

Labor Situation in Japan and Its Analysis: General Overview 2013/2014



The Japan Institute for Labour Policy and Training

The objective of **The Japan Institute for Labour Policy and Training** is to contribute to the planning of labor policies and work toward their effective and efficient implementation, as well as to promote the livelihood of workers and the development of the national economy by conducting comprehensive research projects regarding labor issues and policies, both domestically and internationally, and capitalize on the findings of such research by sponsoring training programs for administrative officials.

The Institute will concentrate our effort in the following areas.

1. Comprehensive Research on Labor Policies

The following research projects are now being conducted.

- (1) Research on Strategic Labor/Employment Policies for Non-regular Workers
- (2) Research on Employment/Labor in Response to Changes in Economic and Social Environments in Japan
- (3) Research on Vocational Capability Development System in Response to Economic and Social Changes
- (4) Research on Support for Lifetime Career Development and Promotion of Employment
- (5) Research on Companies' Employment Systems and Personnel Strategies, Improvement of the Quality of Employment through Development of Employment Rules, and Realization of Decent Work
- (6) Research on Mechanism for Establishing Terms and Conditions of Employment, Centering on Labor Management Relations

The Institute will also engage in collection and coordination of information on labor policies, both domestically and internationally, and various statistical data in order to lay a solid basis for its research activities. We will also carry out policy studies from an international perspective by building a network with overseas research institutions and individual researchers.

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The Japan Institute for Labour Policy and Training

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Foreword

The Japan Institute for Labour Policy and Training (JILPT) was established in October 2003 with the objective of contributing to the planning of labor policies and working toward their effective and efficient implementation. In order to achieve this objective, the Institute works towards building a network with overseas research institutions and individual researchers, and is also engaged in the promotion of joint study from an international perspective.

This publication describes and analyzes the current status of labor issues in Japan. The authors are primarily JILPT researchers; assistance has been provided by officials at the relevant departments of the Ministry of Health, Labour and Welfare regarding explanations of concrete labor measures, and JILPT International Affairs Department is responsible for compilation and editing.

In principle, this publication is issued alternately as “General Overview” and “Detailed Exposition” editions. The Detailed Exposition 2012/2013 issued in January 2013, and provides recent write-ups by JILPT researchers dealing mainly with important labor issues. Consequently, as opposed to the Detailed Exposition, this General Overview 2013/2014 edition provides an exhaustive range of write-ups that covered basic points on issues related to labor issues and labor policies in Japan.

We hope that this publication will help its readers gain an understanding of the current labor situation in Japan.

March 2014

SUGENO Kazuo, President

The Japan Institute for Labour Policy and Training

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1 The Current Status of the Japanese Economy and Its Future Prospects

Overview: The “Lost Two Decades” after the Collapse of the Bubble and the Present State of the Japanese Economy

Taking a long-term view of Japan's economy, the real economy posted high growth of more than 5% in the second half of the 1980s. This high growth in the real economy was also reflected in financial and securities markets, as well as in the asset value of companies. With stock prices reaching an all-time high of ¥38,915 at the end of 1989, Japanese companies were acquiring foreign companies and assets, encouraged in part by the impact of the strong yen at a time when corporate mergers and acquisitions (M&A) were a major trend. In response to these moves, Japan was highly praised by other advanced nations as the world's number one. However, on reaching 1990, asset prices such as stock prices and land values immediately began to fall, and this decline was not stopped for a long time. Following this collapse of the so-called economic bubble, Japan entered a prolonged economic slowdown.

Thereafter, on at least three occasions to date, Japan has experienced deep recessions that could be described as the worst since the Second World War. Firstly, the decline in stock prices and land values that had been underway since 1990 eventually extended so far as to result in the bankruptcy of major financial institutions in November 1997, immediately after which a severe financial shrinkage began, which plunged Japan into a deep recession. Lending by financial institutions continued to decline sharply from 1998 and continued to fall for a long time, until a moderate increase reversed this process in mid-2005. Moreover, the unemployment rate (3.5% in November 1997) rose sharply in 1998, reaching

4.8% in June 1999, and the employment environment became more and more severe. In particular, with regard to the employment of those who had newly graduated from university, the period from graduation in around March 1994 to around 2005 is generally called the employment ice age, when it continued to be extremely difficult to find employment. The university graduate employment rate underwent a sustained decline from 66.6% for those graduating in March 1997, falling to 55.1% in March 2003.

The second recession occurred at the end of 2000 until the first half of 2002, when the financial shrinkage was still underway, caused by a worldwide recession in the field of semiconductors. Focusing primarily on electrical appliances, there was a major decrease in production in export-related areas of manufacturing industry; coupled with the deflationary effects of the financial shrinkage, this led to the unemployment rate beginning to rise from around May 2001, reaching 5.5% – the highest-ever rate – in June 2002 and again in August of that year. With regard to the job market for university graduates, as mentioned above, the job market for those graduating in March 2002 and March 2003 in particular was exceedingly harsh.

The third recession covers the period from September 2008, when the so-called “Lehman shock” (the bankruptcy of Lehman Brothers) took place, until the present day. From January 2002, the Japanese economy continued a moderate recovery (the period up to October 2007 alone became the longest since the war), and lending by financial institutions began to increase again from mid-2005, but from the end of 2007, in response to the worldwide economic slowdown, the economic situation became patchy. At

this point in time, the Lehman Shock occurred. In Japan, exports of goods such as motor vehicles fell significantly, which led to a major decrease in production in machinery-related industries. This decrease in production swiftly spilled over into all industries, as a result of the interindustry-relation effect, becoming a very fast-paced recession that was the largest since the war, with the index of industrial production demonstrating a fall of 30% compared with the previous year toward the first half of 2009. In addition, as if to add insult to injury, the Great East Japan Earthquake occurred in March 2011, when the economy had not yet completely recovered from the Lehman Shock.

The Great East Japan Earthquake disaster initially caused catastrophic damage to production activity and employment in the Tohoku region; in particular, the suspension of operations by auto parts makers and others sparked a major supply shock to the Japanese economy and overseas markets. And although production subsequently made a quick recovery, thanks mainly to automobile manufacture, exports posted a year-on-year decrease for five successive months. Moreover, after the accident at TEPCO's Fukushima No.1 nuclear power plant, Japan's energy sources shifted significantly toward thermal power generation, leading to a massive increase in imports of crude oil and natural gas. As a result, Japan suffered a trade deficit for two successive years in FY2011 and FY2012 (Note 1).

From the second half of 2011, the yen reached a historically high value, triggered by the crisis of government debt in Greece and other southern European nations. This delivered a crippling blow to Japan's socio-economy, just as it was heaving under the weight of recovery and reconstruction measures after the Great East Japan Earthquake disaster. Although the economy had started to make a recovery of sorts after the disaster, this historically strong yen forced it back into recession for almost a year from the end of 2011.

Thus, over almost 20 years since the collapse of the bubble economy, Japan has been struck by a number of recessions. In recent years, apart from exceptions such as corporate profits, which have been achieving record highs, most economic indicators,

including stock prices, GDP, capital investment, employee incomes and average wage levels, have either remained below the levels they were at in late 1997, when the financial shrinkage began, or are currently at levels below the 1997 levels after having exceeded them at one point. It is because of this that the period is referred to as the "lost decade" or the "lost two decades".

At the end of 2012, former Prime Minister Shinzo Abe was elected for a second term after a five-year hiatus. Now, at Abe's own initiative, the government set out an economic policy centered on "three pillars" (bold monetary policy, flexible fiscal policy and a growth strategy that encourages private investment), and is currently working to flesh out the specific content of this policy. Based only on the economic trends in the few months between the start of the new administration and the time of writing, the Abe administration's new economic policy – in tandem with the announcement of a plan for "an entirely new dimension of monetary easing" by the Bank of Japan's new Governor – has firstly brought a significant swing to a weaker yen on foreign exchange markets. The expectation that this will vastly improve corporate performance – particularly among export-related companies – has been welcomed by stock markets and triggered a rise in share prices, leading the economy toward a new phase.

Financial Shrinkage being a Major Reason for the Prolonged Recession

Why has the recession (lost period) lasted so long? Opinions may differ from expert to expert, but in this author's view, the biggest reason lies in financial shrinkage.

At the time in the 1990's, amidst the progressive introduction of current value accounting, the major fall in asset prices was detrimental to the assets (stock) not only of financial institutions, but also of ordinary companies, and in order to deal with the reduction of excessive debt, they were compelled to achieve cost reductions (flow adjustment) by cutting back production and employment. This was the occurrence of the so-called "three excesses" (capacity, employment, debt).

With regard to this mechanism, it is currently a well-known phenomenon, with the term “balance-sheet recession” having been coined, but in the early 1990s, when the fall in asset prices had only just begun, there was no awareness in Japan of what this might bring about. As the economic growth rate had not decreased by a particularly great amount, there was not even any awareness that an economic slowdown had begun. Triggered by a book written by an expert, in the autumn of 1992, when about two and a half years had passed since the fall in asset prices had commenced, people started to be aware that an economic slowdown had begun that was different from those experienced hitherto. The delay in recognizing the recession might also be one reason why it became so prolonged.

However, it did not stop here. As stated above, stemming from the failure of major financial institutions at the end of 1997, financing shrank over a long period of time. Finance is truly the lifeblood of economic activity: it is behind all production activities, with the provision of operating capital (discounting of bills), as well, of course, as finance for capital investment. As a result of this shrinkage, economic activity itself was forced to contract, and a succession of companies went bankrupt.

With regard to the cause of financial shrinkage, firstly, it is related to the structure in which, unlike in the USA (Note 1), Japanese financial institutions held a large quantity of cross-owned company shares. The major decline in stock prices and land values resulted in a swift, large-scale deterioration in the financial situation of financial institutions. In addition, it was caused by finance provided to companies rapidly becoming bad debts due to the prolonged recession, and also by an impact from moves toward international finance-institutional reforms, through which financial institutions at that time were forced to strengthen their equity ratio. As well as speeding up the recovery of debts from companies, in order to ensure that the inevitable asset deterioration was not aggravated, these financial institutions curbed new lending to a significant degree (Note 2).

The Economic Policy of the Government and the Bank of Japan and Structural Issues in the Japanese Economy

In response to these recessions, the government implemented a series of emergency economic measures. In addition to pump-priming government expenditure, the government used public funds (taxes) to introduce capital injections to financial institutions, in order to ensure that the deterioration of loan assets into bad loans and counter-measures to deal with this would not restrict the loan functions of these financial institutions.

Meanwhile, the Bank of Japan also promoted a zero-interest rate policy, particularly from the second half of the 1990s. After the turn of the century, it then promoted a policy of quantitative easing as a new financial policy (a measure to combat deflation) and provided commercial banks with vast amounts of liquidity.

After that, with a mild economic recovery underway, the Bank of Japan was seen to explore the possibility of an “exit policy”, but up to the Lehman Shock, in the same way as the central banks of other advanced countries in the West, it adopted the unusual measure of widespread purchases not only of government bonds, but also of the securities of companies held by financial institutions, such as company bills, corporate bonds and CP, seeking to build up a supply of liquidity to the market.

However, despite these economic policies of the government and the Bank of Japan, the Japanese economy continued to experience low growth in the long term. It is believed that excessively low growth rates give rise to a vicious circle by causing the anticipated growth rate to decline, which brings about a structural stagnation in capital expenditure, as a result of which the low growth rate continues. In order to promote an internationally-competitive, technology-oriented nation, aggressive investment is essential (Note 3). Moreover, low growth not only causes increases in unemployment and wage stagnation, but also tears apart socioeconomic systems through such issues as the dissolution of employees’ pension funds and health insurance unions by companies that cannot sustain the increase of costs due to the aging of the population, conjointly with

operational deterioration resulting from low interest rates, or major decreases in the national pension scheme receipt rate.

Major issues can also be seen elsewhere in terms of the economic structure. The biggest issue is believed to be the delay in improving (reforming) the economic structure. This problem can be seen as being symbolic of the business strategy of Japanese companies against the strong yen and the resultant performance of the Japanese economy since the 1980s. With regard to the strong yen and the recession, many Japanese companies responded by transferring their production hubs overseas and implementing cost reductions and operational rationalization based on an approach of “selection and concentration”. At that time, taking into consideration the fact that the rate of return on investment (investment efficiency) had been diminishing for a long time and that cost competition had become increasingly harsh due to the strong yen, this was rational behavior for companies. However, what remained as a result were an even stronger yen and the hollowing-out of domestic industry and employment. Rational behavior at the microeconomic level brought about even more deflationary tendencies and the contraction of domestic production at the macroeconomic level. What brought about the “fallacy of composition” was perhaps the fact that the government did not join together with the business community to create new industries and seek a strategic switchover in the industrial structure, and did not implement initiatives, either, that would lead to the development of projects that would attract businesses and investment from overseas utilizing yen being bought, although the government had such a plan. This is a problem that many experts have been united in pointing out.

Secondly, various labor problems will be taken up in detail in the chapters that follow, such as the hollowing-out of employment, the explosion in the number of non-permanent workers, long working hours concentrated at specific workers, and the long-term stagnation of wages; although they are problems that have emerged as a result of the deterioration of the economic situation, they themselves form one of the most serious economic problems facing Japan at

present.

Thirdly, the economies of Japan's provinces are exhausted and stagnating. In combination with the deterioration of local government finances, it has also been affected by the fact that public investment has been on the decrease for a long time. The current state of the provincial economies is very serious and, as if to add insult to injury, the impact of the Great East Japan Earthquake is giving rise to even greater concern.

Finally, because a large quantity of government bonds were issued as part of the aforementioned fiscal stimulus, Japan's public bond balance increased dramatically from the 1990s onwards, reaching 1.98 times GDP in 2010 (incidentally, with regard to the figures for other countries, 0.93 times for the USA, 0.81 for the UK, 0.92 for France and 0.80 for Germany =OECD survey), giving Japan far and away the highest proportion among all advanced countries. Furthermore, government bonds account for more than 30-40% of the national budget in each fiscal year, and outstanding debt is rising further. The steep rise in the public bond balance is increasing the sense of anxiety about the future destabilization of government bond markets and whether it might not result in crowding out private capital investment funds.

Recent Economic Trends and the Future Outlook

Recent trends in the Japanese economy were introduced briefly in the overview explanation at the start of this chapter. To close the chapter, the recent economic situation will be summarized in slightly more detail.

The Immediate Post-Lehman Recession

In Japan, bank loans started to increase again from around the middle of 2005, when capital investments also turned the corner. By around the second half of 2008, GDP and capital investment were both approaching their levels before the financial shrinkage at the end of 1997. In employment, too, there were palpable signs of a long-awaited recovery; for example, the university graduate employment rate continued to rise significantly between 2006 and 2008 (both as of March 31). Then came the Lehman Shock.

The impact of the Lehman Shock dealt a severe

blow to the global economy, including Japan. In Japan's case, however, the mechanism of the ensuing recession seems to have differed slightly from that in other developed nations, as explained below.

It all started with the failure of subprime loans (housing loans for low earners), the equivalent of a collapsed housing bubble, in the United States. Riding the prevailing global tide of financial instruments, these subprime loans had been securitized through complex combinations with a variety of securitized products, as a way of dispersing risk. These were then traded in large volume on the world's financial markets, ultimately leading to a loss of credit confidence that spread through the world's financial markets from around 2007. The downward spiral of confidence even affected blue chip securities, which began to lose value on the markets, until in September 2008, the major US investment bank Lehman Brothers went bankrupt. For a while after this, raging confusion on financial markets caused the entire financial system itself to cease functioning.

In other words, at the heart of the recession suffered by the US and Europe after the Lehman Shock lay financial shrinkage similar to that experienced by Japan from the end of the 1990s. For this reason, it is imagined that the deflationary effect on economic activity was both prolonged and relentless in the US and Europe. By contrast, Japanese financial institutions are thought to have held relatively small quantities of financial securities linked to US subprime loans. It would be fair to say, in fact, that hardly any shrinkage of finance (supply) was caused by financial institutions in Japan.

In that case, what made the recession in Japan increase in severity? The US recession had the effect of vastly reducing Japan's exports of automobiles and others, and this in turn caused a huge downturn in domestic production in Japan. Indeed, it was a recession caused by a fall in demand. Production output by Japan's auto manufacturing industry is relatively large, and in terms of its structure, it has strong input-output connectivity with many other industries and trades, with a broad base of supporting industries. For this reason, a decline in production due to falling export demand had wide-ranging implications for Japan's economy as a whole.

As will emerge in subsequent chapters, the Lehman Shock not only caused mass unemployment and redundancies, but also gave rise to many social problems. Firstly, many day laborers dispatched to manufacturing industries were laid off, but because workers who had moved out of company housing could not afford apartment rents, many of them started to camp out at Internet cafés and public parks in cities. This so-called "haken-mura" (temp workers village) problem later triggered a sudden increase in applications for livelihood support benefits, creating a huge political headache. Meanwhile, the employment environment for school leavers and young people had been expected to turn upwards, due to ongoing mass retirements by the "baby boomer" generation from 2007 onwards. However, the numbers hired fell sharply, ushering in another harsh employment environment.

The Impact of the Great East Japan Earthquake Disaster on Japan's Economy

Before the economy could fully recover from the Lehman Shock, the Great East Japan Earthquake disaster struck.

Worst hit by the disaster was the Tohoku region. Home to suppliers of materials and parts in the manufacturing industry, this region is a vital supporting framework for Japan as a nation of technology. The damage suffered by these manufacturers made it difficult for them to supply parts and other essential products to other companies, including some overseas, leading to suspended production and a drastic decline in utilization ratios. The Tohoku region is also one of Japan's most important centers for agriculture and fishery. The destruction of production sites and the ensuing radiation pollution caused a sharp fall in agricultural and fishery produce, or even halted shipments altogether. This not only confronted farmers in Tohoku with massive financial losses, but also led to confusion and significant impact on markets and ordinary households all over Japan.

With regard to production, domestic production suffered a historically large decrease in March 2011; the month-on-month decline of 16.2% was the worst for a single month since statistical records began. This just reveals how greatly suspended operations by

auto part makers and others affected the supply of goods in the early stages after the Great East Japan Earthquake disaster.

After that, however, production recovered rapidly. It would be fair to say that such rapid recovery was brought about by the efforts of industries and individual companies, which supported each other in seconding employees to damaged affiliates and working hard to locate new sources of parts. Corporate bankruptcies in the Tohoku region increased at a heightened tempo for a while after the disaster, but since many of the affected companies were parts manufacturers and others supplying producers all over Japan, disaster-related insolvencies were spread across the whole country, rather than being concentrated in Tohoku. Furthermore, the SME Financing Facilitation Act, initially enacted as temporary legislation applicable with a time limit of one year, has so far been extended by about three years through two extensions by March 2013. This has assisted many small and medium enterprises. Thanks to these various supporting factors, domestic production activity appears not to have fallen into such a severe situation as was initially feared, and has thus been able to overcome the impact of the Great East Japan Earthquake disaster.

Where, then, did the problems occur? Firstly, in the international balance of payments. After the accident at TEPCO's Fukushima No.1 nuclear power plant, imports of crude oil and natural gas suddenly increased, causing the trade balance to fall into the red.

Moreover, the impact on agriculture, fisheries and dairy farming was by no means small, including their market conditions. As noted above, the Tohoku region is home to some of Japan's most important fishing grounds, and many of these were destroyed by the massive tsunami, or buried in rubble. Refrigeration and other facilities at fishing ports were also destroyed, making fishery activity impossible for a considerable time. At the time of writing, landed catches have yet to return to pre-disaster levels in a number of fishing ports. Meanwhile, shipments of rice, vegetables, beef, tea leaves and other produce were forcibly suspended whenever contamination by radioactive substances was discovered. They could only be resumed when the government declared them

safe, in line with the Act on Special Measures Concerning Nuclear Emergency Preparedness. Even after resumption had been permitted, damaging rumors caused a protracted and ongoing slump, with wholesale prices for dressed carcasses falling to around half of the previous year's level. Combined with other damaging factors, this caused enormous economic hardship to farmers (Note 5).

The Current State of Japan's Economy under "Abenomics"

As briefly mentioned in the overview at the beginning, the policies espoused by the Abe administration from the end of 2012, in tandem with bold monetary easing by the Bank of Japan, have at the time of writing caused a significant swing toward a weaker yen and higher share prices.

What is actually going on in Japan at the moment? At least as far as this author is concerned, the aims of the economic policy set out by the new Abe administration appear to have had a positive impact on forward sentiments by investors and the public (known in economics as "expectation"). This in itself is of immense significance. This is because, as stated above, Japan has experienced repeated recessions and a long period of continuously low growth over the last 20 years or so. As a result, the sentiment that there could not possibly be a major leap forward or growth in the economy for the foreseeable future (i.e. an extremely low expected growth rate) has taken a firm hold within the national consciousness. Private capital investment, the driving force behind economic growth, has been stagnant over the long term. This is partly because the cooling down of expectation has made investors and companies feel pessimistic about future business prospects and put a brake on investment. It is also because there was a certain amount of "capital flight" overseas.

The economic policy of the Abe administration—based on the three central pillars of bold monetary policy, flexible fiscal policy and a growth strategy that encourages private investment—has been dubbed "Abenomics". While it has had a positive impact on people's expectations, Abenomics has sparked a degree of controversy among economists. Firstly, the Abe administration has asked the Bank of Japan to

boost inflation, as if deflation were the cause of recession. In response, the Bank of Japan, under its new Governor, recently decided to instigate a 2% rise in consumer prices by two years from now (Note 6). But did deflation really cause the recession? Based on the rationale that deflation arises from economic activity, this economic policy would appear theoretically flawed. Secondly, is it actually possible to inflate prices through financial policy alone? An important point here is that quantitative easing itself has already been promoted for some considerable time. Even if not a “new dimension”, private company bonds, CPs and other financial instruments not conventionally bought by the BOJ have been purchased in large volume as an “exceptional measure”. As detailed in Note 7, the base money supply has grown to considerably large proportions. As far as this author is concerned, whether it will after all lead to an increase in capital demand by private companies, and particularly an increase in capital investment, seems an important point; this very point, one feels, will define whether Abenomics will be successful or not.

The economic policy of the Abe administration is now entering a decisive phase in determining whether it will be successful or not. Attention will be on the outcome of the “three pillars” from now on (Note 8).

Notes:

1. In Japan, the surplus in the income balance, one of the components of the current account (the balance between outgoing and incoming revenues between domestic firms and overseas subsidiaries, affiliates, etc.), has vastly expanded since around 2004. Since FY2005, it has exceeded the surplus in the trade balance, another component of the current account. As this situation is still continuing today, the current account has not fallen into the red even if the trade balance has gone into deficit recently.
2. In the USA, as early as 1933, immediately after the Great Depression, the Glass–Steagall Act was enacted, prohibiting commercial banks from investing in company shares, which was one of the causes of the depression, to achieve the separation of duties by bank type.
3. The outstanding loans of financial institutions continued to decrease from late 1997 to mid-2005. Usually, a decrease in stock data is an extremely abnormal economic phenomenon.
4. The economist J. A. Schumpeter argued in his Theory of Economic Development, the original of which was in German translated under this title in the English version, that creative destruction and innovation have an important role to play in economies. In addition, at the same time, he emphasized that credit creation is vital to innovation. In relation to this paper, which also refers to financial shrinkage, this will be a crucial point that we ought to recall.
5. A word should be added on the state of recovery and reconstruction after the Great East Japan Earthquake disaster. At the time of writing, it is already two years since the disaster struck. Although the

government and affected local authorities have completed their initial disaster response measures, the reconstruction effort has yet to start in earnest. This situation was partly affected by problems in the government’s administrative procedures and structures. In some more serious cases, the affected authorities were unable to formulate plans for reconstruction promotion and development stipulated by the government, because they had no employees capable of working out a blueprint and concept for reconstruction needed to start the reconstruction work. This has consequently delayed the reconstruction effort as a whole. On the other hand, delays have also arisen in some local authorities ravaged by the massive tsunami because it is taking time to secure candidate land for relocation to higher ground. Thus, the reconstruction work is generally taking much longer than expected, and the disaster-affected residents are also unhappy with delays in the recovery effort. Following the explosion at TEPCO’s Fukushima No.1 nuclear power plant in Fukushima Prefecture, meanwhile, residents living near the plant were forced into temporary evacuation to avoid radiation exposure, but some of these still do not know when they will be able to return to their homes. This is further hampering the progress of countermeasures.

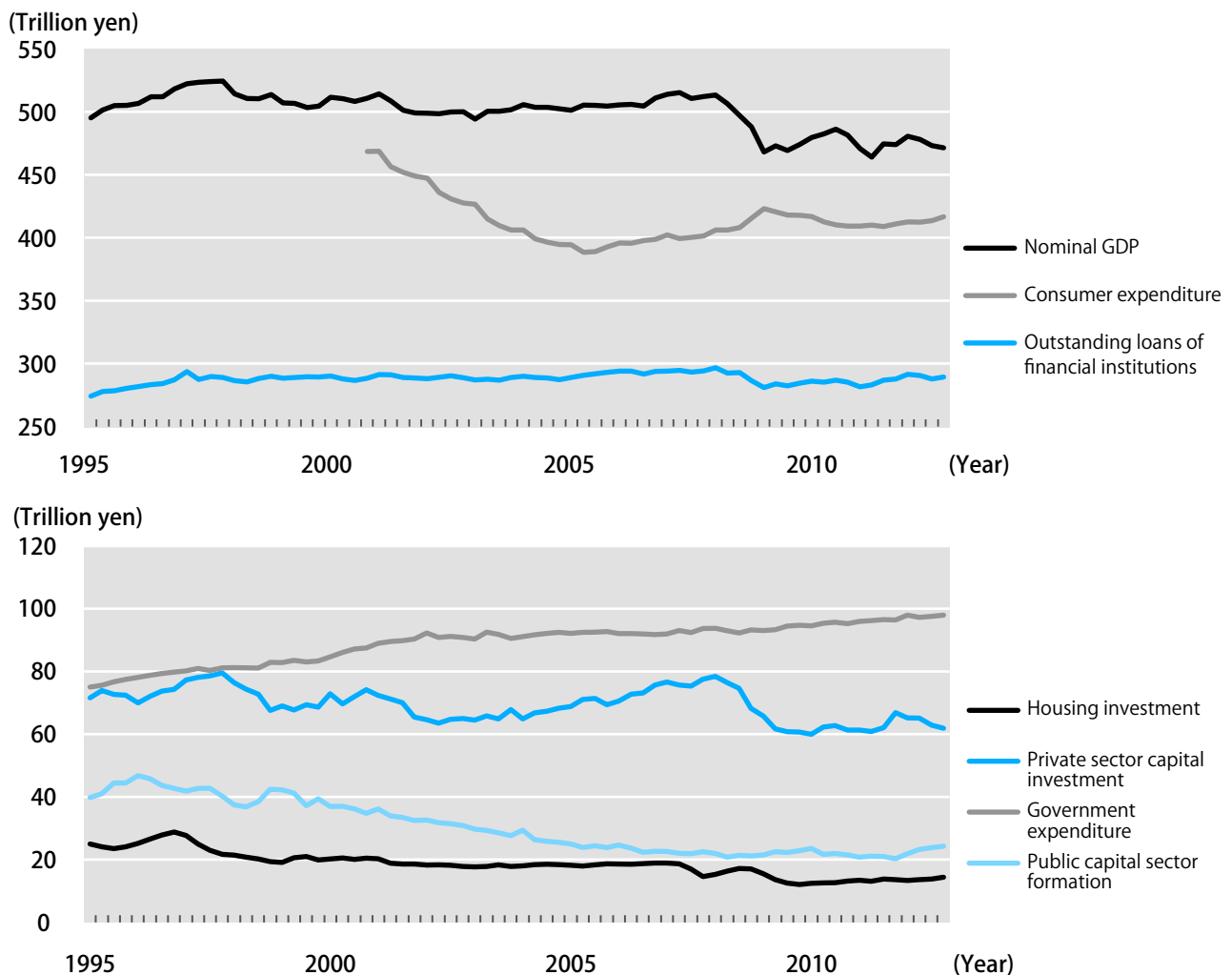
6. At the same financial policy decision meeting at the beginning of April 2013, it was also decided that the balance of base money supplied to the market by the Bank of Japan (see Note 7 below) would be doubled over the next two years. This would be done by expanding the objects of government bond purchase from previous levels (by including bonds with more than two years left to maturity, but sometimes also 10-year, 20-year and other very long-term bonds), and purchasing risk assets such as ETFs (index-linked exchange-traded funds) and REITs (real estate investment trusts) owned by private financial institutions, among other moves. At a press conference after the meeting, the new Governor is said to have termed these decisions collectively as “an entirely new dimension of monetary easing”.
7. As one instrument of financial policy, base money (the sum of the balance of bank notes issued by the Bank of Japan and reserves deposited by commercial banks in the Bank of Japan (current deposits)) has itself been “piled up” at quite a high tempo over the last few years (see Table 1; the rate of increase was more than 6 % year-on-year from the beginning of 2009 and more than 5 % from the second half of 2010 following the renewed economic slump, and has continued to post two-digit increases since the Great East Japan Earthquake disaster in March 2011). However, the balance of deposits in commercial banks (M2, M3, etc.) has only increased by around 2%. The basic reason for this is that, even if financial institutions allocate their increased capital specifically to purchasing government bonds, etc., the increased capital is not being linked to loan for capital investment and operating capital for private companies.
8. As far as the author is concerned, the priority should above all be on fiscal discipline. If the market were to lower its valuation of Japanese government bonds, it would cause huge write-downs and asset deterioration in private financial institutions, and the financial shrinkage starting in 1997 could be repeated. However, an important point that most clearly distinguishes this situation from that one is that even the Bank of Japan now owns massive volumes of government bonds exceeding 100 trillion yen. If the government bond market were to fall significantly, the Bank of Japan would also suffer a certain appraisal loss. This would almost certainly cause mass confusion on financial markets, and in that situation, would the Bank of Japan be able to adequately fulfil its given role as the ultimate provider of finance? Partly to avoid this kind of situation, ensuring the greater soundness of fiscal discipline is just as important to Japan’s economy today as flexible fiscal policy, if not more so. Three points should be mentioned in this regard. Firstly, there have been media reports of ongoing confusion in the government bond

market over the last few weeks. This demands some scrutiny. Is it merely, as reported in the media, a case of confusion because, for example, the structure of pre-maturity terms for government bonds subject to bidding is different to what it used to be? Or is it a sign that this “new dimension of monetary easing” by the central bank is no longer welcome, from the viewpoint of various financial institutions? The new Governor has apparently asserted a stance of valuing “dialog” with the market, and it will be indeed being challenged.

Secondly, there are also media reports that, given the current ultra-low interest rates, issues of corporate bonds have been increasing over the last month or two, mainly among large corporations, or that more companies are considering making issues. In itself, this situation is very similar to that back in early 1987, when many companies suddenly started promoting equity finance (raising capital by issuing new shares). At the time, the capital raised was appropriated to buying land and shares. This time, as well as having learnt the lessons of the asset bubble, cross-holding of shares

between companies has been vastly reduced, while capital procurement based on corporate bonds is unlike that based on shares. For these reasons, the situation will probably not develop in the way it did back then. Nevertheless, still other media reports suggest that many large corporations took advantage of the historically strong yen to carry out mergers and acquisitions (M&A) of overseas companies, while the recovery of corporate earnings over the last few years has helped large corporations to pay off a lot of their interest-bearing debts. In light of this, a matter of keen interest is how the capital raised through bond issues will be used. Thirdly, talk of the trade balance going into deficit is somewhat worrying in connection with the government bond market. A negative trade balance causes a decrease in currency supply coming into the country. For this reason if none other, under the situation that financial institutions may feel less inclined to purchase government bonds, for example, it is not beyond possibility that, seen overall, this could cause a squeeze on capital entering the government bond market.

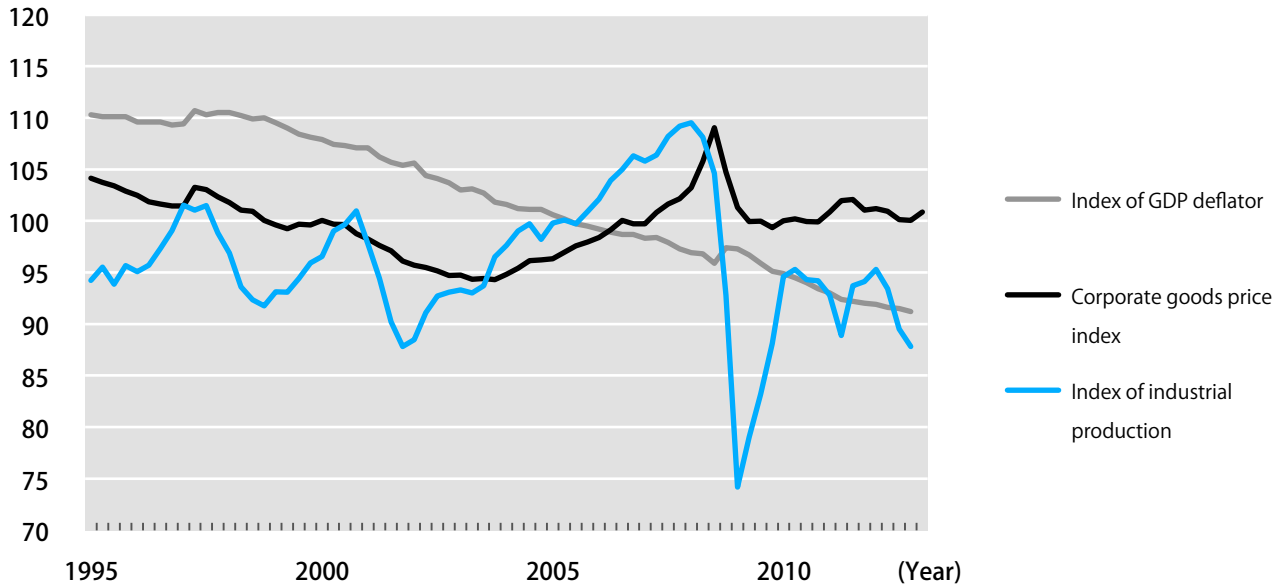
Figure I-1 Developments in GDP, Capital Investment and the Outstanding Loans of Financial Institutions (All Nominal Values)



Note: Nominal GDP and each component element are seasonally-adjusted figures for each quarter. The figures for outstanding loans of financial institutions were compiled from the three-monthly average of the monthly data. In addition, it was not possible to obtain data for the outstanding loans of financial institutions before the October-to-December period 2000 on the Bank of Japan website.

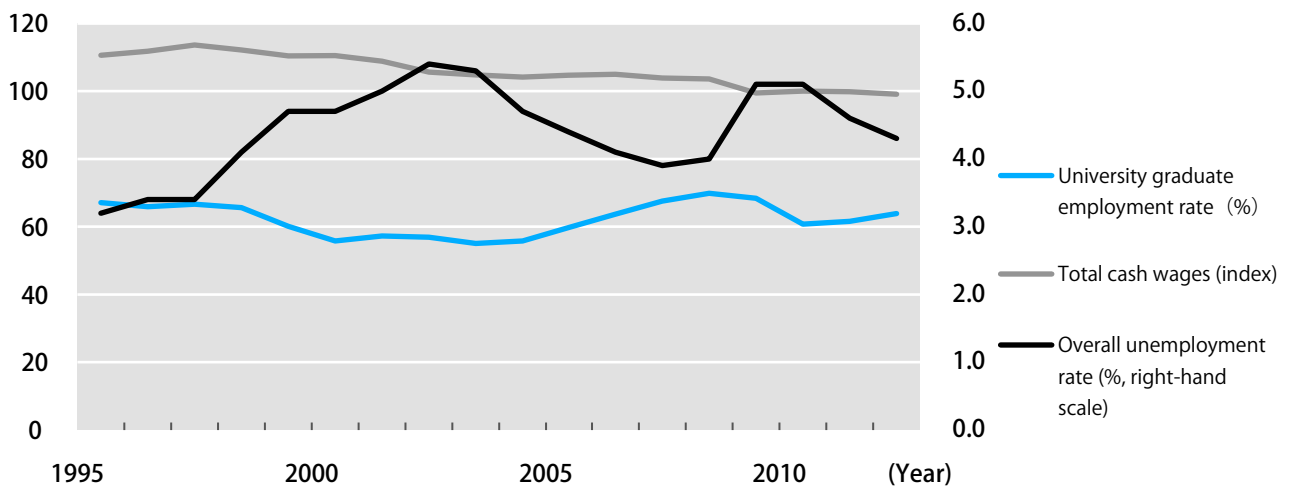
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**Figure I-2 GDP Deflator, Corporate Goods Prices and Industrial Production Indices
(Seasonally Adjusted for Each Quarter)**



Note: GDP deflator and industrial production indices are based on 2005 average = 100; corporate goods price index is based on 2010 average = 100

Figure I-3 Labor-related Indicators



Note: In the index for total cash wages, 2010 average = 100

Table I-4 Trends in the Trade Balance, Share Prices, the Yen Exchange Rate and Other Indicators after the Great East Japan Earthquake Disaster

	Trade balance (100 million yen)		Nikkei stock average (month-end closing price; yen)	Yen rate (Tokyo Inter-bank, central rate vs US \$, monthly average)	Corporate bankruptcies (year-on- year; %)	Base money (year-on- year; %)	Money supply (M2) (year-on- year; %)
		Exports (y-o-y change; %)					
2011.1	- 3,994	2.89	10,237.92	82.63	2.85	5.5	2.3
2	7,203	9.71	10,624.09	82.53	- 8.49	5.6	2.4
3	2,368	- 1.36	9,755.10	81.79	- 9.32	16.9	2.6
4	- 4,120	- 12.66	9,849.74	83.35	- 0.62	23.9	2.7
5	- 7,713	- 9.78	9,693.73	81.23	9.67	16.2	2.7
6	1,299	- 1.02	9,816.09	80.51	- 5.53	17.0	2.8
7	1,418	- 2.26	9,833.03	79.47	5.12	15.0	3.0
8	- 6,903	4.15	8,955.20	77.22	0.52	15.9	2.7
9	3,723	3.01	8,700.29	76.84	- 10.18	16.7	2.7
10	- 2,089	- 2.74	8,988.39	76.77	- 5.63	17.0	2.8
11	- 5,889	- 3.06	8,434.61	77.54	3.85	19.5	3.0
12	- 1,468	- 6.95	8,455.35	77.85	- 8.85	13.5	3.2
2012.1	- 13,897	- 8.49	8,802.51	76.97	- 2.56	15.0	3.1
2	953	- 1.95	9,723.24	78.45	10.41	11.3	2.9
3	- 12	7.29	10,083.56	82.43	- 0.10	- 0.2	3.0
4	- 4,371	11.13	9,520.89	81.49	- 7.53	- 0.3	2.6
5	- 8,049	11.56	8,542.73	79.70	5.08	2.4	2.2
6	1,122	- 1.46	9,006.78	79.32	- 12.59	5.9	2.3
7	- 3,761	- 7.45	8,695.06	79.02	- 2.28	8.6	2.3
8	- 6,636	- 5.25	8,839.91	78.66	- 12.18	6.5	2.4
9	- 4,747	- 10.54	8,870.16	78.17	0.59	9.0	2.4
10	- 4,513	- 5.98	8,928.29	78.97	6.07	10.8	2.3
11	- 8,508	- 4.04	9,446.01	80.87	- 3.40	5.0	2.1
12	- 5,723	- 6.89	10,395.18	83.64	- 4.74	11.8	2.6
2013.1	- 14,798	6.76	11,138.66	89.18	- 10.20	10.9	2.7
2	- 6,713	- 3.31	11,559.36	93.21	- 12.09	15.0	2.9
3	- 2,224	0.33	12,397.91	94.75	- 19.62	19.8	3.1

Trends in the Japanese economy since the collapse of the bubble

After falling into recession with the collapse of the bubble in the 1990s, Japan's economy came out of recession by eliminating the "three excesses" (equipment, employment and debt) in the early 2000s, following a period of severe restructuring. The economy then expanded for 69 consecutive months from February 2002, outstripping the 57-month growth recorded during the economic boom in the late 1960s to reach a new record high. Nevertheless, the real growth rate in GDP (gross domestic production) during this period remained low at 2%. This was markedly lower than the 10% registered during the period of high growth, revealing a certain lack of vigor in the economy.

The global financial crisis triggered by the collapse of the US investment bank Lehman Brothers in autumn 2008 caused a major contraction in the Japanese economy, which recorded two straight years of negative real growth in GDP in fiscal 2008 and 2009. In the meantime, the economy was starting to correct itself, albeit somewhat weakly, with a recovery in exports from around spring 2009.

But just then, the Great East Japan Earthquake struck the Japanese archipelago on March 11th, 2011. Besides the immediate damage, other problems including interrupted parts supplies, the nuclear reactor accident and restrictions on the power supply cast a dark cloud over the Japanese economy. And although the economy subsequently returned to the path of recovery, progressive currency appreciation from summer 2011 and the global economic slowdown caused by the European debt crisis inevitably made the pace of that recovery extremely lethargic.

In the General Election at the end of 2012, the Liberal Democratic Party returned to power at the head of a coalition government, and embarked on an economic policy founded on bold monetary easing. The markets reacted to this policy, dubbed

"Abenomics" after the name of the Prime Minister, and the Japanese economy suddenly turned to currency depreciation and rising share prices. However, a counterreaction to this started in June 2013, when share prices fell sharply. The policy of monetary easing is merely "the first shot"; the search is on for a "growth strategy" that will put the economy on track for real growth. At the same time, the future direction for employment and labor to meet this growth has also surfaced as a focal point of concern.

Trends and characteristics of the employment situation

Looking back over the employment situation during this period, the problem of unemployment was aggravated by major financial collapses in 1997, causing the overall unemployment rate to post a record high of 5.5% in April 2003 and an equally high level of 5.3% in calendar year 2003. The unemployment rate improved during the subsequent economic recovery and was trending in around the 4% range between 2004 and 2008. However, the storm of global recession triggered by the Lehman shock brought an unprecedentedly sharp deterioration in employment, taking the unemployment rate back to the 5% level for two straight years in 2009 and 2010.

The Great East Japan Earthquake of March 2011 caused considerable setbacks to employment and labor in the three affected prefectures of Tohoku, where the total number employed fell from the previous figure of 2.75 million to 2.60 million at one point. And although the government's employment support and job creation measures are starting to improve the situation, there is nevertheless concern over the impact of a population exodus; problems of mismatches in occupations, gender and other factors have also emerged.

The national unemployment rate has been gradually improving from the aftermath of the

Lehman shock, registering 4.5% in 2011 and 4.3% in 2012.

Upheaval in the Japanese-style Employment System

Perceptions of the “Japanese-style employment system”, founded on the practice of long-term employment, went through a major upheaval during this period.

The context for this goes back to the time of the oil crisis in autumn 1973. The crisis brought an abrupt end to the “golden sixties” enjoyed by leading capitalist states, and western nations sank into a combined morass of “stagflation” (stagnation + inflation). In contrast to these, however, Japan continued steady growth throughout the 1970s and 80s, eventually becoming the biggest trading nation in the world. At the conclusion of the “Plaza Accord”, an agreement on currency adjustment designed to address Japan-US trade friction, Japan was enjoying an unprecedented bubble of prosperity. To unravel the secret of Japan’s economic prosperity, in such stark contrast to the stagnation of the west, experts in various fields, in both Japan and abroad, focused their attentions on “Japan research” in the 1980s. In the process, interest leapt on the Japanese-style employment system, with its central pillars of long-term employment, wages based on seniority and in-house unions.

However, this bubble of prosperity burst, taking the Japanese economy into a protracted slump in the 1990s. This changed everything, and from then on the Japanese-style employment system came under fire from all sides. The traditional system was now nothing more than a millstone holding up the “structural reform” of Japan’s socio-economy. As this kind of sentiment suddenly took shape, reform of the Japanese-style employment system and its core principle of long-term employment, as well as labor relations, wage policies, labor policies and others connected with it, came to be seen as an indispensable task for “structural reform”.

But what exactly was the much-discussed Japanese-style employment system? In short, it could be interpreted as the employment practice of training and using regular employees over the long term in the

internal labor market. It was developed during the period of high economic growth and became established in the 1970s.

Various employment-related systems then sprang up to fit this internal labor market. On the assumption of guaranteed employment until retirement age, new graduates were regularly hired, employees were rotated through “flexible relocation” with no specified job contents, and training was done on the job. A system of seniority, whereby wages and promotions were based on the accumulation of work performance ability, was made the cornerstone of personnel and wage management. Even in a recession, companies made every attempt to avoid releasing regular employees, preferring measures such as transferring or re-training surplus personnel, or disadvantageous changes to labor conditions.

In collective labor relations, meanwhile, industrial unions independent of companies were the mainstream in Europe, but failed to take on in Japan, where in-house unions suited to the internal labor market took the leading role.

Even government employment policies were rooted in measures designed to keep employees within the embrace of companies as far as possible. When business contraction became inevitable owing to recessions and the like, the government would mainly use “employment adjustment subsidies” to subsidize companies’ costs in maintaining employment through leave of absence, training or secondment of employees.

Under the pressure to reform, the Japanese-style employment system based on these features went through violent upheavals, while at the same time “distortion” arising from the reforms also surfaced. Since then, there has been an ongoing debate on the future direction of employment and labor, as one of the top priority issues facing Japanese society today.

Expansion of Non-regular Labor and the Problems of Young Workers

From the mid-1990s onwards, companies rigorously cut back on their numbers of full employees earmarked for career development, and started to make broader use of non-regular employment. This was one of the measures they took

to reduce overall personnel costs.

In 1995, the Japan Federation of Employers' Associations (as it was then; amalgamated with the Japan Federation of Economic Organizations in 2001 to form the present Japan Business Federation) published a report entitled "Japanese-Style Management in the New Age". Today, this report is accorded the status of a "historical document", as an indicator of the expansion of non-regular employment. The report divides company employees into three types. Employees under the practice of long-term employment were called the "long-term accumulated ability utilization type", and these were seen as continuing to form the nucleus of corporate human resources. However, the report suggests that numbers of employees in this type will be narrowed down through rigorous selection, and instead, ratios of employees in the other two types (i.e. the "advanced specialist ability type" and the "flexible employment type") will be expanded. Moreover, personnel and wage management for these will differ from those applied to workers under long-term employment.

