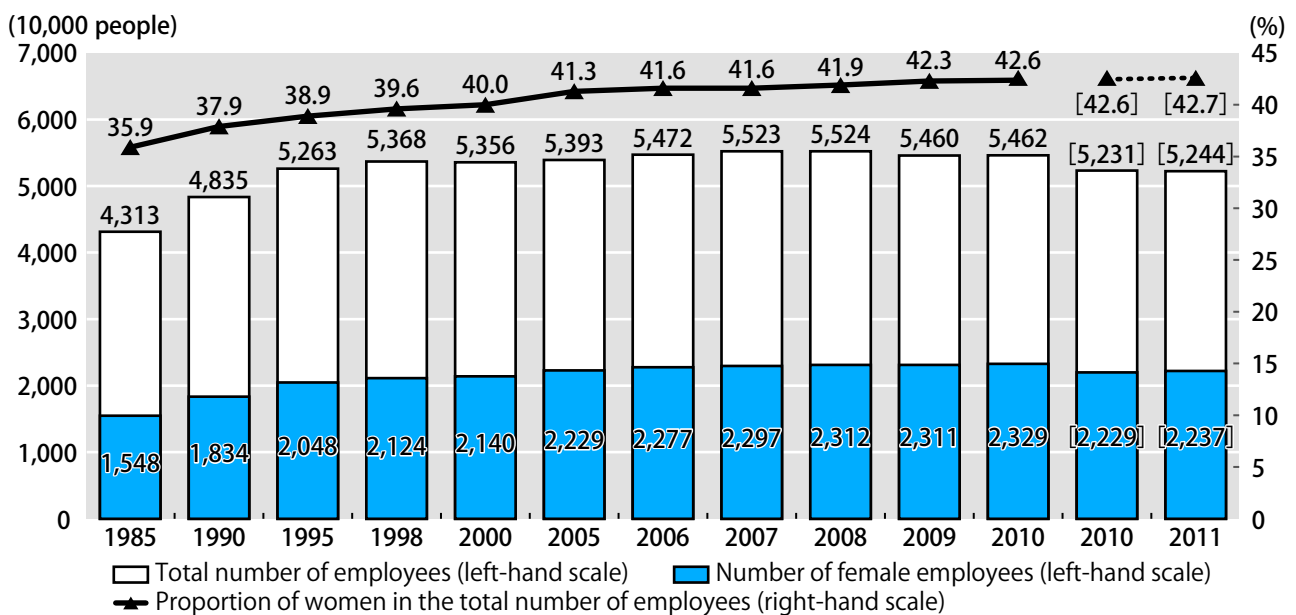
old age. Those who lost positions of permanent employment as economic difficulties were encountered in entering old age or who had to temporarily leave the workforce for health reasons, on the other hand, face severe employment conditions. Employment of older persons is quite stable provided that they remain at the same firm or in the same business group. When they enter the open labor market, however, they are placed at an extremely disadvantageous position. Even though age restrictions on job offers have been eliminated, the continued difficulty of finding employment remains a major problem. The proportion of 60- to 64-year-olds without gainful employment according to data for 2007 is 17.4% points higher than among 55- to 59-year-olds. While less than the 23.4% point difference in 2002 thanks in part to the continued employment measures being taken to assist older persons described above, this still means that a little under 20% of people in this age group are without employment, suggesting that not everyone may be able to enjoy a happy retirement.

## Employment of Women

### Women trending at around 40% of the workforce

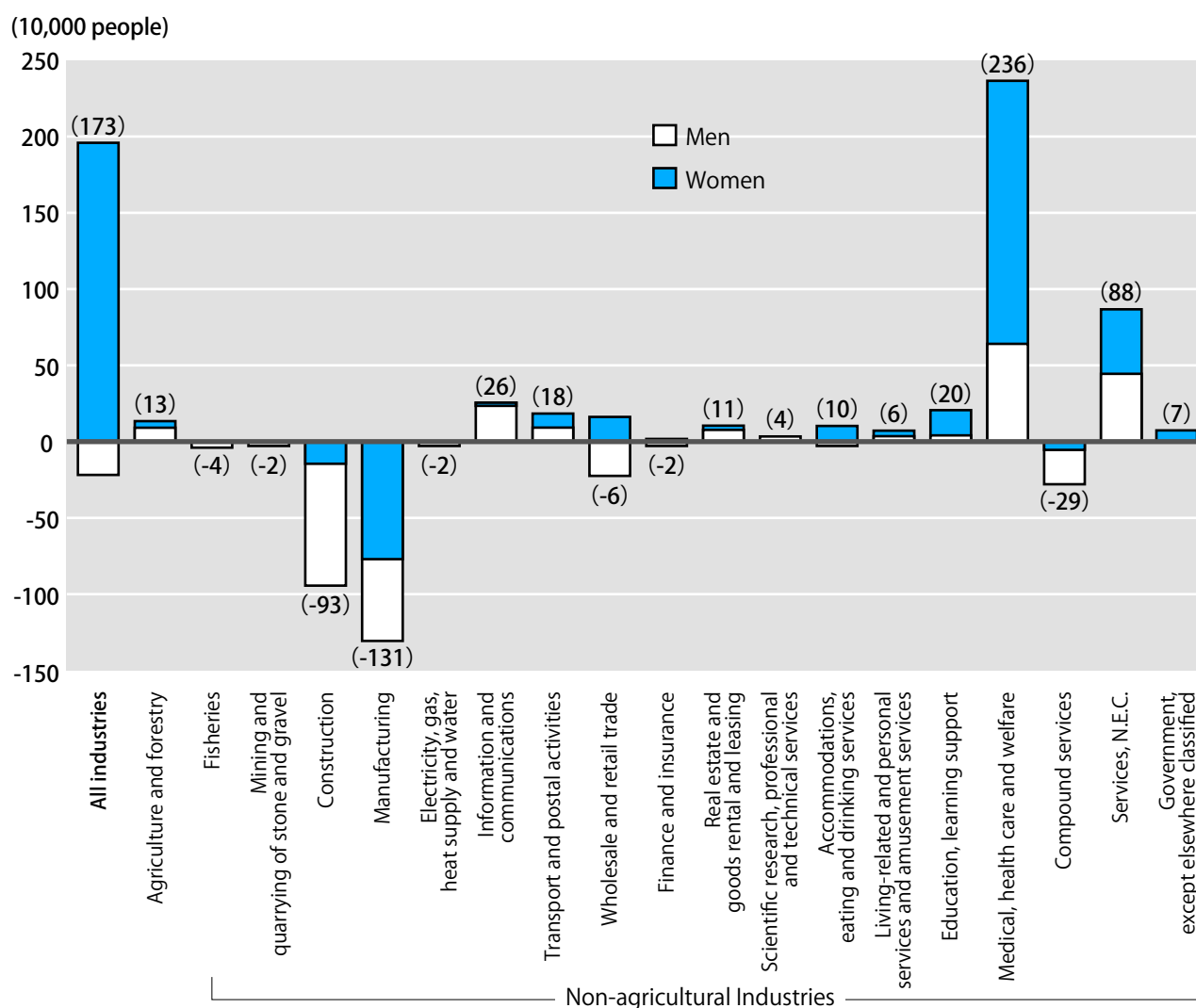
As numbers of men in employment continue to fall, those of women are increasing. In recent years, women have accounted for around 40% of the total workforce, and in 2010, the number of women in employment reached a record high of 23.29 million. Owing to the Great East Japan Earthquake, figures for Iwate, Miyagi and Fukushima Prefectures are not included in statistics for 2011. Nevertheless, if we compare these figures with those for the previous year without these three prefectures, we see that the number of women in employment is increasing. As for trends in numbers employed by gender, men in employment fell by 370,000 between 2002 and 2010, but women in employment increased by 1.68 million (Figure II-32). This is influenced by changes in the industrial structure. For example, while employment in the construction and manufacturing industries has steeply declined, it has increased in the healthcare and welfare sectors, where female workers are more numerous (Figure II-33).

**Figure II-32 Trends in Numbers in Employment and the Ratio of Women in the Total Workforce**



Source: Ministry of Internal Affairs and Communications, *Labour Force Survey*

Note: Figures and ratios in square brackets for 2010 and 2011 are national results excluding Iwate, Miyagi and Fukushima Prefectures.

**Figure II-33 Change in Numbers Employed by Gender and Industry (2002-2012)**

Source: Compiled from Ministry of Internal Affairs and Communications, *Labour Force Survey (Basic Tabulation)*

Notes: 1) Figures in brackets represent the increase or decrease in the number of employees in the industry in question in 2002-2012 (total for men and women).

2) Services and Public Service do not include numbers classified under other industries.