As if to coincide with the publication of "Japanese-Style Management in the New Age", employment formats have become increasingly diverse since then. The ratio of non-regular employees to all persons in employment rose rapidly from 20% in 1995, and has today reached a level in excess of 35%.

A serious issue, however, is the rise of the non-regular employment format known as "freeters". These are young people who are unable to find employment as full employees, as companies suddenly reduced their intake of new graduates amid the protected recession, and instead drift aimlessly on the labor market. The biggest problem facing these young freeters is that, as they are excluded from the opportunities for vocational ability development available to regular employees, they have no hope of improving their skills even after working for a long time. Thus they have few opportunities to engage in work at a more advanced level, and as a result have no prospects for increasing their income in the future. Unlike in western countries, opportunities for vocational training of workers in Japan are mainly

provided within companies. In terms of accumulating vocational ability, exclusion from this in-house training has such negative consequences as to be life-defining.

In Japan, the unemployment rate of young people, traditionally low, has deteriorated since the middle of 1990. A widening of the income gap between young age groups is beginning to be conspicuous, and there are now concerns that it will become established and will further expand. Because many non-regular workers lack the financial means, they tend to marry late or not at all. As such, the expansion of non-regular labor has come to be regarded as a factor obstructing measures to combat the declining birth rate and population aging - identified by the Japanese government as its most important policy target.

The Correlation between "Guarantees" and "Constraints"

There is no shortage of problems facing regular workers, either. Against a background of personnel cuts, many regular workers are compelled to work long hours, a trend most conspicuous amongst males in the prime working ages between 30 and 40. Karoshi (death from overwork) and mental health disorders, fomented on the hotbed of long working hours, have long been established as social problems in Japan. But the problems do not end there. Male workers have less time to spend on housework and child rearing, and instead, the burden of chores falls on the shoulders of their partners.

The ratio of childcare leave taken by female workers is gradually rising, and has passed 80% recently. However, the proportion of women quitting their jobs to have babies has reached 60%. Therefore, if the total number of female employees due to give birth is taken as the denominator, the rate of taking childcare leave in real terms is only just over 30%. Considering attempts to improve the efficiency of home life, female workers will inevitably think twice about the working style of regular workers, with the strong constraints it involves. When it comes to marriage and raising children, they are pressed by a choice between two options - whether to continue working in regular employment, or not.

Regular workers enjoy the strong support of their

employers in terms of employment guarantees, but on the other hand, cannot easily refuse overtime orders or re-assignments against the company's wishes. Firm guarantees of employment are therefore counterbalanced by a large degree of constraint by the company. In other words, they can be said to have strong "guarantees" but also strong "constraints". By contrast, non-regular workers are rarely forced to work overtime or to change the location of their work. However, their employment guarantees are so weak as to be incomparable with those of regular workers. In other words, they can be said to have weak "guarantees" but also weak "constraints". Regular and non-regular working styles are clearly divided from each other by the barrier of this correlation between guarantees and constraints.

The very nature of employment practices lies behind the decrease in rates of marriage and childbirth, and there is a growing perception that a reform of employment practices is also necessary for the sake of measures to combat the declining birth rate. Measures for working people, liberating them from choosing between the two options of regular or non-regular employment and making their employment terms continuous, are being brought to the table for discussion, as is the creation of schemes to make it easier for workers to move between the two formats.

Labor Policies of "Abenomics"

As part of its "Abenomics", the LDP-led coalition government formed at the end of 2012 compiled a "Labor Policy for Growth" in June 2013. It includes plans to create a manual on "limited full employees" (limited to specified jobs and regions) in mid-FY2014, with a view to spreading this format. This is an attempt to expand schemes for full employees within a separate framework from conventional full employees, with their strong degree of constraint, and could be seen as a proposal to open up the bottleneck of the choice between regular and non-regular work. Labor unions do not in principle oppose the creation of this scheme in itself. Nevertheless, they warn that the scheme of "limited full employees", while weakening the "constraint" from companies, has the associated characteristic of creating full employees

with weaker "guarantees", and that "this could become a trigger for easing regulations on dismissal and making it easier to dismiss full employees".

"Abenomics" reveals an attitude of shifting the fulcrum of policy from "maintaining employment" to "promoting job changes". It stresses the need to shift labor from mature industries to growth industries, and sets out to reduce the "employment adjustment subsidy" used to support companies that protect employment during a recession, increase "labor mobility support subsidies" paid to companies that transfer employees using private-sector employment agencies, and reverse the budget scales of these two.

In any case, this is an issue touching on the very core of the Japanese-style employment system, and debate continues, while reviewing the course of "reform" since the mid-1990s.

Reform and Revision of Wage Systems

The "Japanese-Style Management in the New Age" report by the Japan Federation of Employers' Associations advocated a revision of wage systems for full employees as an important means of reducing a company's "total personnel costs", alongside the diversification of employment formats. Since then, the number of non-regular workers has grown but there has been continuous downward pressure on the wages of regular workers, through the medium of revised wage systems. As the specific content of reform, particularly noteworthy examples include the introduction of wage systems reflecting performance and outcomes, the reduction or abolition of regular pay rises, and linkage between corporate performance and bonuses.

One conspicuous characteristic of the period of economic expansion after the protracted recession was that, while large corporations continued to earn record profits, improvements to workers' wages were slower to materialize. It was described as "economic recovery with a hollow ring". The fruits of economic growth were not reinvested in the lives of ordinary workers, and as a result, consumer demand showed no growth. Apart from capital investments, economic recovery has a strong tendency to be led by increased exports. When the global financial crisis struck in

autumn 2008, the Japanese economy should already have overcome its own financial crisis; nevertheless, this very dependency on exports could be seen as the reason why Japan suffered a bigger blow than expected, in comparison with other countries.

For “Abenomics” to achieve its policy effect of launching a recovery in the real economy, it will require an expansion of household consumption, which accounts for 60% of gross domestic expenditure. Just before the round of wage negotiations in spring 2013 (the 2013 *shunto* or “spring offensive”), Prime Minister Abe asked the heads of business organizations to increase workers’ wages, as they are the wellspring of consumption. This was a highly unorthodox approach for the government, which normally remains neutral in labor negotiations, and was given considerable media coverage as a result.

That notwithstanding, changes to wage systems, which started in earnest from the beginning of the 2000s, have caused a lot of confusion in sites of employment. In many cases, they have had a negative effect on employee incentives. The “excessive introduction” of performance and outcome-linked pay has provoked a barrage of criticism that “teamwork in the workplace has worsened” and “the evaluation of conditions and processes is being neglected”, among others. Moves to correct this trend have also been notable.

In any case, one thing for certain is that progress has been made in the “personalization of wages” reflecting the individual worker’s performance, outcomes and working attitudes in pay and conditions.

The Transformation of the *Shunto* System

The *shunto* system, a uniquely Japanese system of deciding wages, could be called the showpiece of the postwar labor movement. In most European countries, labor and management negotiate wages for sectors and industries in regional or national units. In Japan’s case, this is basically done between labor and management on an individual company basis. Instead, individual company unions form alliances in different industries, and the unions in each industry start pay rise negotiations at around the same time. This has

the effect of forming and spreading agreed rates of pay rises. After its beginnings in 1956, this *shunto* system rode the wave of high-level economic growth to grow and become established, resulting in standardized wage levels for workers and contributing greatly to the expansion of domestic demand in the Japanese economy. The *shunto* system also served as a springboard to accelerate high-level growth.

However, this system differs in essence from the style of systematic negotiation and forming agreements laterally across companies. Since the 1990s, the labor market has changed dramatically from the state of labor shortage pertaining until then; there has been conspicuous variation in corporate performance, even within the same sector, and with the advance of “personalized wages” following the reform of wage systems, the function of the *shunto* system in forming and spreading agreed rates of pay rise has weakened. Instead, “the theory of companies’ ability to pay” has been thrust to the fore as a determining factor affecting pay rise trends.

The transformation of the *shunto* system has also served to accelerate the “widening gap” between workers.

Reconstructing the System of Collective Labor Relations

There is also pressure to reconstruct the system of collective labor relations. The unionization rate of labor unions continues to fall; in 2003 it slipped below 20%, and by 2012 had fallen to 17.9%. In Japan, where individual company unions are the norm, the overwhelming majority of unions limit their members to regular employees, and despite the dramatic increase in non-regular workers, they are decidedly slow to join unions. From the beginning of the 2000s, various unions have started to unionize non-regular workers, thanks to encouragement by national centers, and signs of positive results are starting to be seen. Nevertheless, the unionization rate of part-timers is still only in the 5% range.

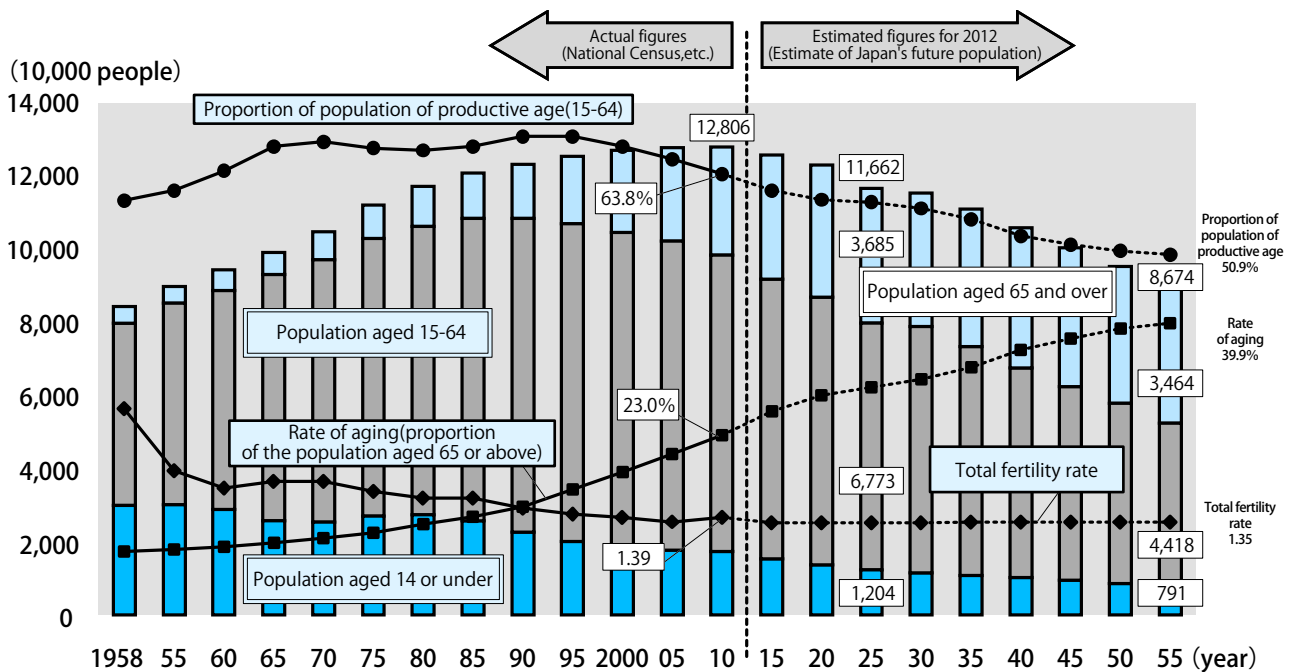
Japan’s labor legislation consists of a two-tiered structure, whereby minimum working conditions are decided by law, and working conditions above this level are decided through labor negotiations. Besides non-regular workers, many workers in small and

medium enterprises do not belong to labor unions either; in the case of small companies with less than 100 employees, the unionization rate is only about 1%. In Japan's case, moreover, it is very rare to find cases of labor agreements being applied beyond the range of union members, as seen in Germany, France and other European countries. The rate of application of labor agreements to the general workforce is extremely low. Labor negotiations have to be instigated to raise minimum working conditions above the levels determined by law, but for many

workers, even that is out of the question. The essential content needed for deciding working conditions has been hollowed out, and the provisions of labor legislation have become little more than a façade.

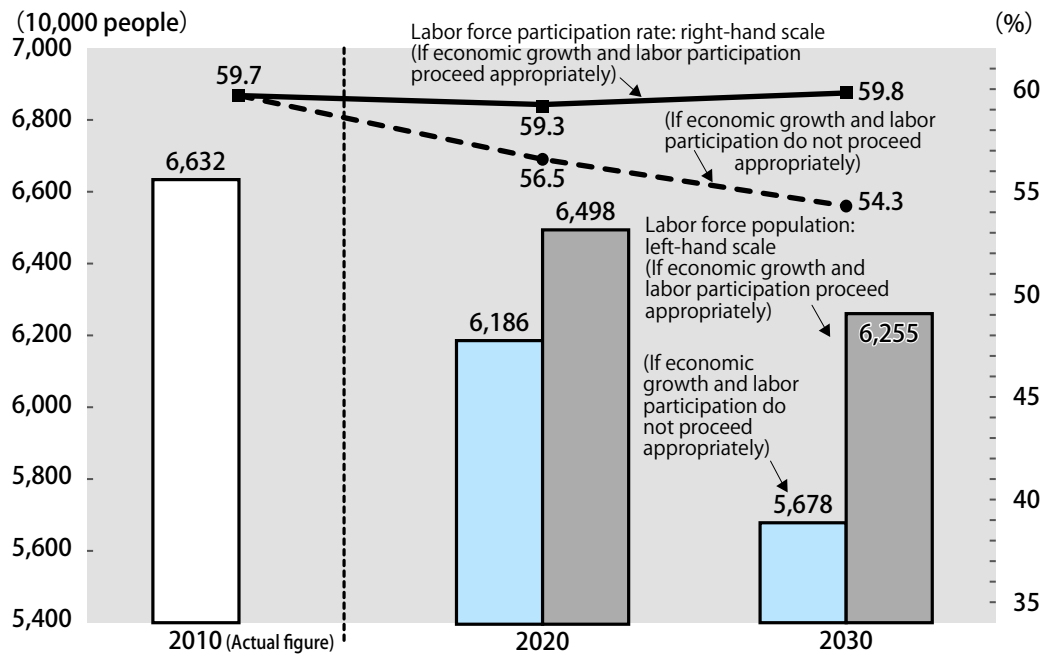
So what can be done to create a system of collective labor relations that also reflects the interests of non-regular workers? Japan is now at the stage where this should be discussed, together with the future directions for labor union legislation, taking account of new laws for employee representative systems found in European countries.

Figure I-5 Trends in Japan's Population



Source: Ministry of Internal Affairs and Communications, *Population Census and Population Estimates*
 National Institute of Population and Social Security Research, *Population Projections for Japan (Jan. 2012 estimates): Medium Fertility (Medium Mortality) Projection* (population as of Oct. 1 each year)
 Ministry of Health, Labour and Welfare, *Vital Statistics*

Figure I-6 The Outlook for the Labor Force Population and the Labor Force Participation Rate

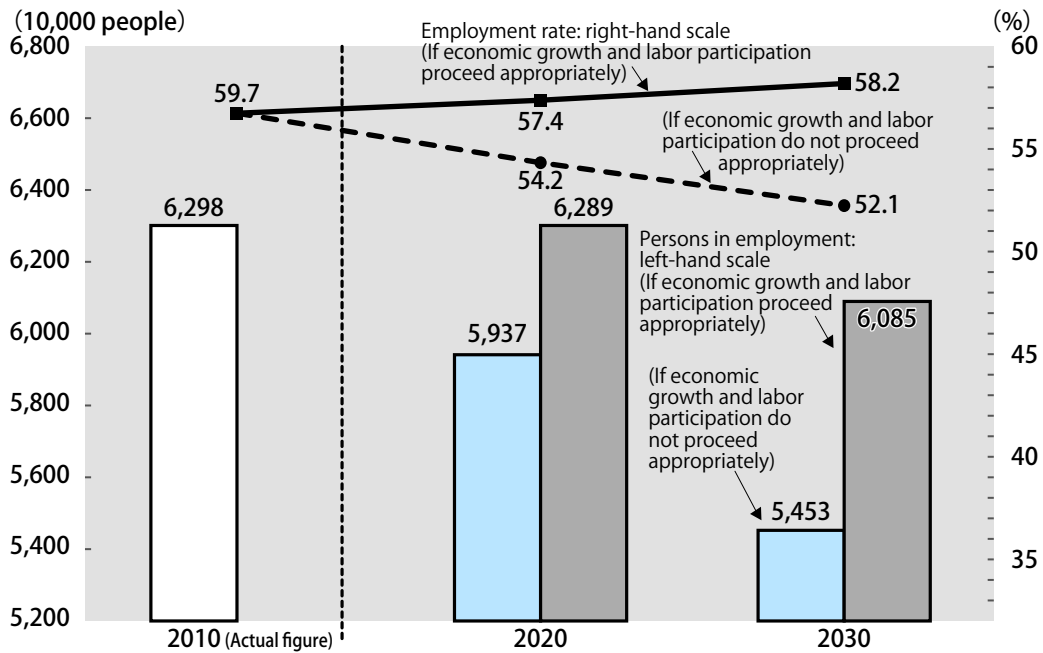


Sources: Actual figures for 2010 – Ministry of Internal Affairs and Communications, *Labour Force Survey*, calculated from intercensal adjusted figures based on (new) standard population

Figures for 2020 and 2030 – JILPT estimates

Note: Estimates are made by JILPT using the National Institute of Population and Social Security Research, *Population Projections for Japan (January Estimates): Medium Fertility (Medium Mortality) Projection*

Figure I-7 The Outlook for Number of Persons in Employment and the Employment Rate



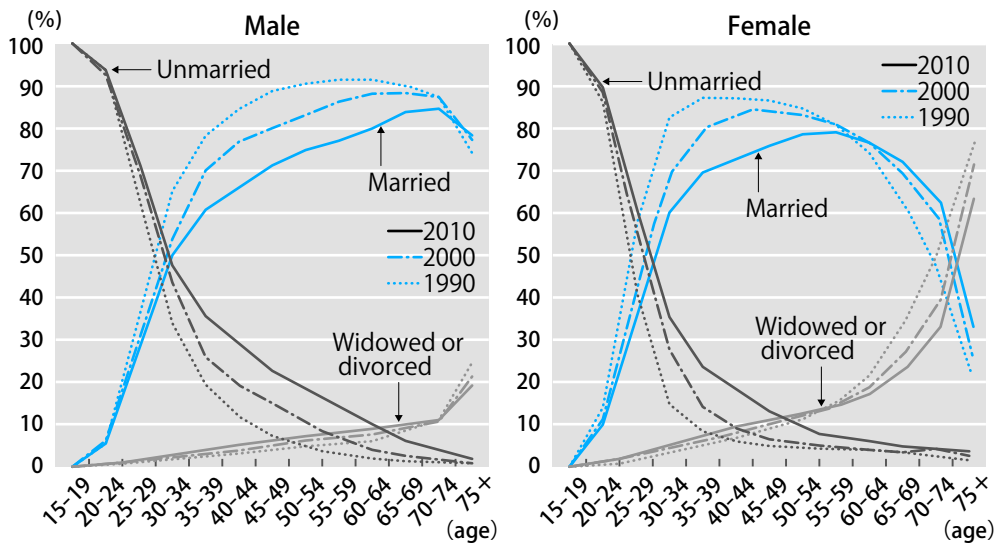
Sources: Actual figures for 2010 – Ministry of Internal Affairs and Communications, *Labour Force Survey*, calculated from intercensal adjusted figures based on (new) standard population

Figures for 2020 and 2030 – JILPT estimates

Note: Estimates are made by JILPT using the National Institute of Population and Social Security Research *Population Projections for Japan (January Estimates): Medium Fertility (Medium Mortality) Projection*

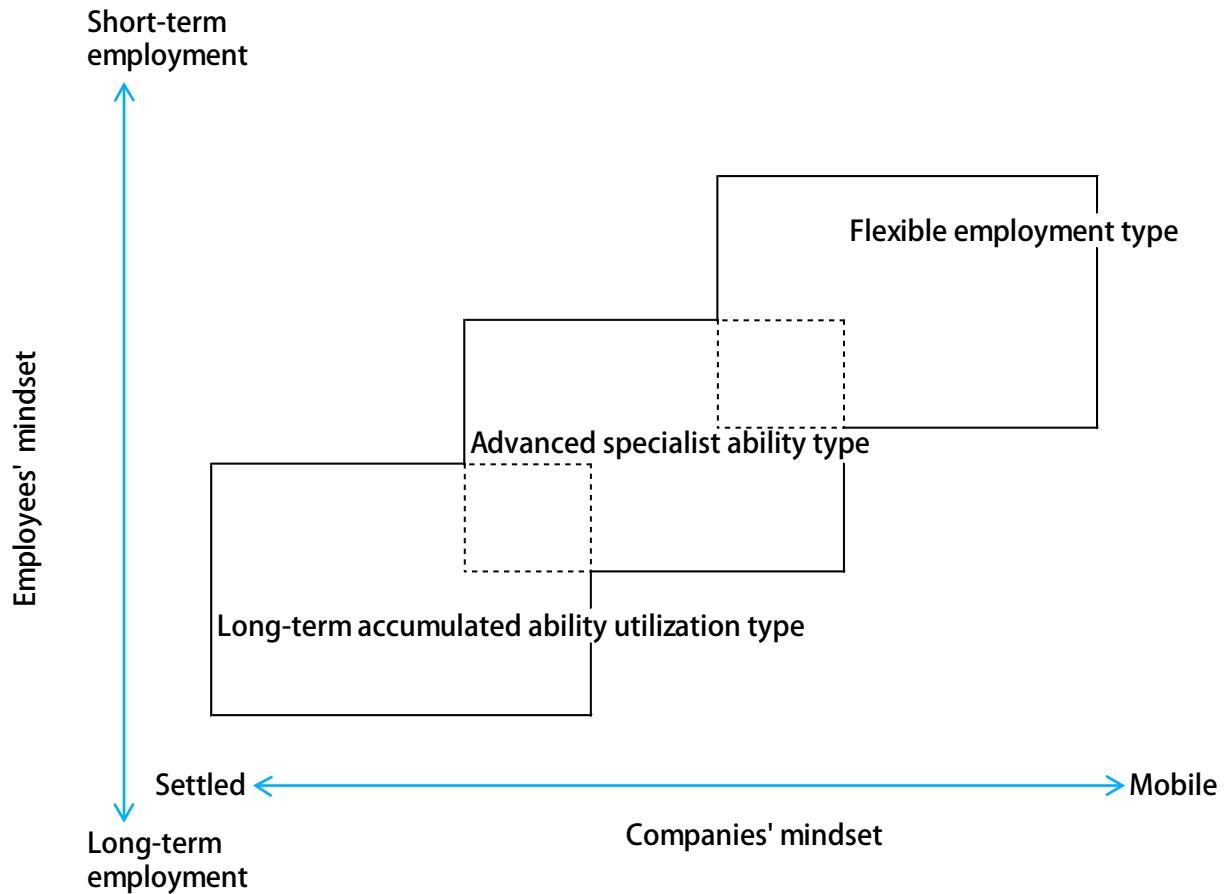
Figure I-8 Trends in the Unmarried Ratio by Age Group

The unmarried ratio is rising in all age groups for both males and females. For example, the unmarried ratio for males aged 30-34 was around 30% in 1990 but has now risen to around 50% .



Source: Compiled with reference to Ministry of Internal Affairs and Communications, *National Census 2010*

Figure I-9 Classification of Employees by Employment Format



Main content of conditions by employment format

	Long-term accumulated ability utilization type	Advanced specialist ability type	Flexible employment type
Employment format	Open-ended contract	Fixed-term contract	Fixed-term contract
Target personnel	Management, career-track, core workers in skilled divisions	Specialist divisions (planning, sales, R&D, etc.)	Non-career track Skilled divisions Sales divisions
Wages	Monthly or annual salary Ability-related Incremental	Annual salary Performance-related No increments	Hourly pay Job-related No increments
Bonuses	Fixed rate + performance-based slide	Allocation by results	Fixed rate
Retirement pay, pensions	Points system	None	None
Promotions and upgrades	Promotion to management Upgrade of professional qualifications	Performance evaluation	Conversion to higher post
Welfare measures	Comprehensive livelihood measures	Livelihood support measures	Livelihood support measures

Source: "Japanese-Style Management in the New Age" Report
Japan Federation of Employers' Associations, 1995

1 Population and Labor Force

Population Growth Rate and Decline from the Late 1970s

Between November 1945 (immediately after the end of World War II) and October 2012 (national census), Japan's population increased by a factor of about 1.77, from a reported 72.15 million to 127.52 million. Naturally, this continued increase has not been at a uniform pace over this 67 years. There has been a switchover in population change from the pre-war days of high birth rates and high death rates to the post-war situation of fewer births and fewer deaths.

During this transition period, we experienced a condition of high birth rates and low death rates. During the first baby boom (1947-49), the population grew at an average annual rate of over 5%, but growth rapidly slowed down to about 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. The growth rate recorded a post-war low of 0.2% in the 5 years until 2010. In fact, in the twelve months from 2011 to 2012, the population actually fell by 0.2%.

Nuclear Families as the Main Reason for Decline in the Population Growth Rate

There are a variety of factors behind the decline in population growth. However, one of the biggest reasons is the population shift from farming villages to urban centers causing an increase in families of employed laborers forming nuclear families, and as a result the birth rate have declined. This transition was

also marked by the tendency to postpone marriage and child-bearing until a higher age. Along with receiving a higher level of education, women are continuing to find an expansion of employment opportunities; the resulting rise in the female employment rate is closely related to this trend.

Total Population Peaked in 2008, and Thereafter Decline

It is believed that Japan has entered a period of population decline. According to the latest statistics from the Ministry of Internal Affairs and Communication, the population peaked in 2008 reaching 128.08 million. It has decreased for the first time in history. (The total population in 2010 was in excess of 128 million people, as stated above, but this is thought to be because the statistical processing technique changed in March 2011, rather than indicating that the trend itself has changed.) Although population change is due to natural and societal increase and decrease, the natural increase and decrease that is considered to be the basis for population change has been gradually decreasing. Population distributions by age, too, will further increase with the tendency toward lower birth rates and a larger elderly population (see Figure II-1). The working population is already diminishing in both real and proportional terms. As a result, there is concern over problems such as a slow-down in economic growth, and an increasing burden of support for the younger and older segments of society. As the labor force ages, a decrease in the number of young workers and overall manpower is observable.

Post-war Period Characterized by Regional Migrations in Search of Employment Opportunities

Looking at the population shifts between three major urban areas and other areas of Japan over the postwar years shows one striking pattern—the shift from non-urban areas (farming villages) 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 industries. This shift brought about the serious problems of depopulation in the countryside and overcrowding in urban centers. A subsequent shift saw a migration within urban boundaries from congested city centers 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) are the so-called “U-turn” and “J-turn” —the tendency for people to move from their birthplaces in the countryside to a large urban center, and later back to their home-towns or a major regional city near their hometowns.

The concentration has been increasing yearly, and as of 2010 (national census), approximately 28% of Japan’s population centers in the four prefectures of

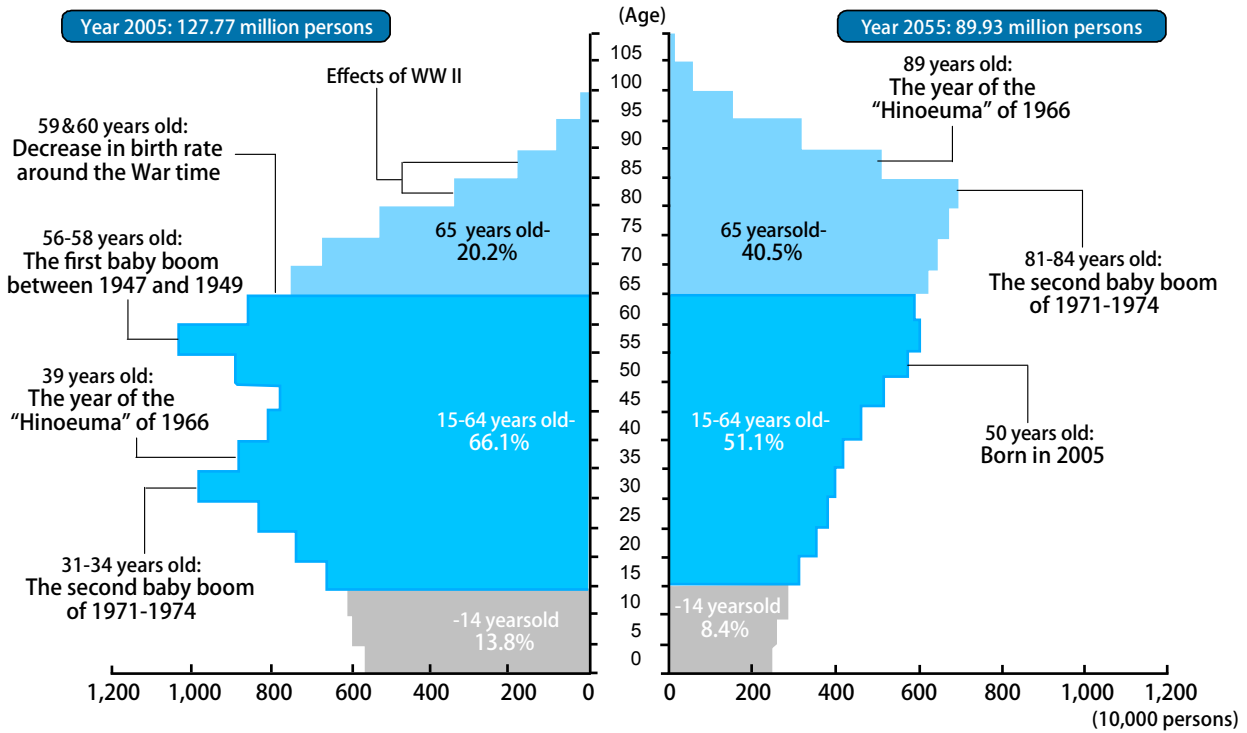
Saitama, Chiba, and Kanagawa, and Tokyo.

Ongoing Decline in the Population of Foreign Nationals

With the advance of globalization, the population of foreign nationals had been consistently increasing, peaking at 2.14 million in 2008. Due to the prolonged recession and other factors, however, the number has continued to decline since then, falling to 2.03 million in 2012. This corresponds to 1.60% of Japan’s total population. (NB: Caution is required when comparing with past data, as the basis for statistical measurement changed when the relevant legislation was amended in 2012.)

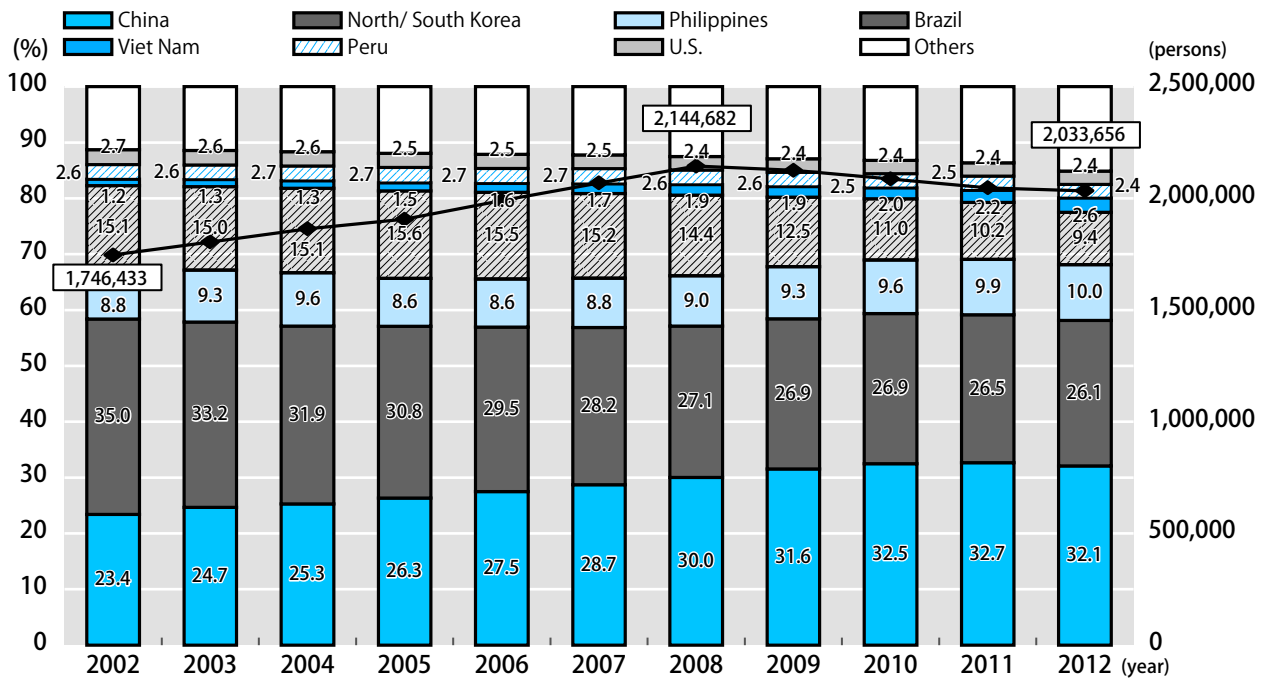
With regard to the breakdown of this, in the past, North and South Koreans accounted for the vast majority of Japan’s resident aliens. Their share has been decreasing, however, and as of the end of 2012, they accounted for 26.1% of the foreign population, a record low (see Figure II-2). On the other hand, there has been an influx of people from other Asian countries such as China and the Philippines, and the number of Central and South Americans of Japanese descent who have immigrated to Japan with their families to work is also on the rise after approval of their permanent-resident visas. This trend began to gather speed during the bubble economy of the late 1980s. The Chinese population in Japan, in particular, has been increasing greatly to No.1 since 2000, overtaking North and South Korea by the end of 2007. Although the ratio fell slightly between 2011 and 2012, Chinese nationals still account for 32.1% of the foreign population. There have also been notable increases in nationals from Thailand, Indonesia, Nepal and other countries, although their proportion of the whole is not very large.

Figure II-1 Japan's Population in 50 Years



Source: The figures in 2005 are based on *Report of Population Census*, Statistics Bureau, Ministry of Internal Affairs and Communications. 2055 are on *Population Projections for Japan Medium-variant fertility (with Medium-variant mortality)*, National Institute of Population and Social Security Research. Note: "Hinoeuma" is one of the sign in the Oriental Zodiac. It is superstitiously believed that females born to this sign will create evil and many people avoided to give birth on this year.

Figure II-2 Changes in Registered Alien Population by Nationality



Source: Compiled from Ministry of Justice, *Numbers of Foreign Nationals Resident in Japan as of Dec. 31, 2012*

Changes in Labor Force and Labor Force Ratio – Declines in Both –

Japan's total population stands at 127.44 million. Of this total, 16,525,000 are aged 0-14, 79,901,000 are in the 15-64 bracket, and 31,019,000 are 65 or above (as of January 1st, 2013; Final Population Estimate by the Statistics Bureau, Ministry of Internal Affairs and Communications, 2013).

The labor force includes those people aged 15 and older who actually hold jobs and therefore qualify as “workers”, as well as “completely unemployed persons” who want and seek jobs, but are not currently engaged in any work.

Japan's working population in 1960 was 45.11 million, but by 2012 this had swollen to an average of 65.55 million (males 37.89 million, females 27.66 million) (Ministry of Internal Affairs and Communications, 2012 Annual Report on the Labour Force Survey).

The ratio of the labor force to the general population aged 15 and older is called the “labor force ratio” (or the “labor force population ratio”). In 1960, Japan's labor force ratio was 69.2%, but it declined to 59.1% in 2012 (male: 70.8%, female: 48.2%). (Ministry of Internal Affairs and Communications, 2012 Annual Report on the Labour Force Survey)

Features of Japan Visible in the Labor Force Ratio

Figure II-4 shows the labor force ratio classified by gender and age from 1980 to 2012, and points out the following characteristics as long-term trends of Japan's labor force ratio:

(1) For males, no significant change is seen overall, but there are decreases in the 25-29 and over 65 age groups.

(2) The female labor force ratio develops in the M-shaped curve: the labor force ratio of female workers declines for workers in their late 20s through their 30s, and increases again after that. During this period, however, the bottom of the M-shaped curve shifts upwards and to the right, showing a smaller decrease in the labor force ratio.

Factors behind the Labor Force Ratio

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

(1) For women, the labor force ratio used to decrease from the late 20s through the 30s, because many would quit their jobs and leave the labor force to get married and have children during that time. In the period under review, however, more women were staying in employment at these ages. Other contributory factors are a tendency to delay marriage and childbirth, and a rise in the proportion of unmarried women.

(2) Comparing the female labor force ratio by age group between married and unmarried women from 1990 to 2012, the gap between the two has widened in the child-rearing ages of 20-44. That is, while the ratio has remained relatively unchanged for unmarried women compared to ten years ago, it has risen for married women in all age groups except 40-44. The scale of this increase is particularly large in the 25-29 and 30-34 age groups.

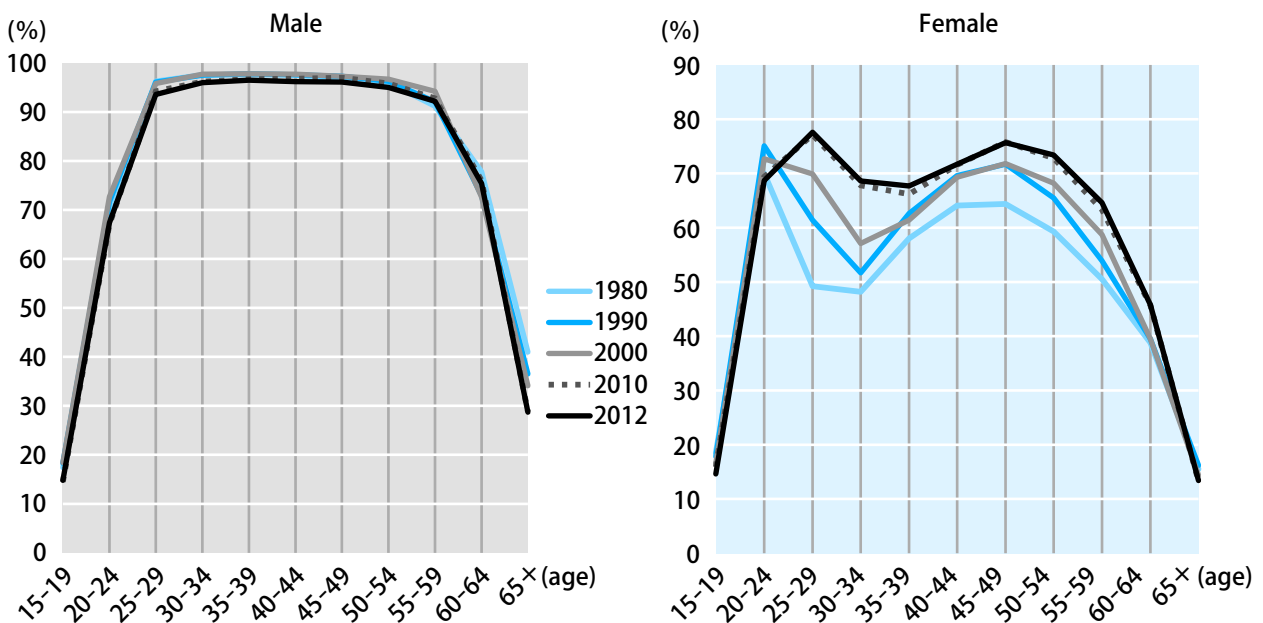
Thus, although women's participation in employment has progressed, the increase in employed females is due to an increase in the number of non-regular workers, among other factors (Ministry of Health, Labour and Welfare, 2012 Analysis of Labor Economy).

Figure II-3 Composition of Labor Force



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

Figure II-4 Changes in the Labor Force Participation by Sex and Age



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

2 Employment and Unemployment Trends

Diversification of Employment

One of the most obvious changes over the medium term in Japan's employment landscape has been the marked diversification of employment. In terms of form of employment, the proportion of all employees (excluding company directors) who were regular employees had fallen below two thirds to 64.8% in 2012. Compared with during the 1980s, when over 80% were regular employees, the scale of the increase in non-regular employment since the collapse of the economic bubble in the 1990s is evident.

Looking at non-regular employment, in terms of the proportion of employees other than board members for which they account, part-timers occupied the biggest share in 2012 at 17.2%, while those doing side jobs came next at 6.8%. Along with these, contract employees and temporary employees (6.8%) and dispatched workers (1.7%) have also come to account for a certain proportion.

The diversification of forms of employment is evidenced also by the rise in the proportion of employees who work relatively short working hours.

Amidst the long-term development of non-regular forms of employment, the share of non-regular employees in 2009 was 33.7%, a decrease – albeit slight – from the previous year's figure of 34.1%. Against the background of the rapid contraction of economic activities as a result of the global economic crisis that was triggered by the Lehman Shock in the autumn of 2008, the sizeable decrease in the number of dispatched workers, centered primarily on manufacturing industry, was a major factor in this. The share of non-regular employees has continued to rise since 2010, despite an ongoing slump in numbers of dispatched workers, thanks to brisk increases in other types of non-regular employment.

The first of the factors that have brought about this kind of diversification in forms of employment that comes to mind is the long-term trend towards service-based industries, centering on the increase in the share of tertiary industry. The trend towards service-

based industries provides more opportunities to find jobs that involve forms of employment other than regular employment. For example, the 2012 edition of the "Employment Status Survey" conducted once every five years by the Statistics Bureau of the Ministry of Internal Affairs and Communications (MIC), providing a useful source of data for examining employment patterns in detail, indicates that the proportion of all employees (excluding company directors) accounted for by non regular employees is considerably higher in tertiary industry (73.3% in the food, beverage, and hotel industries, 50.0% in the wholesale and retail industries, 50.5% in other service industries that cannot be categorized, and 39.1% in the medical and welfare industries) than in manufacturing (26.3%). In these industries, there is strong demand for non-regular employment due to the nature of the work, such as the fluctuating level of demand for services and the need to provide services beyond ordinary working hours.

At the same time, the diversification of forms of employment and ways of working has been propelled in part by the needs of workers themselves. As more women in particular have entered the workforce, those with childcare or other responsibilities in the home often themselves choose to work on a non-regular basis as this enables them to work more flexible hours (both in terms of the number of hours worked and the times that they work).

In addition to these basic factors, other salient factors have fueled the recent rapid increase in non-regular employment. One has been employers' curbing of regular employment and use instead of non-regular employees to cut labor costs in response to the severe economic and employment conditions faced since the collapse of the bubble in the 1990s. The other is the impact of institutional changes, including amendments to legislation. In particular, the deregulation of agency businesses (i.e. a broadening of the scope of businesses that can dispatch workers) has led to a progressive increase in the use of

dispatched workers. The slowdown in the use of dispatched workers from 2009 was partly due to the fact that, although legal amendments were being discussed with a view to greater regulation of agency businesses in this period, no clear direction could be decided. However, a degree of resolution (legal amendment) was reached in 2012, and developments from now on will demand some attention.

Although employment types have diversified rapidly in recent years, some problems have been pointed out. One is that some employees find it difficult to assimilate corporate technologies and skills. Another is the large disparity in wages and other treatment between regular and non-regular employment, even when much of the work is the same. Another still is that no unemployment safety net has been developed for non-regular employees, many of whom are employed on fixed-term contracts.

Growth in Unemployment

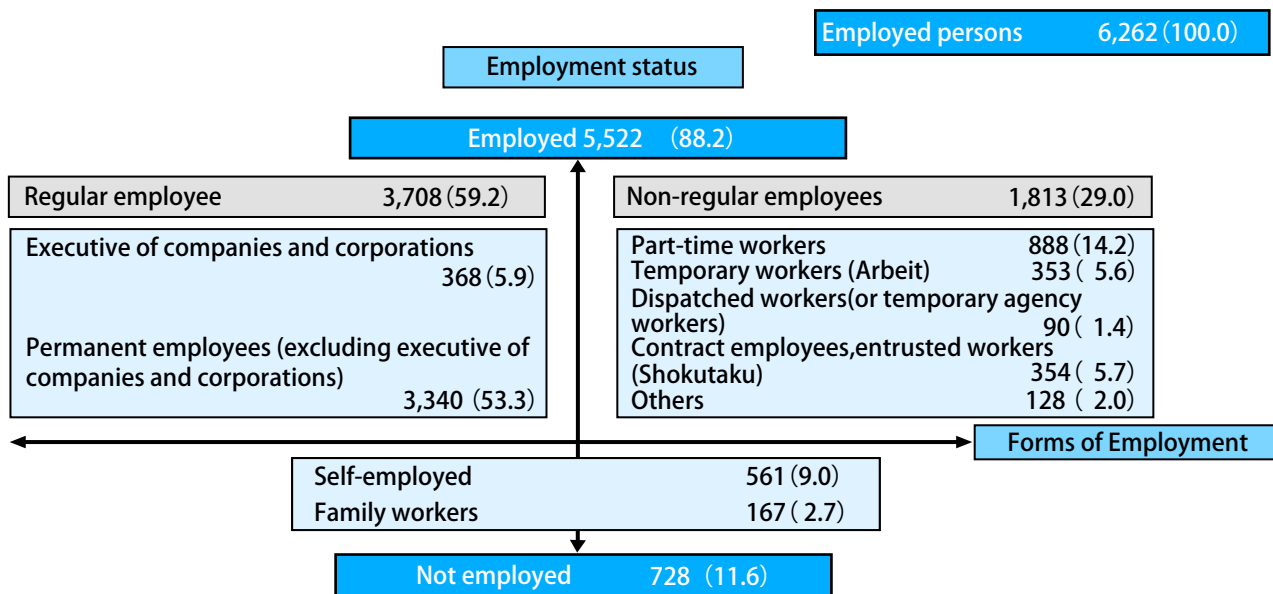
A second recent feature of employment in Japan has been the upward trend in unemployment. From the 1970s to the end of the 1980s, the overall unemployment rate remained between around 2% and 3% as it bobbed around slightly behind trends in the business cycle. Following the collapse of the bubble at the beginning of the 1990s, however, the economy entered a protracted slump and, after declining to a low of 2.1% in 1992, unemployment continued to rise for the next decade to reach its most recent peak of 5.4% in 2002. Thereafter, as the economy entered an extended phase of gradual recovery, the unemployment rate also fell, reaching a recent low of 3.9% in 2007. But in 2008, another recession sparked by the global financial crisis caused the overall unemployment rate to turn upwards again, revisiting the 5% level in 2009. Nevertheless, as the economy recovered once more, the rate again shifted downwards (in spite of the Great East Japan Earthquake disaster in 2011), settling in the lower 4% range in 2012.

Viewing these trends, we see how the keynote of Japan's unemployment rate has shifted upwards through the "lost two decades" of the Japanese economy after the collapse of the bubble at the beginning of the 1990s, advancing from the level of around 2% in the 1980s to trend between the upper 3% and 4% range in recent years. Estimated trends in structural/frictional unemployment (equal to the equilibrium rate of unemployment, i.e., the level of unemployment when supply and demand for labor presently manifest on the labor market are in equilibrium assuming the present structure of the labor market) based on a U-V analysis support this interpretation.

This underlying upward trend in the unemployment rate may be seen as a reflection of the general trend in Japan's economic growth. However, the purpose of economic growth is to satisfy people's economic needs, and it is not necessarily worth single-mindedly pursuing growth in a mature economy such as Japan's. If the underlying upward trend in unemployment is to be curbed, there will have to be a shift in the future to employing gains in productivity made possible by technological innovation to reduce working hours rather than pursuing further quantitative growth.

One structural problem concerning unemployment is the particularly high rate among younger age groups. In 2012, unemployment was higher among 15-to 19-year-olds (7.9%), 20-to 24-year-olds (7.9%), and 25-to 29-year-olds (6.4%) than among all age groups combined (4.3%). The period of transition from school to work is one during which young people are searching for the right job, and the unemployment rate has traditionally been higher around this age, but this has been accentuated in recent years by reduced hiring of school leavers as permanent employees. This has resulted in more people having to start their working lives in non-regular employment.

Figure II-5 Breakdown of Employed Persons (2012 Averages)

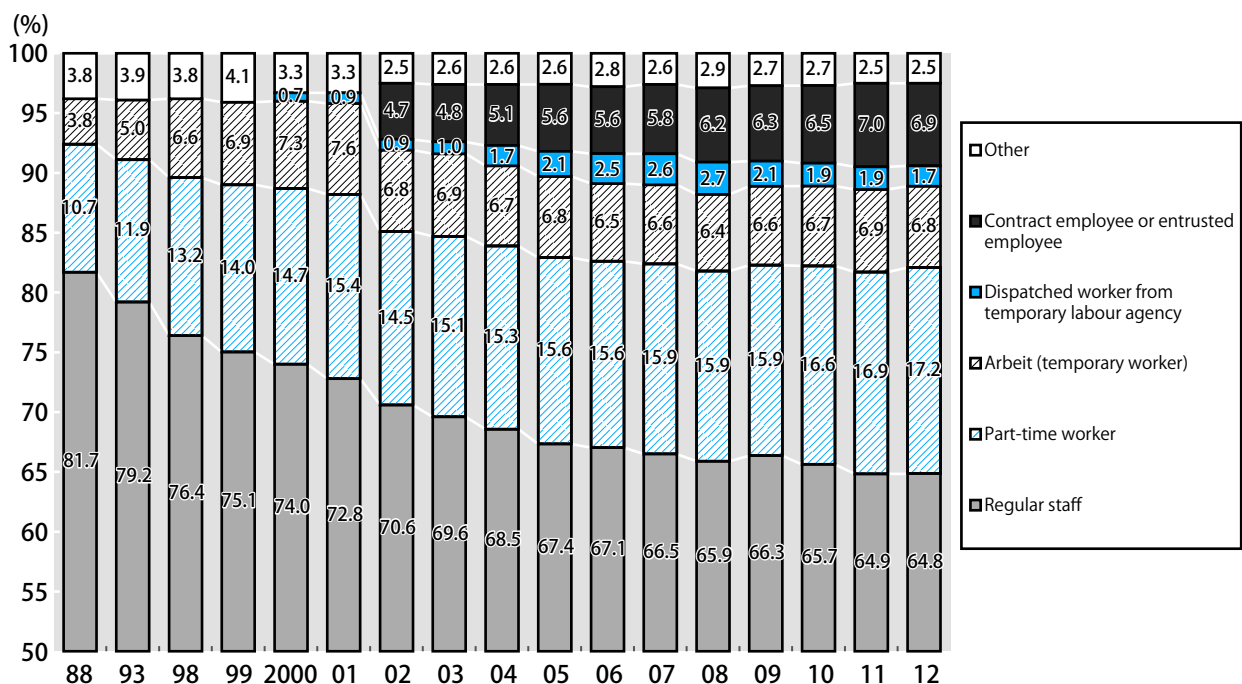


Source: Statistic Bureau, Ministry of Internal Affairs and Communications, *Labour Force Survey (Detailed Tabulation)*

Note: Figures not in parentheses indicate the numbers of employed persons in tens of thousands.

Those in parentheses indicate the percentages of employed persons in the overall population.

Figure II-6 The Proportion of Employees by Type of Employment



Sources: Compiled from the *Labour Force Special Survey* (survey in February each year) in the case of data for 2001 and earlier, and from the *Labour Force Survey Detailed Tabulation* (annual averages) in the case of data for 2002 onwards.

In addition, because there are differences in survey methods between the Labour Force Special Survey and the Labour Force Survey Detailed Tabulation, caution is required in comparing time series data.

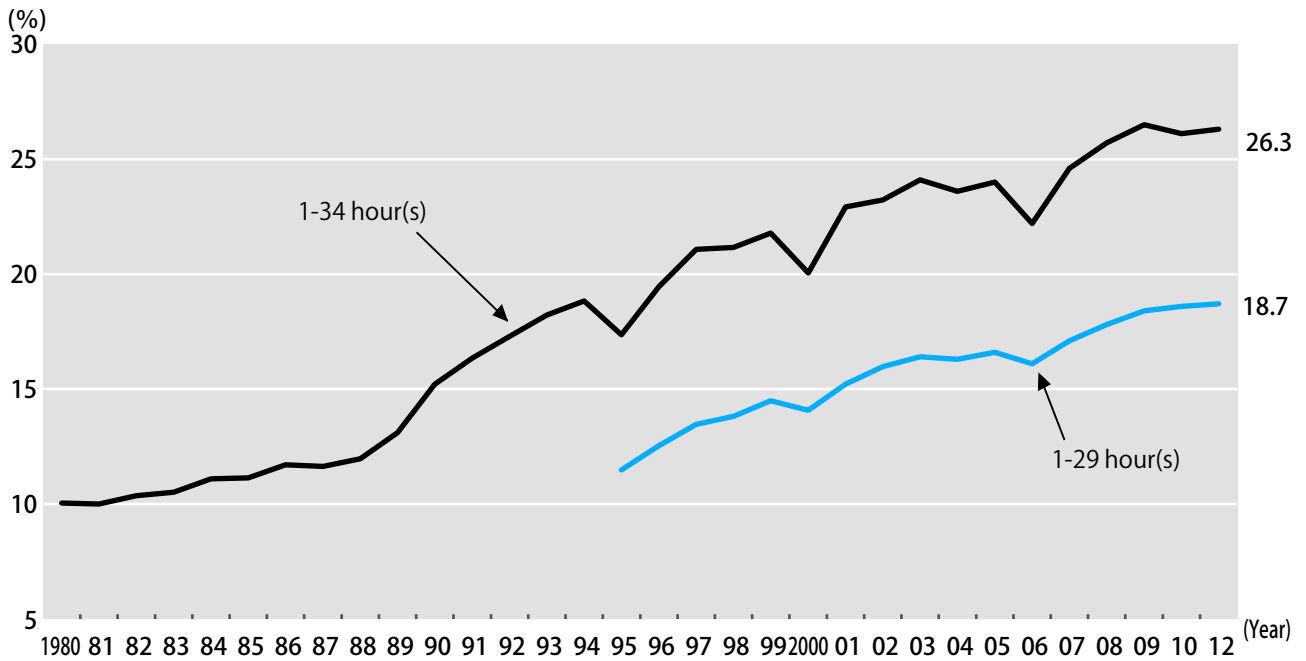
Notes: 1) From 2000, "Dispatched workers" was added as an independent category, while from 2002, "Contract employees and temporary employees" was added.

2) This is the share among employees other than board members.

3) The figure for 2011 is a complementary estimate to supplement missing data due to the Great East Japan Earthquake.

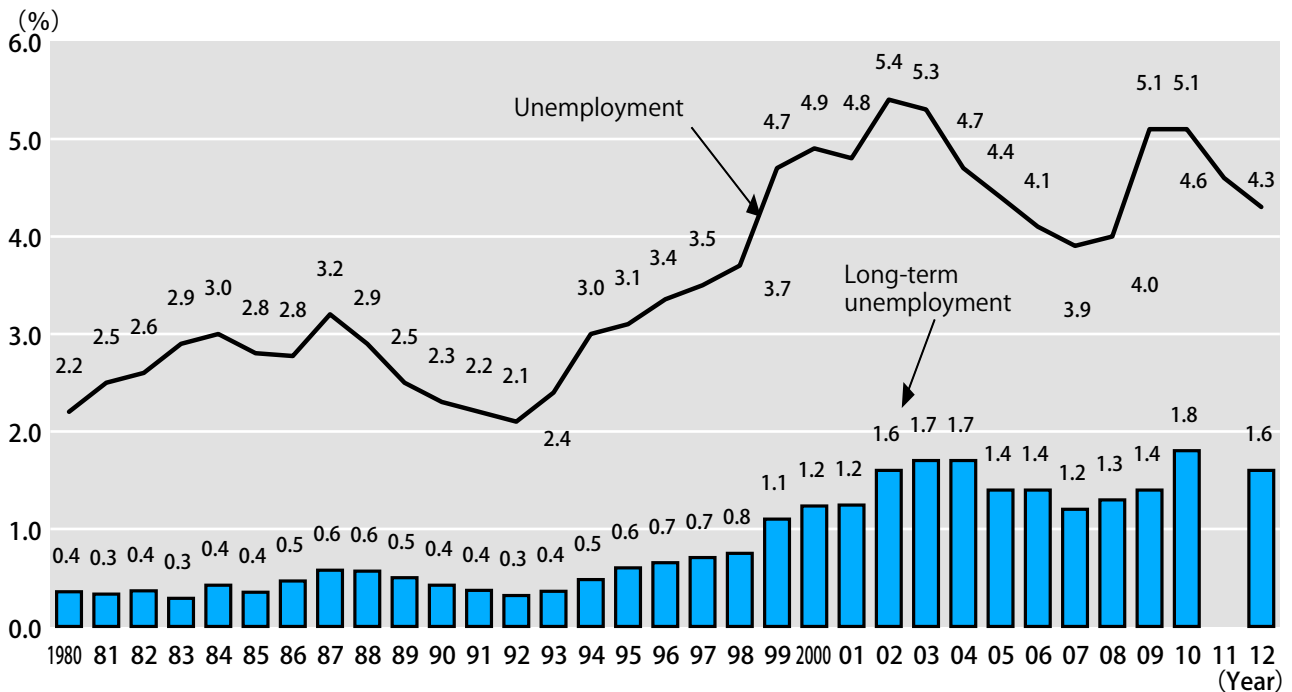
4) Some data since 2007 have been changed in line with changes in the base population.

Figure II-7 Breakdown of Non-agricultural/ Forestry Industry Employees by Working Hours



Source: Statistic Bureau, Ministry of Internal Affairs and Communications, *Labour Force Survey*
 Note: As a result of the Great East Japan Earthquake, the national total for 2011 has not been aggregated, and no complementary estimate has been published for this item.

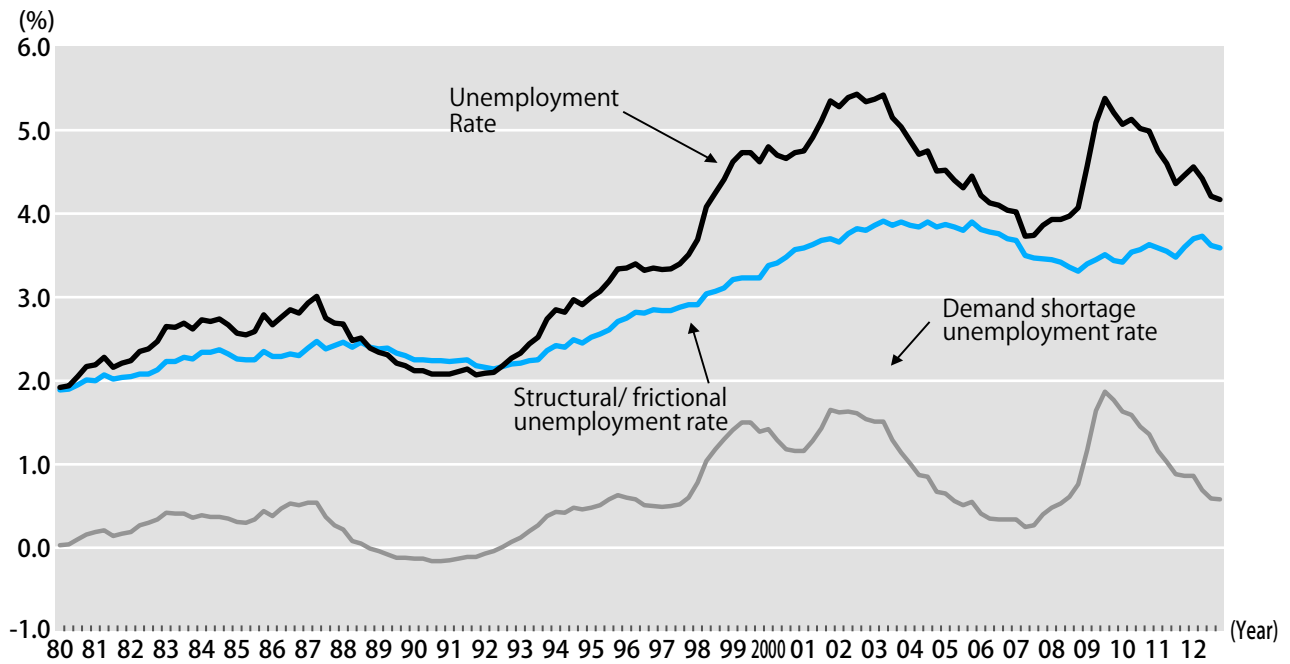
Figure II-8 Trends in Unemployment and Long-term Unemployment Rates



Sources: Statistic Bureau, Ministry of Internal Affairs and Communications, *Labour Force Survey*, *Special Survey of Labour Force Survey (1977-2001)*, *Labour Force Survey (Detailed Tabulation) (2002-2008)*

Notes: 1) Long-term unemployment rate = persons unemployed for 1 year or more / labor force population
 2) The values are for each March up to and including 1982 and for each February from 1983 to 2001, and are yearly averages from 2002 to 2010.
 3) As a result of the Great East Japan Earthquake, the national total for 2011 has not been aggregated, and although complementary estimates have been published for the unemployment rate, unemployment figures by length of unemployment have not been published.

Figure II-9 Trends in Structural/ Frictional Unemployment Rate and Demand Shortage Unemployment Rate



Sources: Estimated by the JILPT based on the method employed by the Labour Policy Director's Office in MHLW, *White Paper on the Labour Economy 2005*, based on MHLW, Employment Security Operations Statistics and Statistic Bureau, Ministry of Internal Affairs and Communications, *Labour Force Survey*

Note: It should be borne in mind that estimates of the structural/frictional unemployment rate are inherently limited due to the effects of changes in economic conditions.

3 Trends in Regional Employment

Regional Disparities

If we compare large urban areas with provincial areas in terms of employment, we can see that the disparity between the two is growing. Until the 1990s, rather than growing, regional disparities in Japan remained unchanged, supported by government spending focused primarily on public works projects implemented in provincial areas. However, since 2000, as a result of major reductions in public works projects due to fiscal restructuring, construction industry in provincial areas has fallen into decline and the gap between these areas and large urban areas with regard to the economy and employment has been growing.

The buildup of industry and employment has been markedly concentrated in the large cities of Tokyo, Nagoya, Osaka and Fukuoka and their surrounding areas. The accumulation has been most pronounced in the South Kanto region, which is centered on Tokyo, accounting for 29.1% (18.29 million people) of all employees throughout Japan (62.86 million people). In particular, the number of employees in Tokyo is 9.52 million people, accounting for 15.1% of the figure for the country as a whole.

After South Kanto, the area where the biggest buildup of employment has taken place is the Kinki region, centered on Osaka, where there are 10.20 million employees, accounting for 16.2% of the national total. The Tokai region, centered on Nagoya, has 7.83 million employees, accounting for 12.5% of the national total, and the Kyushu region, centered on Fukuoka, has 6.63 million employees, accounting for 10.6% of the national total.

In contrast to these regions, which encompass multiple large cities, in provincial regions such as Hokkaido, Tohoku, Hokuriku, Chugoku and Shikoku, there has been a significant decrease in the population and progressive aging of the population as a result of the exodus of young people, and the number of employees has dropped quite considerably, reflecting the dearth of employment opportunities (Figure

II-10).

Such disparities are basically brought about by differences between regions in terms of their industrial structures. In ratios of employees by industry in each region, the ratio of “other services” and “information and communications” in South Kanto (centered on Tokyo) is higher than in other regions, revealing a progressive shift to a service and information economy. The proportion accounted for by the manufacturing industry is quite high in both the Tokai region, which is centered on Nagoya, and the North Kanto – Koshin region, which surrounds Tokyo, being in excess of 20% in both regions.

In contrast to this, in the case of provincial areas where there is only a weak buildup of industry and employment, the proportion accounted for by “construction industry” and “medical, healthcare and welfare” is quite high; in particular, the proportion accounted for by the latter is much higher than in large urban areas. In Shikoku and Kyushu, which have the highest figures, the proportion accounted for by medical, healthcare and welfare is as high as 13.5% (Table II-11).

Thus, the employment structure is quite different in large urban areas, where the accumulation of industry and employment are progressing, and in provincial areas, where depopulation and the aging of the population are progressing. With regard to the situation in large urban areas, in the South Kanto region, the buildup of the information and communications industry and the service industry is progressing; in the Tokai region, the buildup of the manufacturing industry is progressing, centering on the automotive industry; and in the North Kanto – Koshin region, the buildup of the manufacturing industry is progressing, centering on the electrical appliance and automotive industries, with large-scale employment creation taking place as a result.

In contrast, in provincial areas with no major cities, the proportion accounted for by industries that are influenced to a great degree by financial support

from the government, namely the construction industry and the medical, healthcare and welfare sector, is high. Due to the massive deficit accumulated in government finances, however, large fiscal outlays to provincial areas are not as easy as they once were. This gives the construction industry less room to increase employment, and there is an ongoing trend toward shrinkage. On the other hand, in provincial areas, where one sees no buildup of the manufacturing industry, the medical, healthcare and welfare sector, which is supported by the nursing-care insurance system, is a growth industry with the most pronounced expansion in employment, partly because market needs are growing as a result of the progressive aging of the population.

Accumulation of the Manufacturing Industry

Excluding the South Kanto region, which is centered on Tokyo, where the buildup of the service sector and the information and communications sector is progressing remarkably, the factor that has a major impact on disparities between other regions is the degree to which the manufacturing industry has accumulated in a region. If it is possible to attract export-oriented industries in the form of the automotive or electrical appliance industries, a region can expect a significant employment creation effect. Consequently, local governments have striven to attract companies by preparing land, developing infrastructure, such as roads, and formulating preferential measures, such as subsidies and tax reductions.

From 2003, when the impact of the various reforms implemented under the Koizumi administration came to a head, until the autumn of 2008, when the Lehman Shock flared up, the Japanese economy achieved sustained economic growth. What drove this growth was export-oriented industries, namely the automotive and electrical appliance sectors; it intensified domestic investment and promoted the construction of new plants, as well as the augmentation of existing plants. Prior to this, there had been a progressive transfer of plants to locations overseas, as a result of the strong yen, and it was feared that domestic industry would become

hollowed-out, but in the process of economic recovery from 2003 onwards, the tendency to relocate the manufacturing industry back within Japan strengthened.

The number of cases of new manufacturing sites being established within Japan was 9,101 across Japan during the six years from 2003 to 2008. If we compare this to the 6,732 cases during the period 1997-2002, when the country was beset by a recession, we can see that the number of cases increased by 1.35 times. Moreover, the number of people employed as a result of these new manufacturing sites was 312,312 during the period 2003-2008, in excess of the figure for 1997-2002, which was 258,726.

If we look at the situation by region in a little more detail, we can see that the highest figure was in the Inland Kanto region surrounding Tokyo, followed by the Tokai region. Behind these regions of accumulated manufacturing industry in 3rd place was South Tohoku. Here, manufacturing industries had not accumulated so much, but there was increasing activity in new plant location by the export-oriented automotive and electronics industries (Figure II-12).

During the economic boom from 2003 onwards, the labor shortage centering on large urban areas escalated, so a succession of companies established new plants in provincial areas, which had a comparatively abundant supply of labor. The regions where these moves were particularly pronounced were the Inland Kanto and South Tohoku regions.

Viewing the number of plants established in Inland Kanto and South Tohoku by prefecture, in 2003-2008 the prefecture attracting most new plants was Gumma Prefecture in Inland Kanto (517 cases), comfortably ahead of Ibaraki Prefecture (376) and Tochigi Prefecture (309) in the same region, with the South Tohoku prefectures of Miyagi (250) and Fukushima (244) following after these.

The Impact of the Great East Japan Earthquake

In March 2011, the Tohoku region was suddenly hit by a major earthquake and tsunami. Together with the ensuing explosion at the Fukushima nuclear power plant, these delivered a devastating blow to

local communities. The areas suffering the most catastrophic damage from the earthquake, tsunami and nuclear power accident were coastal areas of Iwate Prefecture, Miyagi Prefecture, Fukushima Prefecture, Ibaraki Prefecture and elsewhere; the worst hit industries were fisheries and marine product processing. The majority of fishing boats and aquaculture facilities were washed away, processing plants also suffered disastrous damage, agriculture was affected by salt damage and others from the tsunami, and the regional economy was badly affected.

Besides these impacts on agriculture, fisheries and marine product processing, extensive damage was also suffered by manufacturing industries, which had been increasingly accumulating in the region. The effects of this were not only felt in Japan but even extended overseas. Plants manufacturing components and materials for export-oriented industries, namely the automotive and electrical appliance sectors, had accumulated in the stricken region, and the majority has been forced to shut down, halting the supply of components and materials, so the supply chain has ceased to function.

As a result, manufacturers of finished products have been forced to cut output significantly, so they have suffered serious damage to their business performance. What is more, the places to which these components and materials were supplied were not only plants within Japan, but also plants owned by Japanese companies that have expanded overseas and even foreign manufacturers, so this major earthquake has had a serious impact on the manufacturing industry across the globe.

The shutdown resulting from the earthquake has had such a big impact because the share of a number of crucial components and materials accounted for by Japanese manufacturers is extremely high and, moreover, their production was concentrated in specific plants within Japan. The problem being faced is that these plants have very highly-skilled employees and many of them have built production systems reliant on those skills, so the technologies and production cannot easily be transferred to other plants. One could say that the strength of Japanese companies has become a bottleneck.

However, the reconstruction of damaged factories proceeded at a quicker pace than expected. The Indices of Industrial Production (seasonally adjusted) of the three prefectures, which fell sharply immediately after the disaster (March 2011), had recovered to around 80 by December 2011 (Iwate 67.5 → 80.6, Miyagi 46.7 → 77.9, Fukushima 59.5 → 82.6).

Behind this rapid reconstruction lies the fact that many disaster-affected companies used the employment adjustment subsidy to retain their skilled engineers. This is a system whereby the government subsidizes the cost of training and the wages of temporarily laid-off workers.

Economic Recovery under “Abenomics”

Soon after it was formed in December 2012, the Abe Cabinet launched a bold economic policy known as “Abenomics”, in a bid to break away from a low-growth economy caused by deflation. To break free of deflation and currency appreciation and raise the growth potential of the Japanese economy, it embarked on a three-pronged approach of bold monetary policy, flexible fiscal policy and a growth strategy that encourages private investment. The effects of this approach first appeared on foreign exchange markets, where the yen has depreciated sharply, but the rate of economic growth is gradually picking up as well.

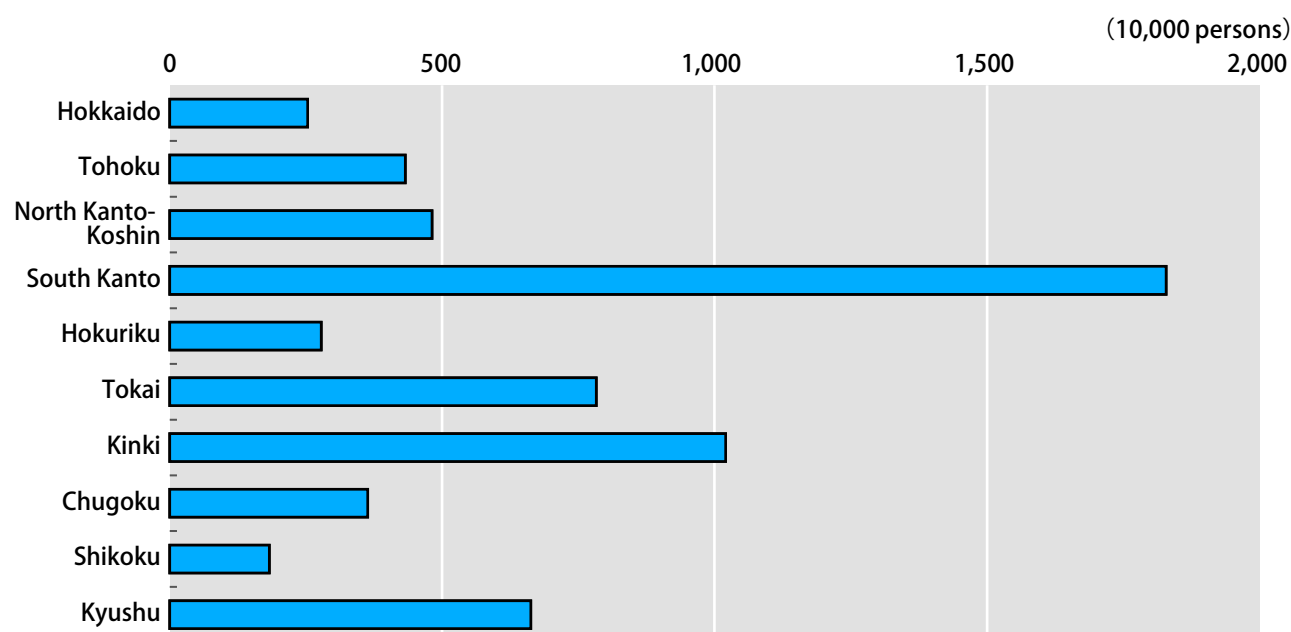
The effects of currency depreciation have also pushed up profits in the automotive and other export-oriented industries, accompanied by an upturn in the employment situation. Compared to April-June 2011, immediately after the disaster, the seasonally adjusted unemployment rate by region (except Chugoku and Shikoku) in the same quarter of 2013 had fallen significantly. Particularly in Tohoku, where the unemployment rate rose to 6.0% straight after the disaster, it has fallen back 2.1 points to 3.9%, partly because reconstruction demand has started to take full effect (Figure II-13).

The new policies launched by the Abe Cabinet are to be fleshed out in full from now on, but it is still unknown how far they can meet the policy targets of breaking free of deflation and currency appreciation, and raising the growth potential of the Japanese

economy. In particular, government debt has swollen to beyond 1,000 trillion yen, and the difficult task of reconciling fiscal restructuring with economic growth still looms large. Since the regional economy (excluding large urban areas) is closely linked to

fiscal support from the central government, the future of regional employment is strongly tied to macro-economic trends in the form of reconciling fiscal restructuring with economic growth.

Figure II-10 Number of Employees by Region



Source: Ministry of Internal Affairs and Communications, *Economic Census 2009*

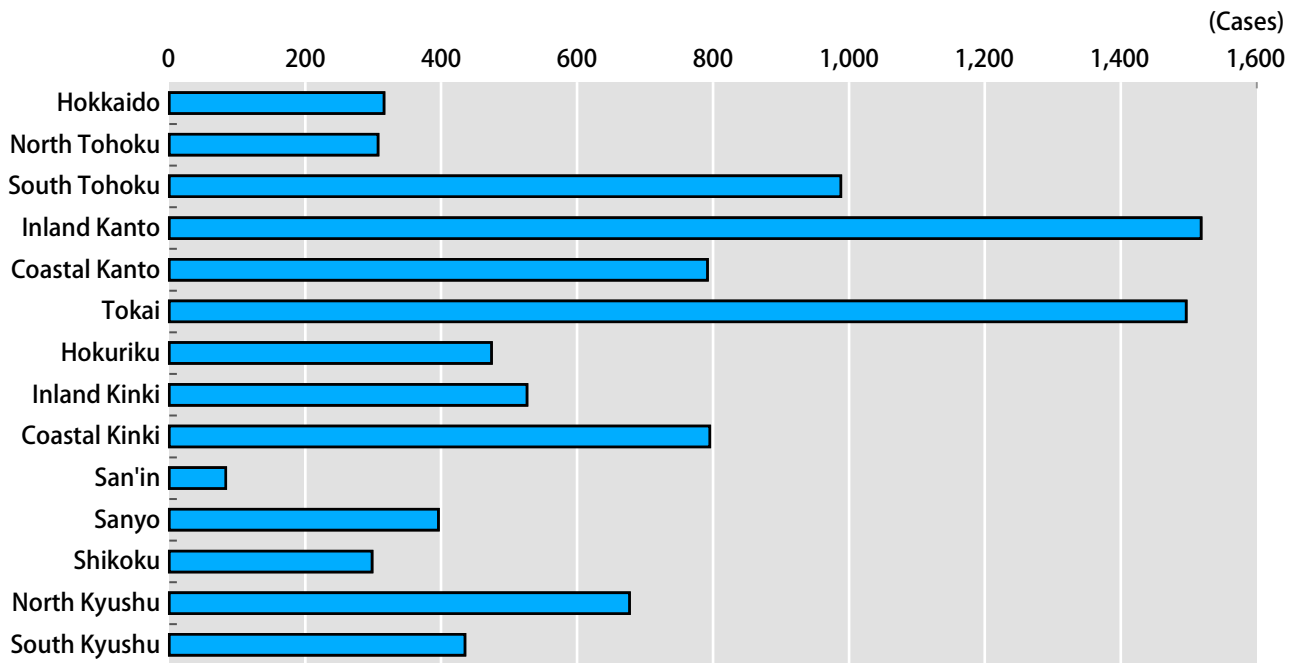
Table II-11 Proportion of Employees by Industry as Seen in Each Region

(%)

	Construction	Manufacturing	Information and communications	Transport & Postal Activities	Wholesale and retail trade	Accommodations, eating and drinking services	Medical, health care and welfare	Compound services
Hokkaido	8.6	8.1	1.7	6.4	20.6	9.4	11.7	21.6
Tohoku	8.8	15.3	1.3	5.4	20.8	8.1	10.8	19.5
South Kanto	6.1	12.1	5.6	6.2	20.0	9.5	8.4	22.4
North Kanto - Koshin	7.3	21.5	1.2	5.1	19.0	8.8	9.5	19.5
Hokuriku	9.0	19.4	1.3	4.9	19.7	8.2	10.3	18.6
Tokai	6.6	23.8	1.5	5.5	19.3	9.0	8.5	18.6
Kinki	5.6	16.6	2.1	5.7	21.0	9.7	10.7	20.2
Chugoku	7.6	16.6	1.3	6.0	20.2	8.0	12.0	19.2
Shikoku	7.6	14.3	1.3	5.4	20.6	8.5	13.5	19.1
Kyushu	7.8	11.3	1.6	5.5	21.0	9.3	13.5	20.0

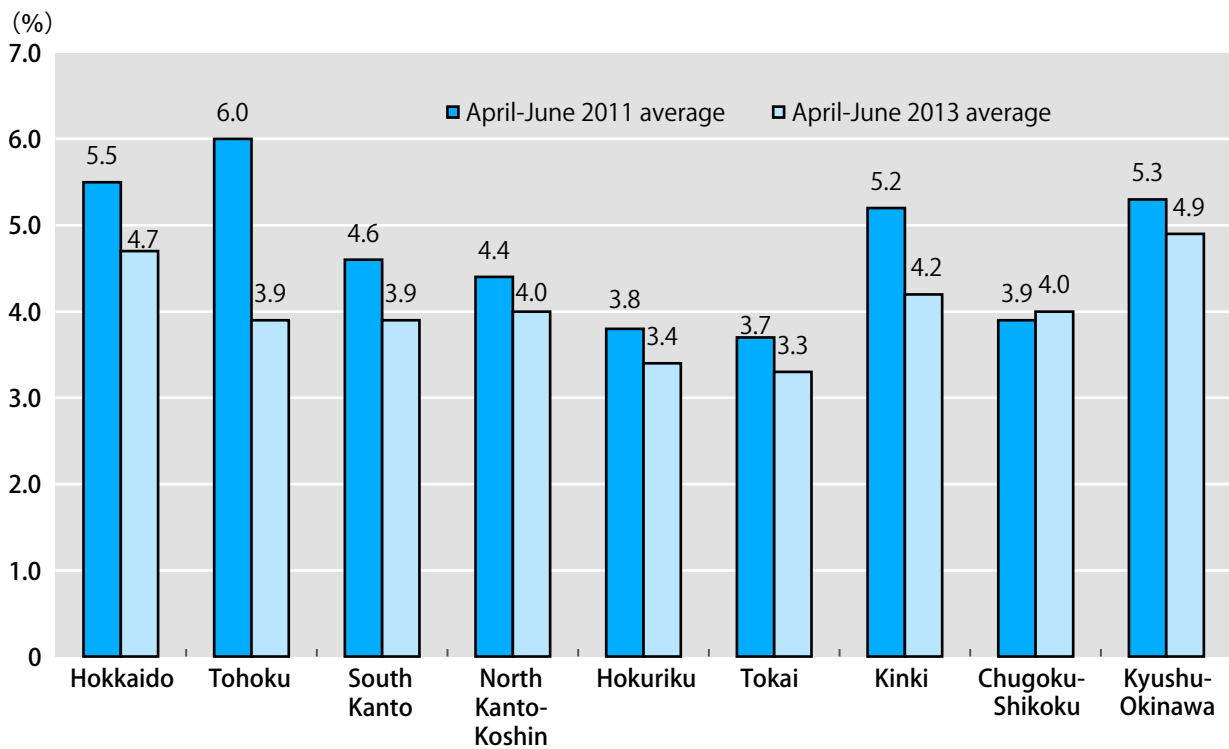
Source: Ministry of Internal Affairs and Communications, *Economic Census 2009*

Figure II-12 Number of Cases of New Plant Sites by Region (2003-2008)



Source: Ministry of Economy, Trade and Industry, *Survey of Factory Location Trends*

Figure II-13 Unemployment Rate by Region (Seasonally Adjusted)



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

4 Changes in Employment Structure

Continuous Decline in Number of People Employed in Agriculture and Forestry

An examination of recent changes in the employment structure by industry reveals that the number of people employed in primary industries (agriculture, forestry and fisheries) has continued to decline, falling to 2.52 million in 2010 (equivalent to 4.0% of the total number of employed persons) (see Table II-14). According to data for 2011, the number of workers employed in primary industries had fallen further to 2.23 million, equivalent to 3.7% of total number employed. However, it should be noted here that a direct comparison cannot be made, as figures for Iwate, Miyagi and Fukushima Prefectures have been omitted.

A more detailed examination of the long-term longitudinal statistics for agriculture and forestry, which is the main category of primary industry, shows that whereas 14.87 million people (38.0% of the total) were employed in this category in 1953 when the Labour Force Survey was first conducted in its present form, the migration of labor from rural to urban areas during the postwar recovery of the Japanese economy and the subsequent high-growth period has caused a non-stop decline in the number of persons employed in agriculture and forestry, with the number falling below the 10-million in 1967 and below 10% of the total to 9.6% (5.32 million) in 1980. In 2010, the number stood at 2.34 million, or 3.7% of the total.

A year-on-year comparison of the number of persons employed in agriculture and forestry shows the number to be in a declining trend (see Figure II-15). The same trend can be seen in data for 2011 (excluding Iwate, Miyagi and Fukushima Prefectures), when the number fell by 1.9% year-on-year, followed by a further decrease of 1.4% in 2012.

Number of People Employed in Manufacturing Also Now Declining

The number of people employed in secondary

industries (mining, construction, and manufacturing) continued to increase from the end of World War II, peaking at 21.94 million in 1992. It then went into decline, and stood at 15.49 million (24.8% of the total) in 2010 (see Table II-14). For the same reason as shown above, a definitive comparison cannot be made, but data for 2011 show that the number was 14.73 million, 24.6% of all persons employed.

A more detailed analysis of the situation in manufacturing, which represents the largest category of secondary industry, shows that the number, which stood at 7.20 million (18.4%) in 1953, surged during the 15-year period of manufacturing-driven high economic growth beginning in the late 1950s, and had doubled to 14.43 million (27.4%) in 1973 compared with 1953. When the economy slowed and entered a period of stable growth following the 1974 oil crisis, however, the number declined for almost 10 years. The number then entered a modest upward trend at the beginning of the 1980s to reach a peak of 15.69 million (24.3%) in 1992. The collapse of the so-called bubble economy in the same year, however, plunged the economy into a protracted recession. The number of employed persons began to decrease, falling to 10.48 million (16.8%) in 2010 without ever subsequently increasing again.

According to the Labour Force Survey, the number of people employed in manufacturing industries is in a declining trend (Figure II-15). The data for 2011 do not include Iwate, Miyagi and Fukushima Prefectures, and care should therefore be taken when comparing with previous figures. Nevertheless, judging from the figures excluding these three prefectures, the number fell by 0.7% year-on-year in 2011 and by 1.7% in 2012. Thus, the data show a declining trend from 2010 onwards, and this trend is expected to continue in future.

Regarding their presence in the economy as a whole, however, they could hardly be described as insignificant; indeed, their presence could be seen as strong. In terms of added value, for example,

manufacturing industries account for around 20% of all industries. As this reveals, their status as important industries in the Japanese economy remains unchanged (see Table II-16).

Conspicuous Growth in Medical Health Care and Welfare

The number of people employed in tertiary industries (comprised of industries other than primary and secondary industries) has gradually increased since 1953. It increased from 35.8% (14.38 million) of all employed persons in 1953 to over 50.5% (26.46 million), i.e., more than half, in 1974. The proportion continued to grow, reaching over 60% (60.3% or 38.94 million) in 1994 and over 70% (70.3% or 43.95 million) in 2010. For reference, the data from 2011 set this number at 42.25 million, equivalent to 70.6% of the total number employed.

Looking at trends in the main components of tertiary industries, one finds that while the wholesale and retail trades and eating drinking establishments made up 47.6% of tertiary industries as a whole in 1953, their share began to decline in 1961 at the start of the high-growth period, and stood at 34.8% in 2002. While the 2002 revision of the Japan Standard Industrial Classification renders direct comparisons between 2003 onward and earlier years difficult, the statistics show that the share of the wholesale and retail trade (excluding eating and drinking establishments) among the tertiary industries declined from 26.6% in 2002 to 24.1% in 2010.

Regarding changes in these figures between 2008 and 2010, the ratio temporarily increased year-on-year in 2010, but was in a declining trend in 2008 and 2009 (Figure II-15). Meanwhile, although a simple comparison is not possible, it has returned to a declining trend since 2011, registering year-on-year decreases of 0.3% in 2011 and 1.5% in 2012. From this, it can be gleaned that the wholesale and retail trade is in a generally downward trend.

Conversely, a sector in a markedly increasing trend is medical health care and welfare. Here, the number of persons employed grew from 4.74 million (11.4% of the total number employed) in 2002 to 6.53 million (14.9%) in 2010. This trend can also be seen in year-on-year increases (see Figure II-15). To break

this down further, the number of self-employed workers has trended steadily from 250,000 to 240,000, but the number of employed workers is increasing year by year. As in other sectors, care is required when comparing with past figures, but in terms of year-on-year change, the increasing trend is continuing, with growth of 3.7% in 2011 and 4.0% in 2012.

A sector where this trend is not so transparent is information and communications. Until 2002, this was classified as “Transport, storage & communications” and was continuing a gradual increase. The sector was then reorganized into “Transport” and “Information and communications”, as part of the revision of industrial classifications. The transport sector has been trending on a par since 2002, but information and communications increased from 1.58 million workers (3.8% of all those in tertiary industries) in 2002 to 1.96 million (4.6%) in 2010. In terms of year-on-year changes in the number of persons employed, similarly, there were increases in 2009 and 2010 (Figure II-15).

In year-on-year comparisons for 2011 and 2012, however, the number fell by 3.6% in 2011 and by 2.1% in 2012, thus returning to a declining trend. As has already been pointed out more than once above, care is required when comparing with previous figures, but in any case, this is a sector where these trends are rather dim.

Professional and Technical Occupations Experience Continued Increases

Finally, let us look at the employment structure in terms of occupations. Table II-17 summarizes changes between 2000 and 2010, while Figure II-18 shows year-on-year changes from 2008 to 2010.

First, workers in the agriculture, forestry and fisheries sector (15.19 million) accounted for 38.8% of all persons in employment in 1953. Reflecting changes in the industrial structure, however, they have continued to decrease since then, falling to 4.9% (3.21 million) in 2000 and 3.9% (2.47 million) in 2010 (Table II-17).

Next, the ratio of construction workers, machine operators, manufacturing and production workers (mainly consisting of workers in manufacturing

industries) to the total number of persons employed stood at 25.9% (10.13 million) in 1953. The ratio then underwent a gradual upward curve through the eras of postwar reconstruction and high economic growth, peaking at 32.0% (16.71 million) in 1973¹. Thereafter, however, it turned to a downward trend, decreasing to 24.5% in 2000 and 20.4% (12.77 million) in 2010 (Table II-17). The same declining trend can also be seen when comparing figures for the same occupation (see Figure II-18).

By contrast, professional and technical workers have increased more or less continuously since 1953

(4.4% of all workers, 1.73 million), breaking through 10% of all workers in 1986. By 2010, they accounted for 15.8% of the total (9.86 million) (see Table II-17). The same rising trend can also be seen within the same occupation (see Figure II-18). Even when replacing with compatible time-series data to link with the results from 2012 (figures calculated retroactively or corrected based on the final population estimate from the 2010 Census), they increased from 9.44 million in 2009 to 10.10 million in 2012², and this trend is expected to continue in future.

Table II-14 Trends of Employed by Three Industry Divisions (Total of Male and Female)

Year	Real Count(10,000 persons)				Year-on-Year Difference(10,000 persons)				Year-on-Year Difference(%)				Proportion(%)			
	Total	Primary Industry	Secondary Industry	Tertiary Industry	Total	Primary Industry	Secondary Industry	Tertiary Industry	Total	Primary Industry	Secondary Industry	Tertiary Industry	Total	Primary Industry	Secondary Industry	Tertiary Industry
1994	6,453	373	2,157	3,894	3	-10	-19	31	0.0	-2.6	-0.9	0.8	100.0	5.8	33.4	60.3
1995	6,457	367	2,125	3,940	4	-6	-32	46	0.1	-1.6	-1.5	1.2	100.0	5.7	32.9	61.0
1996	6,486	356	2,121	3,979	29	-11	-4	40	0.4	-3.0	-0.2	1.0	100.0	5.5	32.7	61.3
1997	6,557	350	2,134	4,039	71	-6	13	60	1.1	-1.7	0.6	1.5	100.0	5.3	32.5	61.6
1998	6,514	343	2,050	4,084	-43	-7	-84	45	-0.7	-2.0	-3.9	1.1	100.0	5.3	31.5	62.7
1999	6,462	335	2,008	4,078	-52	-8	-42	-6	-0.8	-2.3	-2.1	-0.1	100.0	5.2	31.1	63.1
2000	6,446	326	1,979	4,102	-16	-9	-29	24	-0.2	-2.7	-1.4	0.6	100.0	5.1	30.7	63.6
2001	6,412	313	1,921	4,133	-34	-13	-58	31	-0.5	-4.0	-2.9	0.8	100.0	4.9	30.0	64.5
2002	6,330	296	1,825	4,158	-82	-17	-96	25	-1.3	-5.4	-5.0	0.6	100.0	4.7	28.8	65.7
2003	6,316	293	1,787	4,176	-14	-3	-38	18	-0.2	-1.0	-2.1	0.4	100.0	4.6	28.3	66.1
2004	6,329	286	1,738	4,236	13	-7	-49	60	0.2	-2.4	-2.7	1.4	100.0	4.5	27.5	66.9
2005	6,356	282	1,713	4,284	27	-4	-25	48	0.4	-1.4	-1.4	1.1	100.0	4.4	27.0	67.4
2006	6,382	272	1,723	4,318	26	-10	10	34	0.4	-3.5	0.6	0.8	100.0	4.3	27.0	67.7
2007	6,412	272	1,721	4,345	30	0	-2	27	0.5	0.0	-0.1	0.6	100.0	4.2	26.8	67.8
2008	6,385	268	1,684	4,359	-27	-4	-37	14	-0.4	-1.5	-2.1	0.3	100.0	4.2	26.4	68.3
2009	6,282	262	1,593	4,366	-103	-6	-91	7	-1.6	-2.2	-5.4	0.2	100.0	4.2	25.4	69.5
2010	6,256	252	1,549	4,395	-26	-10	-44	29	-0.4	-3.8	-2.8	0.7	100.0	4.0	24.8	70.3

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

Notes: 1) Primary industries are Agriculture and forestry, and Fisheries.