### Significant Gender Gap in the Non-Regular Ratio

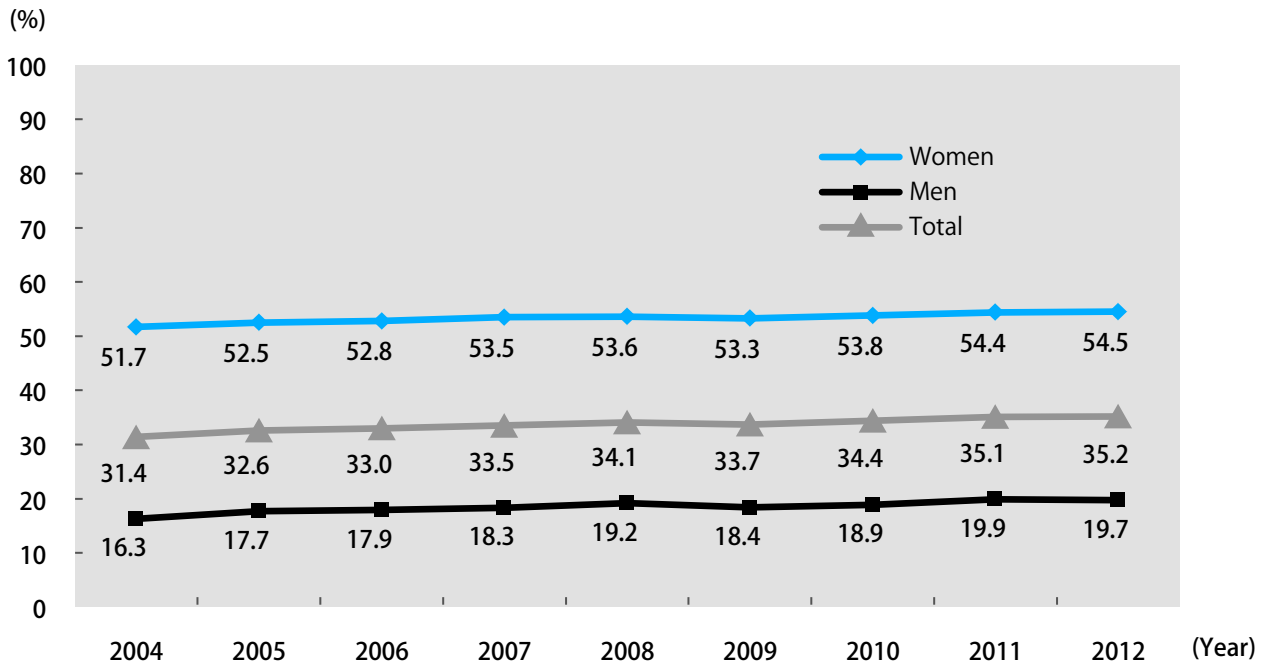
Turning next to types of employment, the ratio of non-regular employment is in a gradually increasing trend for both men and women. However, while the non-regular ratio for men is around 20%, for women it is more than 50%, revealing a considerable disparity between the two.

Viewing ratios of non-regular employees by gender and age group, for men the ratio is highest in

the 65 and over age group with 66.9%, followed by the 15-24 age group with 43.9% and 55-64 with 31.4%. The lowest is the 35-44 age group with 8.2%, followed by 45-54 with 8.6% and 25-34 with 15.3%. For women, the highest ratio is in the 65 and over age group with 71.4%, followed by 55-64 with 65.4% and 45-54 with 58.4%. The lowest is the 25-34 age group with 40.9%, followed by 15-24 with 50.6% and 35-44 with 53.8%.

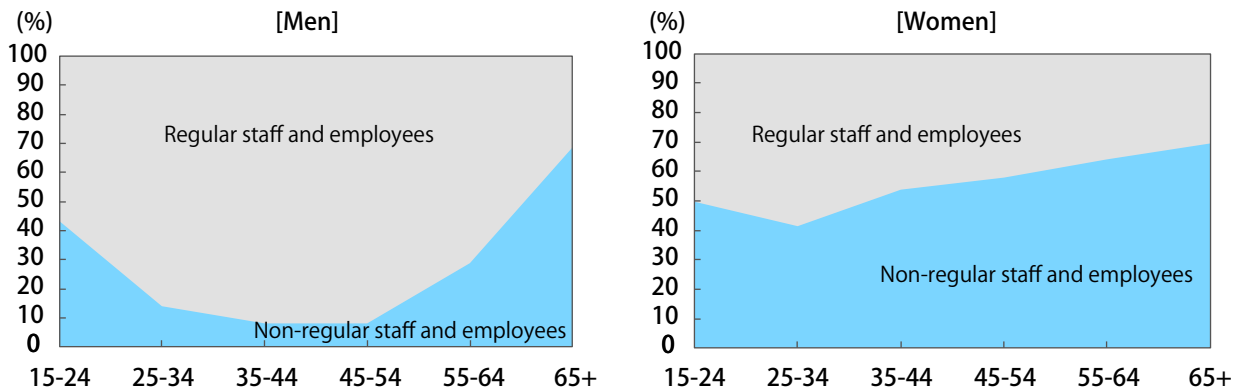


**Figure II-34 Trends in Ratios of Non-regular Employees**



Source: Ministry of Internal Affairs and Communications, *Labour Force Survey*

**Figure II-35 Regular and Non-regular Employees by Age Group**



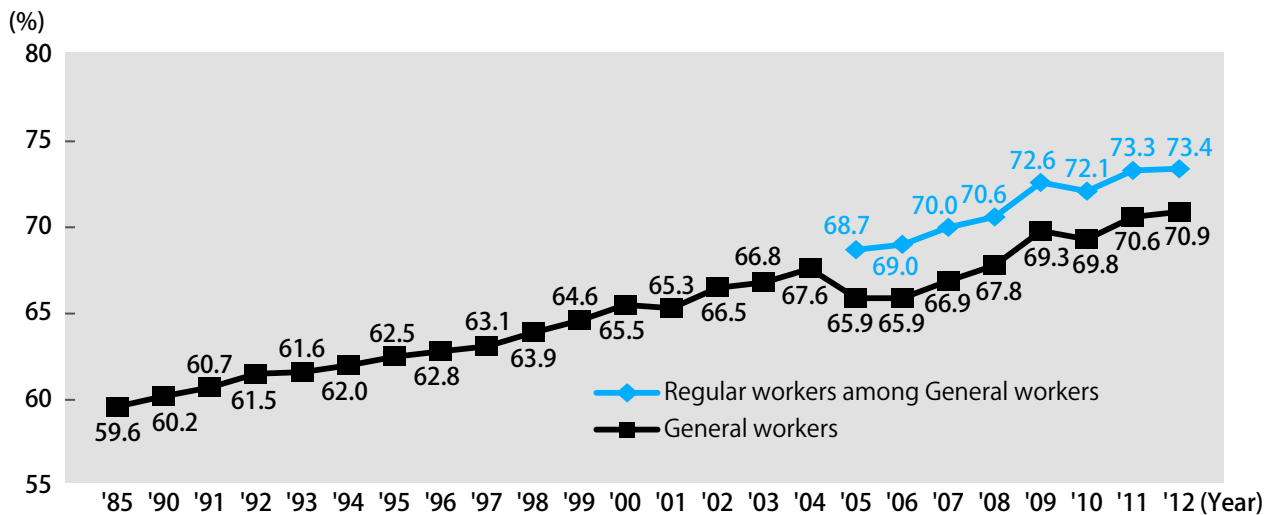
Source: Ministry of Internal Affairs and Communications, *Labour Force Survey*

Note: Ratios indicate the ratio to the total of "Regular employees" and "Non-regular employees" by gender and age group.

### Gender-based Wage Gap in a Long-term Shrinking Trend

The disparity between men and women in

contractual wages is in a long-term shrinking trend. A gap still remains, however, with wages for women only around 70% of those for men.

**Figure II-36 Trends in Gender Disparity in Contractual Wages (Men's Contractual Wage = 100)**

Source: Ministry of Health, Labour and Welfare, *Basic Survey on Wage Structure*

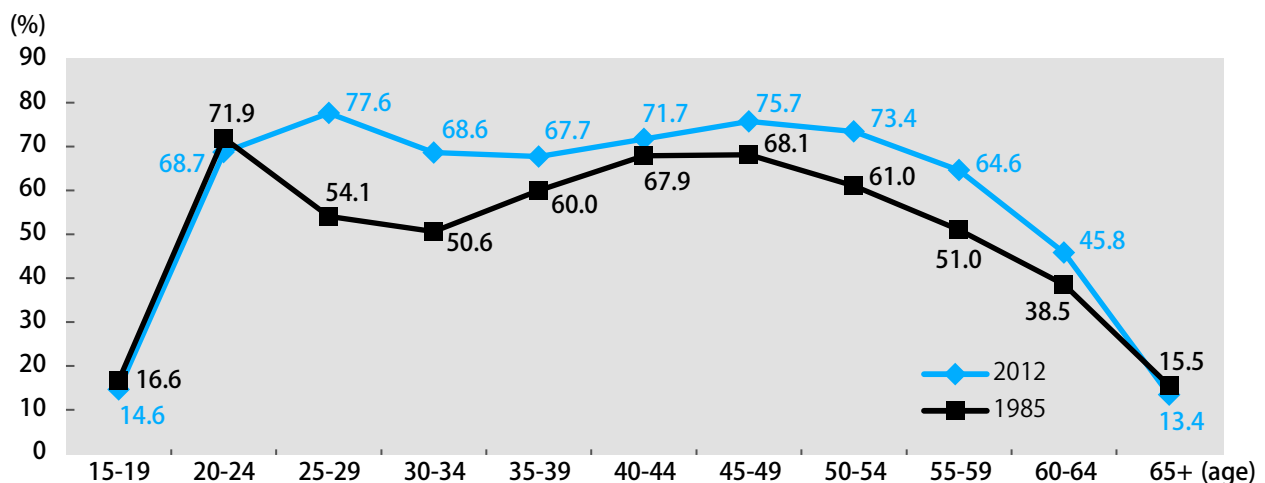
Notes: 1) "Ordinary workers" are regular employees other than "part-time workers".