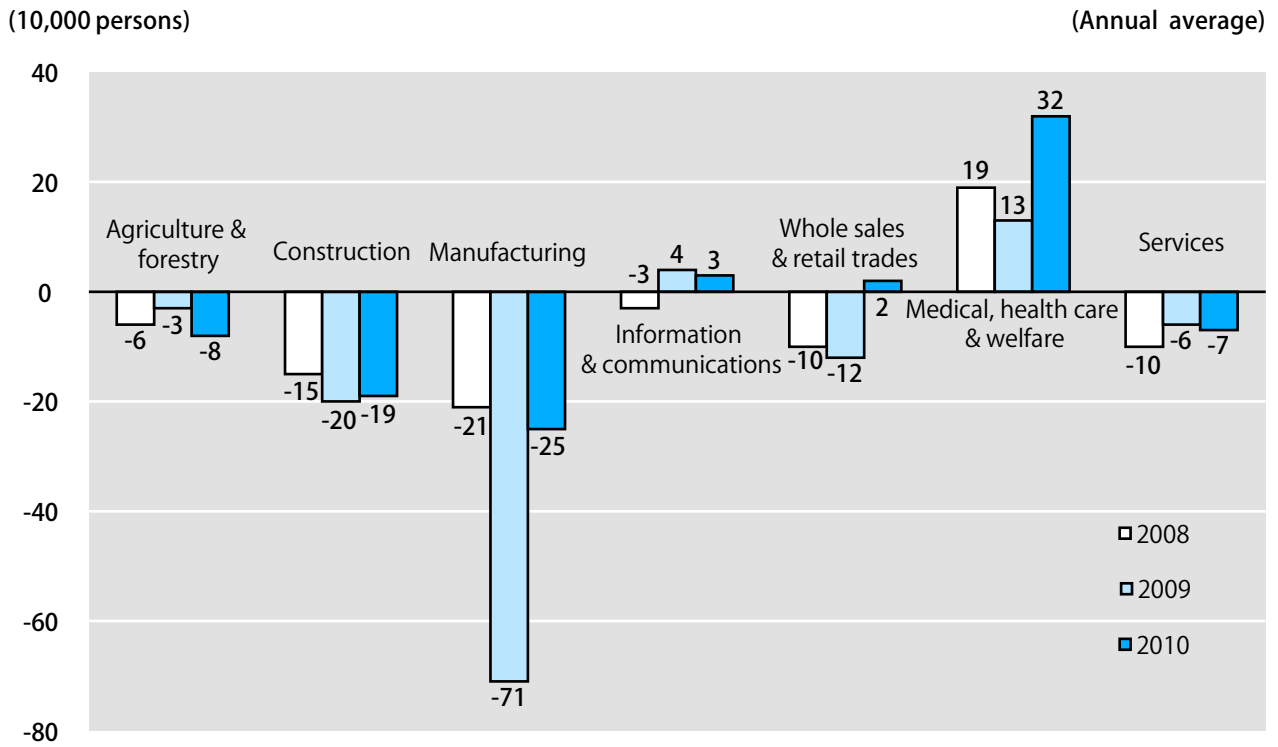
2) Secondary industries are Mining and quarrying of stone and gravel, Construction and Manufacturing.

3) Tertiary industries are other than those detailed above. (Industries unable to be classified are not included. Consequently, the actual combined total for primary, secondary and tertiary industries does not add up to the grand total).

¹ In 1953, "Construction workers, machine operators, manufacturing and production workers" included the figures for "Laborers", but in 1973 and 2010 these were not included.

² From the January 2012 results, the base population for calculation was switched to an estimated population (new benchmark) based on the final estimate in the 2010 National Census, and the figures for 2009 and 2010 therefore differ from those previously announced.

Figure II-15 Number of Year-on-year Difference in the Number of Employed by Principal Industries (Total of Male and Female)



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

Note: "Service Industry" shows the total for the "academic research and professional and technical service", the "lifestyle-related services and entertainment", the "combined service sector" and "service (otherwise unclassified)".

Table II-16 Number of Enterprises, Sales Turnover and Added Value by Industry

(Unit: monetary amounts, billion yen)

Industry	Number of companies		Sales turnover		Added value ¹⁾	
	2009	2012	2012	Ratio to all industries (%)	2012	Ratio to all industries (%)
All industries	4,480,753	4,096,578	1,302,252	100.0	242,666	100.0
Agriculture, forestry and fisheries (except individual proprietorships)	25,738	23,255	3,435	0.3	768	0.3
Mining and quarrying of stone and gravel	2,187	1,901	1,218	0.1	426	0.2
Construction	520,473	462,879	79,435	6.1	13,912	5.7
Manufacturing	450,966	436,646	342,443	26.3	53,261	21.9
Electricity, gas, heat supply and water	922	705	21,774	1.7	2,794	1.2
Information and communications	51,576	44,636	46,593	3.6	12,586	5.2
Transport and postal activities	82,970	72,955	49,475	3.8	12,885	5.3
Wholesale and retail trade	1,059,676	929,386	400,304	30.7	42,348	17.5
Finance and insurance	37,529	31,446	110,516	8.5	31,288	12.9
Real estate and goods rental and leasing	356,486	330,044	36,065	2.8	7,949	3.3
Scientific research, professional and technical services	209,160	185,387	26,331	2.0	9,206	3.8
Accommodations, eating and drinking services	606,517	541,375	20,036	1.5	7,575	3.1
Living-related and personal services and amusement services ²⁾	407,667	380,879	36,072	2.8	6,130	2.5
Education, learning support	122,497	114,352	13,482	1.0	6,326	2.6
Medical health care and welfare	272,217	268,479	69,074	5.3	20,229	8.3
Compound services	6,923	5,559	7,733	0.6	2,355	1.0
Services, N.E.C. ³⁾	267,249	266,694	38,267	2.9	12,628	5.2

Sources: Economic Statistics Division, Statistical Survey Department, Statistics Bureau, Ministry of Internal Affairs and Communications / Structural Statistics Office, Statistics Group, Minister's Secretariat, Ministry of Internal Affairs and Communications, *Economic Census for Business Activity (Preliminary Report)*

Economic Structure Statistics Division, Statistical Survey Department, Statistics Bureau, Ministry of Internal Affairs and Communications, *Economic Census for Business Frame*

Notes: Excluding central and local government. "Enterprises" are corporations engaging in business or activities (excluding foreign companies) or establishments with individual proprietorship. Sales turnover and added value are aggregated for enterprises from which figures on the necessary items could be obtained.

1) A value that is newly generated during the production activities of an enterprise, calculated by subtracting the intermediate input value, including costs of raw materials, from the value of production.

Added value = Sales value - total expenses + total wages and salaries + tax and public dues

2) Excluding housekeeping services

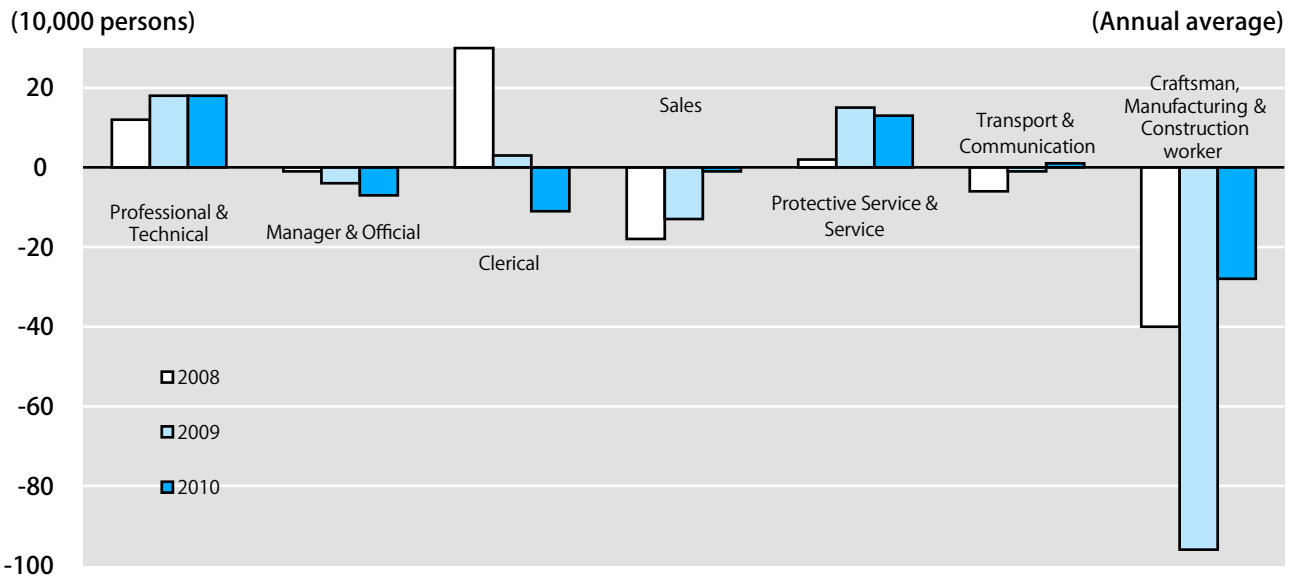
3) Excluding foreign official business

Table II-17 Number of Employed Person by Major Occupation

		Total	Professional & technical	Manager & official	Clerical	Sales	Protective service & service	Agriculture, forestry & fishery	Transport & communication	Mining worker	Craftman, Manufacturing & construction worker	Labourer
Real count (10,000 persons)	1998	6,514	844	222	1,290	928	654	340	232	3	1,634	333
	1999	6,462	846	215	1,273	921	668	332	228	3	1,604	334
	2000	6,446	856	206	1,285	911	677	321	221	3	1,580	347
	2001	6,412	873	202	1,249	968	693	309	214	3	1,506	353
	2002	6,330	890	187	1,228	934	717	291	211	4	1,468	349
	2003	6,316	906	185	1,230	917	729	289	210	4	1,437	353
	2004	6,329	920	189	1,244	901	748	284	201	3	1,415	360
	2005	6,356	937	189	1,247	892	757	279	204	3	1,416	363
	2006	6,382	937	185	1,260	881	772	269	206	3	1,432	370
	2007	6,412	938	173	1,262	888	787	269	205	3	1,441	376
	2008	6,385	950	172	1,292	870	789	264	199	3	1,401	377
2009	6,282	968	168	1,295	857	804	257	198	2	1,305	371	
2010	6,256	986	161	1,284	856	817	247	199	2	1,277	371	
Year-on-year difference (10,000 persons)	1998	-43	20	-4	17	-12	17	-6	-9	0	-72	5
	1999	-52	2	-7	-17	-7	14	-8	-4	0	-30	1
	2000	-16	10	-9	12	-10	9	-11	-7	0	-24	13
	2001	-34	17	-4	-36	57	16	-12	-7	0	-74	6
	2002	-82	17	-15	-21	-34	24	-18	-3	1	-38	-4
	2003	-14	16	-2	2	-17	12	-2	-1	0	-31	4
	2004	13	14	4	14	-16	19	-5	-9	-1	-22	7
	2005	27	17	0	3	-9	9	-5	3	0	1	3
	2006	26	0	-4	13	-11	15	-10	2	0	16	7
	2007	30	1	-12	2	7	15	0	-1	0	9	6
	2008	-27	12	-1	30	-18	2	-5	-6	0	-40	1
2009	-103	18	-4	3	-13	15	-7	-1	-1	-96	-6	
2010	-26	18	-7	-11	-1	13	-10	1	0	-28	0	

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

Figure II-18 Year-on-year Difference in the Number of Employed by Occupation



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

5 Diversification in Forms of Employment

Non-regular Employees Comprise More Than One Third of Total Employees

During the long-term economic stagnation that began in the 1990s, Japan's economic environment changed enormously, including the development of economic services, the intensification of international competition and advances in IT. Worker values have also evolved and diversified over this period. Against the background of such changes in the socioeconomic environment, the number of non-regular employees such as part-time workers and dispatched workers has increased.

In order to gain an understanding of the actual status of the employment types of Japanese workers, the Ministry of Health, Labour and Welfare conducts a survey entitled the General Survey on Diversified Types of Employment, albeit irregularly. The results of the Fiscal 2010 Diversification Survey, which is the most recent set of survey results to have been published, one can see that in 2010, non-regular employees account for 38.7% of all employees, with the proportion of women higher than that of men (see Table II-19). In addition, the largest group among these non-regular employees was part-time workers (22.9%), followed by contract workers (3.5%) and dispatched workers (3.0%). Compared to the previous survey (2007), the proportion of contract workers had increased (2.8% → 3.5%) but that of dispatched workers had decreased (4.7% → 3.0%).

Next we examine the trend in the number of non-regular employees since 1990. According to the Ministry of Internal Affairs and Communications' (MIC) Special Survey of the Labour Force Survey and Labour Force Survey (Detailed Tabulation), the proportion of non-regular employees (the combined total of part-time workers, entrusted workers "shokutaku", dispatched workers, and non-regular employees that are not otherwise classified) has steadily risen, and exceeded 30% in 2003 and since then they have accounted for more than one-third of all employees (excluding executives of companies

and corporation (See Table II-20).

As recent changes in the breakdown, dispatched workers continued to increase to 2008, reaching 1.4 million people, but from 2009 onwards, following the Lehman Shock, the figure turned to decline. On the other hand, over the five years from 2008 to 2012, the number of people working as contract and entrusted employees has been increasing consistently, and looking at the figures for shares of the total, the proportion of them is increasing (See Table II-21).

Viewing changes by sex and age in time series, meanwhile, there is a tendency to increase in all age groups, but increases are particularly conspicuous in ages 15-24 and 25-34 (Table II-22).

Characteristics of Non-regular Employees in Japan

Non-regular employees are distributed unevenly across a whole range of fields. In the aforementioned 2010 Diversification Survey, for example, sectors with larger ratios of part-time workers are those of accommodations, eating and drinking services, followed by wholesale and retail trade, living-related and personal services and amusement services, and education & learning support (see Table II-19 above). In addition, small to medium size establishments are the most prevalent.

Next, let us review the reasons for employment by establishments and the reasons for choosing present form of employment by individuals. Firstly, let us look at the situation for part-time workers. The reasons are that they want to control wage cost and to adjust workforce according to changes in business condition (see Figure II-23). Meanwhile, with regard to the reasons why part-time workers are working as part-timers, many give the reasons to defray educational or household expenses or to choose their own working hours (see Figure II-24).

Turning to contract workers, the reasons of businesses for hiring them are that they "require persons capable of doing specialized work" and "in

order to ensure employees with adaptable potential or other specialist abilities". The reason given by contract workers themselves for choosing this way of working is "Because it allowed me to utilize specialist qualifications or skills". Even so, those citing could not find regular employment are high and it is not uncommon for workers to engage involuntarily in this kind of employment. Though going under the single description of non-regular employees, in terms of reasons for employer side and employee side, there are differences between contract workers and part-time workers.

Lastly, dispatched workers are defined by the Manpower Dispatching Business Act, 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 26 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 longshoring, construction work, security services, medical care-related work and manufacturing. A revision was also made in 2003 which lifted the ban on dispatched workers from performing work related to manufacturing and the limit on the period of dispatch (from one year to three years). In this way, legal revisions have been promoted with the aim of easing regulation, but the 2012 revision specified the protection of dispatched workers among its objectives¹. Principal points of revision include the fact that day labor dispatch was prohibited², and that it was made mandatory for dispatching agencies to publish their margin of the dispatch fees paid to them by dispatch clients³.

Many workplaces report that their main reason for

hiring dispatched workers is they "require to perform specialized work and to hire people with experience and to expertise", though there are also many who respond that they need "to adjust workforce according to changes in business conditions" and "to allow regular employees to specialize in important work" (see Figure II-23).

Future Challenges for Non-regular Employees

As mentioned above, non-regular employees have come to account for around one third of Japan's labor market. In the recent economic climate, it would be hard to imagine Japanese management runs their operations without non-regular employees, and these are expected to keep a certain proportion of the labor market from now on. Under this situation, systems of employment management for non-regular employees will need to be enhanced for many workers to be able to live life in reassurance. This will include stability of employment, improved terms, and in-house career development, as well as enrollment in social security and receiving opportunities for external education and training.

"Restricted Regular Employees"

Besides improved terms and increased ability development of non-regular employees, other proposals starting to appear in recent years would solve the problems of non-regular employment by changing the way of working of regular employees themselves. A leading example is the proposal to introduce a system of regular employees limited to certain tasks and work locations ("restricted regular employees"). This proposal is to establish an intermediate layer, between existing regular

¹ The name changed from "Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers" to "Act for Securing the Proper Operation of Worker Dispatching Undertakings and Protection of Dispatched Workers".

² "Day labor dispatch" refers to cases where the length of the labor contract between dispatch client and worker is no more than 30 days.

³ "Margin" is the fee paid by the dispatch client to the dispatching agency, minus wages paid by the dispatching agency to the worker. The margin includes employment insurance and industrial accident insurance contributions paid by the dispatching agency, and personnel costs for employees of the dispatching agency.

employees with no limitation on tasks and work locations (unlimited regular employees) and non-regular employees. Through establishing an intermediate layer, it aims to stabilize the employment of non-regular employees by encouraging their appointment as restricted regular employees. At the same time, by limiting the ways of working of regular employees who previously had no limitation on their tasks or work locations, another aim is to make it easier for them to balance their work with their private lives (see Figure II-25). In other words, restricted regular employees could be seen as carrying expectations as a remedy to the problem of polarization between regular and non-regular employment.

Meanwhile, a 2012 amendment to the Labor Contract Act provides that, when a fixed-term labor contract has been renewed beyond a total of 5 years, it must be converted to an open-ended labor contract if the worker so demands. In this case, there is no problem with applying working conditions from the previous fixed-term contract, other than the length of the employment contract. This amendment is

expected to help stabilize the employment of non-regular employees.

Diversification of Regular Employees?

The trend highlighted above could encourage a diversification of regular employees. Of course, it could be said that regular employees have always been diverse in nature, in that their ways of working and terms of employment differ between large corporations and small or medium enterprises. However, since it creates more than one type of regular employee within the same enterprise, the system of restricted regular employees highlighted above could produce a type of regular employee that has not existed until now.

Again, it is not certain how far the use of such regular employees will spread. But in the sense that they could stimulate a diversification of ways of working by regular employees within the same company, changes in the number of restricted regular employees could in no small way impact the diversification of employment formats more or less.

Table II-19 Proportion of Workers by Form of Employment (2010)

(%)

Industry and size of enterprise	Total	Regular staff	Form of employment								
			Workers other than regular employees	Contact employees	Entrusted employees	Transferred workers	Dispatched workers	Temporary workers	Part-time workers	Others	
Total	(100.0)	100.0	61.3	38.7	3.5	2.4	1.5	3.0	0.7	22.9	4.7
[2007]	[100.0]	[62.2]	[37.8]	[2.8]	[1.8]	[1.2]	[4.7]	[0.6]	[22.5]	[4.3]	
Industry											
Mining and quarrying of stone and gravel	(0.1)	100.0	83.9	16.1	2.6	4.2	1.9	1.0	0.5	3.4	2.3
Construction	(6.3)	100.0	84.8	15.2	3.2	2.1	1.2	1.9	0.7	3.0	3.1
Manufacturing	(21.3)	100.0	72.7	27.3	2.2	2.6	1.7	4.9	0.4	10.5	5.1
Electricity, gas, heat supply and water	(0.4)	100.0	91.7	8.3	0.8	2.1	1.5	1.4	0.0	1.5	1.0
Information and communications	(3.5)	100.0	77.3	22.7	3.9	1.3	3.0	8.5	0.3	3.9	1.7
Transportation and postal services	(6.7)	100.0	70.0	30.0	3.9	5.5	2.0	3.7	1.5	10.1	3.6
Wholesale and retail trade	(21.1)	100.0	49.0	51.0	3.0	1.6	0.9	1.8	0.6	38.6	4.5
Finance and insurance	(3.5)	100.0	71.4	28.6	2.5	2.8	6.8	5.6	0.1	8.9	1.9
Real estate and goods rental and leasing	(1.5)	100.0	61.5	38.5	4.0	4.5	3.0	2.3	0.2	19.2	5.3
Scientific research, professional and technical services	(2.7)	100.0	77.6	22.4	4.3	2.3	3.6	4.1	0.3	6.0	1.8
Accommodations, food and beverage services	(7.8)	100.0	27.3	72.7	1.9	0.7	0.2	0.6	1.6	60.0	7.6
Living-related and personal services and amusement services	(3.8)	100.0	45.4	54.6	4.9	1.8	0.9	1.4	2.4	36.8	6.4
Education, learning support	(3.1)	100.0	56.5	43.5	9.7	1.8	0.4	1.7	1.7	23.1	5.1
Medical, Healthcare and welfare	(9.9)	100.0	66.8	33.2	3.6	1.5	0.5	1.1	0.3	21.5	4.8
Compound services	(1.4)	100.0	71.6	28.4	4.3	2.0	0.3	0.4	0.7	11.3	9.4
Services (not elsewhere classified)	(6.7)	100.0	51.6	48.4	6.4	4.7	2.5	4.0	0.7	24.3	5.7
Size of enterprise											
1,000 employees and more	(5.5)	100.0	74.5	25.5	4.1	2.3	2.0	5.1	0.3	7.7	3.9
500-999 employees	(6.0)	100.0	66.3	33.2	4.3	2.3	1.7	6.5	0.4	13.2	4.7
300-499 employees	(4.7)	100.0	62.8	37.2	4.7	3.0	1.6	5.0	0.4	17.8	4.8
100-299 employees	(16.4)	100.0	62.1	37.9	4.3	3.2	1.6	3.8	0.6	19.9	4.6
50-99 employees	(18.1)	100.0	57.7	42.3	4.0	2.9	1.7	3.3	1.2	24.8	4.4
30-49 employees	(8.7)	100.0	60.1	39.9	3.2	2.8	1.2	2.2	0.5	24.9	5.0
5-29 employees	(40.7)	100.0	60.1	39.9	2.6	1.6	1.4	1.6	0.8	27.0	4.9
Sex											
Male	(58.2)	100.0	75.3	24.7	3.1	3.2	2.2	2.2	0.5	10.3	3.3
Female	(41.8)	100.0	41.9	58.1	4.0	1.2	0.6	4.0	1.0	40.5	6.7

Source: The Report of *Survey of the Diversification of Employment Status, 2011*, Ministry of Health, Labour of Welfare

Notes: 1) Figures in () are the ratio of 2007.

2) Figures in () are the ratio in each industry, size of enterprise, and gender (total =100).

Table II-20 Trend of the Number of Non-regular Employees

Year	Number of non-regular employees (10,000 persons)	Proportion to employees excluding executives (%)
1990	881	20.2
1991	897	19.8
1992	958	20.5
1993	986	20.8
1994	971	20.3
1995	1001	20.9
1996	1043	21.5
1997	1152	23.2
1998	1173	23.6
1999	1225	24.9
2000	1273	26.0
2001	1360	27.2
2002	1451	29.4
2003	1504	30.4
2004	1564	31.4
2005	1633	32.6
2006	1677	33.0
2007	1732	33.5
2008	1760	34.1
2009	1721	33.7
2010	1755	34.3
2011	1811	35.1
2012	1813	35.2

Sources: *Special Survey of the Labour Force Survey, and Labour Force Survey (Detailed Tabulation)*, Ministry of Internal Affairs and Communication

Notes: 1) The figures up to 2001 are based on the Labour Force Survey-Special Survey that was taken every year in February, and from 2002 based on the Labour Force Survey (Detailed Tabulation) which figures are the annual average.

2) Part-time workers refers to those who are referred to at their workplaces as "part-timers," "arubaito (side-job workers)" or similar terms, irrespective of the amount of hours or number of days worked.

3) Figures in brackets are the shares accounted for by part-time workers among all employees except board members.

4) From the 2012 average, the base population for calculation was switched to an estimated population (new benchmark) based on the final estimate in the 2011 National Census. The actual figures reproduced take account of variation due to the switch (an increase of around 70,000 in the national population aged 15 and over). To link with results from the average onwards, the figures have been replaced with compatible time-series data (after correction based on the final population estimate from the 2011 Census). The figures for the period in question may therefore differ from those in reports and statistical tables for each year.

**Table II-21 Breakdown of Non-regular Employees
(Actual Figures and Composition Ratios)**

	Part-time workers	Temporary agency workers	Contract/entrusted workers	Others	Part-time workers	Temporary agency workers	Contract/entrusted workers	Others
	(10,000 persons)				(%)			
2008	1155	140	322	148	65.4%	7.9%	18.2%	8.4%
2009	1156	108	323	149	66.9%	6.2%	18.6%	8.6%
2010	1196	96	333	138	67.8%	5.4%	18.9%	7.8%
2011	1229	96	360	127	67.9%	5.3%	19.9%	7.0%
2012	1241	90	354	128	68.5%	5.0%	19.5%	7.1%

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

Note: 1) The composition ratios were calculated by dividing the actual figures by the total number of non-regular workers.

2) From the 2012 average, the base population for calculation was switched to an estimated population (new benchmark) based on the final estimate in the 2010 National Census. The actual figures reproduced take account of variation due to the switch (an increase of around 69,000 in the national population aged 15 and over). To link with results from the average onwards, the figures have been replaced with compatible time-series data (after correction based on the final population estimate from the 2010 Census). The figures for the period in question may therefore differ from those in reports and statistical tables for each year.

Table II-22 Trends in Proportions of Non-regular Employees by Age and Sex

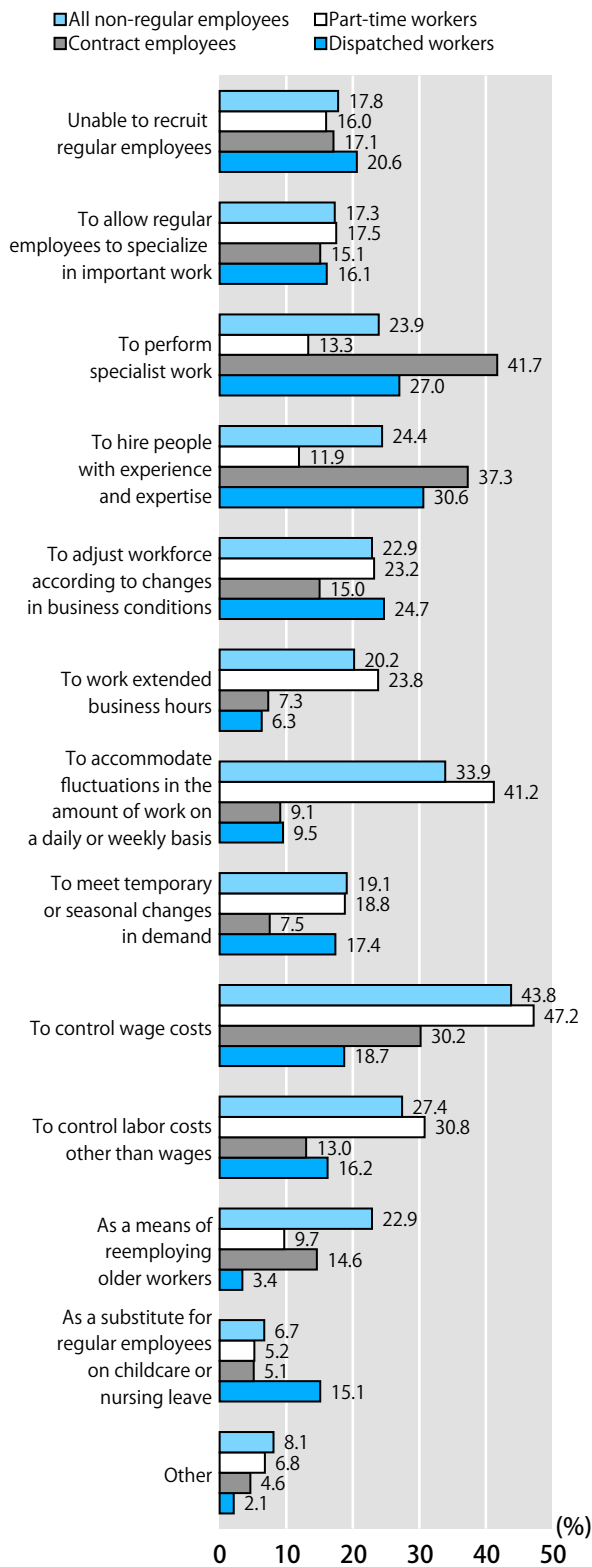
(%)

	1990	1995	2000	2005	2010
Male					
15-24	7.1	9.2	19.7	28.7	25.1
25-34	3.2	2.9	5.6	12.7	14.0
35-44	3.3	2.3	3.8	7.0	8.1
45-54	4.2	2.9	4.0	8.4	8.1
55-64	22.7	17.4	17.9	27.1	28.9
Female					
15-24	11.5	16.3	26.4	40.0	35.4
25-34	28.0	26.6	31.8	40.6	41.4
35-44	49.5	48.9	53.1	54.4	53.7
45-54	44.7	46.8	51.6	57.4	57.7
55-64	44.8	43.6	55.3	60.8	64.0

Source: Ministry of Internal Affairs and Communications, *Special Survey of the Labour Force Survey* (February survey; 1990, 1995, 2000) and *Labour Force Survey (Detailed Tabulation)* (annual averages; 2005, 2010)

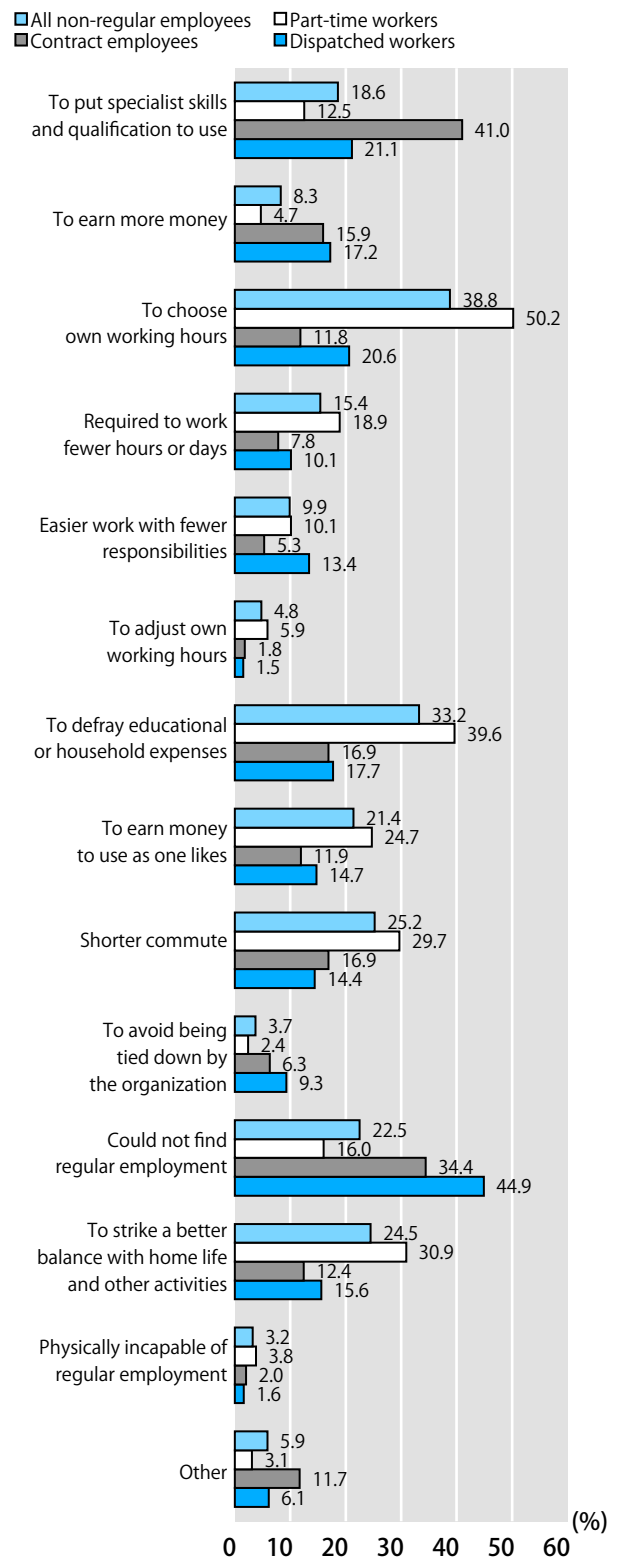
Note: The proportion of non-regular employees is the proportion of all non-agricultural/forestry employees excluding executives of companies and corporations who are part-time workers, entrusted workers, dispatched workers, or not otherwise classified (15-24 age group excludes school pupils and students).

Figure II-23 Reasons for Employment of Non-regular Employees



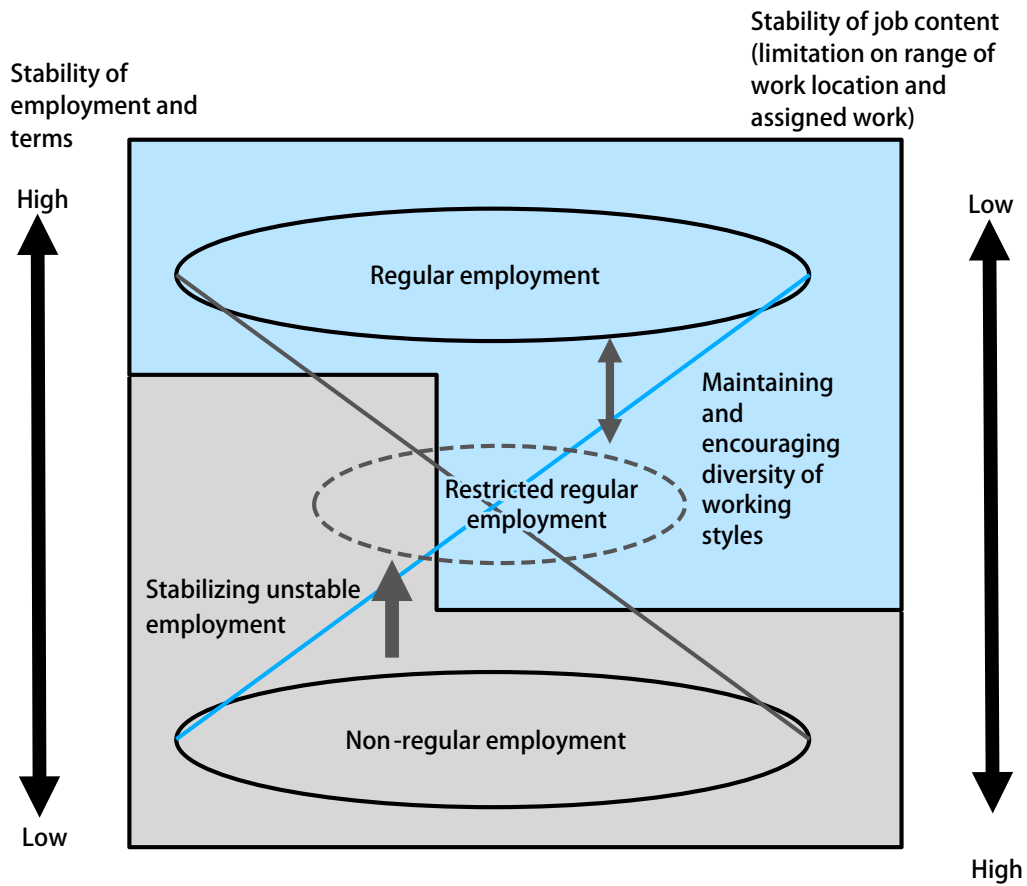
Source: Ministry of Health, Labour and Welfare, *Outline of the 2010 General Survey on Diversified Types of Employment*

Figure II-24 Reasons for Non-regular Employees' Choice of Present Form of Employment



Source: Ministry of Health, Labour and Welfare, *Outline of the 2010 General Survey on Diversified Types of Employment*

Figure II-25 Schematic Image of Restricted Regular Employees



Source: Compiled by the author with reference to JILPT Research Report No.158 "Research on Personnel Management of Diverse Regular Employees"
 Note: Please note that this is merely a schematic image.

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

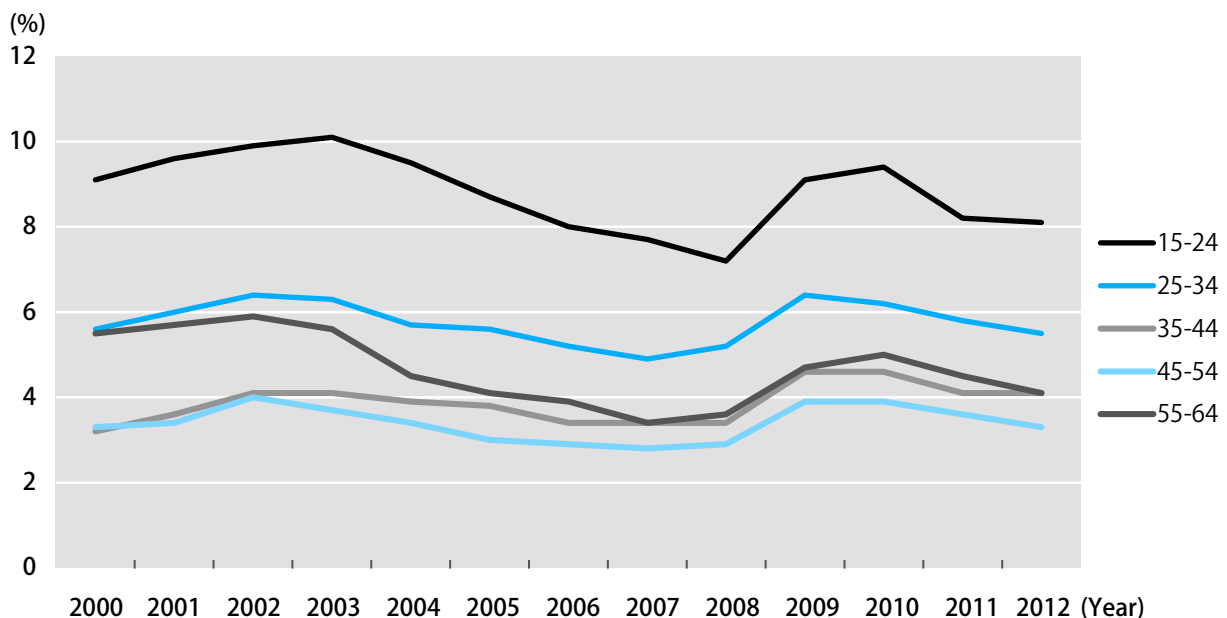
young, the labor market become polarized, even during the recovery, it was difficult for those who entered the labor market during the downturn to find stable employment.

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 (actual figures: based on 2010 National Census standards, ratios: based on 2005 National Census standards).

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).

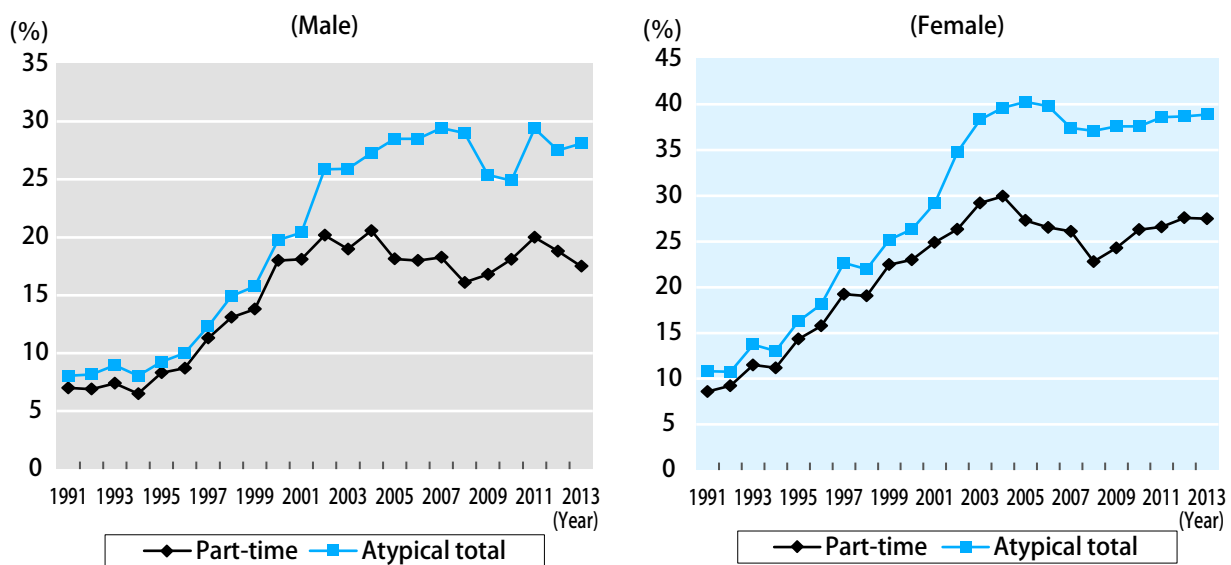
Changes in Status of Employment

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

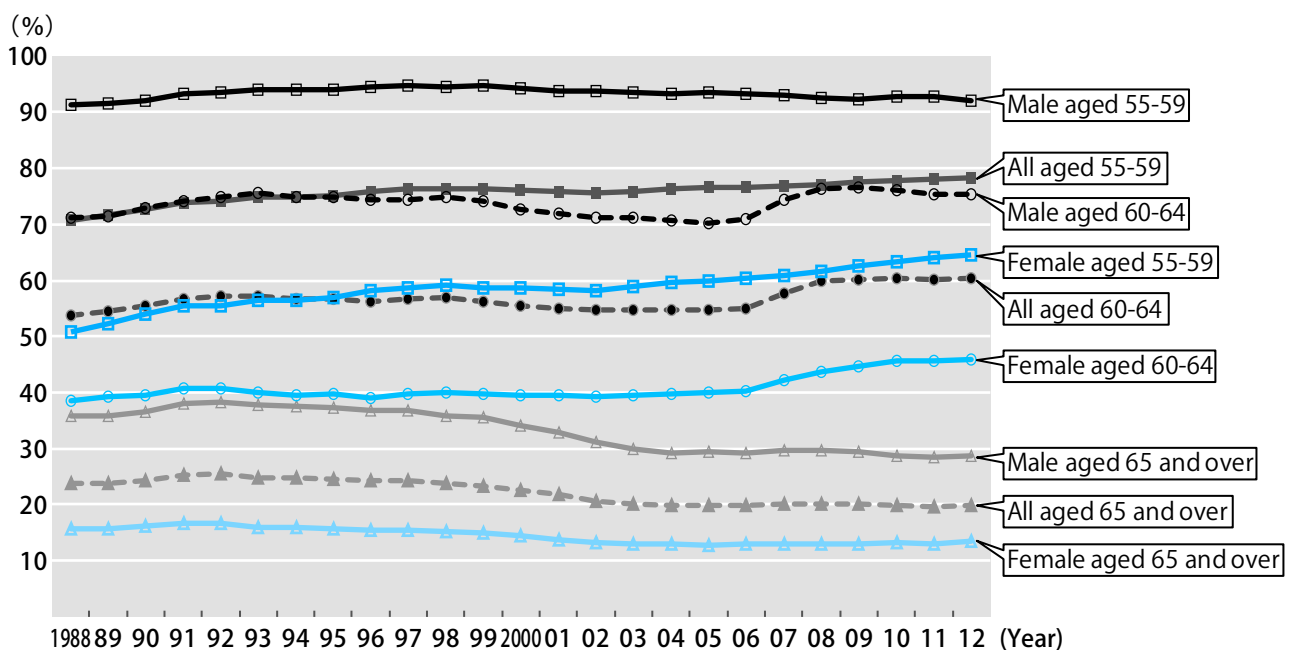
In line with the Act on Stabilization of Employment of Older Persons, “older persons” are defined in Japan as persons aged 55 or above, and we use the same definition in this section to outline the employment situation of older people divided into three age groups: 55- to 59-year olds, 60- to 64-year-olds,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

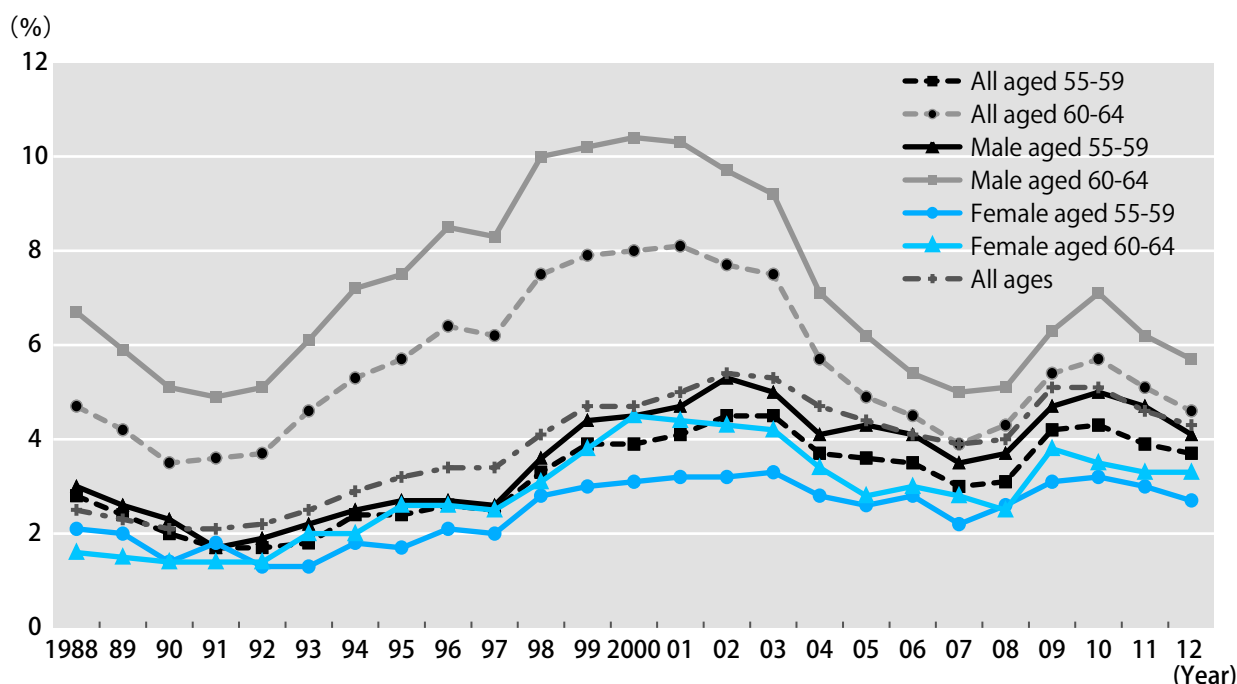
amid a harsh economic climate, but thereafter returned to a decrease. In comparison with the overall average of age group totals (4.3% in 2012), men in the 60-64 age group (5.7% in 2012) are significantly higher than the average, as is the total for men and

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

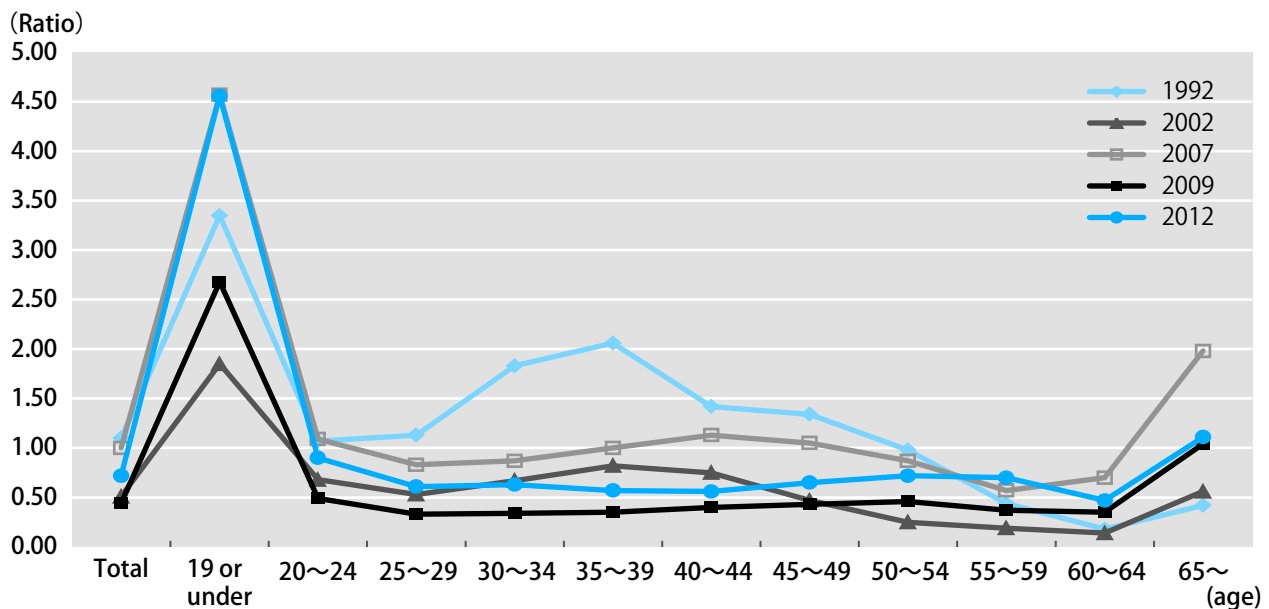
desired. This is thought to have boosted the labor force ratio and curbed the rise in the unemployment rate for the 60-64 age group from 2007 onwards.

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

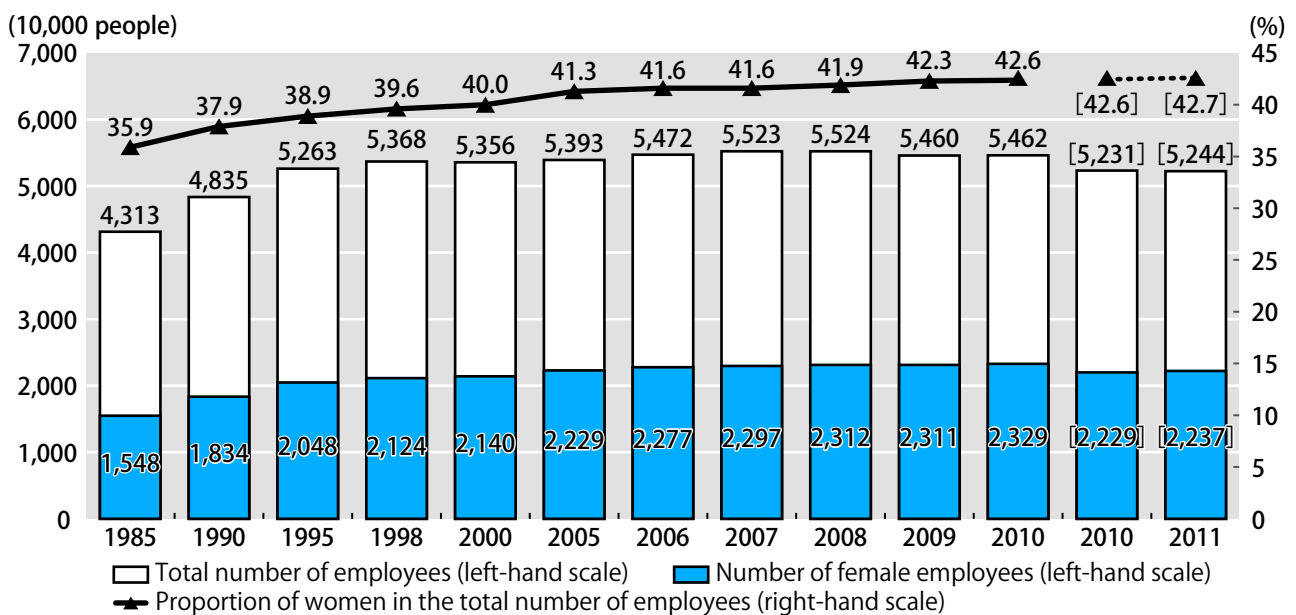
old age. Those who lost positions of permanent employment as economic difficulties were encountered in entering old age or who had to temporarily leave the workforce for health reasons, on the other hand, face severe employment conditions. Employment of older persons is quite stable provided that they 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

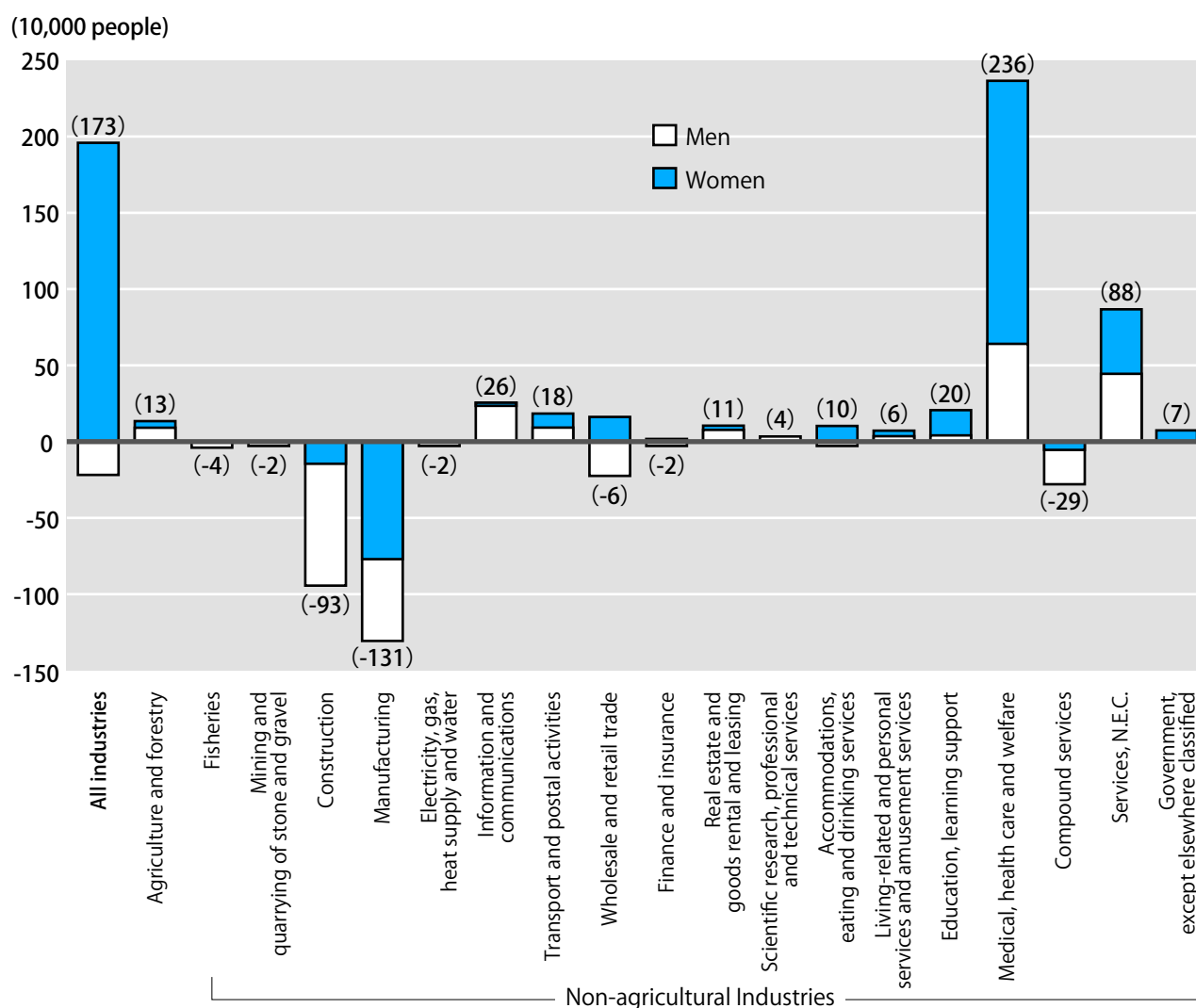
As numbers of men in employment continue to fall, those of women are increasing. In recent years, women have accounted for around 40% of the total workforce, and in 2010, the number of women in employment reached a record high of 23.29 million. Owing to the Great East Japan Earthquake, figures for Iwate, 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.

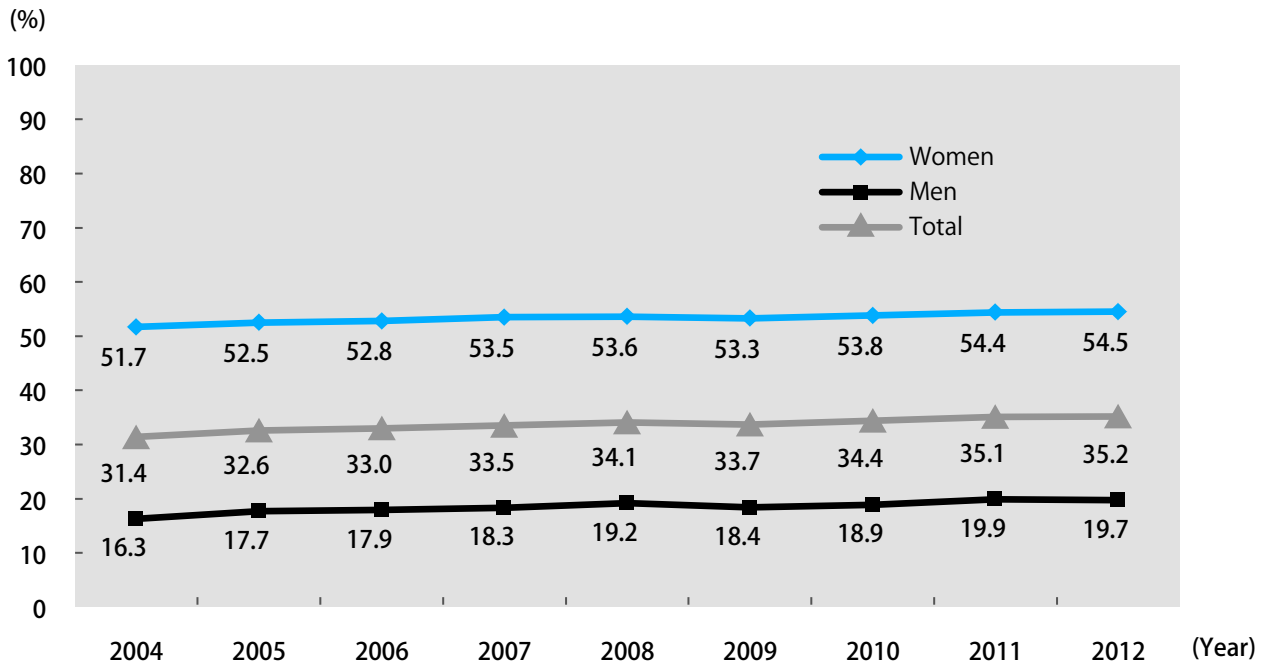
Significant Gender Gap in the Non-Regular Ratio

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

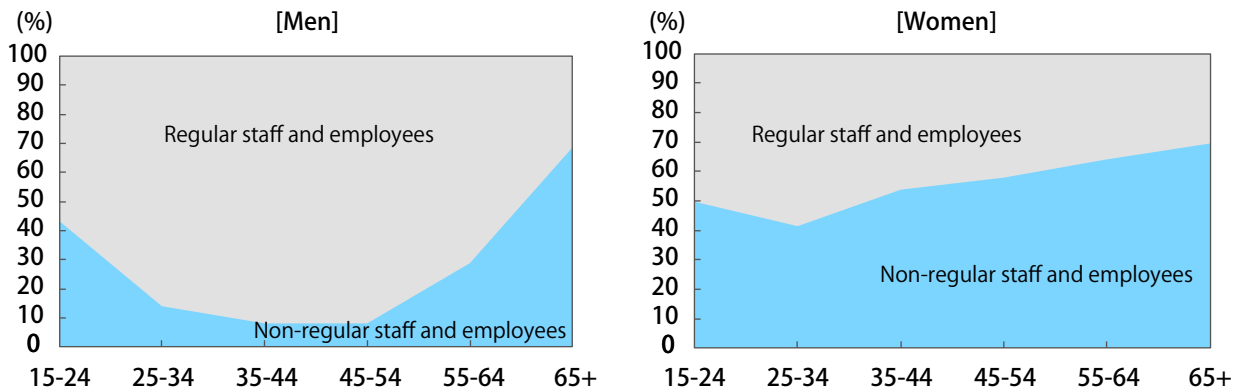
the 65 and over age group with 66.9%, followed by the 15-24 age group with 43.9% and 55-64 with 31.4%. The lowest is the 35-44 age group with 8.2%, followed by 45-54 with 8.6% and 25-34 with 15.3%. For women, the highest ratio is in the 65 and over age group with 71.4%, followed by 55-64 with 65.4% and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



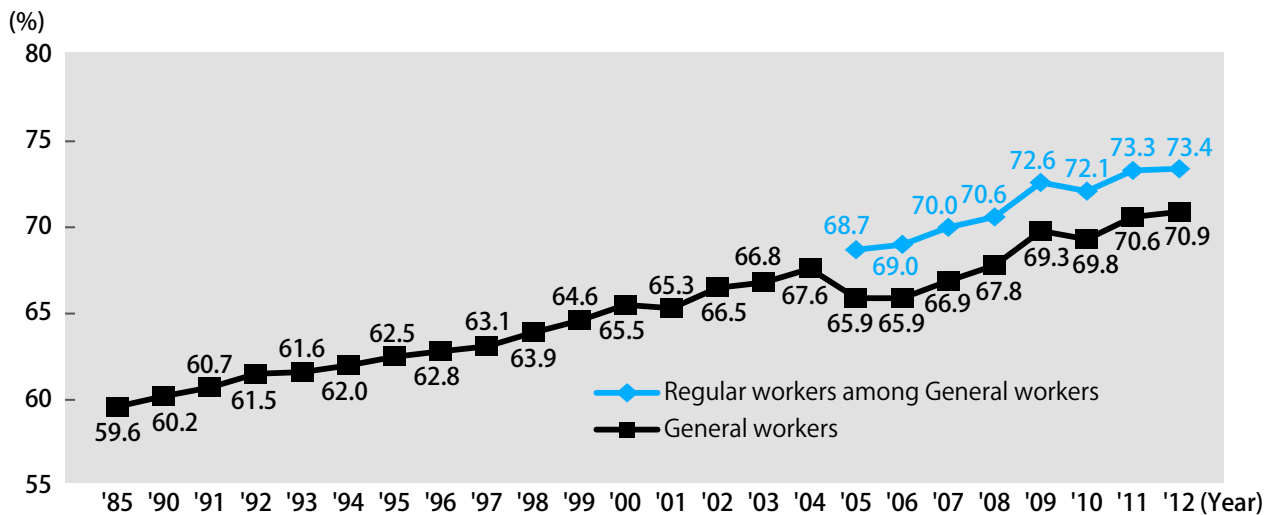
Source: Ministry of Internal Affairs and Communications, *Labour Force Survey*

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*

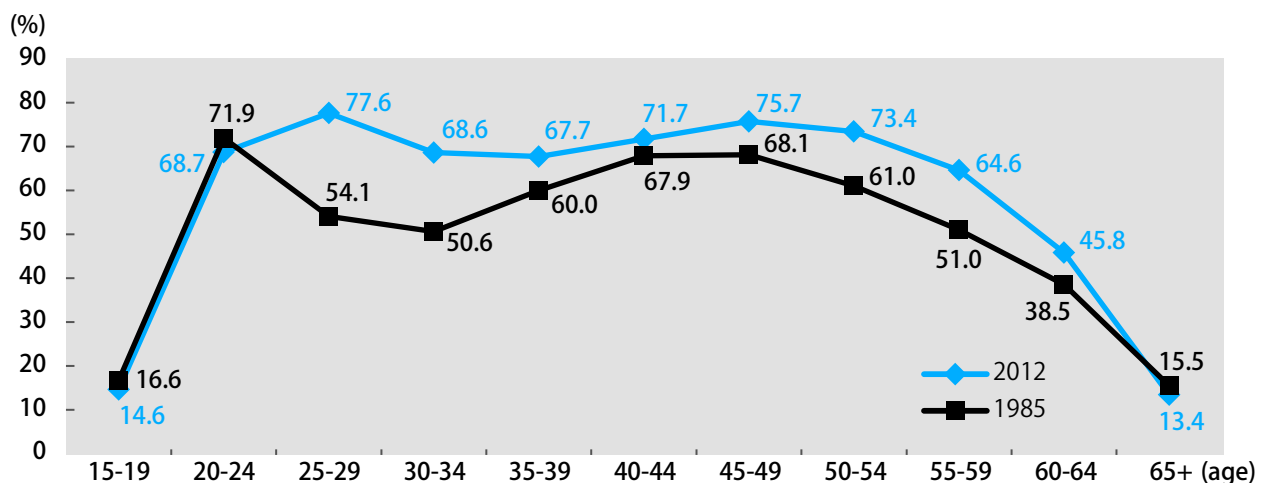
Notes: 1) "Ordinary workers" are regular employees other than "part-time workers".

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

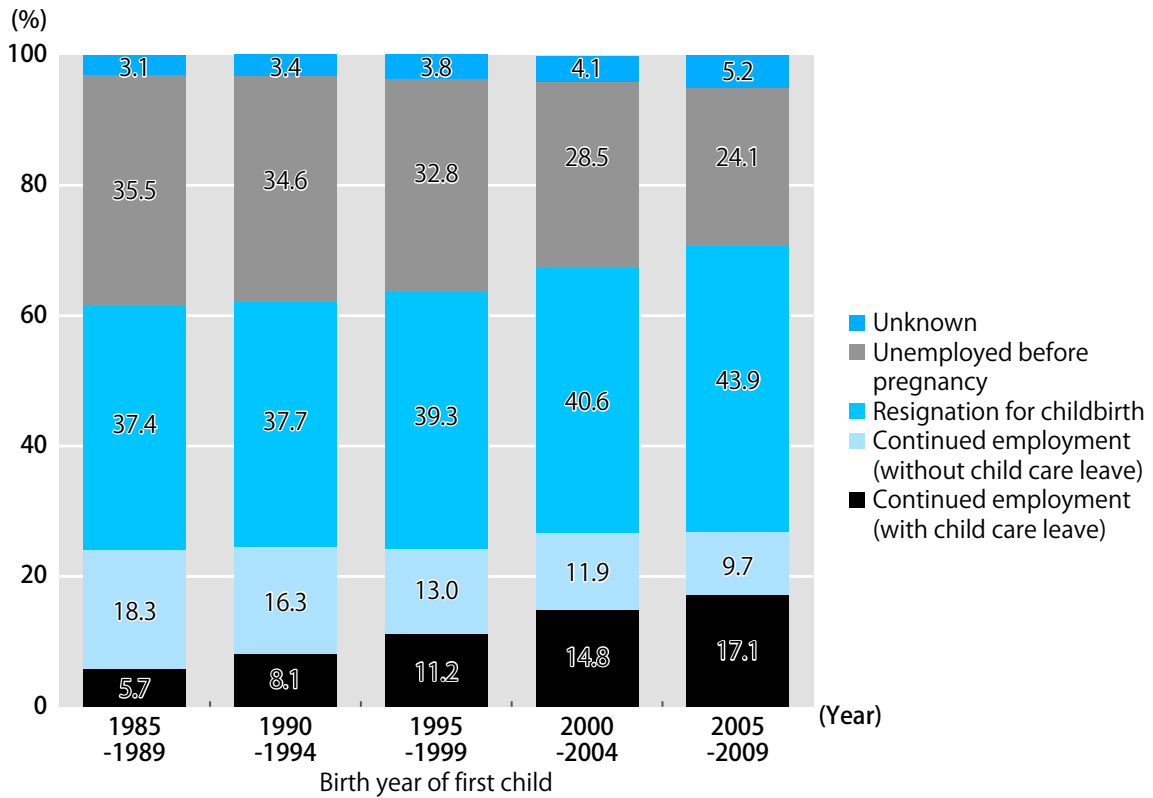
shallower and the bottom of the curve has moved to the right in 2012 (Figure II-37). This results from an increased rate of labor force participation by unmarried women, as well as later marriage and childbirth. However, the rate of continued employment at around the birth of the first child has hardly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

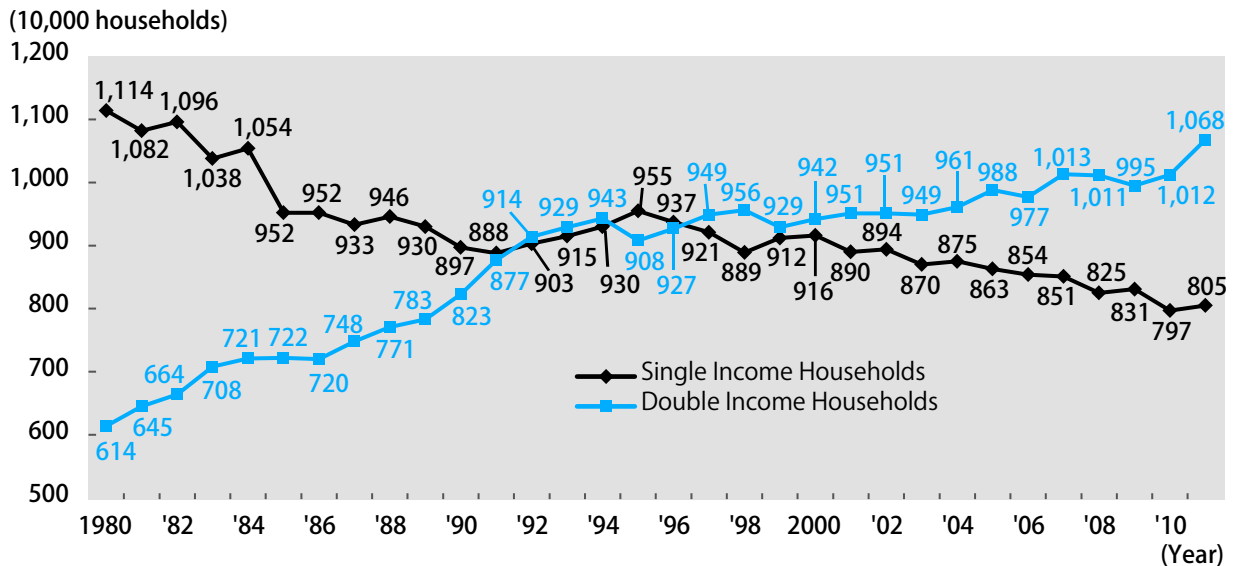
Note: Labor force ratio: The ratio of the working population (persons in employment + fully unemployed) to the general population

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).

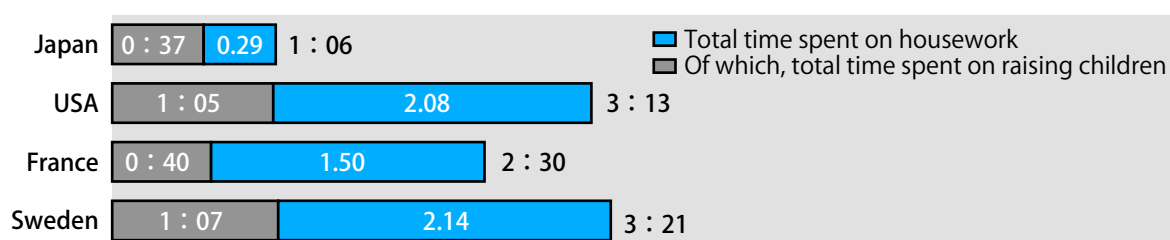
2) "Dual income households of persons in employment" are households in which both husband and wife are employed in non-agricultural industries.

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

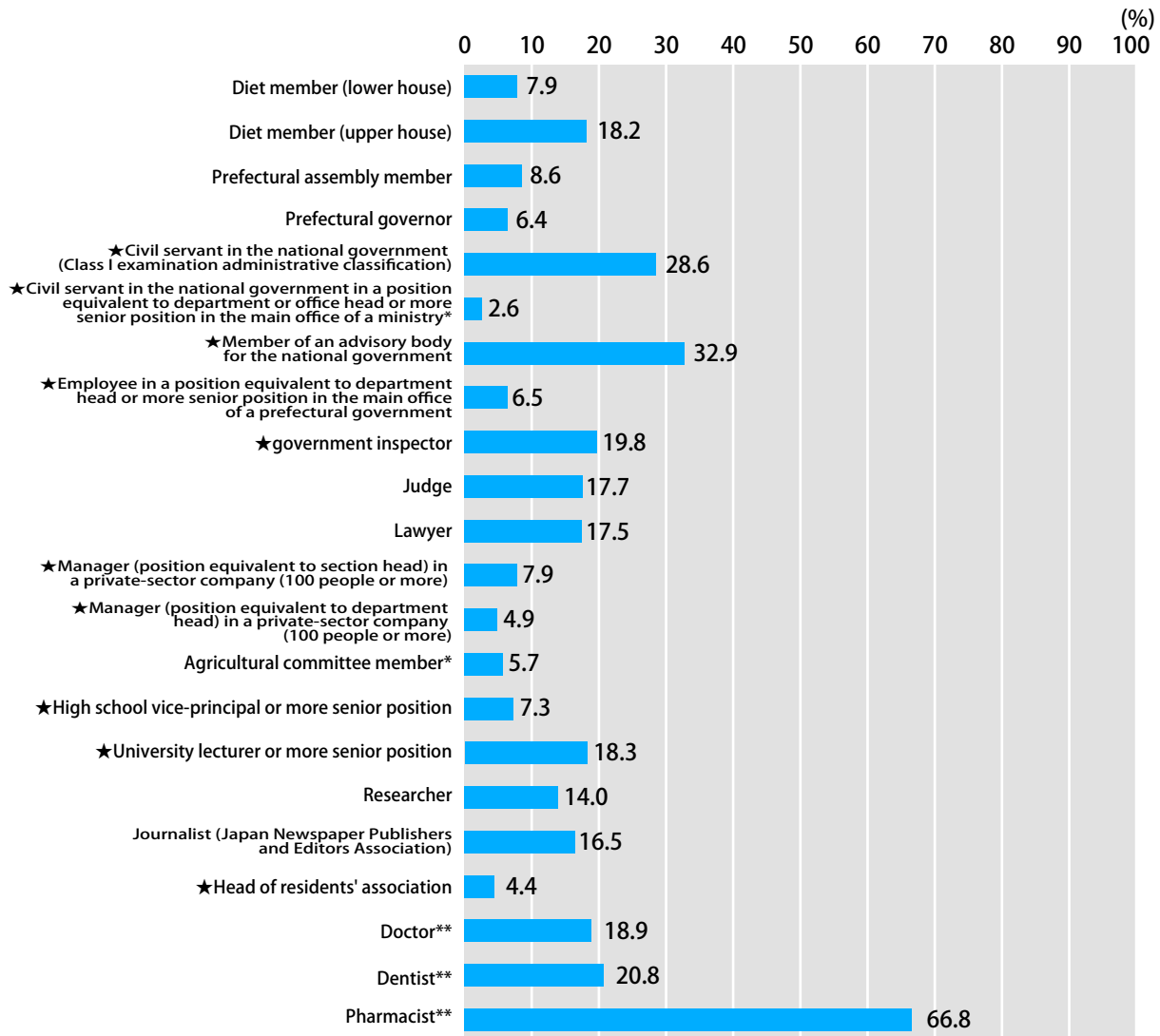
(Figure II-39). Behind this are thought to lie changing awareness of social advancement by women, changing economic circumstances, and other factors. However, time spent on housework and childcare by men in homes with preschool children is still only about 1 hour per day, a low level in international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

¹ “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.

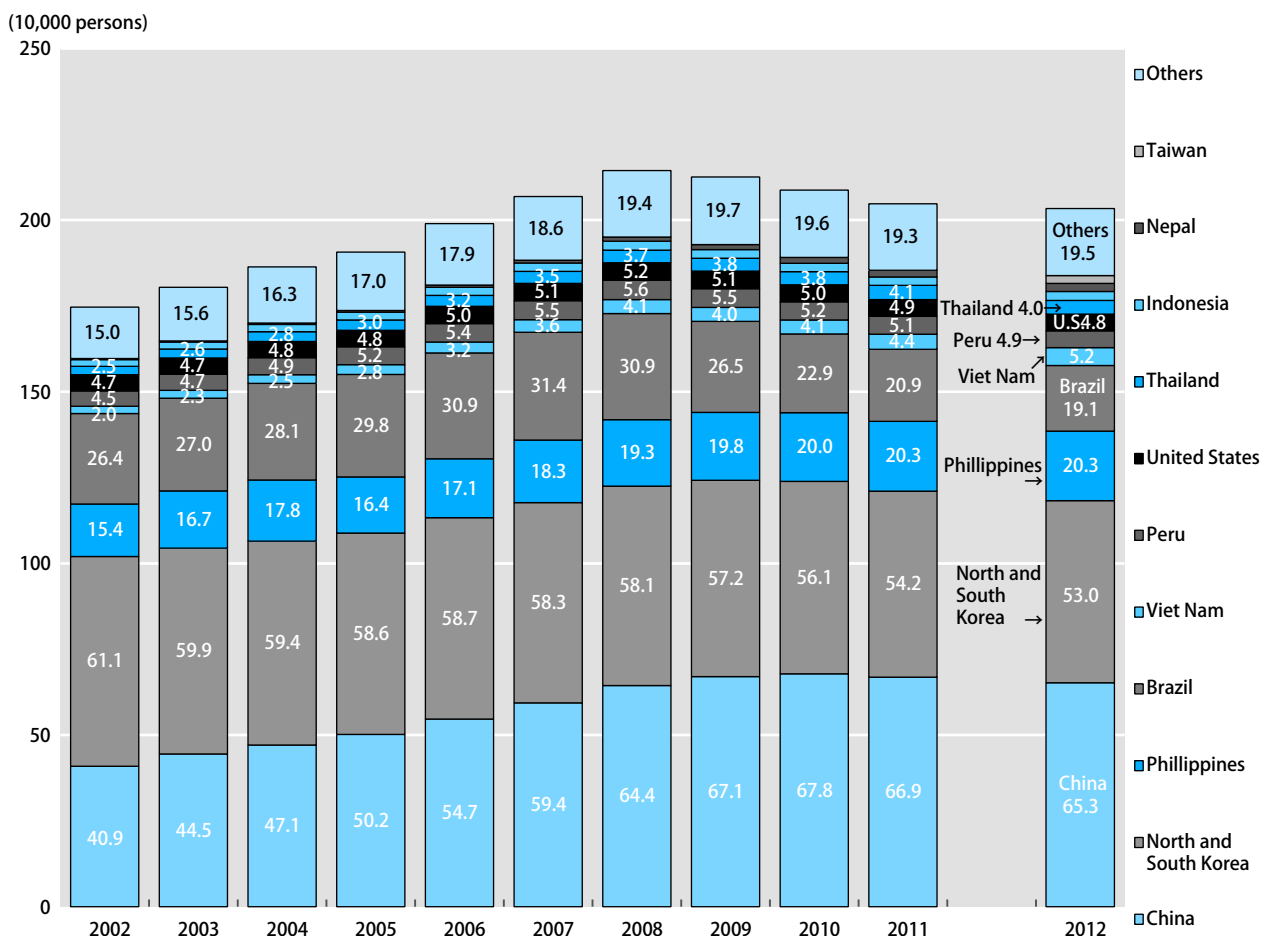
Figure II-39 shows numbers of foreign residents in terms of the nationality or region indicated on their residence card or special permanent resident certificate. In all, there were 2,033,656 foreign residents in 2012, accounting for 1.60% of Japan's population. Of these, 652,555 were Chinese, occupying 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.

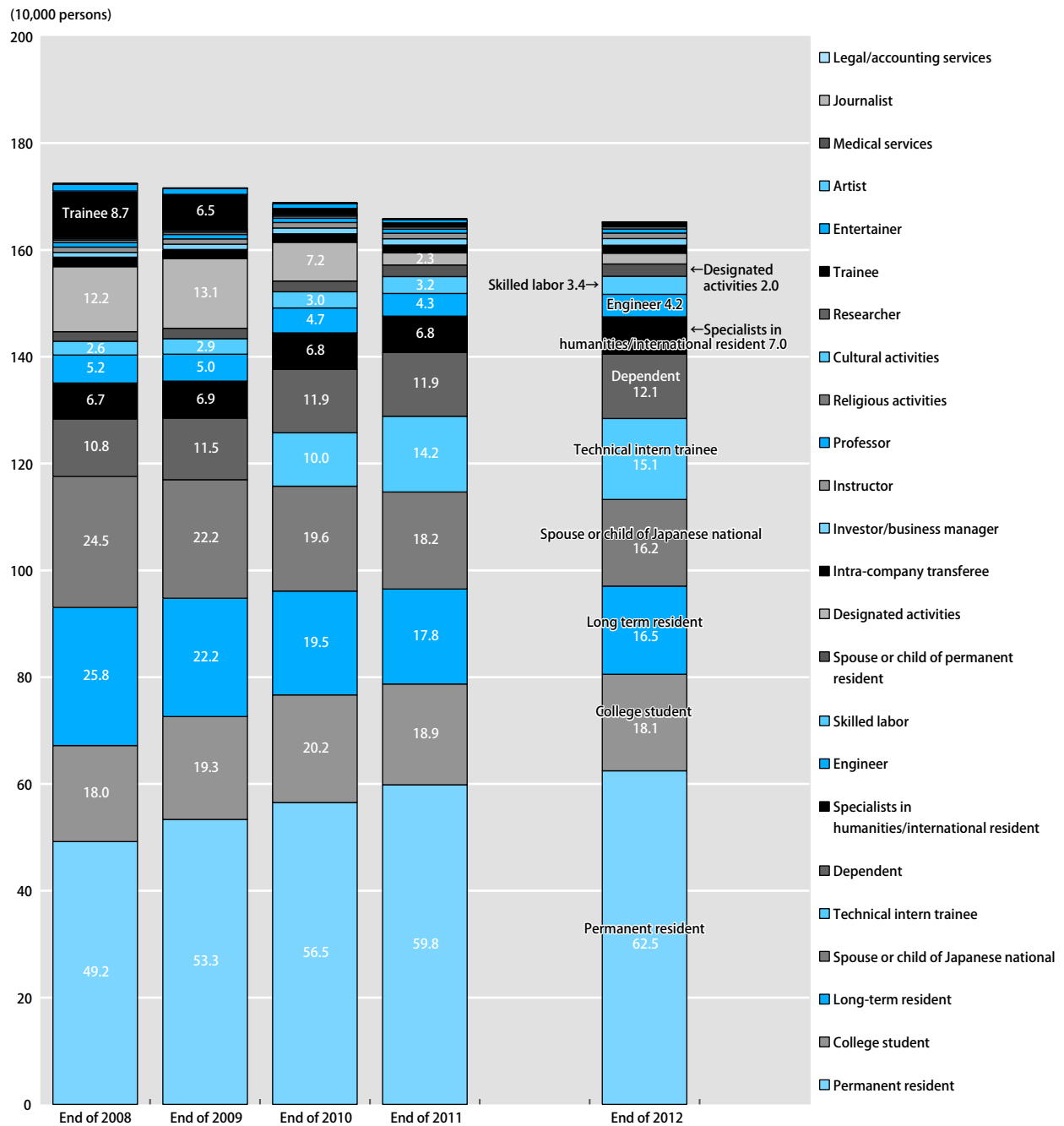
As for numbers of foreign residents by status of residence, compared to the number of registered foreign nationals (except temporary visitors, etc.) at the end of 2012, there were more foreign residents in statuses such as "investor/ business manager", "technical intern training", "skilled labor", "spouse, 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

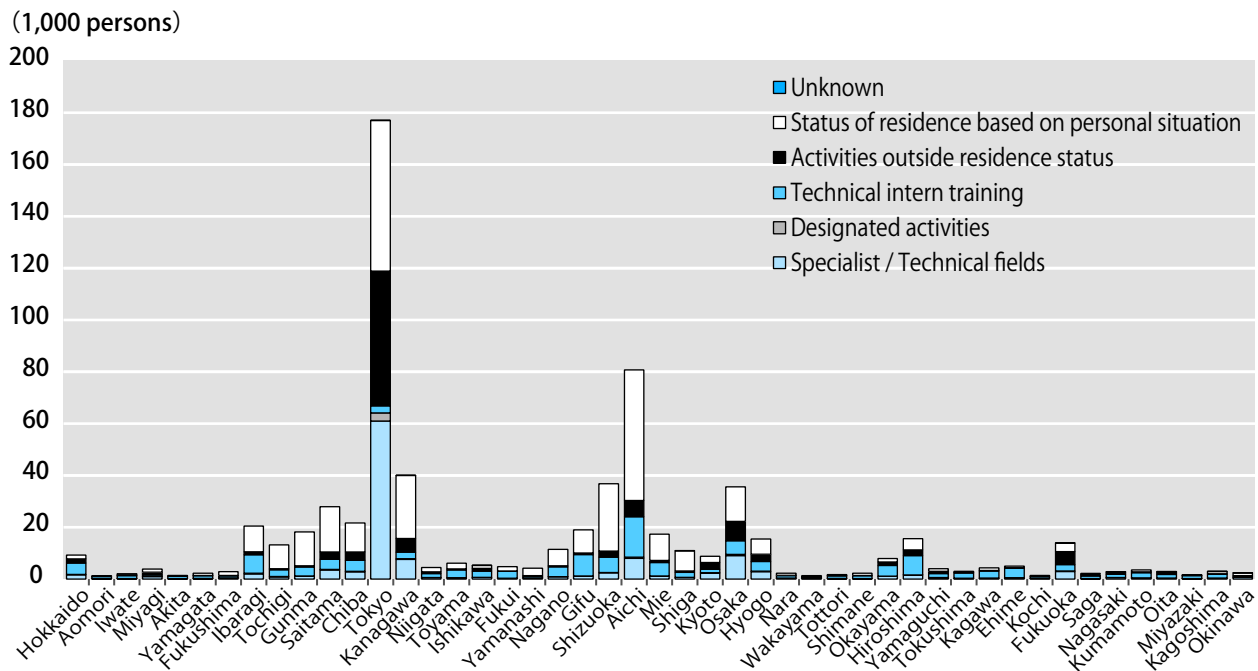
Some inconsistency is seen in numbers of foreign nationals, depending on the prefecture. Figure II-41 shows numbers of foreign workers by prefecture and status of residence, according to the Ministry of Health, Labour and Welfare's "Summary of

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

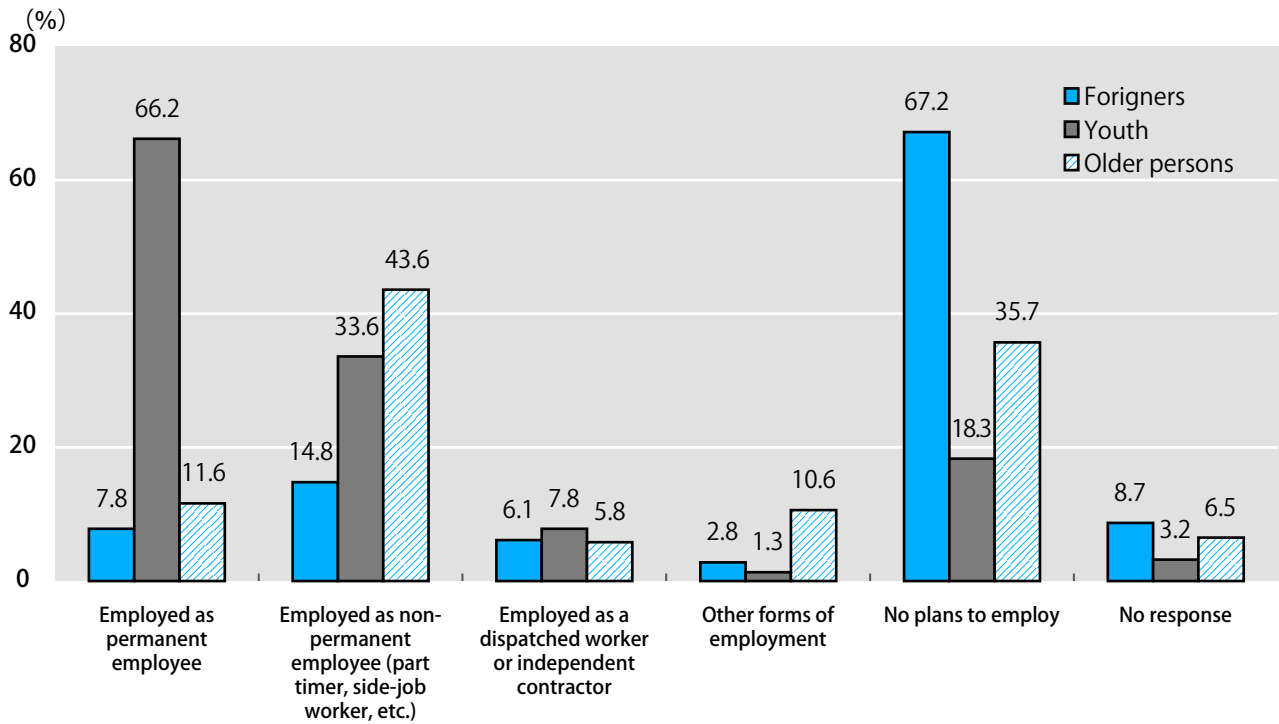
Hiring Policies and Reasons for Employing Foreign Workers

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).