2) "Full employee" and "Full-time staff" are descriptions applied by different businesses.

### Changes in the M-shaped Curve Due to Later Marriage and Childbirth, etc.

The labor force ratio of women by age group forms an M-shaped curve bottoming in the 30s. The reason given for this is that women often interrupt their employment for marriage, childbirth and childcare during this period. But if we compare the figures for 1985 and 2012, the M-shaped curve is

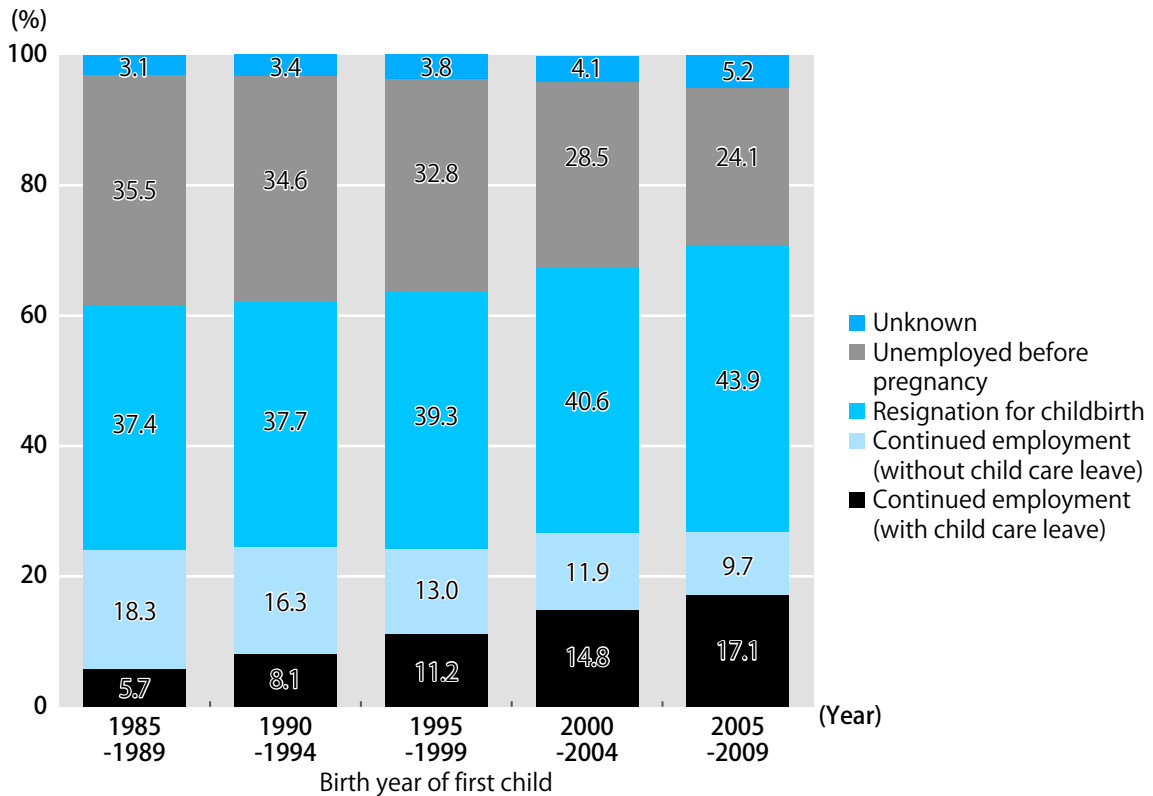
shallower and the bottom of the curve has moved to the right in 2012 (Figure II-37). This results from an increased rate of labor force participation by unmarried women, as well as later marriage and childbirth. However, the rate of continued employment at around the birth of the first child has hardly changed at all (Figure II-38).

**Figure II-37 Trends in the Labor Force Ratio of Women by Age Group**

Source: Ministry of Internal Affairs and Communications, *Labour Force Survey*

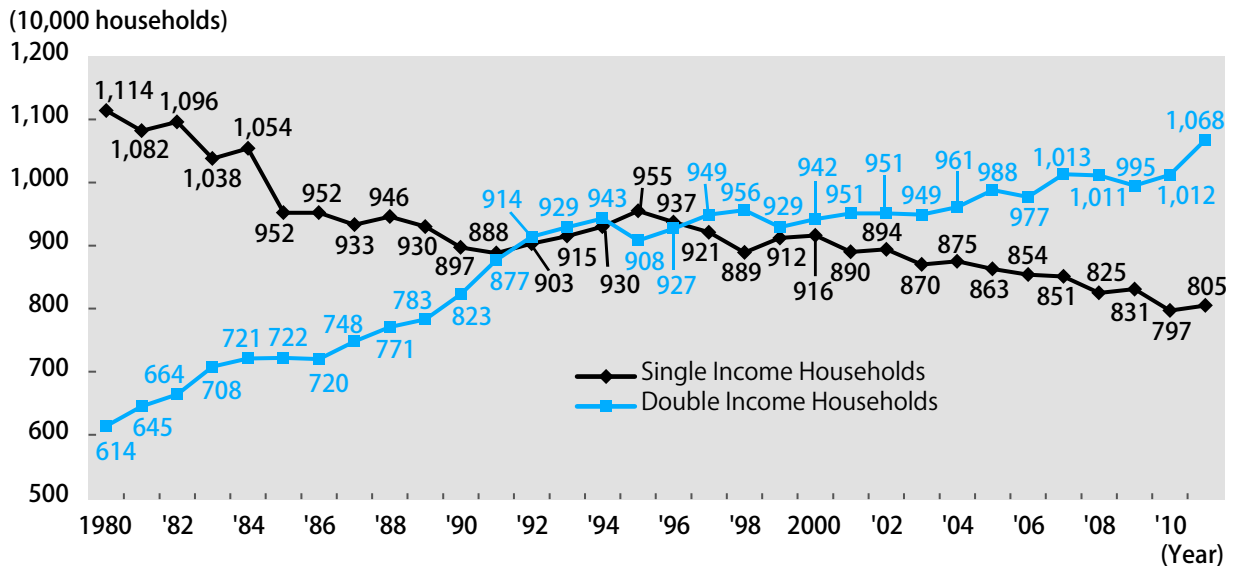
Note: Labor force ratio: The ratio of the working population (persons in employment + fully unemployed) to the general population

**Figure II-38 Continued Employment Rate around Birth of First Child**



Source: National Institute of Population and Social Security Research, *Basic Survey on Childbirth Trends*

**Figure II-39 Trends in Number of Dual-income & Other Households**



Source: From 1980 to 2001, Ministry of Internal Affairs and Communications, *Special Survey of the Labour Force Survey* (each February, but March in 1980 and 1982); for 2002 onwards, *Labour Force Survey (Detailed Tabulation)* (annual averages)

Notes: 1) "Households with employed male and wife not in employment" are households in which the husband is employed in a non-agricultural industry and the wife is a person not in employment (non-working population and fully unemployed).

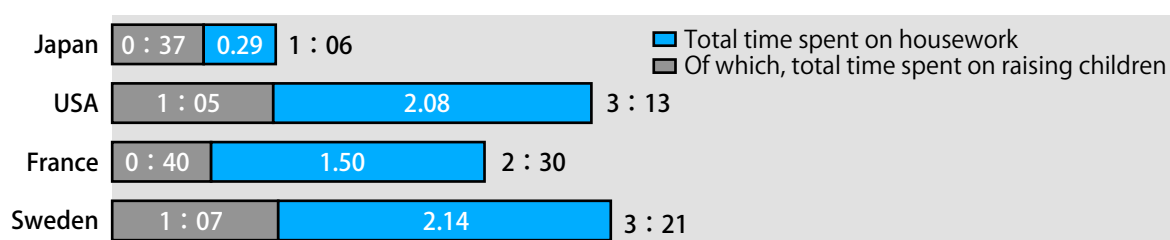
2) "Dual income households of persons in employment" are households in which both husband and wife are employed in non-agricultural industries.

### Increase in Dual Income Households, Little Time for Housework and Childcare Time by Men

“Dual income households” have increased in recent years, outstripping households consisting of an employed male and wife not in employment (so-called “full-time housewife households”) since 1997

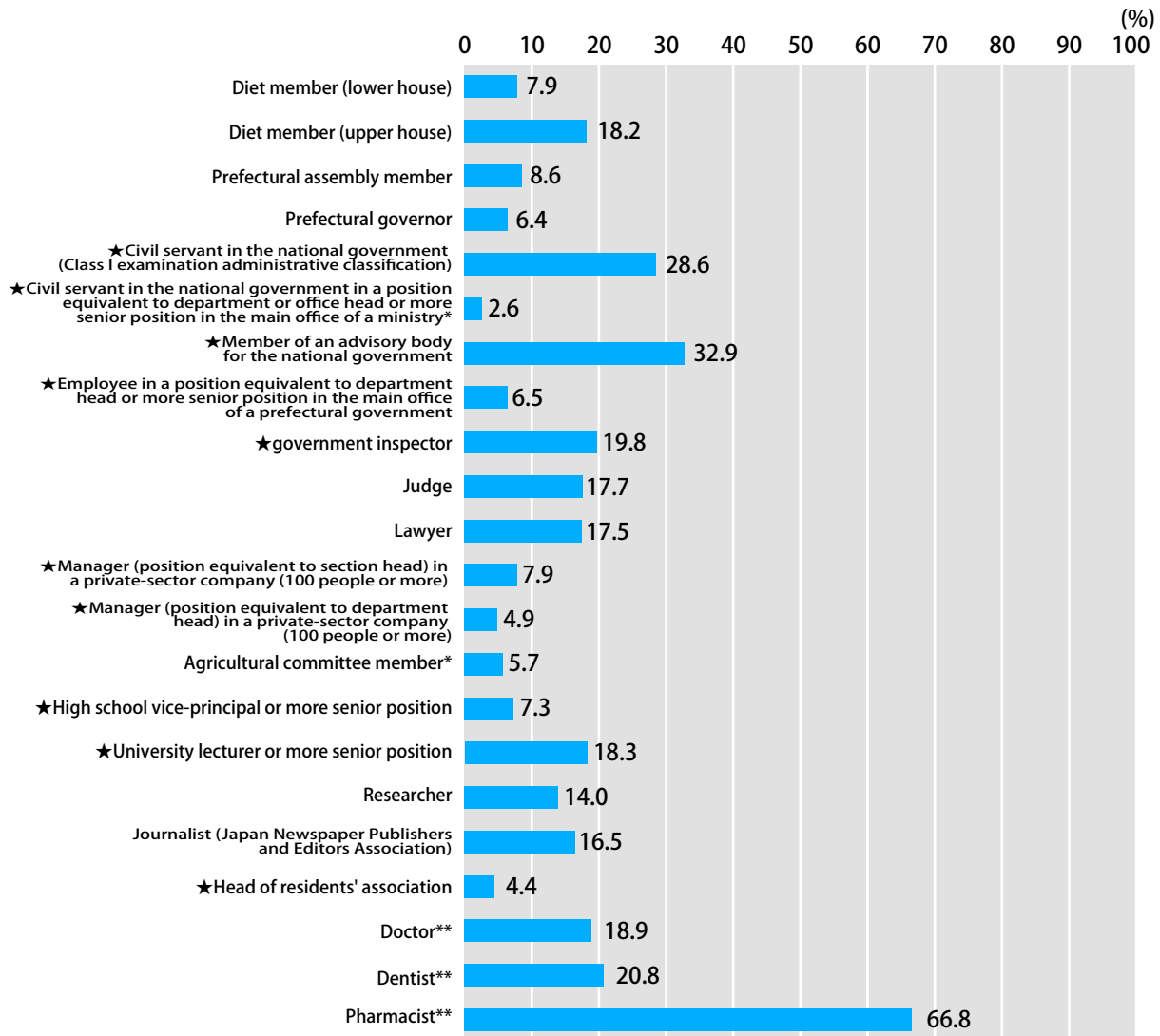
(Figure II-39). Behind this are thought to lie changing awareness of social advancement by women, changing economic circumstances, and other factors. However, time spent on housework and childcare by men in homes with preschool children is still only about 1 hour per day, a low level in international terms (Figure II-40).

**Figure II-40 Housework and Childcare Time by Husbands in Couples with Preschool Children (per Day)**



Source: Eurostat “*How Europeans Spend Their Time Every Life of Women and Men*” (2004)  
 Bureau of Labor Statistics of the U.S. “*America Time-Use Survey Summary*” (2006)  
 Ministry of Internal Affairs and Communications “*Survey on Time Use and Leisure Activities*” (2011)

## II-41 Ratio of Women in “Leadership Positions” in Various Sectors



Source: From the “*Survey on Women’s Participation in Policy Decision Making*” (December 2012), with some information updated. In principle, data are from 2012, but \* indicates 2011 data and \*\* indicates 2010 data.

Notes: 1) ★ indicates items or grouped items adopted as performance targets in the 3rd Basic Plan on Gender Equality.

2) Under “Head of Residents’ Association”, the villages of Kawauchi, Katsurao and Iitate in Fukushima Prefecture have been removed from the aggregation, as they were not surveyed in 2012 owing to the impact of the Great East Japan Earthquake.

### Women’s Activity Internationally Low; Challenge to Meet Government Targets

The Japanese government has set a target of raising the ratio of women in “leadership positions” to “30% by 2020”. Currently, however, that level is a distant prospect (Figure II-41). With a view to

meeting this target, the challenge from now on will be to implement measures aimed at promoting women’s participation, such as practicable positive action, together with reforming the awareness and behavior of women themselves by presenting role models, educating, etc.

## Employment of Foreign Workers

### Japanese Policy on Foreign Nationals: Past and Present

#### History of Policy on Foreign Nationals

The following is a summary of trends over the last 60 years in the history of Japan's policy on foreign nationals. In 1950, the Immigration Agency was set up in the Ministry of Foreign Affairs, in 1951 the "Immigration Control Order" was enacted, and in 1952 the Alien Registration Act was enacted and brought into effect. At that time, the main focus of policy regarding foreign nationals was on Japan's "Zainichi" permanent ethnic Korean and Chinese residents. In the mid-1960s, industry began to call for "unskilled labor" to be allowed into the country due to labor shortages. Set against this, the verbal understanding was that, under the First Basic Employment Measures Plan (1967), foreign workers should not be allowed into the country. This principle was maintained in the Second Basic Employment Measures Plan (1973) and the Third Basic Employment Measures Plan (1976). In the late 1970s, there were rising numbers of refugees from Indochina, female foreign workers from Southeast Asia, second and third generation descendants of displaced Japanese who remained in China following World War II, and Europeans and North Americans coming to Japan for business. When the yen appreciated following the Plaza Accord in 1985, a stream of Japanese companies expanded overseas, principally in Southeast Asia, and one of the repercussions of this was to generate concern about the "hollowing out of industry" in Japan. It was around that time that there occurred a rise in "Nikkei" immigrants (emigrants from Japan and their descendants) from South America and foreign workers from Asian countries who in practice came to Japan to find work.

The Sixth Basic Employment Measures Plan (1988) divided foreign workers into "professional and technical workers" and "unskilled workers." The policy adopted regarding these two categories was to allow immigration of professional and technical workers as far as possible, but to accept unskilled

workers with caution. In line with this policy, the Immigration Control and Refugee Recognition Act was revised in 1989. The revisions entered effect in 1990, in which year the "trainee" status of residence was introduced. In response to the Second Report of the Third Special Advisory Council on Enforcement of Administrative Reform, the "foreign worker skills training system" was established in 1993 and the system of residence status by which foreigners are allowed to live in Japan was further developed.

With the Japanese economy mired in deflation following the collapse of the "bubble" in the late 1990s, Japanese manufacturers continued to transplant their production operations to other countries. Overseas, the Chinese economy surged to prominence and international competition intensified. During this period, an increasing number of Nikkei and other foreign nationals took up non-regular employment. Due in part to the easing of requirements for obtaining permission for permanent residence in 1998, foreign workers who initially came to Japan as temporary "guest workers" increasingly began to settle long term.

As more foreign nationals settled permanently, the number of young foreigners also increased. With this, problems of foreign workers entered a new phase, involving not only employment and labor but also domestic and other social problems (such as non-attendance at school).

In 2007, the Employment Countermeasures Act was amended, with provisions obliging the government to take action. For example, the government was to promote the employment of foreign nationals in specialist technical fields, take steps to promote appropriate employment management of foreign workers and reemployment of those leaving their jobs, take measures to prevent illegal employment of foreign nationals, and improve employment management of foreign nationals by employers.