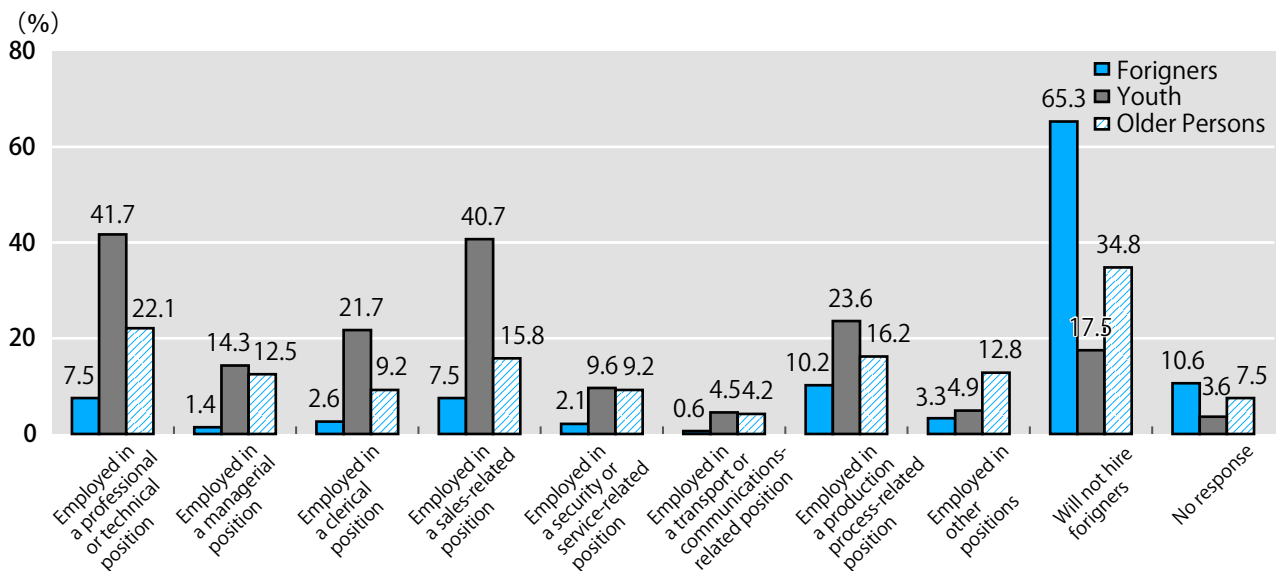
Meanwhile, in business establishments with experience of hiring foreign nationals, Japanese language ability is given greater priority than specialist knowledge or skills and previous professional record when hiring foreign nationals, regardless of the type of employment (Figure II-44). Work-related 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)

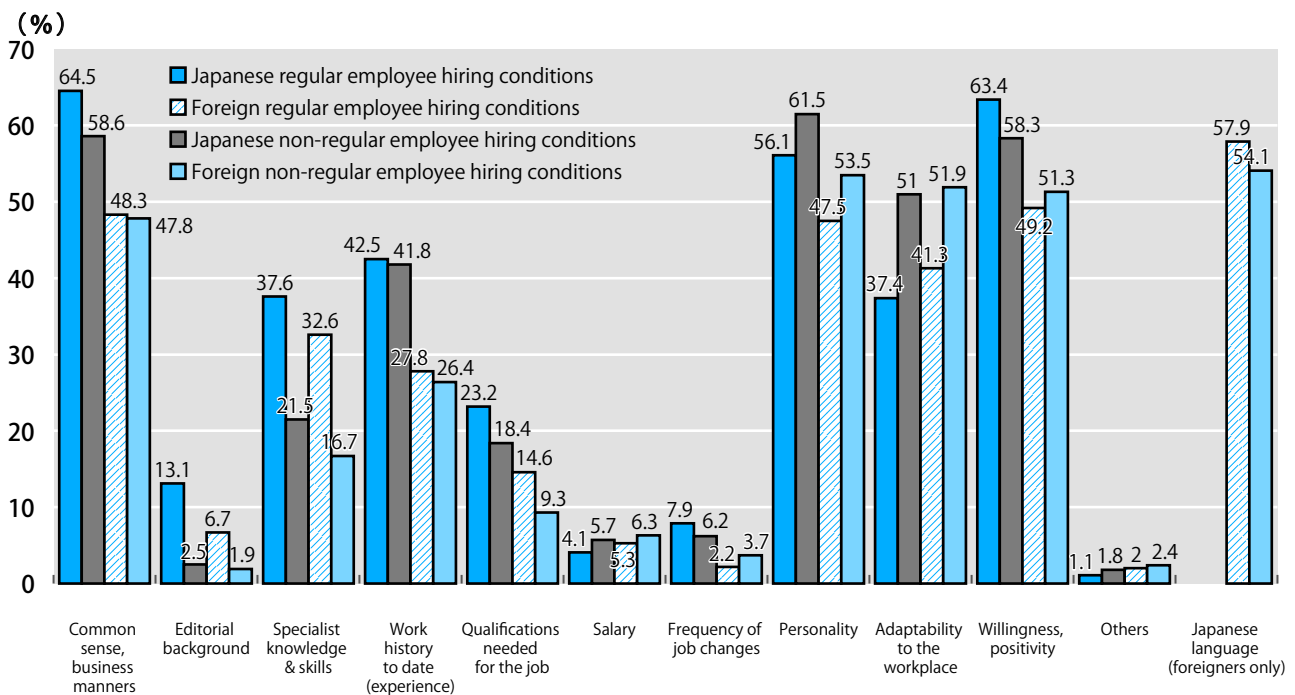


Source: Japan Institute for Labour Policy and Training, *Survey Concerning Industry and Personnel Utilization After the Simultaneous Worldwide Recession (2010)*

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)

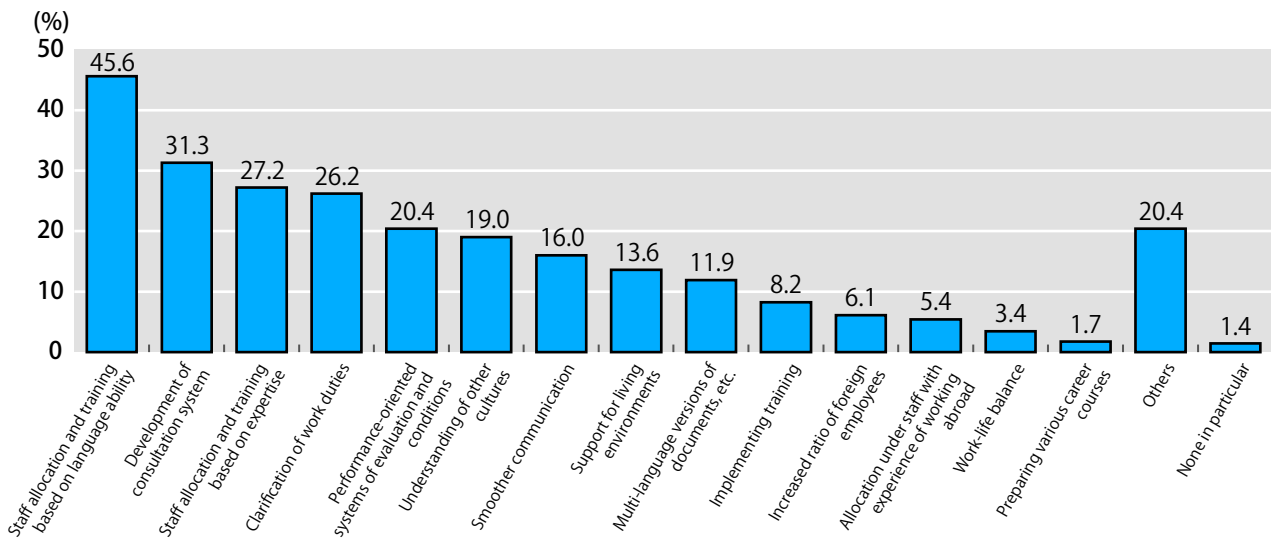
Source: Japan Institute for Labour Policy and Training, *Survey Concerning Industry and Personnel Utilization After the Simultaneous Worldwide Recession (2010)*

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.

1 Long-term Employment System

Employee Tenure in Japan

Table III-1 shows a breakdown of employees in Japan, the United States, and several European countries according to employee tenure. Along with France, Italy and Belgium, the ratio of persons continuously employed for less than 5 years in Japan is in the 30% range (35.1%), lower than in the other countries. Conversely, the ratio of persons continuously employed for 10 years or more is relatively high at 44.7%. It can thus be seen that, by international standards, employee tenure tends to be

longer in Japan.

According to the 2012 Basic Survey on Wage Structure, average employee tenure in Japan is 11.8 years. However, this varies according to the attributes of employees and the corporate organizations to which they belong. Average employee tenure is longer for men than women, and increases with the size of the company to which they belong (Table III-2). By international comparison, long-term employment in Japan is thus a particular feature of employment of male workers at large companies.

Table III-1 Composition of Employees by Length of Service

Country	< 1	1 to < 3	3 to < 5	5 to < 10	10 to < 15	15 to < 20	20+ (years)
Japan ¹⁾	7.4	14.4	13.3	20.2	12.5	10.0	22.2
United States ²⁾	21.1	11.2	16.6	21.8	12.5	6.1	10.6
	< 1	1~ < 6	6~ < 12 (months)	1~ < 3	3~ < 5	5~ < 10	10~ (years)
Canada ³⁾	—	11.3	8.4	21.0	13.5	17.1	28.7
United Kingdom	2.1	4.7	7.9	14.1	16.3	23.9	31.0
Germany	3.1	5.1	7.5	12.6	12.2	16.3	43.2
France	4.5	4.8	4.7	8.8	12.6	19.2	45.3
Italy	2.6	4.2	4.3	9.6	12.3	20.3	46.6
Netherlands	3.0	5.8	7.2	13.2	15.4	18.5	36.9
Belgium	2.8	4.6	6.2	12.0	12.2	18.5	43.6
Denmark	4.8	8.1	8.9	16.8	16.7	17.1	27.6
Sweden	7.8	6.1	7.2	11.1	12.8	18.0	37.1
Finland	7.9	6.6	7.7	10.9	12.7	16.7	37.4
Norway	2.8	5.1	8.4	14.5	16.7	18.6	34.0
Austria	3.0	6.5	6.8	10.4	14.2	19.5	39.7
South Korea	7.2	17.1	11.2	21.6	11.0	13.8	18.1
Australia ³⁾	4.1	8.3	10.2	22.9	16.5	17.5	20.5

Sources: (Japan) Ministry of Health, Labour and Welfare (2012), *Basic Survey on Wage Structure 2011*

(United States) U.S. Department of Labor (2012), *Employee Tenure in 2012*

(Other countries) OECD Database (<http://stats.oecd.org/>), *Employment by Job Tenure Intervals 2012*

Notes: 1) As of June 30, 2011

2) As of January 2012

3) Figures for 2010

Table III-2 Average Employee Tenure (by Sex and Number of Employees of Company)

	All workers	Male workers	Female workers
All companies	11.8	13.2	8.9
1,000+ employees	13.9	15.7	9.7
100-999 employees	11.1	12.5	8.5
10-99 employees	10.2	11.0	8.6

Source: Ministry of Health, Labour and Welfare, *Basic Survey on Wage Structure 2012*

Background to Long Employee Tenure: Long-term Employment Systems

Why then is employee tenure in Japan so long? One answer lies in the long-term employment systems that have developed at Japanese companies.

Many Japanese companies rely mostly on fresh school or college graduates to meet their hiring requirements, and this tendency is particularly pronounced at large companies. Fresh graduates have no real experience of work in a company until they are hired and their employers cannot tell what professional aptitudes they might have. The assumption is, therefore, that companies will hire them focusing on their trainability after hiring, and that their professional abilities will improve as they gain in experience in the workplace. Wage systems are similarly based on this assumption, and the approach adopted at many companies is to gradually raise wages in accordance with employees' length of service.

From the company's point of view, it makes sense to have workers who have attained a certain level of professional ability stay with them for as long as possible so that they can get the most out of them when their productivity outweighs what they are paid and recoup the cost of providing them with various training opportunities to raise their abilities after hiring. They therefore encourage employees to stay by raising their wages over time. If a company employs a wage system that emphasizes length of service, employees, for their part, can expect to earn a higher wage the longer that they remain with the same company. The large number of companies that offer other non-wage incentives that increase in value with length of service, such as attractive retirement benefits, also encourage employees to stay with their

employers for the long haul. The long-term employment systems of Japanese companies and the long tenure of employees in Japan may be said to have arisen out of these expectations of management and labor.

Transformation of Long-term Employment Systems

Although employee tenure in Japan is comparatively long by international comparison, it is in fact very slowly shrinking and the average tenure of all employees in 2003 was 0.4 years longer (12.2 years) than what it was in 2012 according to the above Basic Survey on Wage Structure.

Behind this trend is the transformation of long-term employment systems at Japanese companies. Paying higher wages to longer-serving employees necessarily carries with it a risk of pay exceeding productivity in the case of employees whose professional skills have ceased to rise. Although this risk did not manifest itself during the 1950s through to the 1970s when most Japanese companies were enjoying rapid growth, the wage costs of middle-aged to older employees increasingly came to be seen as a problem by companies from the 1970s onward when the Japanese economy was no longer growing as it had. As a result, the practice spread among large companies in particular of temporarily or permanently transferring middle-aged and older workers to affiliates or business partners. During the prolonged recession of the 1990s, a wave of companies experienced serious business difficulties, with the consequence that many asked their employees of above a certain age (usually those in their late forties to fifties) to accept voluntary early retirement in exchange for a topping up of their retirement benefits.

The use of such methods to remove middle-aged to older employees from companies' workforces appears to be what has led to the gradual decline in Japan's average employee tenure.

With the revision of the Act Concerning Stabilization of Employment of Older Persons, since April 2006 it has been mandatory for companies to guarantee employment opportunities to workers from age 60 until they start receiving state pensions. From April 2013, moreover, companies will have to employ

all workers until age 65 if they wish to remain in employment. While some expect this legislative action to reverse the shortening of average employee tenure, the imposition of the obligation to secure employment opportunities from the age of 60 onward may also reinforce moves by Japanese companies to rid themselves of employees before they reach that age, making it hard to predict how long-term employment systems will develop in the future.

2 Recruitment and Hiring

Considerable differences can be seen in Japan's labor market, depending on whether long-term employment involves full-time or part-time workers, new graduates or mid-career hiring, and hiring by large companies or by small and medium enterprises. Firstly, then, we will examine the overall picture of recruitment and hiring by referring to the "Survey on Employment Trends". This was first carried out in 1964 by the Ministry of Labour (now the Ministry of Health, Labour and Welfare) and has been conducted twice yearly since then, revealing labor force trends in hiring, employment, career changes and job leaving. Although the survey is based on sampling, the figures are expanded and published to represent Japan as a whole. Here, we will present data from the latest survey in 2011, published in September 2012. On recruitment and hiring by companies, the Ministry of Health, Labour and Welfare used to conduct a "Survey on Employment Management" aimed at both graduate hiring and mid-career hiring in companies ranging from large corporations to small and medium enterprises, but this was discontinued after the last such survey in 2004.

Overall Situation of Recruitment and Hiring

According to the Survey on Employment Trends (2011) (Table III-3), the total number of workers hired in 2011 was 6.30 million (rounded off to the nearest thousand). Of these, full-time workers accounted for 3.72 million and part-time workers for 2.57 million. The total of 6.30 million is divided into 2.38 million new graduates, etc., and 3.92 million hired in mid-career (in the Survey on Employment Trends, new employees who had no experience of employment in the twelve months before they were hired are distinguished from other new employees as "persons without previous employment"). Persons without previous employment, etc., are further subdivided into new graduates and other persons without previous employment (ordinary persons

without previous employment). The number of new graduates hired was 1.01 million (graduating in March 2011), and that of ordinary persons without previous employment was 1.37 million. Three-quarters of these new graduates were full-time workers and one-quarter consisted of part-time workers. On the other hand, two-thirds of ordinary persons without previous employment were part-time workers and only one-third consisted of full-time workers. In the Survey on Employment Trends, "full-time workers" are defined as "regular employees" who are not "part-time workers".

Of the 3.92 million persons already in employment and hired in mid-career (persons changing from a previous job), full-time workers accounted for two-thirds and part-time workers for one-third.

By age group, 1.35 million of all those entering employment were aged 20-24, making this the largest single age group.

By corporate scale, new graduates and full-time workers were hired most commonly by companies with 1,000 or more employees, illustrating a tendency for hiring by relatively large-scale employers. However, hiring by companies with 5-29 employees was also not infrequent. In mid-career hiring, full-time workers are most commonly hired by companies with 5-29 employees, while part-time workers are more often hired by companies with 1,000 or more employees.

Table III-4 shows the educational backgrounds of 1.01 million new graduates hired. University and graduate school graduates accounted for the largest proportion of new graduates with 42.4%, followed by senior high school graduates with 35.2%. Dividing university and graduate school graduates into arts and sciences, graduates from arts backgrounds accounted for two-thirds and those from the sciences for one-third. By corporate scale, university and graduate school graduates are most commonly hired by companies with 1,000 or more employees. Many

senior high school graduates are also hired by companies with 1,000 or more employees, but most

frequently by those with 5-29 employees.

**Table III-3 Number of Persons Entering Employment by New Graduate or Mid-career, Corporate Scale and Age Group
(Survey on Employment Trends, Male-female Totals, Unit: Thousand Persons)**

Scale, age group	Total			Persons without previous employment									Persons already in employment (Persons changing from a previous job)		
				Total			New graduates			Ordinary persons without previous employment					
	Total	General worker	Part-time worker	Total	General worker	Part-time worker	Total	General worker	Part-time worker	Total	General worker	Part-time worker	Total	General worker	Part-time worker
Age / Corporate scale totals	6,296.9	3,723.9	2,573.0	2,376.2	1,219.1	1,157.2	1,009.3	761.1	248.2	1,367.0	457.9	909.0	3,920.6	2,504.8	1,415.8
Age up to 19	716.3	272.4	443.8	583.7	233.8	349.9	388.7	206.8	182.0	195.0	27.1	167.9	132.5	38.6	93.9
Age 20-24	1,353.3	919.3	434.0	817.1	603.3	213.9	569.8	508.9	60.8	247.4	94.4	153.0	536.2	316.0	220.1
Age 25-29	812.3	561.6	250.7	188.3	115.1	73.2	43.8	40.5	3.3	144.5	74.6	69.9	624.0	446.5	177.5
Age 30-34	676.9	419.3	257.6	162.9	63.2	99.7	5.4	3.5	1.9	157.6	59.8	97.8	514.0	356.1	157.9
Age 35-39	659.5	402.5	256.9	152.4	46.5	105.9	1.1	1.0	0.1	151.3	45.5	105.8	507.1	356.1	151.0
Age 40-44	581.2	334.7	246.5	143.5	43.3	100.2	0.1	0.1	0.0	143.3	43.2	100.2	437.7	291.4	146.3
Age 45-49	414.7	244.8	169.9	90.0	37.5	52.5	0.0	0.0	—	90.0	37.5	52.5	324.7	207.3	117.4
Age 50-54	324.4	190.5	133.9	68.0	24.4	43.6	0.0	0.0	—	68.0	24.4	43.6	256.4	166.1	90.3
Age 55-59	297.2	159.7	137.5	69.5	21.7	47.8	—	—	—	69.5	21.7	47.8	227.7	138.1	89.6
Age 60-64	367.1	189.8	177.3	71.1	22.8	48.3	0.3	0.3	0.0	70.8	22.5	48.3	296.0	167.0	129.0
Age 65 or more	94.0	29.1	64.9	29.6	7.4	22.2	—	—	—	29.6	7.4	22.2	64.4	21.7	42.7
1,000 or more employees	1,661.9	860.7	801.1	695.2	315.9	379.3	307.9	219.0	88.9	387.3	96.9	290.4	966.7	544.8	421.9
300-999 employees	911.8	533.0	378.9	364.7	200.3	164.4	187.2	142.0	45.3	177.5	58.3	119.1	547.1	332.7	214.4
100-299 employees	902.1	544.2	357.8	328.7	164.2	164.5	125.3	101.3	24.0	203.4	63.0	140.5	573.3	380.0	193.4
30-99 employees	1,064.6	704.0	360.6	361.5	203.8	157.7	134.3	112.4	21.9	227.2	91.4	135.8	703.1	500.2	202.9
5-29 employees	1,471.8	896.2	575.5	539.4	284.3	255.0	214.7	156.1	58.6	324.7	128.3	196.4	932.4	611.9	320.5

**Table III-4 Number of New Graduates Entering Employment by Educational Background and Corporate Scale
(Survey on Employment Trends, Male-female Totals, Unit: Thousand Persons)**

	New graduates Total	Junior high school	Senior high school	Vocational school (Specialized course)	Technical college, junior college	University, graduate school		
							Arts	Sciences
Total	1,009.3	33.5	355.2	108.3	84.8	427.5	273.3	154.2
1,000 or more employees	307.9	15.6	83.1	20.9	16.5	171.7	97.7	74.1
300-999 employees	187.2	2.9	62.1	30.3	8.8	83.1	51.3	31.8
100-299 employees	125.3	1.7	52.5	10.4	8.4	52.3	36.5	15.8
30-99 employees	134.3	5.1	52.5	16.4	18.8	41.5	26.7	14.8
5-29 employees	214.7	8.1	104.1	26.6	29.6	46.3	37.2	9.1

Methods of Recruitment and Hiring

Table III-5 shows responses by new employees on the recruitment process, as recorded in the Survey on Employment Trends. The most common responses are advertisements (1.95 million), personal connections (1.34 million) and employment security agencies (1.32 million). In terms of corporate scale, employment security agencies provide the most common recruitment process for smaller companies, and advertisements for those with 1,000 or more employees.

Table III-6 shows responses on use of the internet when looking for jobs, a method that has been increasing recently. Just under 40% of respondents used the internet, while just over 60% did not. Of the

former, 1.06 million used the websites of private recruitment advertising agencies while 1.02 million used the “Hello Work” Internet Service, these two being the most common responses.

A survey separate from those mentioned until now is the “Survey on Hiring Management at Enterprises (2007)”, part of the “Survey on Employment Structure” (Ministry of Health, Labour and Welfare) conducted every year on different themes. Figure III-7 shows multiple answers on effective methods of mid-career hiring in that survey. According to this, the most common responses were “Resumes and work histories submitted” (73.6%) and “Checking during job interview” (73.5%).

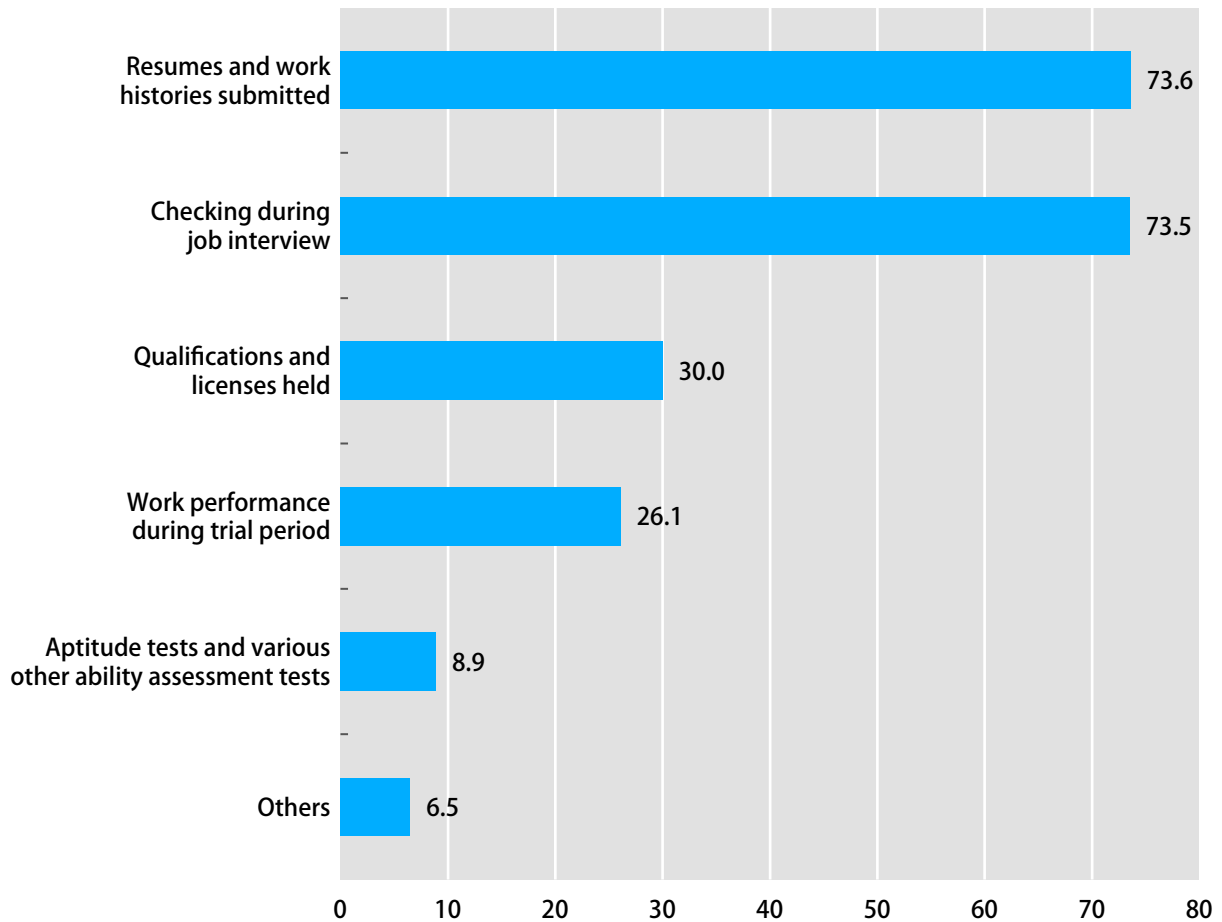
**Table III-5 Routes to Employment
(Survey on Employment Trends, Unit: Thousand Persons)**

	Job introduction agencies, etc.						Personal connection, secondment, etc.			
	Employment security agencies	Hello Work Internet Service	Private employment placement agencies	Schools	Advertisement	Others	Through a personal connection	Of which, previous company	Secondment	Reinstated after completion of the secondment
Total	1,323.5	202.6	149.8	423.8	1,951.0	753.8	1,338.7	307.0	114.5	39.3
1,000 or more employees	180.7	43.8	34.9	129.2	723.9	242.2	258.0	75.4	27.0	22.2
300-999 employees	151.6	25.8	27.4	82.3	330.3	93.1	173.5	59.0	20.5	7.4
100-299 employees	241.1	41.8	17.6	47.4	264.9	77.9	195.8	46.2	13.3	2.4
30-99 employees	301.9	39.4	20.6	61.7	254.6	103.4	256.7	47.2	24.3	2.1
5-29 employees	392.6	43.4	48.9	81.0	351.8	140.5	398.5	60.6	11.3	3.7

**Table III-6 Use of Internet in Job-hunting
(Survey on Employment Trends, Unit: Thousand Persons)**

	I used the internet (multiple answer)								Did not use the internet
	Total	Used the internet to collect information about job vacancies						Used to make an appointment with, and to send inquiries to, enterprises	
		Total	Websites operated directly by recruiting enterprises	Websites operated by private recruitment advertisement companies	Job search websites	Hello Work Internet Service	Other websites		
Total	2,413.4	2,372.5	862.8	1,059.1	220.7	1,023.6	243.4	230.9	3,883.5
1,000 or more employees	731.7	713.6	311.3	416.8	46.0	156.7	62.9	81.9	930.2
300-999 employees	404.7	395.4	183.8	178.4	34.5	126.5	46.6	50.3	507.1
100-299 employees	324.4	321.1	101.5	124.9	37.5	175.4	33.1	23.4	577.7
30-99 employees	368.7	362.9	94.8	145.7	41.1	204.2	38.2	29.7	695.9
5-29 employees	485.0	482.2	137.1	171.4	50.3	301.0	46.5	37.8	986.8

**Figure III-7 Effective Methods in Mid-career Hiring
(Survey on Employment Structure, Multiple Answers, %)**



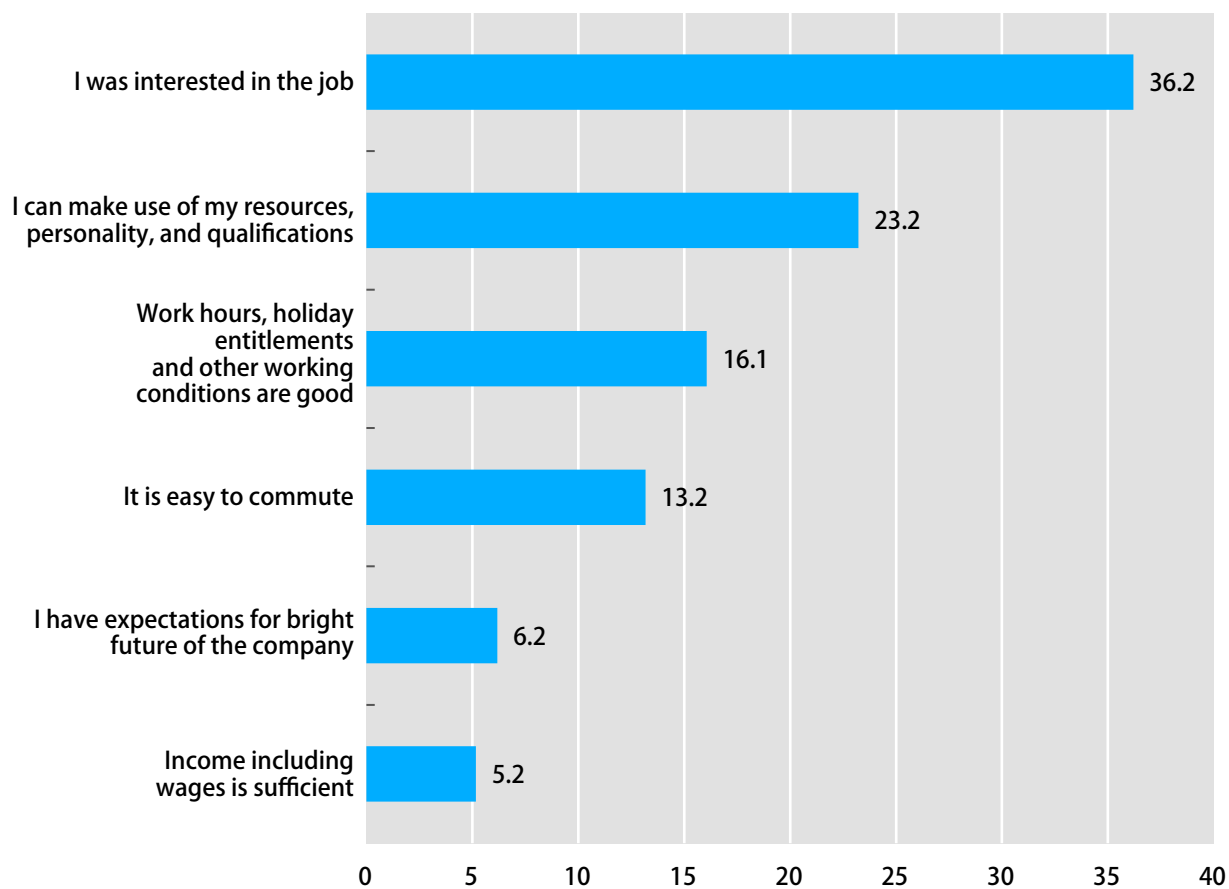
Priorities of Job Seekers and Employers

So what do job seekers look for in prospective employers when making career decisions? Figure III-8 shows how appears in the Survey on Employment Trends, where respondents were asked to specify the reason for choosing their employer in a single-answer question. Responses of “I wanted to get any job” and “Any other reasons (including secondment)” are excluded, as they are not reasons for choices; ratios are calculated by taking the remaining options as 100%. According to this, the most common responses were “I was interested in the job” (36.2%) and “I can make use of my resources, personality, and qualifications” (23.2%), and the least common was “Income including wages is sufficient” (5.2%).

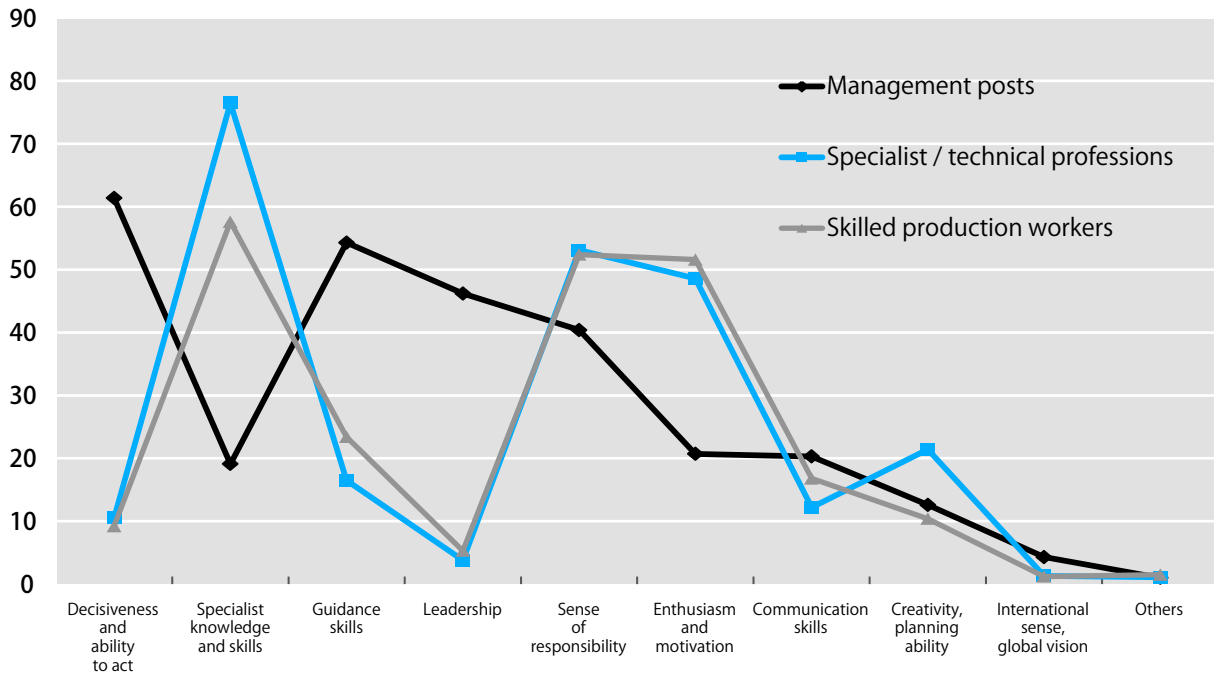
Next, what do employers prioritize when hiring

new employees? Figure III-9 casts light on this, based on the “Survey on Employment Structure (Survey on Hiring Management at Enterprises (2007))” by the Ministry of Health, Labour and Welfare. With their core personnel divided into management posts, specialist / technical professions, and skilled production workers, companies were asked to specify up to three main areas of priority for each, in multiple answer format. According to this, similar trends are seen for specialist / technical professions and skilled production workers, where the priority is mainly on “Specialist knowledge and skills”, “Sense of responsibility” and “Enthusiasm and motivation”. For management posts, companies particularly prioritize “Decisiveness and ability to act”, “Guidance skills” and “Leadership”.

Figure III-8 Reasons for Choosing Employer (Survey on Employment Trends, Single Answer, excluding Responses Citing No Specific Reason, Calculated as %)



**Figure III-9 Companies' Expectations of Core Personnel
(Survey on Employment Structure, Up to Three Responses, %)**



Recent Trends

Until now, a problem when hiring university graduates has been that recruitment schedules have been starting increasingly early and becoming increasingly protracted. Recently, however, there has been a trend toward delaying those schedules. The “Corporate Code of Ethics on Hiring Selection” issued by Nippon Keidanren (revised on March 15, 2011) recommends that, from graduations in 2013, companies’ promotional activity on hiring should start in December of the 3rd university year, and that interviews and other actual processes of selection should start from April 1st of the 4th year. In fact, the government is now urging businesses to delay this schedule further. The aim here is to have promotional

activity start in April of the 4th year and selection in August of that year, starting with new employee hiring in 2015.

With a weaker yen and rising share prices from the end of 2012 to the beginning of 2013, the prospects for Japan’s economy are looking brighter. To reflect this, according to the “Survey on Trends in the Labor Economy” by the Ministry of Health, Labour and Welfare in May 2013, prospective hiring of new graduates in April 2014 is set to “rise” compared to the previous year more than it will “fall”, for all types of graduates (senior high school, technical college and junior college, university, graduate school and vocational school graduates).

3 Allocation and Transfer of Human Resources

Allocation and Transfer of Human Resources at Japanese Companies

In the context of human resource management, “allocation” refers to a company’s apportioning of work to its employees. In Japan, where the concept of “jobs” is less entrenched than in Europe and North America, the content of work assigned to employees tends to change to suit the aptitudes and abilities of the employee and changes in the environment faced by the company, rather than human resources with the necessary aptitudes and abilities being allocated to perform a predetermined task.

“Transfers”, meanwhile, consist of moving employees around to perform different work, and the practice of transfers at Japanese companies exhibits several characteristics. Firstly, their main purpose is not only to reshuffle human resources to meet the needs of the organization (such as expansion, downsizing, or job reorganization), but also to act as a means of training and developing employees (Table III-10). Secondly, companies have an enormous say in determining transfers. The wishes of the human resources department are paramount in the allocation and transfer of newly-hired fresh graduates and the transfers of managers, while it is the wishes of the department actually responsible for the work to be performed that largely determine transfers of regular employees. This is typically observed in transfers in large companies. Thirdly, with regard to the scope of transfers of regular employees, although the scope gradually narrows down to focus on those with specific abilities after a certain period has elapsed since joining the company, in the case of transfers resulting from promotion, there are many cases in which those in managerial positions experience transfers that span departments, due to the nature of

their posts. And fourthly, temporary external transfers (where an employee of company A works at and is subject to the orders of company B while remaining an employee of company A) and permanent external transfers (where an employee leaves company A and becomes an employee of company B) entail transfers beyond the boundaries of the company for the purpose of supporting business partners and affiliates, developing employees’ skills, and securing positions for middle-aged and older employees.

New Developments in Allocation and Transfer of Human Resources

The approach to allocation and transfer of human resources employed by Japanese companies with the aforementioned four characteristics offers two advantages: (1) human resources in a company can be swiftly and flexibly reallocated as movements are tailored to the circumstances of the individual employee and the business environment faced by the company, rather than being restricted by the need to fill particular jobs; and (2) employees can be trained to cope with a wide range of work due to the experience that they acquire of work in a comparatively large number of departments and at other companies. On the downside, the extremely strong authority and initiative exercised by companies over allocations and transfers increases the possibility that employees’ employment and career development needs may not be taken into account when they are assigned or moved to different departments, which may in turn generate greater friction between the employee’s family life and work. Transfers of male employees who are household heads, for example, may require that they live away from their families.

Table III-10 Objectives of Transfers by Companies (Multiple Answers)

(%)

	Establishment of new division	Expansion/downsizing of existing division	Job reorganization	Transfer to job commensurate with abilities	Development of workers' abilities through experience of diverse work (career development)	Enhancement of worker motivation	Others
Clerical	14.3	32.8	40.1	40.7	35.0	16.4	9.1
Technical/Research	14.0	32.1	41.4	42.4	32.2	15.7	6.0
Manual	10.0	34.1	35.5	45.8	32.8	18.7	5.3

Source: Ministry of Health, Labour and Welfare, *Employment Management Survey, 2002*

Note: Percentages indicate the proportion of the total number of enterprises that employed transfers in the corresponding category of worker.

To combat this downside, more and more companies in Japan are introducing mechanisms such as “self-return” and “in-house recruitment” schemes to take greater account of employees’ wishes. Self-return schemes are systems by which employees report their personal circumstances and wishes so that this information can be taken into account by the company in making allocation, transfer, and career development decisions. On the other hand, “in-house recruitment schemes” are systems used, for example, when a new project or business is being started up; these systems involve the content of the duties to be performed being disclosed in advance, with personnel being solicited from within the company, and those who pass the selection process take charge of those duties. In their practical application, however, these measures tend to be hindered by the wishes of employees’ own departments and the difficulty of finding work to suit employees’ needs, and few companies have so far been entirely successful in implementing them.

Features of Promotions

One form of allocation or transfer of employees is “promotion”. A promotion is defined as the movement of an employee from a position in which they handle duties carried out in the lower grades of an organization to a position in a higher grade. Japanese companies have a strong tendency to place more emphasis on finding human resources from

within the organization, and management positions are filled more by in-house promotion than by the hiring of people from outside the company. This is one of the characteristics of promotions in Japanese companies and is called “internal promotion”.

When deciding on promotions, most companies that have set forth criteria for this evaluate the performance and skills of the candidates for promotion, but there are more than a few companies that manage promotions on the basis of seniority, emphasizing the number of years of continued service. The reality is that most new college graduates employed as regular employees at the same time (“employees hired at the same time”) are promoted to managerial positions at a certain level, such as section chief level, and this system is rational, as it makes most employees hope for promotion and therefore leads to increased motivation.

In fact, if we look at the actual situation with regard to promotions in Japanese companies, we can see that promotions in Japan are “late promotions” (the timing of the selection for promotion is late). According to the Japan Institute of Labour (1998), the average timing of the first selection (the time when a promotion gap first appears) for university graduate white collar workers is 7.85 years in Japan but 3.42 years in the USA and 3.71 years in Germany. The average timing of the career plateau phenomenon (the time when candidates for promotion within the same year are narrowed down, and about half can have no

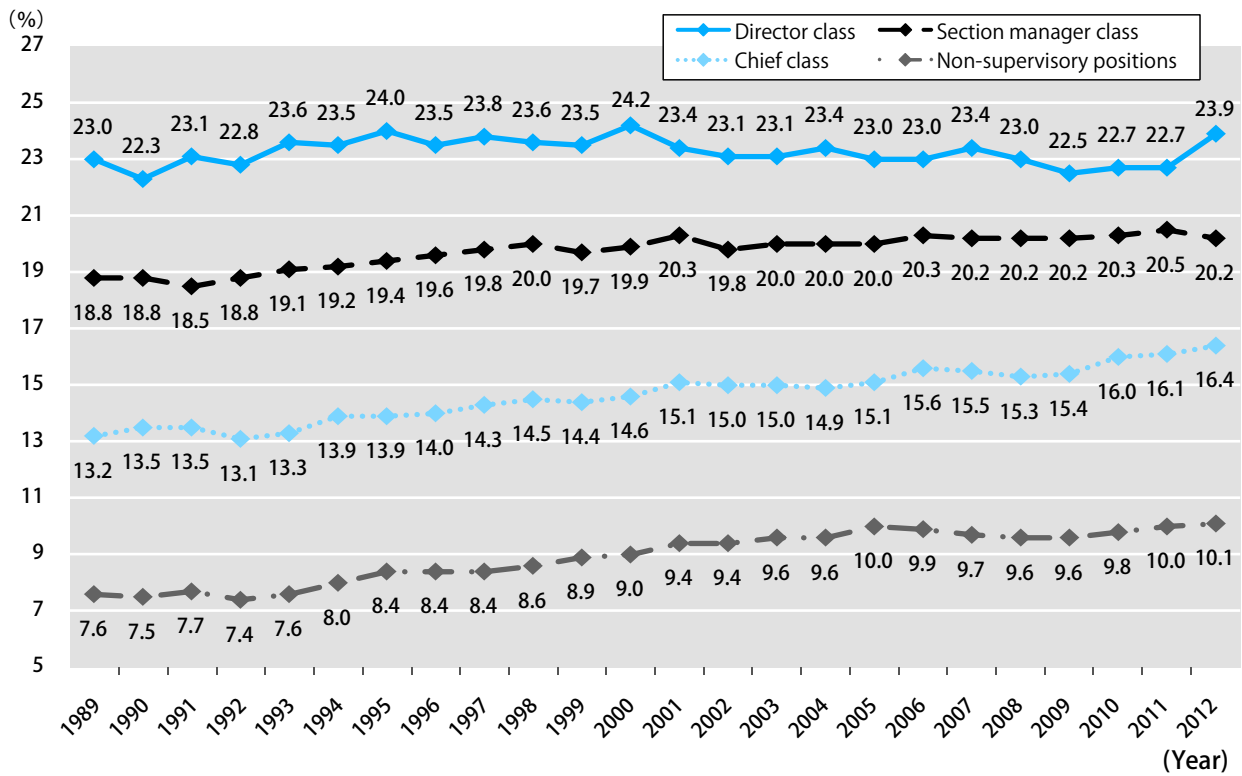
further prospects of promotion) is 22.30 years in Japan but 9.10 years in the USA and 11.48 years in Germany¹. According to data from the Ministry of Health, Labour and Welfare (Figure III-11), when the JIL was conducted (1996), the timing of first selection more or less corresponded to years of continued service of non-managerial employees, and the timing of the career plateau phenomenon to years of continued service at section chief level. A recent trend, however, is for years of continued service at section chief level, chief clerk level and non-managerial level to increase and the timing of promotion to be gradually delayed.

Thus, promotions at Japanese companies have two

characteristics, namely “internal promotions” and “late promotions,” but changes can be seen in the conditions that bring about the existence of “late promotions.” Recently, it has become harder to maintain a high probability of promotion, owing to the flattening of organizations, reductions in managerial posts, and other factors. Moreover, a slowdown in corporate growth has made it more difficult to provide opportunities for education and training equally to all employees, and inclination toward management promotions has declined, particularly among male full employees. As a result, the timing of selection for managerial posts may be brought forward in future.

¹ This survey was conducted in 1996. Its characteristics are that it was aimed at university graduate white collar workers, and that, in terms of corporate scale, more than 90% of the respondents worked for companies with 1,000 or more full employees. This creates a difference in the timing of promotion compared to the data in Figure III-11 (corporate scale 100 or more employees).

Figure III-11 Average Employee Tenure by Position in Japanese Company



Sources: Compiled from Ministry of Health, Labour and Welfare, *Wage Census (FY 1989-2012)*, website of Ministry of Health, Labour and Welfare
 Note: The above data refer to companies with a scale of 100 employees or more, totals for age groups, males, and university and graduate school graduates.

References

JIL (1998), *International Comparison: Systems of Human Resource Development and Employment of*

University Graduate White Collar Workers – Large Corporations in Japan, the USA and Germany, (2) Questionnaire Survey, JIL Research Report No.101.

4 Resignation, Mandatory Retirement and Dismissals, etc.

Resignation

Resignation is one of the reasons for the termination of employment contract and is the general term for a employee quitting a company where they had been working (however, dismissals are excluded from this definition).

With regard to the actual situation concerning resignation, the categories include “general resignation” and “resignation due to personal circumstances”, when an employee unilaterally terminates the employment contractual; “resignation by agreement,” “resignation at the employee’s own request” and “voluntary resignation,” which take place on the basis of agreement between the employee and employer; and “mandatory retirement,” which takes place on the basis of stipulations in the employment contract, workplace regulation or collective agreement.

Legal problems relating to resignation that have emerged in recent years include encouragement to resign resulting from business restructuring or shrinkage and preferential measures when soliciting volunteers for early retirement.

With regard to the former, unscrupulously encouraging employee to resign through persistent approaches or violence is illegal and could result in both the individual at fault and the employer becoming liable to pay damages. The details of the actual situation are unclear, but from looking at statistics concerning the system for resolving individual labor disputes, one can see that approximately 25.5% of disputes arising in the workplace arise from “encouragement to resign (8.5%)” and “bullying or harassment (17.0%)” that can be closely related to this (concerning this point, see Chapter IV-4 “Labor Disputes and Resolution Systems”).

As for the latter, although not so evident recently, there have been claims for payment of the difference when a disadvantage or unfairness arises concerning the application of preferential measures in the form of

financial incentives, depending on the timing of retirement. As such preferential measures have no basis in legislation, employers themselves can decide what measures to apply when and to whom. Consequently, in general, even if the application of such systems, the need for the consent of users when applying them, and any disadvantage or inequality in the application of preferential measures become an issue in litigation, employees’ claims for payment of any difference are hardly ever approved.