The simultaneous global recession in the autumn of 2008 also left a deep mark on the employment of foreign workers. Unemployed foreign nationals visited Hello Work (Employment Service Centers) in search of work, but very few could find any. Foreign nationals who were not enrolled in social security or

unemployment insurance were thus unprotected by social safety nets and fell into livelihood difficulties. Some turned to NPOs and other organizations for support.

In 2009 the Immigration Control and Refugee Recognition Act was amended, and “technical intern training” was established as a new status of residence. In July 2012, the Act was again amended, along with other legislation. With this, the Alien Registration Act was abolished and a new system of residence management was introduced.

With the expansion of overseas ventures and international transactions, meanwhile, cultivating and securing global human resources had become a matter of urgency for corporate concerns. The number of companies hiring foreign students and those hiring foreign personnel from abroad is gradually increasing. Since May 2012, highly skilled foreign professionals have enjoyed preferential immigration treatment based on a points system, as part of a government drive to encourage the acceptance of such personnel.

## The Framework of System of Residence Status in Japan

The framework of Japan’s current system of residence status will be explained here. The system consists of residence statuses associated with activities, and others based on the individual’s personal situation. The statuses of residence associated with activities include the following: diplomat, official, professor, artist, religious activities, journalist, investor/business manager, legal/accounting services, medical services, researcher, instructor, engineer,

specialist in humanities/international services, intra-company transferee, entertainer, skilled labor, technical intern training, cultural activities, short-term visitor, college student, trainee, dependent, and designated activities. Of these statuses, those from “diplomat” to “technical intern training” permit profit-earning activities. Also, foreign nationals granted the “designated activities” status of residence may engage in profit-earning activity outside their status, but only if permitted to undertake that specific activity. Foreign nationals with one of the statuses from cultural activities to dependent cannot engage in profit-earning activities, but they are able to engage in specific profit-earning activities if they have received permission to engage in such activities in specific areas outside their residence status. The statuses of residence deriving from the individual’s personal situation include permanent resident, spouse or child of Japanese national, spouse or child of permanent resident, and long-term resident. Holders of these categories of status may engage in any kind of employment activity, regardless of whether it is unskilled or highly skilled.

## Present Situation regarding Foreign Workers in Japan

First, let us confirm the number of foreign nationals in Japan. Unfortunately, the amendment to the Immigration Control Act and the abolition of the Alien Registration Act in 2012 make it impossible to compare with numbers of registered foreign nationals up to 2011. Here, therefore, “mid-to long-term residents”<sup>1</sup> and “special permanent residents” will be

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<sup>1</sup> “Mid-to long-term residents” are foreign nationals residing in Japan for the mid-to long-term with a residence status under the Immigration Control Act, who do not correspond to any of (1) to (6) below.

(1) Persons granted permission to stay for 3 months or less

(2) Persons granted “Temporary Visitor” status

(3) Persons granted “Diplomat” or “Official” status

(4) Persons recognized by Ministry of Justice ordinance as equivalent to those in (1) to (3) above (staff of the Japanese office of the Association of East Asian Relations and the Permanent General Mission of Palestine in Japan who have “Designated Activities” status, and their families)

(5) Special permanent residents

(6) Persons with no resident status

(Source: Immigration Bureau, Ministry of Justice)

given as figures from 2012, based on Ministry of Justice statistics.

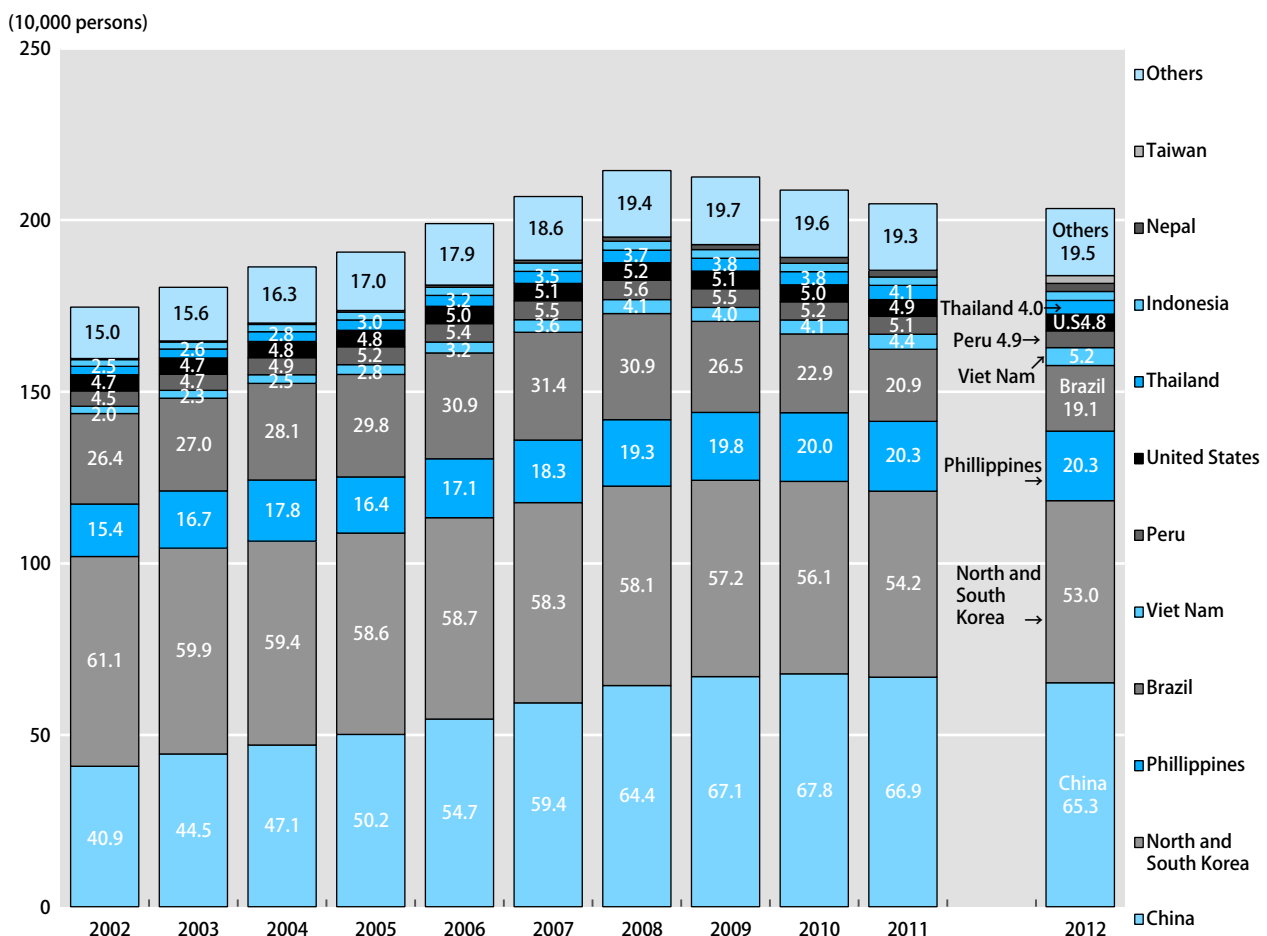
Figure II-39 shows numbers of foreign residents in terms of the nationality or region indicated on their residence card or special permanent resident certificate. In all, there were 2,033,656 foreign residents in 2012, accounting for 1.60% of Japan's population. Of these, 652,555 were Chinese, occupying 32.1% of the total, followed by citizens of North and South Korea, the Philippines, Brazil, Vietnam and Peru, in that order. Compared to numbers of registered foreign nationals in 2011, there were decreases in the numbers from Brazil (18,684 fewer), China (16,089 fewer), North and South Korea (12,136 fewer), Thailand (1,186 fewer) and Peru (2,223 fewer), but increases in those from Vietnam (7,920 more), Indonesia (1,225 more) and Nepal (3,966 more).

Next, Figure II-40 examines trends in numbers, in

terms of residence statuses corresponding to mid-to long-term residents. There were 1,652,292 mid-to long-term residents and 381,364 special permanent residents as of December 31, 2012, a decrease of 13,693 compared to the number of registered foreign nationals (except temporary visitors, etc.) at the end of 2011.

As for numbers of foreign residents by status of residence, compared to the number of registered foreign nationals (except temporary visitors, etc.) at the end of 2012, there were more foreign residents in statuses such as "investor/ business manager", "technical intern training", "skilled labor", "spouse, etc., of a permanent resident" and "permanent resident", but fewer in those of "entertainer", "training", "designated activities", "spouse, etc., of a Japanese national" and "long-term resident", among others.

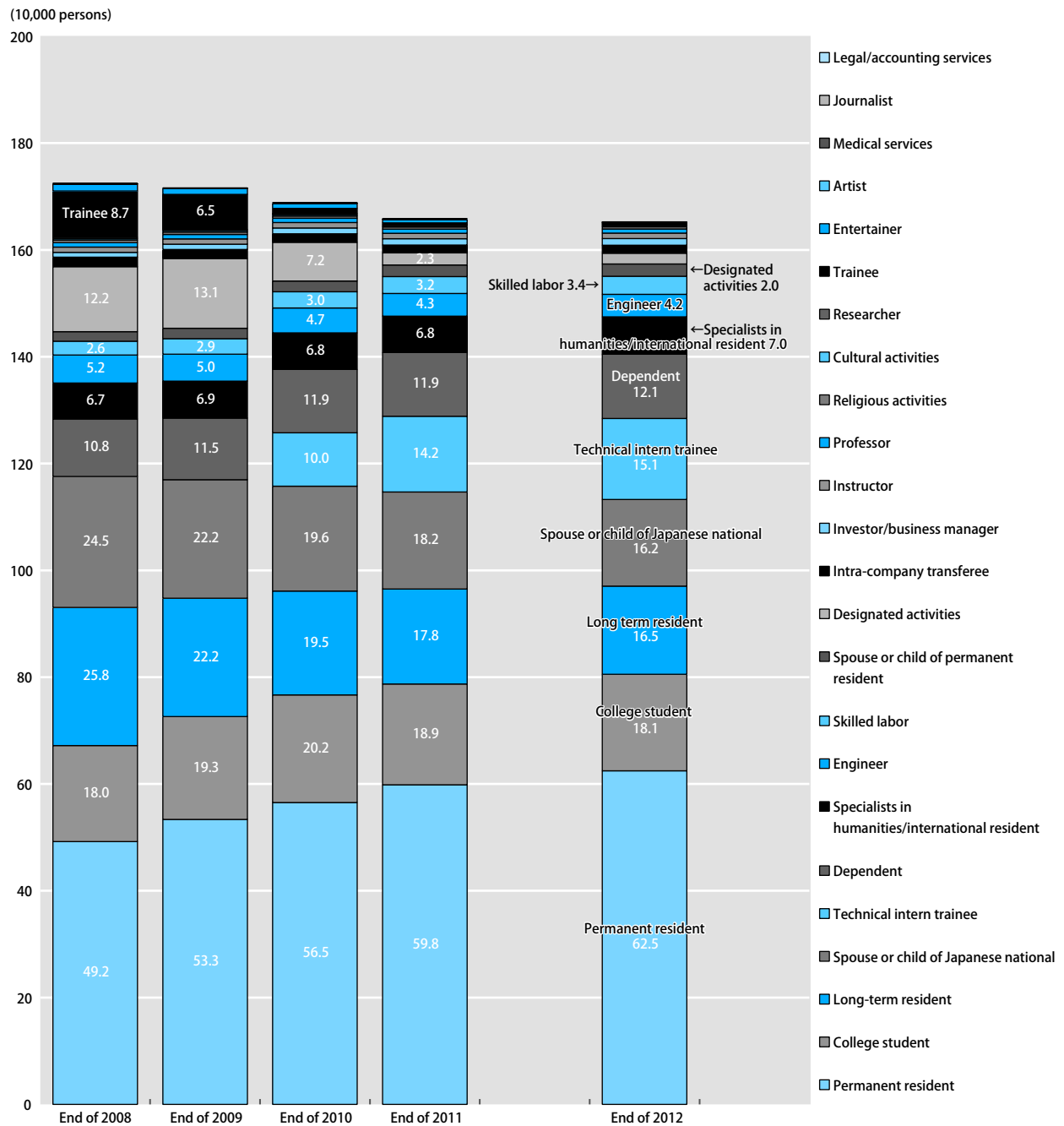
**Figure II-42 Numbers of Foreign Residents by Nationality or Region on Residence Card, etc.**



Source: Compiled from Immigration Bureau, Ministry of Justice, *Numbers of Foreign Residents as of Dec. 31, 2012 (provisional data)*



**Figure II-43 Trends in Numbers of Mid- to Long-term Foreign Residents by Status of Residence**



Source: Compiled from Immigration Bureau, Ministry of Justice, *Numbers of Foreign Residents as of Dec. 31, 2012 (provisional data)*

### Distribution of Foreigners by Region

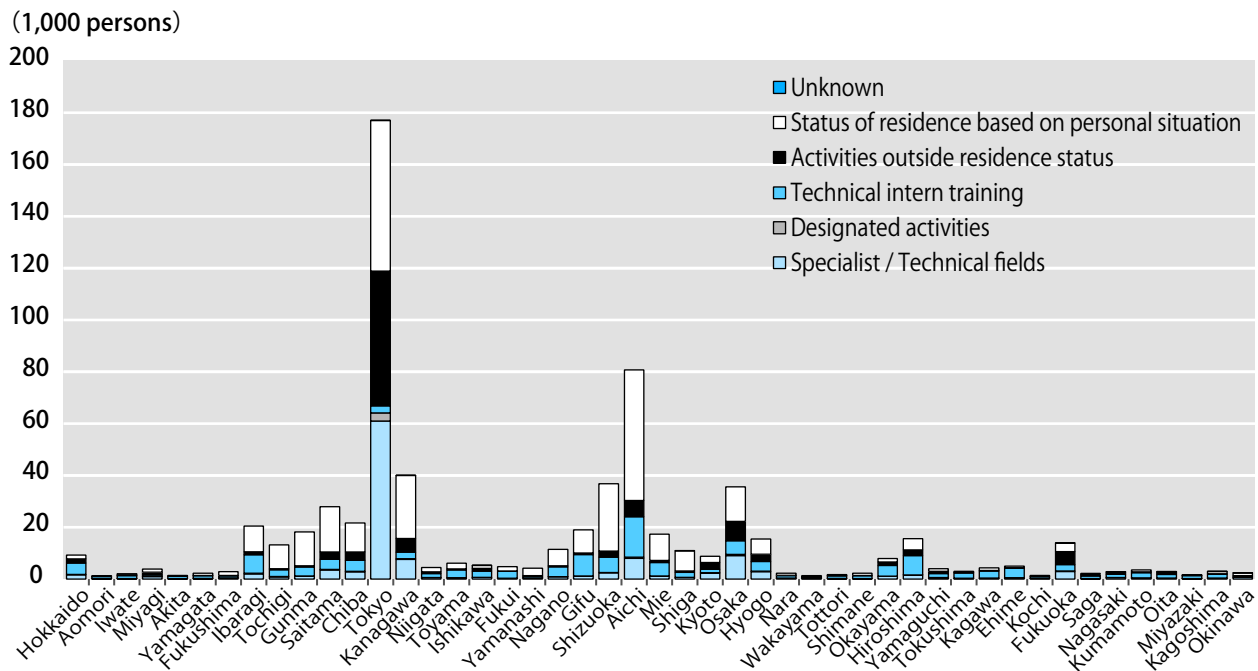
Some inconsistency is seen in numbers of foreign nationals, depending on the prefecture. Figure II-41 shows numbers of foreign workers by prefecture and status of residence, according to the Ministry of Health, Labour and Welfare's "Summary of

Notifications on 'The Employment Status of Foreign Workers'". As the figure reveals, (1) in the distribution of foreign workers by prefecture, they are more markedly distributed in the Kanto, Tokai and Kinki regions, and (2) statuses of residence differ in composition from prefecture to prefecture. For

example, Tokyo has the largest number of foreign workers, but those with residence statuses in specialist / technical fields or activities outside residence status (overseas study) account for a relatively high ratio.

On the other hand, foreign nationals in Shizuoka, Aichi and other prefectures have a relatively high ratio of residence statuses based on the individual's personal situation.

**Figure II-44 Numbers of Foreign Workers by Prefecture and Status of Residence**



Source: Compiled from Ministry of Health, Labour and Welfare, *Summary of Notification on "The Employment Status of Foreign Workers" (as of Oct. 31, 2012)*