In recent years, there have also been numerous cases involving corporate pensions independently created and operated by companies (a problem also related to retirement, in the next section). In these cases, litigation ultimately arises when legal problems are caused by a reduction in actual payments compared to initial expectations, a lower rate of payment, or the scrapping of the system itself, as a result of poor yields on investments due to a downturn in the economic climate, etc. (on this point, see Chapter VI-3. “The Pension System and Public Assistance”).

Mandatory Retirement

According to the summary findings of the 2012 General Survey of Working Conditions (Ministry of Health, Labour and Welfare, released on November 1, 2012), 93.1% of private enterprises with 30 or more regular employees have mandatory retirement systems, of which 98.8% have a uniform mandatory retirement age. Of these, 82.7% set the mandatory retirement age at 60, and 14.3% set it at 65 or above.

On the other hand, if we look at the legal system, Article 8 of the Act on Stabilization of Employment of Older Persons stipulates that employer may not prescribe a mandatory retirement age below 60 years of age. Moreover, Article 9 of the same Act obliges employers to take measures to secure employment up to the age of 65. There are three of these measures, which were prescribed under the 2004 amendment of the Act, namely i) raising the mandatory retirement

age; ii) introducing continued employment systems; and iii) abolishing mandatory retirement (for the background and details of the amendment, see Chapter V-3 “Policies Designed to Secure Employment for Older and Disabled Workers”).

In the past, a system of continued employment as in ii) above was considered to have been introduced if standards for a system of continued employment of older workers had been decided and was being operated with the agreement of a majority union or majority representatives. However, the 2012 amendment provides that, when the employer owns related companies, a provision for continued employment in those related companies should be included in ii) above.

If we look at the 2012 Aggregate Results of the Survey on Employment Conditions of Elderly persons (released on October 18, 2012), focusing on the status of the introduction of measures aimed at securing employment up to the age of 65 based on the 2004 amendment, as of June 1, 2012, the companies that had already introduced measures to secure employment for employees aged 60 and above, up to the age of 65, accounted for 97.3% of the approximately 140,000 companies with at least 31 employees that were the focus of the aggregate results; even just looking at small and medium-sized companies (those with between 31 and 300 employees, totaling 125,708 companies), the figure was 97.03%.

If we look at the breakdown of measures to secure employment from the same aggregate results, in order of the measures accounting for the greatest proportion of responses, “introduction of a continued employment system” accounted for 83.53%, “raising of the mandatory retirement age” accounted for 14.7%, and “abolition of mandatory retirement” accounted for 2.7% (average for aggregated companies).

Concerning the “continued employment system” (the system with the highest rate of introduction), 57.2% of companies “Have standards based on labor agreements” while 42.8% of companies “Do not have standards” (average for aggregated companies). Meanwhile, 92.1% of companies set a minimum age of 65 for application of measures to secure

employment (average for aggregated companies).

However, looking at the mandatory retirement system in legal terms, there is a compelling view that it is not rational to cease the employment relationship on the grounds of having reached a certain age, and that this contravenes the principle of job security. Nevertheless, in Japan’s seniority-based long-term continued employment system, there is a general attitude that the mandatory retirement system is rational, and no courts have ruled that the mandatory retirement system is unlawful (contravening public policy as detailed in Article 90 of the Civil Code).

Moreover, due to the fact that the aforementioned Article 9 of the Act on Stabilization of Employment of Older Persons obliges employers to implement measures to secure employment up to the age of 65, discussions have recently emerged concerning the legal enforceability of that article. More specifically, there is a question about whether or not the article concerned is valid in private law. In theoretical terms, there is a conflict between the theory that sees the article to be effective in private law, so it is possible to confirm its status with regard to compensation for damages and in employment contracts, and the viewpoint that denies its effectiveness in private law, arguing that the article only imposes on employers an obligation in public law (administrative law).

Dismissals

1. General

The Labor Standards Act only prohibits the dismissal of a employee during a period of absence from work due to injuries or illnesses suffered in the course of employment, and the dismissal of a female employee during a period of absence from work before and after childbirth, or within 30 days after either type of absence, but it does not prohibit dismissal itself (Article 19). On the other hand, discriminatory or retaliatory dismissal on grounds such as gender or labor union activity is prohibited by law (by such legislation as Article 3 and Article 104, paragraph (2) of the Labor Standards Act, Article 6, item (iv) and Article 9 of the Equal Employment Opportunity Act, Articles 10 and 16 of the Child Care and Family Care Leave Act, and Article 7 of the Labor Union Act).

Amidst this legal situation, regulations based on the principle of the abuse of the right of dismissal have played a particularly important role in dismissals in general (such as dismissals due to incompetence or lack of ability to perform work). This principle is a legal theory that examines and restricts an employer's exercise of the right of dismissal (in legal terms, to be more precise, the expression of intention to dismiss), in that this constitutes unilateral termination of a labor contract relationship by the employer toward the employee. The principle was established by Supreme Court judgments from the mid-1970s onwards (Supreme Court Judgment on the 1975 Nippon Salt Manufacturing Case, Supreme Court Judgment on the 1977 Kochi Broadcasting Case).

The Supreme Court formulated the content of this principle, stating that, "the exercise of the right of dismissal by an employer shall be deemed an abuse of rights and become invalid, in the event that it lacks objectively reasonable grounds and therefore cannot be considered to be appropriate in general societal terms." Furthermore, the Court set forth the specific elements and methods of decisions on the principle, stating that, "even when there is a reason for general dismissal, the employer may not always be able to dismiss the employee. If the grounds for dismissal in the specific situation concerned are singularly unreasonable, or if they cannot be considered to be appropriate in general societal terms, the expression of intention to dismiss in question shall be deemed an abuse of rights and become invalid".

This legal principle is an unequivocal mandatory civil provision stipulated in the 2003 amendment of Labor Standards Act (Article 18-2). Underlying this was a recognition of two things: that these legal principles should be clearly stated because, despite having played an important role (job security = long-term continued employment) in regulating dismissals in Japan, their lack of statutory form made them unclear to the public; and that employers should be prevented from resorting to dismissals without careful consideration during the recession at time that the act was revised. This provision has now been transferred to the Labor Contract Act enacted in 2007 and stipulates that, "A dismissal shall, if it lacks objectively reasonable grounds and is not considered

to be appropriate in general societal terms, be treated as an abuse of right and be invalid" (Article 16).

2. Collective Dismissals (Dismissals for Economic Reasons)

Employment adjustment in Japan has mainly been carried out by means that do not involve any pain for employees, such as reductions in overtime, with the method of removing regular employees from the company not being used unless the financial condition of the company was especially poor. This is due to the fact that Japanese companies emphasize long-term continued employment, as well as the difficulty of dismissing employees due to the existence of the principle of the abuse of the right of dismissal that has underpinned this.

The regulations governing collective dismissals for economic reasons of the company have been shaped in forms derived from the principle of the abuse of the right of dismissal; unless a dismissal complies with the following four criteria, it is deemed to be illegal and invalid (four criteria for collective dismissals):

On the employer's side, (i) that there is a need to reduce personnel, (ii) that the obligation to make efforts to avoid dismissal have been discharged (examples: reducing overtime hours, re-assigning or seconding staff, halting new recruitment, making temporary layoffs (leave of absence), offering voluntary retirement, reducing numbers of non-regular employees), (iii) that the standards for selecting staff for dismissal are reasonable (examples: frequency of lateness or absence, existence of a history of breaking rules, low level of economic impact due to absence of dependents), and (iv) that full discussions have been held with workers or labor unions (i.e. the background leading to collective dismissal, the timing and method to be used, and other matters have been fully explained, opinions have been heard, and efforts have been made to gain understanding).

3. Disciplinary Dismissal

Work rules generally provide that workers who violate work orders should be subject to disciplinary measures in the form of private penalties or

punishments. Disciplinary measures are private penalties or punishments imposed by employers on employees for such reasons as violating a legitimate work order, disrupting the order of the company or workplace, or engaging in illegal acts. In ascending order of severity, the measures are admonitory warning, official warning, reprimand, reduction of salary, suspension of work, official suggestion to resign, disciplinary dismissal.

Dismissal could cause a worker to suffer significant disadvantages, but this is particularly true in cases of disciplinary dismissal. Here, the worker is branded as a disruptive element, resulting in an extremely large disadvantage when seeking re-employment. On the other hand, allowing a disruptive element to remain within a company could hinder the productivity and daily work of other workers.

Thus, the method of rigorously judging the legal validity of disciplinary measures, taking account both of the disadvantage to the worker and of the advantage to the employer, has been established via the principle of legal precedence. In other words, when taking the step of disciplinary dismissal, it is necessary i) to have clearly stipulated in the workplace rules reason for the measure, as well as the type and severity of the measure to be implemented (the principle of *nulla poena sine lege*, or no punishment without law); ii) to implement a type and severity of measure consistent with those used in similar cases in the past (the principle of equal treatment); iii) for the content of the measure to correspond to the type and degree of violation, as well as other circumstances (the principle of equivalence); and iv) for the procedures for the measure to be fair (due process: screening by a disciplinary committee, granting the employee concerned the opportunity to defend him- or herself).

In that disciplinary dismissal is also a form of dismissal, it was once possible to cite clauses in the amended Labor Standards Act, but today, this issue can be governed by the principle of abusive dismissal carried over to Article 16 of the Labor Contract Act. However, since disciplinary dismissal is a kind of disciplinary measure, it is essentially governed by the principle of abusive disciplinary action as provided in the Labor Contract Act (Article 15). The content and

interpretation of provisions on the principle of abusive disciplinary action are the same as with the principle of precedents stated above, but according to the wording of the clause itself, "In cases where an employer may take disciplinary action against a worker, if such disciplinary action lacks objectively reasonable grounds and is not found to be appropriate in general societal terms in light of the characteristics and mode of the act committed by the worker pertaining to such disciplinary action and any other circumstances, such disciplinary order shall be treated as an abuse of right and be invalid".

4. Termination of Employment

A contract with a fixed term is of course terminated when that term comes to an end. In the case of a labor contract, however, the contractual relationship sometimes continues beyond the period in question even if a fixed term is specified. In other words, even employees working under a labor contract relationship with a fixed term may sometimes (i) provide the same labor and be under the same employment management as employees under a labor contract relationship with no fixed term, and not be subject to proper renewal procedures on completion of the contract period. Moreover, (ii) even when the contract period is clearly specified and renewal procedures are properly carried out, there are sometimes circumstances on the worker's side in which continued employment is expected, and in legal terms it is judged that the contractual relationship continues.

In such cases, the courts have analogously applied the principle of abusive dismissal discussed in 1. above, construed "termination of employment" based on completion of the contract period as illegal and invalid, and have ruled that the contractual relationship continues (the "termination of employment principle"; as a case corresponding to (i) above, the 1974 Supreme Court Judgment on the Toshiba Yanagi-cho Factory Case, and as a case corresponding to (ii) above, the 1986 Supreme Court Judgment on the Hitachi Medical Corporation Case). This "termination of employment principle" has been legalized in Article 19 of the 2012 amendment to the Labor Contract Act (and therefore, under existing law,

the “termination of employment principle” is no longer based on analogous application of the principle of abusive dismissal).

Moreover, cancellation of a labor contract during the contract period is not legally recognized unless there are “unavoidable grounds” on the part of the employer (Labor Contract Act, Article 17 para.1). These “unavoidable grounds” are construed more

narrowly than the “objectively reasonable grounds” and “appropriateness in general societal terms” applied in the principle of abusive dismissal. Therefore, even if the existence or lack of “unavoidable grounds” is left to individual specific judgments, it is generally construed as being quite narrow and is not easily recognized.

Corporate In-house Education and Training Initiatives

In order to improve professional skills, i) OJT (on-the-job training), which involves learning the knowledge and skills required for the job while actually doing the job, and ii) education and training conducted away from the workplace are required. The education and training carried out away from the workplace can take two forms: ii-a) Off-JT (off-the-job training), which is conducted under the supervision of the company, and ii-b) “personal development activities”, which are conducted autonomously by the worker who works at a company.

Of these, i) OJT and ii-a) Off-JT correspond to corporate in-house education and training. For most workers, the main form of training and education opportunity is OJT; in Japanese companies, where the concept of a profession is ambiguous and it is easy for the skills required in a job to be influenced by the situation surrounding the company or workplace, the importance of this is particularly high.

OJT is mainly conducted through i) learning by watching and copying the example of the work of a more senior employee who works nearby the junior employee; ii) the daily exchange of communication between manager and subordinate, and senior and junior employees; or iii) “planned OJT,” which involves designating an instructor and providing instruction while setting clear achievement targets and levels of achievement for the individual receiving instruction. In implementing planned OJT, there are cases in which “implementation plans” that summarize the achievement targets and education and training schedule until reaching the set achievement level, or “skill maps”, which make visible the level of achievement of the person receiving instruction, are used. Moreover, with regard to the management of work in the workplace, the allocation of work with the aim of encouraging the development of skills among individuals can also be described as one aspect

of education and training through OJT. On the other hand, Off-JT has advantages that OJT does not, namely the fact that the knowledge and skills commonly required in specific divisions, job types and positions can be taught efficiently, and those undergoing Off-JT can learn knowledge and information that they would not be able to acquire in the course of their everyday duties. Off-JT at Japanese companies can be classified into i) training that focuses on “rank” across departments in the company organization, such as position and grades relating to ability and qualifications (training by rank); and ii) training that focuses on “specialist fields” in jobs (training by specialty). The latter can be further categorized into “training by division,” which is conducted in a way that corresponds to the functional field within the organization, such as sales, accounting or personnel, and “training by tasks”, which is undertaken to achieve specific tasks relating to the management of the company, such as reforms of the organizational climate and the establishment of a more efficient management system.

Issues relating to Corporate In-house Education and Training and Career Formation

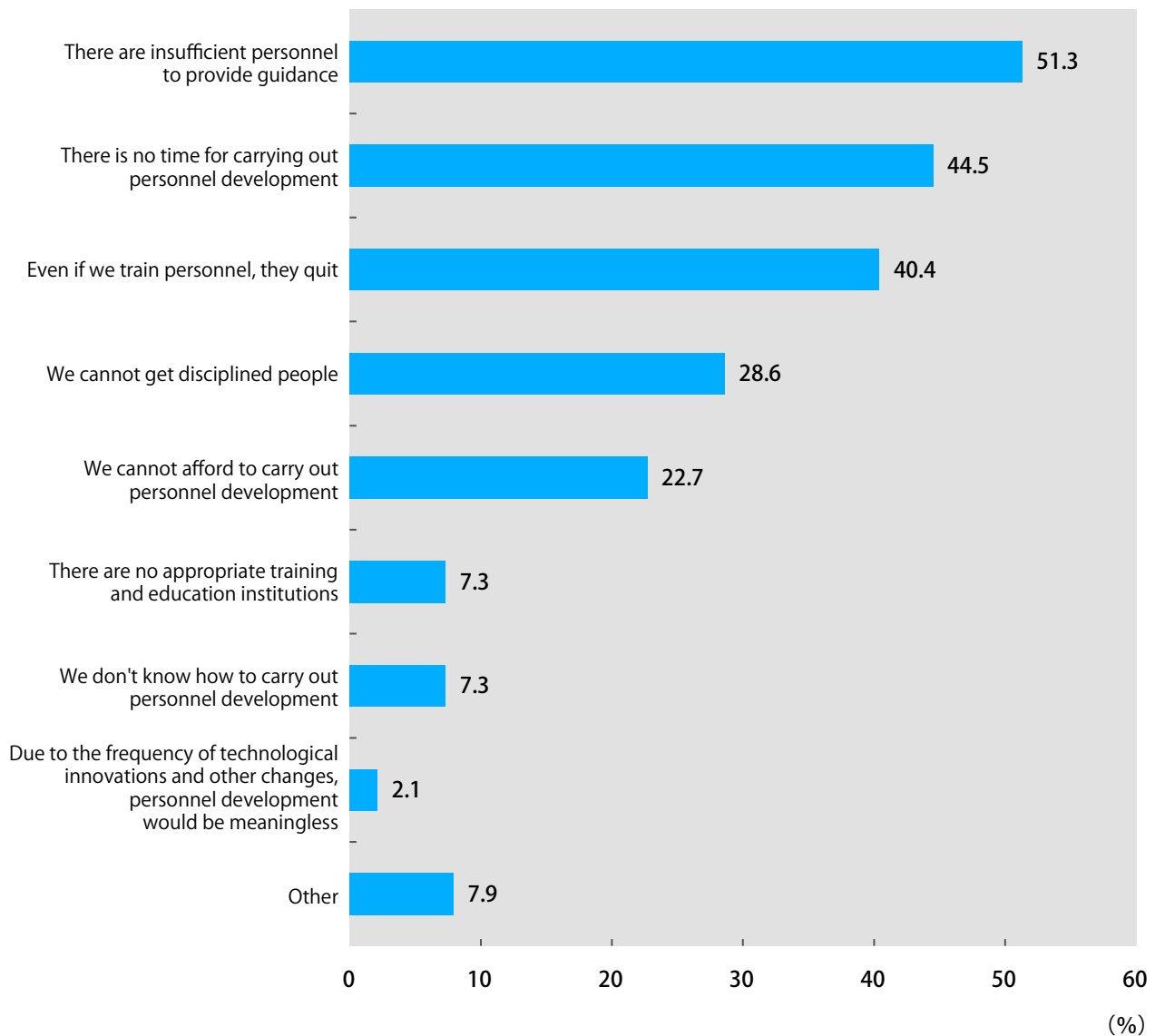
At present, various issues and limitations are becoming clear in regard to the education and training within Japanese companies that has been implemented in the forms outlined above.

The first thing that can be cited as an issue is the decreased function of the workplace, which is the venue for OJT. According to the Basic Survey of Human Resources Development conducted by the Ministry of Health, Labour and Welfare in FY2012, as many as 68.7% of the responding businesses recognized problems in their own development of human resources. As specific problems, about half of the responding businesses cited issues of time and personnel needed for internal human resource development, including a shortage of personnel for

instruction and a lack of time for human resource development. These were more numerous than businesses citing external problems, such as the

underdevelopment of education or training institutions (Figure III-12).

Figure III-12 Problems in Human Resource Development in the Workplace (Multiple Answers)



Source: Ministry of Health, Labour and Welfare, *Basic Survey of Human Resources Development, FY2012*

Furthermore, there is the problem of the motivation of employees receiving education and training within the company. Hitherto, under the stable long-term employment situation in Japanese companies, employees were guaranteed to have opportunities for advancement and the pay increases

that would accompany any promotion, and this fact sustained the motivation of employees undergoing corporate in-house education and training. However, as a result of intensifying international competition, the aging of Japanese society, and a decrease in the overall population, it has become difficult for

companies to depict a vision for their growth, and it is becoming harder to maintain an organizational system that can guarantee most employees a career that will enable them to reach a certain post. In fact, of the employees who graduated from university or graduate school, the proportion who had reached section chief level by their early 40s declined from 32.3% in 1990 to 22.1% in 2008.

Moreover, the proportion of those who are able to be promoted into a managerial role within the organization has declined, and if it becomes more difficult to achieve a career of the type that involves promotion after continued long-term service, moves aimed at exploring skills development and career formation that do not rely on corporate in-house education and training will emerge. According to the aforementioned Basic Survey of Human Resources Development, when asked about their working lives, the proportion responding that “I want to plan my career myself” was 67.9% among regular employees and 48.2% among non-regular employees, which was considerably higher than the proportion responding “I want the company to suggest a career plan” (15.8% of regular employees and 13.0% among non-regular employees). Moreover, with regard to methods of acquiring the professional skills required to achieve the working life that one desires, the highest proportion among both regular and non-regular employees was accounted for by the response “I need to make efforts to develop my skills at my own initiative”; in particular, in the case of regular employees, half responded to this effect. However,

the development of education and training opportunities outside companies that will supplement, and sometimes replace, corporate in-house education and training, and which will lead to effective career formation, at last started to be recognized as a policy goal in Japan from 2000 onwards, but it still cannot be said that it is being adequately implemented.

With regard to problems relating to corporate in-house education and training in Japan, one can point to the fact that there is a considerable disparity between regular and non-regular employees in terms of opportunities to access this. According to the Basic Survey of Human Resources Development, whereas the proportion of companies implementing planned OJT for regular employees was 59.1%, the proportion implementing it for non-regular employees was 28.0%; as far as Off-JT is concerned, the proportion of companies implementing it for regular employees was 69.7%, while the proportion implementing it for non-regular employees was 34.7%. Thus, in both cases, the proportion implementing training for non-regular employees is less than half the figure for those implementing it for regular employees. Amidst a situation in which the proportion of workers accounted for by non-regular employees is almost 40%, it has become increasingly important to consider how to enhance opportunities for corporate in-house education and training for workers other than regular employees, and what sort of new approach society should build to replace the education, training and career formation that is currently taking place within companies.

6 Wage Systems

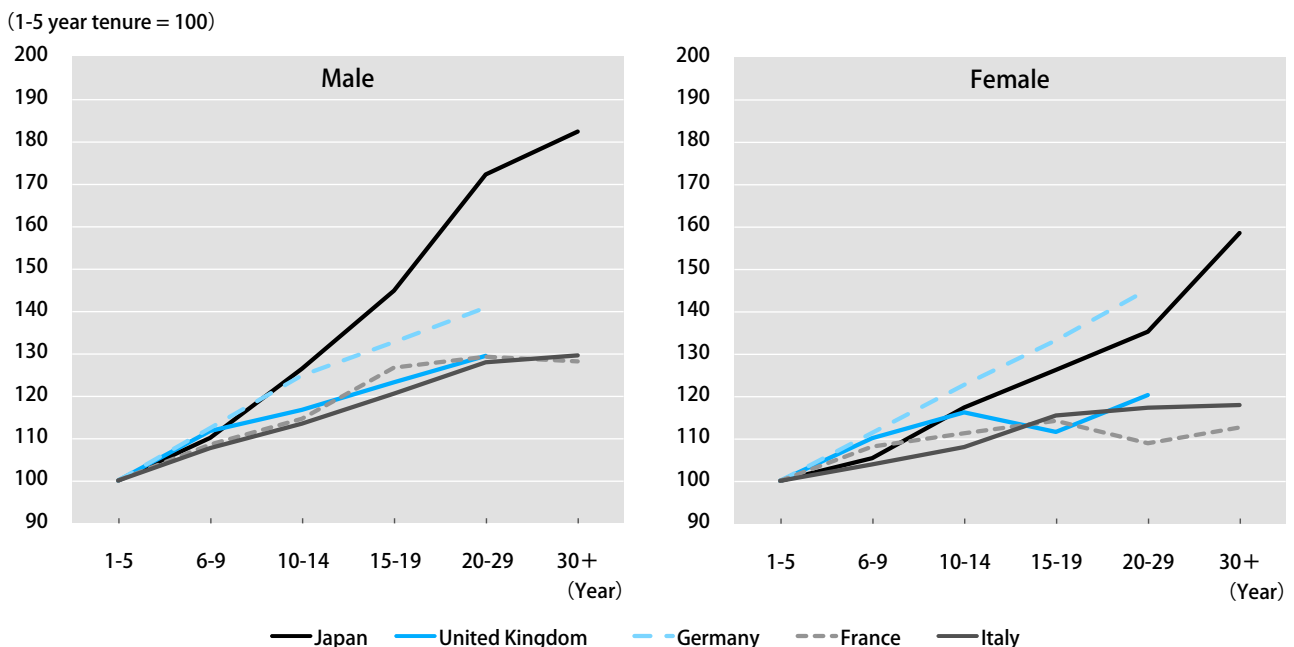
Strong “seniority” element

Figure III-13 shows that the wage levels of manufacturing workers in several countries differ according to employee tenure. In all the countries shown, wage levels tend to increase with length of tenure, but this trend is particularly pronounced in the case of Japan. Looking at male workers in Japan, the wages of workers who have worked continuously for the same company for at least 30 years is almost twice as high as that of workers who have been employed 1-5 years, compared with around 1.2 to 1.4 times as high in other countries.

There are several possible reasons for the markedly stronger “seniority” element of wages in Japan compared with other countries. One is that Japanese companies tend not to determine “job wages” based on the content of the job that an

employee performs. Instead, they much prefer to pay employees according to the level of “ability” required to perform a variety of tasks in the company. This “ability” is assumed to increase the longer that an employee has worked at a company, and accordingly wage levels increase with length of service. A further reason, in addition to the view that wages are compensation for the ability and labor services provided by an employee, is that there remains a deep-seated acceptance at Japanese companies that wages are the main means by which employees secure their livelihoods. If the intention of a company is to pay a wage that will cover the typical cost of living at a given age, then it will pay a higher wage to longer-serving employees who, being older, tend to have to spend more at home on children, education, and so forth.

Figure III-13 Wage Differences in Manufacturing according to Employee Tenure (2002)



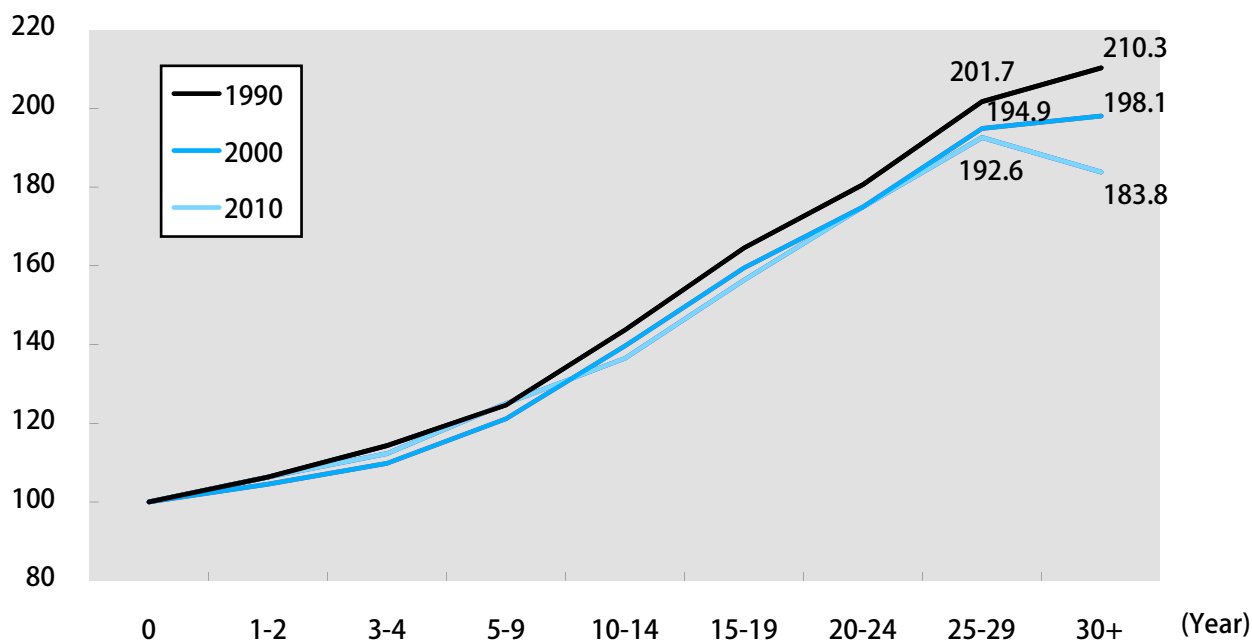
Sources: Japan- Ministry of Health, Labour and Welfare, *Basic Survey on Wage Structure (2003.6)*
Other countries- EU (November 2005), *Structure of Earnings Statistics 2002*

Trends in revisions to the wage system

However, as can be seen in Figure III-14, the relationship between length of tenure and wage levels is weakening in Japanese companies. More specifically, with regard to the wages of male workers, if we take the level for workers with no

years of continued service at 100, then in 1990, the level was 201.7 for workers with 25-29 years of continued service and 210.3 for those with at least 30 years of continued service, whereas the figures were 194.9 and 198.1 respectively in 2000, and 192.6 and 183.8 respectively in 2010.

**Figure III-14 Employee Tenure and Wage Levels
(Male Workers, 0 Years of Continued Service = 100)**



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

Note: Figures are totals by industry, academic background and age at companies with at least 10 employees.

The reason why such changes can be seen is that many Japanese companies are revising the wage system that has been in place hitherto, and are exploring new mechanisms. The *General Survey of Working Conditions* conducted in 2007 by the Ministry of Health, Labour and Welfare shows that 46.3% of companies had modified their wage systems in some way over the preceding three years. The proportion to have taken such action is greater among larger companies, with 56.5% of companies with 1,000 or more employees having done so. Regarding the types of changes made, comparatively large proportions of companies of all sizes had expanded the wage component linked to performance/results, content of work (such as job or occupational category), or job-performance skills. Even if we look at the 2010 survey, although the movement towards

the reform of the wage system is weakening, we can see that there is no change in the basic trend (Table III-15).

In other words, firstly, the relationship between output, in the form of performance or results, and the wages that are paid at Japanese companies has become clearer and is demonstrating a tendency to strengthen further in the future. In Japan, this trend is called the increasing prevalence of “performance-related” pay, and it has become particularly pronounced since the 1990s. Another trend is for wages to be consistent with the content of the work actually being carried out by employees. However, in Japan, employees are not often allocated to specific “positions,” so when setting wages at a level consistent with the content of the work, rather than basing them on the work itself, in many cases a

mechanism is introduced that determines wages according to the level of “responsibility” or “function” fulfilled by employees in the course of

carrying out their work. This kind of mechanism is called a “responsibility-based wage system” or a “function-based wage system.”

Table III-15 Percentages of Companies Making Changes to Wage Systems in Preceding Three Years and Types of Change

		Percentage of companies to have made changes	Type of change (multiple responses allowed)									
			Expansion of portion of wage linked to work content (job or occupational category, etc.)	Expansion of portion of wage corresponding to job-performance skills	Expansion of portion of wage linked to performance results	Reduction of allowances and inclusion in base pay	Reduction of retirement benefits and inclusion in base pay	Restriction of base pay and relative expansion of bonuses	Introduction of pay scale	Modification/introduction of ability-based grade system	Modification/introduction of annual salary system	Discontinuation of regular pay increases
2010	All companies	34.6	17.5	16.9	15.0	5.5	0.4	3.1	5.2	6.9	3.0	4.6
	1000 and over	37.0	18.8	14.6	15.4	8.0	0.4	2.1	6.5	12.7	4.8	2.5
	300-999	35.1	14.9	14.6	13.5	7.4	0.7	1.3	8.5	11.2	4.0	3.0
	100-299	35.5	17.0	15.5	16.0	7.7	0.7	3.5	6.0	10.5	3.9	3.5
	30-99	34.3	17.8	17.5	14.8	4.7	0.3	3.1	4.7	5.4	2.5	5.1
2007	All companies	46.3	23.3	22.1	23.7	9.1	1.1	6.0	7.7	11.0	4.0	7.1
	1000 and over	56.5	27.2	23.0	31.3	18.1	0.9	5.7	11.9	22.3	8.9	11.5
	300-999	52.9	23.7	23.5	30.2	15.3	0.7	6.2	13.8	19.1	8.3	10.2
	100-299	45.5	21.7	19.7	24.9	10.3	1.4	5.1	10.4	14.4	5.7	6.1
	30-99	45.5	23.7	22.6	22.4	7.8	1.0	6.2	6.2	8.7	2.8	6.9

Source: Ministry of Health, Labour and Welfare, *General Survey on Working Conditions 2007, 2010*

Issues encountered in revision of wage systems

Moves to strengthen the link between wages and work content and output are always designed to correct the demerits of wages with a seniority element. The aging of corporate workforces with the graying of society as a whole and the decline of the birthrate, combined with the destabilization of the business environment faced due especially to the intensification of international competition, has rendered it unfeasible for Japanese companies to continue to maintain the conventional seniority element of their wage systems. Moreover, companies feared that by continuing to operate a seniority-based wage system, the motivation of young employees or high-performing employees would decline.

However, revising wage systems is not without its pitfalls. If wages are to be linked to performance and

results, mechanisms for evaluating performance are needed. According to the *General Survey on Working Conditions (2010)*, 45.6% of companies have introduced a performance evaluation system, but only 23.0% of those companies acknowledge that their performance evaluations are “going well,” with the remaining companies perceiving that problems are arising with regard to such issues as the individual concerned not accepting the results of their evaluation and evaluations resulting in decreased will to work. Introducing function and responsibility-based wages to strengthen the linkage between work content and wages also has only a limited corrective effect on conventional seniority-based wage systems if the details of roles and responsibilities are not clearly established. Japanese companies will have to tackle issues such as these as they design and administer their wage systems in the future.

Japan's Working Hours Legislation - 40 Hours per Week

Japan's working hours legislation is provided in the Labor Standards Act, which has been in effect since 1947. Because the shortening of working hours became a big policy issue in the latter half of the 1980s, the traditional 48-hour workweek set by the law was gradually shortened since 1988. Now, aside from the 44-hour weeks served by workers at commerce, motion picture and theatre, health and hygiene, and service and entertainment workplaces of fewer than 9 employees, the workweek across all industries and business sizes has become 40 hours long.

Flexible Working Hours System

On the other hand, the Labor Standards Act also prescribes a system of irregular working hours. Within this system are: a system of monthly variation, a system of annual variation, flexitime, and a free-style system of weekly variation. In the monthly and annual variation systems, the weekly scheduled working hours will be increased to over 40 hours for, respectively, a specified week(s) or specified month(s); all other weeks/months will be shorter. Therefore, this system can be applied to situations such as a manufacturing industry for which the exceptionally busy periods vary with season, and the corresponding clerical fields. For the annual variation system, it has been possible since April 1999 to plan scheduled working hours flexibly for a period greater than one month, but maximums have been set at 10 hours per day and 52 hours per week. Flexitime is a system allowing workers self-management over their comings and goings to and from the workplace during a one-month settlement period. The free-style system of weekly variation was designed for types of businesses such as retail shops, restaurants, and Japanese-style inns, where business may slow down greatly on certain days of the week. This system provides for advance changes (made by the end of the

previous week) in the scheduled working hours for a particular day or days, keeping the weekly scheduled hours at a fixed constant.

Furthermore, the Labor Standards Act also stipulates a de-facto working hours system. Firstly, in the case of pit work, the total time spent from the time the worker enters the underground workplace until he or she leaves it will, including the recess time, be considered as part of the working time. Secondly, it deals with a system for work which is "conducted outside of the official workplace without specific command or supervision provided and for which it is difficult to calculate the amount of time spent," and is targeted at work such as sales and reporting/information gathering. Thirdly it deals with what is so-called discretionary scheduling system. This consists of two parts: the "discretionary scheduling system for specialized work" that is aimed at specialized work such as research and development, computer programming, mass communication-related work such as editing, broadcast and film directing, as well as designing, and the "discretionary scheduling system for planning work" that is aimed at white-collar work involving such areas as planning and project development.

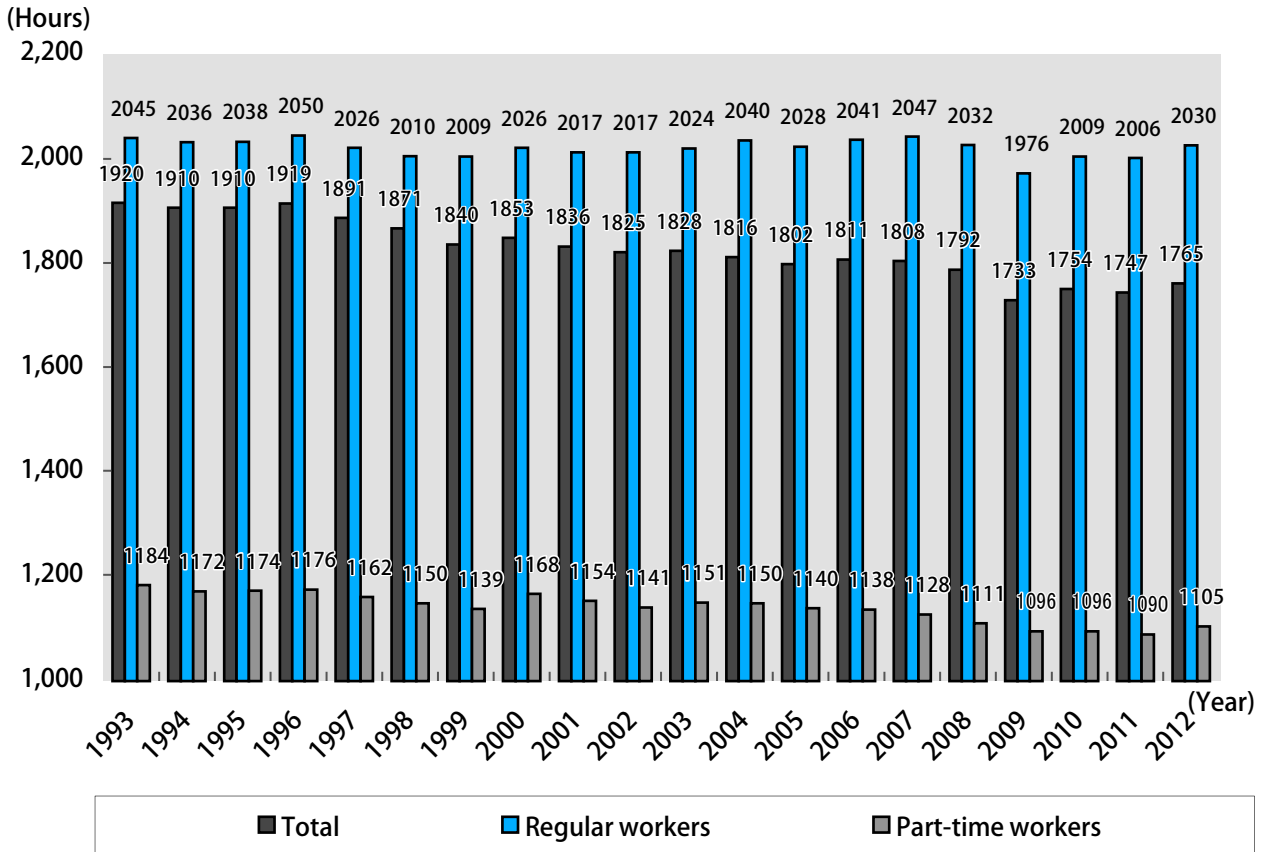
Annual Total of Hours Actually Worked

Whatever the system, however, the Japanese still work long hours. Figure III-16 shows the annual total of hours actually worked of regular workers and part-time workers. If we look at the "Total for regular and part-time workers," we can see that the annual total of hours actually worked has been steadily decreasing and fell below 1,800 hours from 2008. However, when reading these data, caution is required with regard to a couple of points. Firstly, the decrease in the annual total of hours actually worked since 2008 was brought about by the economic slump that followed the so-called "Lehman Shock". Secondly, if we look only at regular workers, who have long working hours, we can see that they have hardly

decreased at all for 20 years, and even in 2012 the figure was in excess of 2,000 hours. In other words, the contraction in overall working hours during this

time has been influenced by the increase in the number of part-time workers, who have shorter working hours.

Figure III-16 Annual Total of Hours Actually Worked by Regular and Part-time Workers



Source: Compiled from Ministry of Health, Labour and Welfare, *Monthly Labour Survey* (establishments with five or more workers)

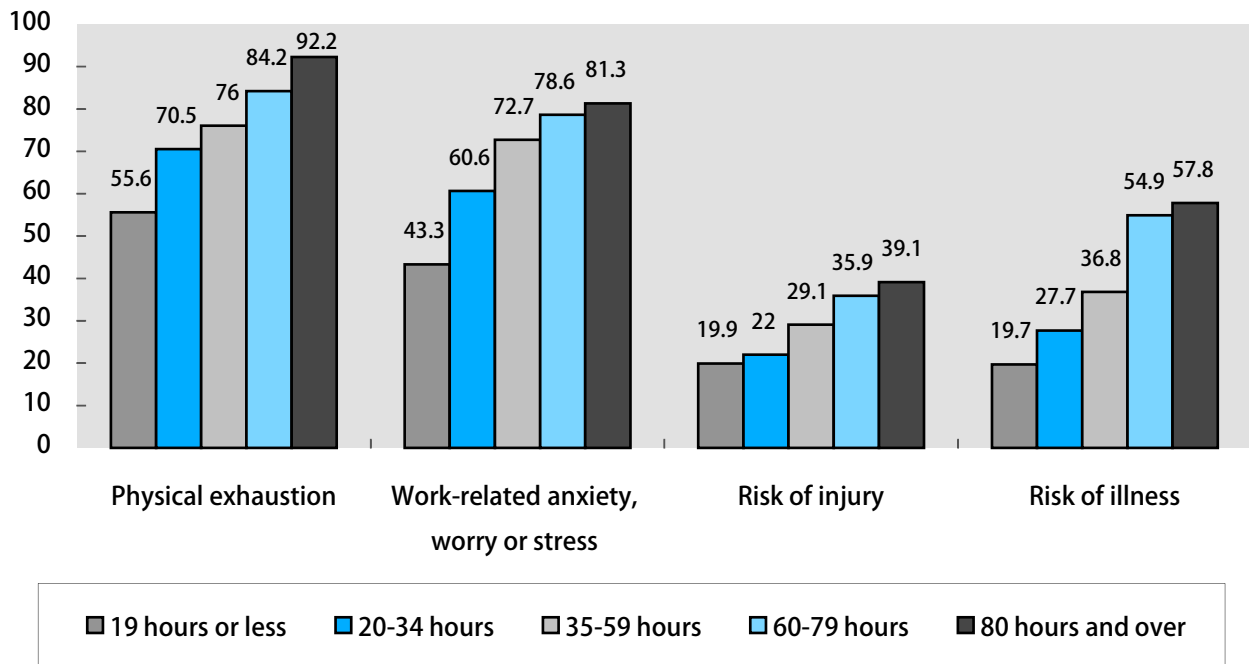
The Reality of Working Long Hours

The characteristics of the working hours of Japanese people are not simply that the total hours worked are long, but also that there are many people working exceedingly long hours. According to the Labor Force Survey carried out by the Ministry of Internal Affairs and Communications, even from the first decade of the 21st century, the proportion of those working long hours totaling at least 60 hours a week has been around 10% of all employees. Furthermore, if we restrict this to male employees in

their 30s, that proportion is in excess of 20% (Ministry of Internal Affairs and Communications, Employment Status Survey, 2007).

These people working long hours are easily exposed to physical exhaustion, mental stress, and the danger of injury or illness. According to a questionnaire carried out by the JILPT in 2010, one can clearly see that the longer the hours worked by a person in a week, the easier it is for them to be exposed to stress and health risks as a result.

Figure III-17 Relationship between Weekly Working Hours, Stress and Health Risks (%)



Source: The Japan Institute for Labour Policy and Training, *General Survey of the Actual Employment Situation of Japanese People (2010)*

Notes: 1) These figures focus on all workers (including those other than employees).

2) The % figures are totals for those responding "Very much feel" and "Somewhat feel".

Annual Paid Leave

What is effective in reducing working hours is taking annual paid leave. Table III-18 looks at the number of days of annual paid leave granted, the number of days taken, and the acquisition rate with these as the denominator and numerator. The Labor Standards Act prescribes that 10 days of annual paid leave shall be granted to those with a work attendance rate of at least 80% after six months of continued service, with 20 days being granted to those who have reached six and a half years of continued service. But unfortunately the average number of holidays taken throughout Japan in 2012 was 9.0. So, in actuality, many paid leave days are not used up. There is a variety of factors behind this such as that company

personnel management do not presume that all the holidays will be used, and that workers are often too busy with work to use holidays.

Various measures need to be devised in order to increase the take-up rate of annual paid leave. One of these is a system of scheduled annual paid leave. A scheduled annual paid leave system is a mechanism that involves annual paid leave being used up simultaneously or in turn in the workplace, based on an agreement between management and labor. Even looking at Table III-18, we can see that in companies that have introduced a scheduled annual paid leave system, the annual paid leave take-up rate is around 5% higher in comparison to companies that have not introduced this system.

Table III-18 Days of Annual Leave Given and Taken and Percentage Consumed (2012)

	Total			With a scheduled annual leave system			No scheduled annual leave system		
	Days given (days)	Days taken (days)	Percentage consumed (%)	Days given (days)	Days taken (days)	Percentage consumed (%)	Days given (days)	Days taken (days)	Percentage consumed (%)
All sizes	18.3	9.0	49.3	19.3	10.2	52.9	17.9	8.6	47.9
1,000 employees or more	19.3	10.9	56.5	20.0	11.3	56.7	19.0	10.7	56.3
300-999 employees	18.3	8.6	47.1	18.3	9.1	49.9	18.3	8.5	46.1
100-299 employees	17.6	7.7	44.0	19.0	8.6	45.5	17.3	7.5	43.6
30-99 employees	17.1	7.2	42.2	18.0	8.5	47.6	17.0	7.0	41.3
Mining and quarrying of stone and gravel	18.4	10.4	56.7	18.3	9.7	52.7	18.4	10.5	57.1
Construction	18.3	6.9	37.7	18.1	7.1	39.1	18.3	6.8	37.2
Manufacturing	19.0	10.3	54.2	19.8	11.6	58.7	18.4	9.3	50.8
Electricity, gas, heat supply and water	19.6	14.4	73.6	19.5	10.3	52.9	19.6	14.7	75.1
Information and communication	18.8	11.4	60.9	19.5	12.7	65.5	18.6	11.0	59.5
Transport and postal activities	18.1	10.3	56.7	17.4	7.5	43.3	18.2	10.6	58.1
Wholesale and retail trade	17.9	6.4	35.8	19.0	7.3	38.4	17.6	6.1	34.8
Finance and insurance	19.8	9.6	48.4	20.1	9.3	46.5	19.6	9.7	49.3
Real estate and goods rental and leasing	17.6	7.4	42.2	17.8	8.4	47.0	17.6	7.3	41.6
Scientific research, professional and technical services	18.6	9.4	50.5	19.4	11.7	60.0	18.2	8.5	46.6
Accommodations, eating and drinking services	16.3	6.1	37.4	17.3	7.4	42.9	16.1	5.9	36.5
Living-related and personal services and amusement services	16.4	7.0	42.9	16.1	7.4	46.0	16.5	7.0	42.3
Education, learning support	16.9	6.8	40.0	17.3	7.5	43.2	16.9	6.7	39.7
Medical, health care and welfare	15.0	7.1	47.5	15.7	7.7	49.0	14.9	7.0	47.2
Services	16.9	8.5	50.3	18.5	9.1	49.1	16.5	8.3	50.6
2004	18.0	8.5	47.4						
2005	18.0	8.4	46.6						
2006	17.9	8.4	47.1						
2007	17.7	8.3	46.6						
2008	17.6	8.2	46.7						
2009	18.0	8.5	47.4						
2010	17.9	8.5	47.1						
2011	17.9	8.6	48.1						
2012	18.3	9.0	49.3						

Source: Ministry of Health, Labour and Welfare, *General Survey of Working Conditions*

Notes: 1) "Days given" does not include days carried over.