## Companies' Employment Management of Foreign Workers

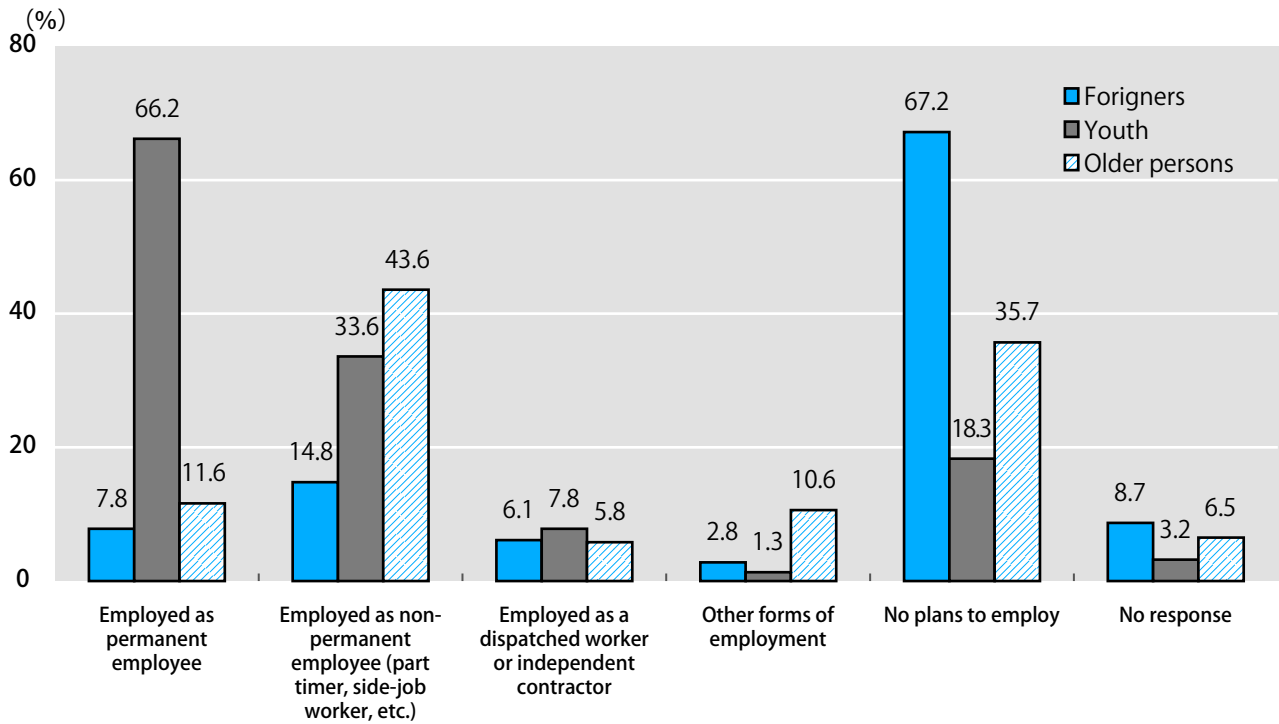
### Hiring Policies and Reasons for Employing Foreign Workers

What kind of policies do Japanese companies have with regard to hiring foreign workers? In a questionnaire survey conducted by JILPT, around two-thirds of respondents said they "Have no plans" to hire foreign workers, in terms either of employment type or of job content (Figure II-42,

Figure II-43).

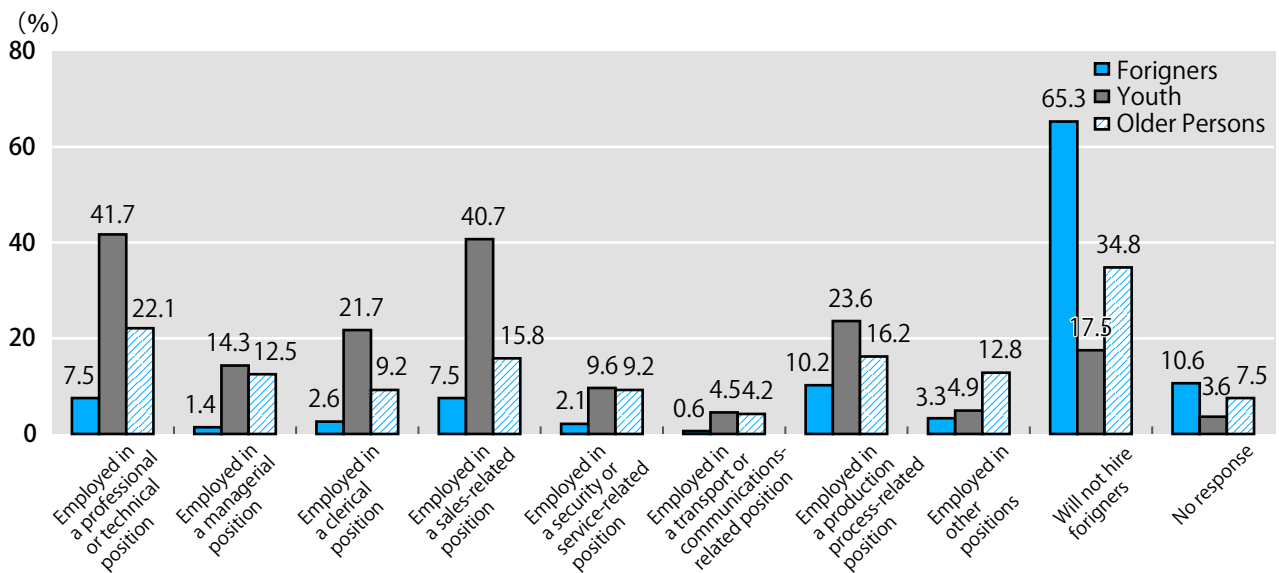
Meanwhile, in business establishments with experience of hiring foreign nationals, Japanese language ability is given greater priority than specialist knowledge or skills and previous professional record when hiring foreign nationals, regardless of the type of employment (Figure II-44). Work-related instructions and orders are given in Japanese, so having some level of Japanese ability is a precondition for employing foreigners.

**Figure II-45 Foreign Worker Employment Policy by Employment Type (n=2252, Multiple Answers)**

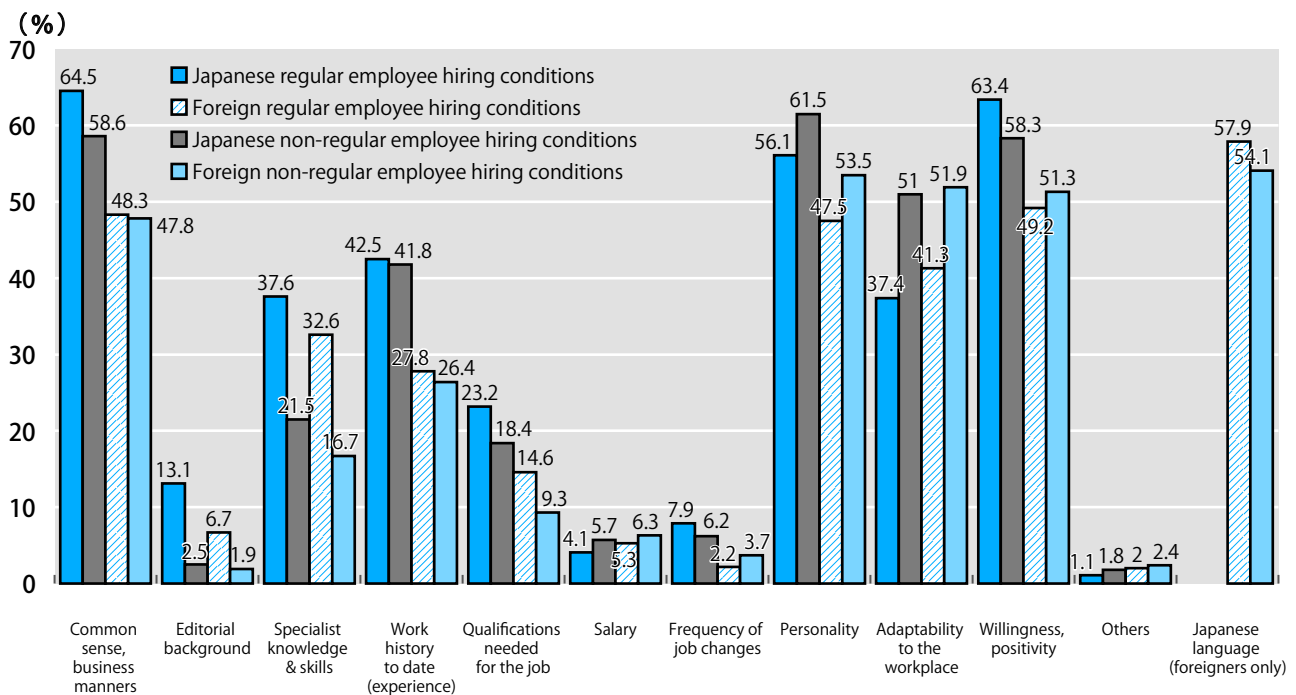


Source: Japan Institute for Labour Policy and Training, *Survey Concerning Industry and Personnel Utilization After the Simultaneous Worldwide Recession (2010)*

**Figure II-46 Foreign Worker Employment Policy by Job Content (n=2252, Multiple Answers)**



Source: Japan Institute for Labour Policy and Training, *Survey Concerning Industry and Personnel Utilization After the Simultaneous Worldwide Recession (2010)*

**Figure II-47 Hiring Conditions by Employment Type (n=2252, Multiple Answers)**

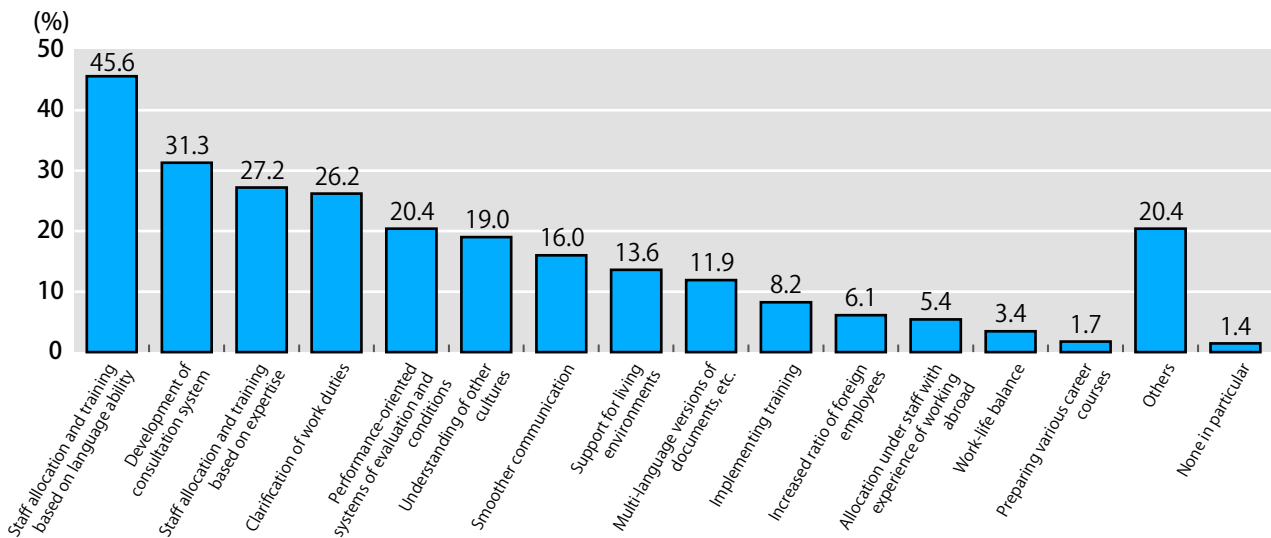
Source: Japan Institute for Labour Policy and Training, *Survey Concerning Industry and Personnel Utilization After the Simultaneous Worldwide Recession (2010)*

### Employment Management of Highly Skilled Foreign Professionals

As with companies in other countries, Japanese companies are increasingly hiring and using highly skilled foreign professionals. In many cases, Japanese companies hire these highly skilled foreign professionals as foreign students, just as they do with Japanese students. Companies deploy various initiatives for using highly skilled foreign

professionals after hiring them (Figure II-45). For example, when hiring highly skilled foreign professionals to tap into the abilities unique to foreign nationals, they may assign foreign employees to overseas related divisions, or train them as overseas secondment personnel, and so on. In some cases, however, foreign employees are subject to more or less the same human resource management as Japanese employees.

**Figure II-48 Efforts by Companies to Encourage Establishment and Activity by Highly Skilled Foreign Professionals (n=263, Multiple Answers)**



Source: Japan Institute for Labour Policy and Training, *Survey on Acceptance and Use of Highly Skilled Foreign Professionals by Companies (2013)*

## Employment Management of Foreign Workers in Manufacturing

A distinguishing feature of employment of foreign workers in Japan is their greater use in manufacturing than in professional and technical fields. In particular, there are many places of business that utilize foreign workers via indirect hiring, and the number of foreign workers working via the indirect hiring system is growing. Below, we focus on Nikkei workers and the “technical interns” who have grown rapidly in number of late.

### [Nikkei Workers]

Most foreign workers employed in production processes are employed indirectly as dispatched or subcontracted workers. Nikkei workers were increasingly employed directly by contractors, or else hired from their countries of origin via brokers and travel agencies. More recently, however, contractors have increasingly commonly recruited Nikkei from within Japan by placing help-wanted advertisements in newspapers published in Portuguese and Spanish in Japan or through word of mouth among the Nikkei community and personal introductions.

Nikkei workers normally used to come to Japan for a temporary stint of employment as “guest

workers” for several years after their arrival. Now, however, migrant workers are increasingly settling in Japan. This trend has been accompanied by a rise in the number of female workers. The reduction in 1998 of the minimum period of residence required to qualify for permanent residence from 20 years to 10 years has also contributed to this trend.

Common clients of temporary labor agencies and work contractors are manufacturers in the automotive business, subcontractors in the consumer electronics and electronic parts industries, and food plants (producing prepared foods for convenience stores, etc.). Such work does not require a high level of skill, and is often simple and repetitive. Client companies also do not require advanced skills of Nikkei workers.

Although these are not precise statistical data, the hourly wage earned by Nikkei workers is in the 1,500-1,999 yen range in the automotive industry, the 1,000-1,499 yen range in consumer electronics and electronic parts, and 1,000 yen or less in food manufacturing. However, since the numbers employed are finely adjusted depending on the company’s production level, Nikkei workers may not always have work. As a result, the income of Nikkei workers is said to be highly volatile.

As a consequence of bringing over their families

and settling, Nikkei workers' patterns of work are gradually changing. There are even Nikkei workers who buy houses in Japan, and it is said that they can be classified into those who become settled in Japan and those who move away. However, under the current system, the rate of enrollment in employment insurance and health insurance is low. When coming to Japan with their whole families, problems occur because they may be prevented from living a stable home life due to overtime and night work, or they may have children who do not attend school.

#### [Technical Interns]

On manufacturing floors in Japan, the number of foreign trainees and technical interns has been on the increase. When shifting from the status of trainee to that of technical intern, it is necessary to obtain permission to change one's visa status to a designated activities. From 1993, when the technical intern system was created, until the end of 2009, the number of people who switched to the technical intern status was in excess of approximately 380,000 people.

If we look at the breakdown of countries of origin in relation to the number of people switching to the technical intern status from trainee status, we can see that China accounts for almost 80%. Technical interns are most commonly found in textile and apparel, machinery and metal-related, and food production-related industries, and around 60% of host companies are micro enterprises with 19 or fewer employees.

The training provided in Japan under the systems of training and technical internships for foreign nationals includes training in quality control and production control, and the results are becoming apparent. For example, some trainees and technical interns have gone on to become forepersons and assistance managers at Japanese companies in their own countries or have formed their own startups after completing their training.

However, certain problems with the program have also arisen, such as the following:

- (1) The original purpose of the systems of training and technical internships was to assist the transfer of technologies to other countries. Critics have observed, however, that it has in practice become a means of hiring labor for human resource-

strapped micro, small, and medium enterprises.

- (2) Problems such as training and practice not being provided as planned, trainees having to work overtime (which was originally not permitted), and wages not being paid have arisen.
- (3) Some companies take on more trainees than is permitted.
- (4) Brokers become involved and some trainees and technical interns go missing.

To address such problems, steps were taken to strengthen the protection of trainees and technical interns through 2009 amendments to the Immigration Control Act and other legislation. In this way, attempts are being made to optimize systems of training and technical internships through measures for the protection of technical interns, a robust response against rogue organizations, etc., and optimizing dispatching agencies, among other action. According to the "Numbers of Foreign Residents as of Dec. 31, 2012 (Provisional Data)" published by the Immigration Bureau of the Ministry of Justice, the number of technical interns after the system change was 151,540. This represents an increase of 6.7% compared to the number of registered foreign nationals at the end of the previous year.

### Issues in Employment Management of Foreign Workers

Employing foreign workers entails all kinds of issues at every stage of the employment process, from recruitment and hiring to education in health and safety, social insurance, human resource management (placement, education and training, and evaluation and treatment), and severance.

- (1) Hiring: The various issues encountered at the recruitment and hiring stage include the involvement of brokers, hiring discrimination, and the need to properly confirm workers' status of residence.
- (2) Regarding equality of treatment after hiring, the Labour Standards Act applies to foreign as well as Japanese workers. There must therefore be no discrimination in terms of working conditions such as wages and working hours.
- (3) Care must be taken to ensure that education in

health and safety matters is understood by foreign workers. There may occur cases where foreign workers have insufficient Japanese ability or are unable to understand the content of safety education. Concrete explanations and guidance are therefore required to enable them to understand.

- (4) Foreign workers' low rate of enrolment in employment insurance and health insurance has been a long-standing problem. The proportion of Nikkei workers not enrolled in health insurance is estimated to be anywhere between 15% and 60%. Similarly, 65% to 90% are not enrolled in pension insurance. People who are not enrolled in health insurance have to bear the full cost of medical treatment out of pocket, and may even be unable to receive appropriate treatment when in poor health. Non-enrollment can also lead to non-payment of medical expenses when treatment is received. Non-enrollment in the pension system also means that workers face possible poverty in

old age.

- (5) Critics note that foreign workers in indirect employment have few opportunities for skills development.
- (6) As a result of the impact of the simultaneous worldwide recession that occurred in the autumn of 2008, many foreign workers became unemployed due to being made redundant or having their employment contracts terminated; at that time, hardly any companies provided support for reemployment. Moreover, the social safety net did not function adequately for foreign workers.

Looking at it this way, there are issues relating to the employment of foreign workers that can be dealt with through rules by which employers should abide. Companies therefore need to manage their foreign workers properly according to the demands of each stage of employment, from recruiting and hiring to severance.