2) "Days taken" is the number of days actually taken during a year.

3) The percentage consumed is calculated as follows: total number of days taken / total number of days given x 100 (%)

4) Up to 2007, the survey targeted "Private enterprises with at least 30 permanent employees at Head Office", but from 2008 the scope was expanded to "Private enterprises with at least 30 permanent employees". As a result, the time-series data are not necessarily continuous.

Karoshi (Death from Overwork)

Finally, let us introduce two unwelcome Japanese terms related to working hours. One is “karoshi”. This can be translated broadly as death that occurs as a result of excessive work (involving such things as extremely long working hours or unnaturally high stress levels).

However it must be noted that it is extremely difficult to have such cases handled by the legal system if a causal association with the work is not proved. In the narrow sense, “karoshi” is defined as death caused by cerebrovascular disease or ischemic heart disease (e.g. cerebral infarction, subarachnoid hemorrhage, myocardial infarction, angina) resulting from excessive work, while death caused by mental disorders due to excessive work or unnaturally high stress levels is termed “*karojisatsu*” (suicide induced by overwork and work-related depression). Both of these are eligible for industrial accident compensation.

There is no doubting the fact that the principal factor behind the occurrence of “death from overwork” is exceptionally long working hours. Consequently, when determining the application of workers’ compensation, firstly, the question of whether the duties from immediately before the date of occurrence up to the previous day were excessive is looked at, and then consideration is given to the situation regarding duties up to a week before the date of occurrence. Furthermore, from 2001, consideration began to be given to whether or not there were excessive duties for a long period of time (whether more than 45 hours of work were done per month outside normal working hours for a period of 1-6 months before the date of occurrence, or whether more than 100 hours of work were done outside normal working hours for the month before the date of occurrence, with more than 80 hours of work being done outside normal working hours per month for a

period of 2-6 months before the date of occurrence).

According to figures released by the Ministry of Health, Labour and Welfare in June 2013, claims related to karoshi between FY2008 and FY2012 remain high at around 300 cases per year, while those for *karojisatsu* are trending at around 150 to 200 cases.

Burakku Kigyo (Sweatshops)

The other Japanese term, “*burakku kigyo*” (literally “black companies”), has gained currency in recent years, particularly among younger workers. Analysis of the frequency of use in the Asahi Shimbun (one of Japan’s leading national dailies) shows that this term was used 4 times up to 2010, 7 times in 2011, 22 times in 2012 and 51 times in the first half of 2013 alone (from the newspaper’s article search database).

Based on these newspaper articles, characteristics shared by these companies are that they pay low wages while forcing employees to work long hours and unpaid overtime, they give no annual paid leave, and many young workers quit working for them out of exhaustion. Behind this lies the reality that young people face a harsh employment climate.

In light of this, the Ministry of Health, Labour and Welfare has started a “Young Worker Support Company Declaration Project”. The purpose of this is to recognize and give publicity to small and medium enterprises (“Young Worker Support Companies”) that have established a certain system for labor management and advertise vacancies for full employees below 35. A condition for receiving this recognition is that the company discloses employment-related information including its “Record of overtime works in the previous financial year” and “Record of paid leave and childcare leave in the previous financial year”.

8 Company Benefits

Long-terms Trends in Company Benefit Costs

According to a survey by Nippon Keidanren, the cost of compulsory and non-compulsory company

benefits combined in 2011 accounted for 18.9% of the total value of cash earnings (Table III-19). This ratio has gradually increased since the first half of the 1990s, when it was 15-16%.

Table III-19 Trends in Monthly Benefit Costs and Retirement Benefits per Employee

Category		Total value of cash earnings (yen)	Benefit costs (yen)			Proportion of benefit costs to total value of cash earnings (%)	Retirement benefits (yen)
Survey	Fiscal year		Total	Compulsory	Non-compulsory		
35th	90	482,592	74,482	48,600	25,822	15.4	36,466
36th	91	492,587	77,091	49,865	27,226	15.7	42,786
37th	92	501,188	79,130	50,782	28,348	15.8	36,866
38th	93	500,983	79,543	50,998	28,545	15.9	38,171
39th	94	513,412	82,169	53,291	28,878	16.0	42,908
40th	95	525,651	88,174	58,679	29,495	16.8	45,341
41st	96	542,368	90,989	61,233	29,756	16.8	48,288
42nd	97	541,209	91,828	62,896	28,932	17.0	56,745
43rd	98	546,116	91,575	63,162	28,413	16.8	63,341
44th	99	548,191	92,188	63,763	28,425	16.8	72,775
45th	2000	550,802	93,203	65,423	27,780	16.9	69,256
46th	01	562,098	95,883	68,482	27,401	17.1	80,495
47th	02	558,494	96,755	68,552	28,203	17.3	87,283
48th	03	565,935	100,811	72,853	27,958	17.8	92,037
49th	04	578,054	102,372	74,106	28,266	17.7	80,499
50th	05	583,386	103,722	75,436	28,286	17.8	81,685
51st	06	587,658	104,787	76,437	28,350	17.8	76,605
52nd	07	586,008	103,934	75,936	27,998	17.7	71,551
53rd	08	572,781	103,311	75,621	27,690	18.0	65,839
54th	09	533,379	97,440	71,480	25,960	18.3	67,006
55th	10	541,866	100,076	74,493	25,583	18.5	70,183
56th	11	546,246	103,298	77,744	25,554	18.9	65,000

Source: Nippon Keidanren, *Results of the FY2011 Survey of Company Benefit Costs*

Breakdown of Benefit Costs

Compulsory benefit costs refer to costs such as social insurance premiums that are borne by companies. Consequently, the area where companies

differ considerably is in that of non-compulsory benefit costs, which companies take on voluntarily. Table III-20 shows a breakdown of benefit costs in FY2011.

First, the bulk of compulsory benefit costs consists of the portion of employees' pension insurance, health insurance, and long-term care insurance borne by the employer, which accounts for approximately 90% of compulsory benefit costs, 68% of total benefit costs, and 13% of the total value of cash earnings. A breakdown of non-compulsory benefit costs reveals a relatively high proportion to be accounted for by housing-related expenses, which account for approximately 49% of non-compulsory benefit costs and 12% of total benefit costs. However, the amount spent on many categories of non-compulsory benefit costs is decreasing. Categories in which the amount

has decreased for the last three straight years are "Supplied meals", "Clothing", "Other living support", "Provision and operation of cultural, sporting and recreational facilities", "Employee welfare agency service costs", and "Others".

By the way, non-compulsory benefit costs account for approximately 25% of total benefit costs, but only 4.7% of the total value of cash earnings. In contrast, retirement packages at Japanese companies are substantial and, as shown in the table, expenditure on retirement payments account for approximately 12% of the total value of cash earnings.

**Table III-20 Breakdown of Welfare Expenses in FY2011
(All-industry Monthly Average per Employee)**

Category	Amount (yen)	Change from 2008-2009 (%)	Change from 2009-2010 (%)	Change from 2010-2011 (%)
Total value of cash earnings	546,246	-6.9	1.6	0.8
Benefit costs	103,298	-5.7	2.7	3.2
Compulsory	77,744	-5.5	4.2	4.4
Health and long-term care insurance	27,040	-3.9	3.6	5.6
Employees' pension insurance	42,717	-3.0	2.2	4.0
Employment and workers' accident insurance	7,270	-24.0	20.3	2.5
Child allowance contributions	677	-5.9	1.2	1.8
Other	40	-40.5	145.5	-25.9
Non-compulsory	25,554	-6.2	-1.5	-0.1
(Main category)(Sub-category)				
Housing related	12,567	-4.2	-1.7	1.0
Housing	11,969	-3.5	-1.6	0.9
Home ownership support	598	-16.4	-2.9	3.5
Health and medical care	3,015	-3.5	-3.6	4.6
Operation of medical and health care facilities	2,145	-6.1	-4.2	5.6
Healthcare support	869	3.3	-2.2	2.1
Living assistance	5,897	-8.7	-1.5	0.9
Meals	2,034	-12.3	-0.9	-1.2
Purchases and shopping	274	-13.8	9.3	-6.8
Clothing	388	-17.3	-0.5	-1.5
Insurance	1,030	-0.1	-4.2	4.9
Nursing care	24	-16.7	0.0	-4.0
Childcare	239	17.2	19.8	12.7
Family support	311	3.0	-5.0	-3.7
Asset accumulation	1,039	-14.5	-0.7	3.8
Commuter buses and parking	456	2.3	-9.5	2.0
Other	102	-14.1	-13.3	-8.1
Congratulatory and condolences	811	-9.7	4.9	8.4
Allowance for congratulatory and condolences	739	-11.3	4.0	9.0
Fringe benefits in excess of legal minimum	72	10.9	13.1	4.3
Culture, sport, and recreation	2,060	-8.5	4.1	-2.0
Facilities and operation	987	-6.1	-1.4	-6.4
Subsidization of activities	1,073	-11.0	10.3	2.3
Mutual aid money	227	-14.6	0.0	-7.3
Benefit agency services	293	-12.9	-1.3	-0.3
Other	685	-11.9	-7.2	-32.9
Commuting allowance and commutation costs	9,867	-6.2	2.2	0.6
Retirement benefits	65,000	1.8	4.7	-7.4
Lump-sum retirement allowance	26,893	1.6	5.3	-16.9
Retirement annuity	38,107	1.9	4.3	0.7

Source: Nippon Keidanren, *Results of the FY2011 Survey of Company Benefit Costs*

Retirement Benefits System

In Japan, the monetary allowance in the event of retirement can be divided into the two categories of lump sum retirement allowances and retirement pensions. A look at Table III-21 shows that enterprises that paid retirement benefits accounted for 83.9% of the total in 2008. Among these, only lump sum retirement allowances and only retirement pensions constitute 55.3% and 12.8% respectively, while the figure for cases where these categories are combined is 31.9%. If we look at the relationship to the scale of the company, the smaller the company, the more likely it is that a worker will receive only a lump-sum payment on retirement, while the larger the company, the more likely it is that a worker will receive either a retirement pension or both a lump sum and a pension.

It is generally seen that both lump sum retirement allowances and retirement pensions are paid in proportion to the number of years of continuous service at a specific business. However there is a demarcation done on the basis of the reason for leaving the company. The ratio of payment is low for those workers who have left on their own convenience while the ratio is raised for long-term workers who have retired at the mandatory age after long-term employment and for those who had to resign at a company's request as those seen in recession etc. It is for this reason that the lump sum

retirement allowances and retirement pension have become a factor that promotes the long-term work tenures of workers in Japan. In addition to this, in the past it was largely the case that the amount for the lump sum retirement allowance was large, and the worker received a considerable amount of money at the time of mandatory retirement. However in the course of the last few years the proportion of the retirement pension has been on the rise. Factors behind this include the fact that the aging of employees has led to an increase in the amount paid by companies as a lump sum retirement allowance and the fact that companies can receive tax benefits if they turn their retirement benefits into a pension system.

However, the status of the introduction of retirement benefit systems differs considerably according to the form of employment. According to the General Survey on Diversified Types of Employment carried out in 2010 by the Ministry of Health, Labour and Welfare, whereas the proportion of companies that had introduced a retirement benefit system for their "regular employees" was 58.4%, the proportion that had introduced them for "contract workers (full-time workers on fixed-term contracts)" was 11.8%, and in the case of "part-time workers" it was 8.0%.

Table III-21 Percentages of Enterprises with Retirement Benefit (Lump Sum/Annuity) Schemes and Breakdown by Type

(%)

Enterprise size, industry, and year	All enterprises	Enterprises with retirement benefit (lump sum/annuity) scheme					Enterprises with no retirement benefit (lump sum/annuity)	(Re-grouped) With retirement benefits	
		Lump sum only	Annuity only	Lump sum and annuity	Lump-sum scheme (inc. enterprises with both)	Annuity scheme (inc. enterprises with both)			
All sizes	100.0	83.9	(100.0)	(55.3)	(12.8)	(31.9)	16.1	(87.2)	(44.7)
1,000 employees or more	100.0	95.2	(100.0)	(19.3)	(24.0)	(56.7)	4.8	(76.0)	(80.7)
300-999 employees	100.0	92.2	(100.0)	(30.7)	(23.7)	(45.6)	7.8	(76.3)	(69.3)
100-299 employees	100.0	88.0	(100.0)	(41.1)	(17.7)	(41.2)	12.0	(82.3)	(58.9)
30-99 employees	100.0	81.7	(100.0)	(63.0)	(9.9)	(27.1)	18.3	(90.1)	(37.0)
Mining	100.0	96.4	(100.0)	(64.5)	(15.3)	(20.2)	3.6	(84.7)	(35.5)
Construction	100.0	91.9	(100.0)	(50.6)	(10.1)	(39.2)	8.1	(89.9)	(49.4)
Manufacturing	100.0	88.8	(100.0)	(51.7)	(13.9)	(34.4)	11.2	(86.1)	(48.3)
Electricity, gas, heat supply and water	100.0	100.0	(100.0)	(32.9)	(13.6)	(53.6)	-	(86.4)	(67.1)
Information and communication	100.0	89.3	(100.0)	(42.4)	(17.8)	(39.8)	10.7	(82.2)	(57.6)
Transport	100.0	78.1	(100.0)	(59.8)	(13.7)	(26.5)	21.9	(86.3)	(40.2)
Wholesale and retail trade	100.0	87.3	(100.0)	(55.2)	(12.6)	(32.3)	12.7	(87.4)	(44.8)
Finance, insurance	100.0	95.6	(100.0)	(28.7)	(27.8)	(43.5)	4.4	(72.2)	(71.3)
Real estate	100.0	79.4	(100.0)	(69.6)	(9.9)	(20.5)	20.6	(90.1)	(30.4)
Eating and drinking place, accommodations	100.0	69.9	(100.0)	(71.3)	(8.6)	(20.1)	30.1	(91.4)	(28.7)
Healthcare, welfare	100.0	62.3	(100.0)	(82.2)	(3.4)	(14.3)	37.7	(96.6)	(17.8)
Education, learning assistance	100.0	79.9	(100.0)	(67.7)	(15.6)	(16.7)	20.1	(84.4)	(32.3)
Services(Not otherwise classified)	100.0	72.5	(100.0)	(61.1)	(11.2)	(27.6)	27.5	(88.8)	(38.9)
1989	100.0	88.9	(100.0)	(49.3)	(11.3)	(39.3)	11.1	(88.7)	(50.7)
1993	100.0	92.0	(100.0)	(47.0)	(18.6)	(34.5)	8.0	(81.4)	(53.0)
1997	100.0	88.9	(100.0)	(47.5)	(20.3)	(32.2)	11.1	(79.7)	(52.5)
2003	100.0	86.7	(100.0)	(46.5)	(19.6)	(33.9)	13.3	(80.4)	(53.5)
2008*	100.0	85.3	(100.0)	(53.1)	(13.2)	(33.7)	14.7	(86.8)	(46.9)

Source: Ministry of Health, Labour and Welfare, *General Survey of Working Conditions (2008)*

Notes: 1) Figures in parentheses indicate the proportion as a percentage of enterprises with retirement benefit (lump sum/annuity) schemes.

2) The survey date is as of the end of December in the case of figures for 1999 and earlier, and as of January 1 from 2001 onwards. The years shown in the table represent the survey years.

3) The scope of the survey was expanded from "private enterprises whose main office has 30 or more regular employees" up to 2007 to "private enterprises that have 30 or more regular employees" from 2008.

2008 shows the figures for "private enterprises whose main office has 30 or more regular employees", and should be referred to for the purpose of making comparisons over time.

1 Labor-management Relations in Japan

In-House Labor-management Relations Play a Key Role

In Japan, there persisted an employment practice where dismissal of regular employees was kept to a minimum, and these employees were nurtured and utilized in the internal labor market over a long term. The various systems of employment relations have developed to adjust to this internal labor market. This phenomenon had been reflected in the characteristic of individual labor-management relations, in particular at large corporations, with (1) periodic recruitment of new graduates with the assumption of job security until retirement, (2) education and training through flexible reassignment of regular employees and on-the-job-training (OJT), and (3) personnel management by seniority for remuneration and promotion in accordance with accumulation of work performance.

The labor-management relations between employee groups and companies have also developed into enterprise labor-management relations, whereby in tandem with the long-term employment practice, enterprise unions of mainly large corporations allow their regular employees to be an union member. Typically, one enterprise union is organized per company and the union officials are also employees. Since the managers and executives that represent the employers had once been ordinary employers as well before being promoted to their position, they share common interests with the union members.

In corporations where labor unions exist, collective bargaining takes place between the labor union and corporation, and working conditions such as annual wage increases, lump-sum benefits, working hours, welfare issues and others are

determined. At corporations, in addition to collective bargaining, labor-management consultation systems exist in diverse formats at voluntary bases. This system is widely seen also at corporations which are not unionized and the system is used to discuss such issues as management policy and the formulation of production plans, among others. This labor-management consultation system is said to contribute to the establishment of stable labor-management relations.

Labor-management Relations at Industry and National Levels

Nevertheless, there is a limit to the bargaining powers of Japanese enterprise unions, in contrast to the labor unions which are organized cross-corporate organizations as seen in Europe. It could be said that the Shunto (spring labor offensive) developed as a means of supplementing the limitations of enterprise unions. Under Shunto system industrial organization unions of the labor unions organize a unified, cross-corporate struggle, and national centers perform such tasks as strategic coordination between industrial trade unions and arousal of public sentiments. The Shunto system has resulted in the creation of a social ripple-effect system whereby a pattern-setting labor-management grouping determines the wage increase rate, which is in turn used as a reference by other labor-management groups in their negotiations.

Rengo (Japanese Trade Union Confederation), which is the national center, and management organizations such as Nippon Keidanren (Japan Business Federation) have established a venue for regular discussions, and for issues on which they share the same opinion, a joint policy proposal is duly

submitted to the central government.

A second point of importance is the role in governmental councils on the formation of labor and social policy. Representatives of labor organizations and management organizations and management organizations participate in these councils and endeavor to ensure that in the process of consensus building on policy, the position of workers and employers is duly reflected.

Shortcoming of the Conventional Modality

The long-term employment practice is faltering due to changes in the labor market structure such as decreasing birth rate and rapidly aging society as well as long-term economic stagnation since the 1990s, and revision of the seniority-based wage system is being advanced.

A rapid increase in atypical workers such as part-time workers has imposed tremendous influence on the modality of collective labor-management relations.

The unionization rate fell below 20% in 2003 and has remained unstable since then, falling to 17.9% in 2012. If we look at the situation in the private sector alone, the figure is 16.7%. Labor unions focused on regular employees are definitely lagging behind the unionization of atypical workers, but the unionization rate among part-time workers is rising gradually, from 2.7% in 2001 to 6.3% in 2012 (see Table IV-1). In addition, looking at the situation by scale of

corporation reveals stark differences in organization of labor unions. In other words, in 2012, the unionization rate among corporations with more than 1,000 employees was 45.8%, but among corporations with between 100 and 999 employees this figure was 13.3%, and for corporations with less than 99 employees, the figure was 1.0%. This demonstrates that labor unions in small, medium and micro enterprises have diminished even further in presence.

Shortcomings can also be seen in the Shunto method. With international intensifying competition, management have taken such measures as flexible personnel management reflecting corporate results as a modality for wage increases, rationalization of wage standards that enable the maintenance of international competitiveness, establishment of a wage system that recognizes abilities, results and contributions, and as well as the multi-streaming of wage management. It is becoming clear that cross-industry wage increases are increasingly difficult in such an environment.

In contrast to the period when wage hikes could be guaranteed thanks to high-speed growth, international corporate competition has intensified, and in the increasingly severe corporate management environment we have entered a period in which labor conditions could be lowered. Japan's labor unions is tested whether they can regain their power and influence and demonstrate their presence in the labor market.

Table IV-1 Changes in the Number of Union Members and the Estimated Unionization Rate for Part-time Workers (Unit Labor Union)

Year	Number of labor union members among part-time workers			Ratio to all union members (%)	Number of short-time workers (in 10,000)	Estimated unionization rate (%)
	(in 1,0000)	Year-on-year difference (in 1,0000)	Year-on-year difference ratio (%)			
2001	28.0	2.0	7.8	2.5	1,042	2.7
2002	29.2	1.3	4.5	2.7	1,097	2.7
2003	33.1	3.8	13.1	3.2	1,098	3.0
2004	36.3	3.1	9.5	3.6	1,107	3.3
2005	38.9	2.6	7.3	3.9	1,172	3.3
2006	51.5	12.6	32.4	5.2	1,187	4.3
2007	58.8	7.3	14.2	5.9	1,218	4.8
2008	61.6	2.8	4.7	6.2	1,232	5.0
2009	70.0	8.4	13.7	7.0	1,317	5.3
2010	72.6	2.6	3.7	7.3	1,291	5.6
2011	77.6	5.0	6.8	7.8	-	-
2012	83.7	6.1	7.9	8.5	1,332	6.3

Source: Ministry of Health, Labour and Welfare, *Survey of Labour Unions, 2012*

Notes: 1) "Part-time workers" are those who work fewer hours than regular workers at the same business operation, or work regular working hours with a shorter workweek, and referred to as "part-time workers" at the workplace.

2) The number of short-time workers is the number of those who are classified as "employed" in the Labour Force Survey with less than 35 working hours per week.

3) Estimated unionization rate is calculated by the following formula: Number of union members among part-time workers ÷ Number of short-time workers.

2 State of Unionization and Labor Union Structure

Unionization Rate of 17.9%

According to the “Survey of Labor Unions” issued by the Ministry of Health, Labour and Welfare, as of June 30, 2012, there were 54,773 unit labor unions in Japan. The estimated unionization rate is 17.9%, with about 9.892 million out of a total of around 55.28 million employed workers belonging to unions.

The organizational structure of Japan’s labor unions is overwhelmingly dominated by enterprise unions. Craft unions and industry trade unions also exist —though in small numbers— but in Japan where long-term employment is common, over 90 percent of unions are enterprise unions.

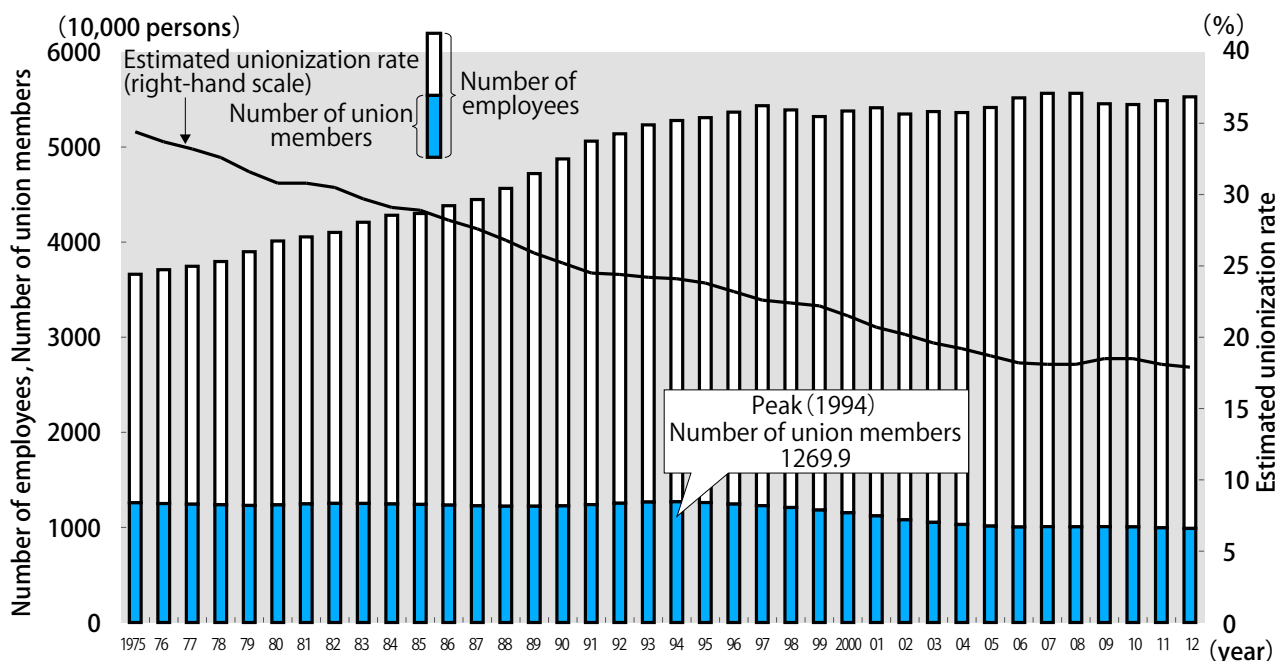
The Unionization Rate Has Been Declining Since its Peak in 1949, But Has Held Steady or Risen in Recent Years

Since its peak in 1949, the estimated unionization

rate has continuously declined because the growth in the number of union members has not kept up with the growth in numbers of employees. In addition, the number of union members in 1994 peaked at around 12.62 million, before going into steady decline (see Figure IV-2).

Broken down by industry, unionization rates are high in compound services (57.4%), electricity, gas, heat, and water supply (50.5%), government service (39.5%), and finance and insurance (48.0%). In contrast, rates are low in industries such as agriculture, forestry, and fisheries (2.2%), real estate and rental and leasing of goods (2.8%), accommodations and eating and drinking places (4.6%), services (miscellaneous) (4.4%), and living-related/personal services and amusement (5.9%). The industry with the largest number of union members is the manufacturing industry (27.3%) (see Table IV-4).

Figure IV-2 Changes in the Number of Employees and Union Members, and the Estimated Unionization Rate (Unit Labor Union)



Note: Because of the Great East Japan Earthquake, average figures in 2011 are estimated figures for reference purpose.

Table IV-3 Unionization Rate by Size of Enterprise

(10,000 persons, %)

Size of enterprise	The number of union members	The number of employees	Estimated unionization rate
Total	828.9	4,961	16.7
More than 1,000 workers	519.8	1,135	45.8
300-999 workers	119.9		
100-299 workers	64.7	1,389	13.3
30-99 workers	21.4		
Fewer than 29 workers	3.2	2,385	1.0
Others	99.9	—	—

Source: Ministry of Health, Labour and Welfare, *Survey of Labour Unions (2010)*

Notes: 1) The total number of unit unions

2) "Others" includes members of unions that embrace more than one industry (excluding group enterprises) and unions whose size is not known.

3) "Number of employees" represents workers employed by private enterprises, excluding agriculture and forestry.

Table IV-4 Unionization by Industry

Industry	Number of union members (1,000 persons)		Number of employees (10,000 persons)	Estimated unionization rate (2012) (%)
		Percentage (%)		
All industries	9,831 [2,984]	100.0	5,528	—
Agriculture, forestry, and fisheries	13 [1]	0.1	60	2.2
Mining	5 [1]	0.1	3	17.0
Construction	831 [59]	8.4	419	19.8
Manufacturing	2,695 [434]	27.4	988	27.3
Electricity, gas, heat supply and water	187 [25]	1.9	37	50.5
Information and communications	389 [77]	4.0	177	22.0
Transport	873 [82]	8.9	329	26.5
Wholesale and retail trade	1,210 [609]	12.3	926	13.1
Finance and insurance	734 [363]	7.5	153	48.0
Real estate	29 [8]	0.3	102	2.8
Scientific research, professional and technical services	146 [27]	1.5	154	9.5
Eating and drinking place, accommodations	143 [73]	1.5	313	4.6
Living-related and personal services and amusement services	112 [51]	1.1	188	5.9
Education and learning support	543 [293]	5.5	271	20.0
Medical health care and welfare	480 [370]	4.9	673	7.1
Combined services	270 [71]	2.7	47	57.4
Services	181 [37]	1.8	412	4.4
Public service	929 [385]	9.4	235	39.5
Other industries	62 [19]	0.6	42	—

Source: Ministry of Health, Labour and Welfare, *Survey of Labour Unions (2010)*

Notes: 1) The total number of unit labor unions

2) The "other industries" category covers members of unions that embrace more than one industry (excluding group enterprises) or whose industrial classification is unclear

3) Figures in brackets represent female union members

Primary Reasons for the Falling Unionization Rate are the Growth of the Service Sector and Increases in Part-time Workers

There are two factors behind the falling unionization rate. Firstly, the burgeoning of development in the service economy has increased the proportion of the commerce and service among overall industries, in which the unionization rate have historically been low. Secondly, the diversification of employment has resulted in increasing numbers of part-time workers who are difficult to organize. Another factor is attrition of numbers due to retirement of people who used to be union members and who are not being replaced by new members.

Labor Union Structure

Japanese labor unions basically have a “triplicate structure”. That is, (1) enterprise labor unions organized at each business, (2) industrial trade unions organized as loose federations of enterprise union members gathered by industry, and (3) national centers (a typical example being the Japanese Trade Union Confederation) made up of the industry trade unions gathered at the national level.

Enterprise Labor Unions: Asserting Labor’s Basic Rights

Enterprise labor unions are Japan’s dominant form of labor organization because each enterprise union exercises labor’s three primary rights: the rights to organize, bargain collectively, and strike. Each enterprise union has most of the staff, funding, and other materials necessary to exercise labor’s three primary rights. Labor unions play the role of maintaining and improving workers’ quality of life and working conditions. In order to do so, they engage in three primary activities: activities with management, activities within the unions, and activities outside the organization. First of all, as individual unions, enterprise unions maintain and improve working conditions as in Figure IV-5 and participate in management through collective bargaining and consultation with the management. Next, as for activities within the unions, enterprise

unions not only deal with organizational operations but also provide their members with services through various kinds of mutual aid activities.

Finally, when it comes to activities outside the organization, enterprise unions individually seek to provide benefits to their members by using their influence for various policies on the regional, industrial, and national levels concerning employment and working conditions as well as quality of life of their members. In addition, recently, more and more labor unions are getting involved with community and volunteer activities in order to improve their public relations.

Incidentally, the enterprise unions are only intended for regular staff employed at the concerned companies, and non-regular staffs are generally not included. The enterprise union is a mixed union organized as a single trade union for all regular staffs, without distinction between white-collar and blue-collar. A recent trend has been for progressive unionization of non-regular workers, mainly part-timers.

Industrial Trade Unions: The Mechanism and Roles

Enterprise unions are limited by their own resources to engage in the above-mentioned three activities. In order to expand their effectiveness, they have established industrial trade unions. Industrial trade unions support their member unions’ actions against business owners by consolidating requests concerning chief working conditions such as wages and working hours on the industrial level, collecting and providing information and basic materials, and coordinating negotiation strategies. In terms of activities within the organization, industrial trade unions provide their members with a variety of services through mutual aid activities, including life insurance, pension, medical insurance and so on. In addition, industrial trade unions participate in the formation and decision-making processes of national industrial policies, consult with economic organizations and develop international cooperation among labor unions.

National Centers: The Mechanism and Roles

National centers (mainly Rengo-the Japanese Trade Union Confederation) provide members with support for actions against business owners by, for example, deciding comprehensive standards for requests regarding working condition issues such as wages and working hours. However, the most important role of the national centers is their participation in national politics. Rengo, the largest of the national centers, maintains and improves workers' quality of life by sending its members to various advisory bodies in the government, participating in the decision making processes of government policy making, and concluding and maintaining cooperative relations with political parties.

Acts of Labor Dispute Take Place at the Company Level

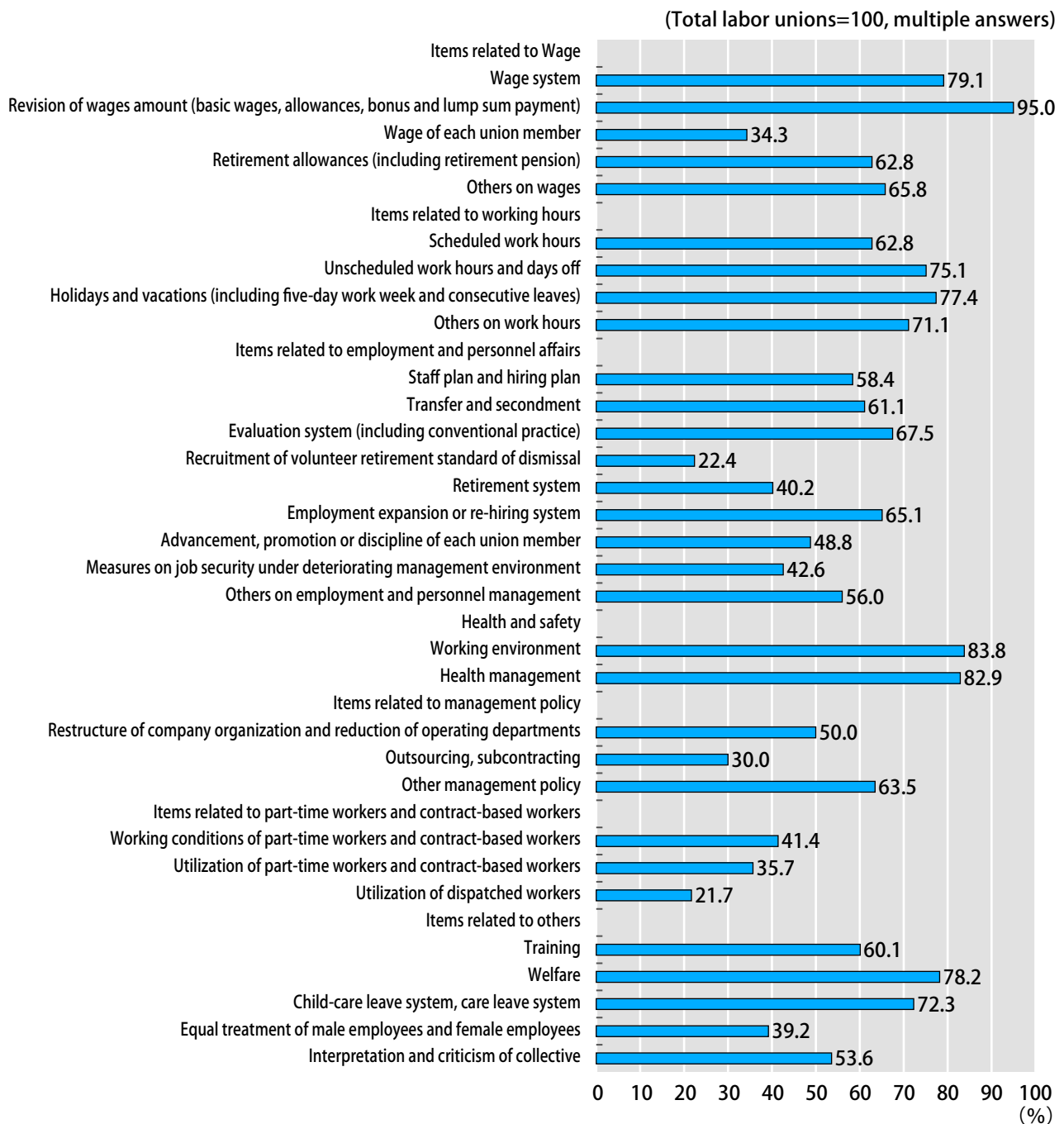
Although Japan's industrial relations are harmonious, that is not to say that labor disputes never arise. Over the three years up to 2012, the ratio of labor unions that "Had labor disputes" with employers was 3.7%, lower than in the previous

survey (2009, 5.4%). Labor disputes mostly occur on an individual company basis.

Above we examined the structure and function of Japan's labor unions, and labor disputes, but enterprise unions are most familiar to their members and play the most immediate role in maintaining and improving their quality of life. Furthermore, enterprise unions serve as the foundation for relations with industrial unions and national centers. For example, staff and financial resources move from individual enterprise unions to industrial unions in the form of dispatches and financial contributions, and then flow further from industrial unions to national centers.

Accordingly, most board members of industrial trade unions and national centers are dispatched from enterprise unions, and hold positions at those enterprises. Moreover, union dues of major enterprise unions often exceed those of their affiliated industrial trade unions. Labor disputes occur almost exclusively at the enterprise level. However, there are also cases in which there is a reverse flow of information and policies from national centers, through industrial trade unions, to the individual enterprise unions.

Figure IV-5 Ratio of Labor Unions by Items regarding Subject between Labor and Management, Whether or Not Negotiation Was Held and Session through Which Negotiation Was Held (in the Past 3 Years)



Source: Ministry of Health, Labour and Welfare, *Survey Results on Collective Bargaining and Labour Disputes, Policy Planning and Research Department (2012)*

Note: The last 3 years means from July 1, 2009 to June 30, 2012.

3 Shunto: Spring Wage Offensive

What Is Shunto?

Shunto - the spring wage offensive - is a united campaign by the labor unions, led by Industrial Unions. It is launched every year between March and April, the main aim of negotiations being higher wages. Beginning in 1955, Shunto has become a platform for wage rise demands throughout Japan. By establishing a schedule for strike action and unified demands in each industry, Shunto provided a framework that surpassed internal individual corporate negotiations, instead creating a bargaining method whereby wage increases could be secured throughout the entire industry. The aim of Shunto when it was initially launched was, “the realization of wage increases to put wages on a par with Europe and the US”.

The results of these negotiations did not merely affect the industrial sector. Their influence fanned out in the late 1950s to form what became known as the “spring wage settlement” throughout Japan as a whole, including small and medium enterprises and the public sector. From the 1960s and the period of rapid economic growth, the driving force behind Shunto - the so-called pattern setter - was the labor-management negotiations in the steel industry, which was representative of the bullish manufacturing sector as a whole. In addition, in 1964, the Japan Council of Metalworkers’ Unions (IMF-JC) was formed as the result of the merger of labor unions in the following four metals industry sectors: steel, ship-building and engineering, electric, and automobiles. This private sector metalworkers’ organization took the lead in the Shunto wage increase negotiations each year.

An End to Rapid Growth and a Shift in Shunto Policy

The period of rapid growth came to an end with the first oil shock in 1973. Commodity prices jumped 20% bringing confusion to the market and for the first time in the post-war period real GDP recorded negative figures. It was in 1975 that the “theory of economic conformance” first appeared in the Shunto, which was

essentially a self-imposed limit on wage increase demands with the aim of achieving price stability. Ever since, Shunto has come to be dominated by this concept. As a result, the initial direction of Shunto’s achievement, “large scale wage increases” to realize wage that is equivalent to Europe and the US, was abandoned and an end was brought to the era of two-digit annual wage increases.

After rapid growth ground to a halt, the “theory of economic conformance” espoused by IMF-JC, which took the lead in negotiations resulted in inflation being controlled and made a significant contribution to the macro-economy and the achievement of moderate growth in the 4-5% range. This theory of economic conformance functioned as a kind of “social income distribution mechanism” built in to the Japanese economy. However, following the collapse of the bubble economy, Shunto demands, which had been premised on the theory of economic conformance, were faced with a deflationary economy from the late 1990s, bringing Shunto to a second point of transition in its history.

Shunto in the Post-bubble Era

The collapse of the bubble economy resulted in Japan falling into a recession which has become known as the “lost decade.” From the latter half of the 1990s deflationary tendencies intensified, and the labor-side’s demand structure of “annual pay increases + commodity price increases + improvements in living standards” at Shunto lost effectiveness, due to the fact that they had been premised on continuous economic growth. The wage increase rate accordingly slumped (see Figure IV-6).

Entering the 21st century, Shunto found it difficult even to maintain the so-called annual pay increases (equivalent to 2%), impacted by the long recession, permeation of performance-based pay system, the persistent deflationary economy, and the hollowing out of industry, among other factors. From 2002 the IMF-JC ceased to make a unified request for hikes in base

pay, and the phenomenon of Shunto ceasing to seek wage hikes continued. Therefore, management has thus declared that “Shunto is dead” in that industry-wide settlements for hikes in base pay have come to an end.

Since being written off for a second time, however, a new role is being sought for Shunto as a means of correcting disparities. One new initiative for remedying disparities between enterprises is the determination of wages based on occupational rates. IMF-JC is exploring migrating to an occupational wage-based method of determining wage levels, while the Japanese Electrical, Electronic and Information Union moved to an occupational wage-based demand system, beginning from the 2007 Shunto, to demand wages commensurate with the value of work according to occupation. Moreover, based on the fact that there are pronounced wage gaps depending on the scale of the company (between large companies and small and medium-sized enterprises) and also depending on the form of employment (between regular and irregular employment,) the Japanese Trade Union Confederation (JTUC-RENGO) launched the “joint offensive for small and medium-sized enterprises” and the “joint offensive for part-time workers.” Both joint offensives aim to redress the gap by raising the overall level of wages and working conditions.

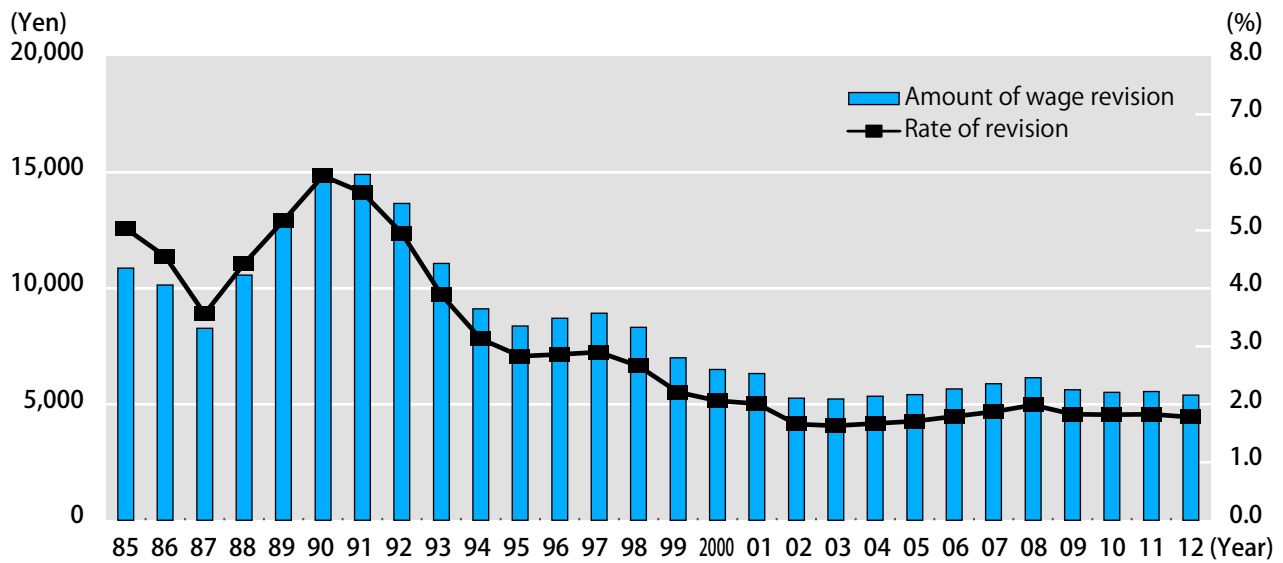
The Biggest Policy Challenge for Government, Labor and Management Is to Break Away from Deflation

Wage levels in Japan as a whole peaked in 1997, and have been in a downward trend ever since. To

make matters worse, under the impact of the global economic crisis of autumn 2008, the following year saw the largest fall in wages since the Second World War. In light of this, the unions embarked on a strategy of negotiation targeting a return to wage levels at their peak, starting with the 2011 Shunto. But just as the Shunto was reaching its climax, the Great East Japan Earthquake struck. The disaster was followed by the Fukushima nuclear power accident, and this in turn by flooding in Thailand that autumn, causing a sudden fall in corporate performance. The impact of this extended to the 2012 Shunto, when bonuses fell sharply.

Both labor and management agreed with the government that deflation is responsible for the protracted stagnation in Japan's economy, and that breaking away from deflation is the biggest policy challenge. Then, at the end of 2012, the Democratic Party suffered a crushing defeat and the LDP-Komeito coalition was revived. This signalled a second term of office for Shinzo Abe and the start of what is now called “Abenomics”. Now, in a bid to break free of deflation, the new administration urged businesses to increase remunerations during Shunto negotiations. But although some companies agreed and the mood of the 2012 Shunto pointed strongly toward wage hikes, it still led to no overall increase. Meanwhile, in the “Growth Strategy” drafted by the new administration, opportunities are to be created with a view to achieving a common understanding between government, labor and management on issues such as how to distribute the fruits of growth. All eyes are now on how these three sectors will reach a social consensus in a bid to break free of deflation.

Figure IV-6 Fluctuations in Revisions to Average per Capita Wage and Rate of Revision (Weighted Average)



Source: Ministry of Health, Labour and Welfare, *Results of Spring Wage Negotiations by major private companies*

Note: In principle up to 2003, companies surveyed are those with a capital of over 2 billions and whose labor union is comprised of over 1,000 workers, among member enterprises in the first section of Tokyo Stock Exchange or Osaka Stock Exchange (before 1979: simple average, after 1980: weighted average). Meanwhile in principle after 2004, they are those with a capital of over 1 billion and whose labor union is comprised of over 1,000 workers (weighted average).

4 Labor Disputes and Resolution Systems

Decline in Collective Disputes and Increase in Individual Disputes

Due to the impact of the diversification of forms of employment resulting from changes in Japan's socioeconomic structure, the unionization rate is demonstrating a downward trend (standing at an estimated 17.9% as of the end of June 2012, according to the summarized findings of the 2012 Basic Survey on Labor Unions published by the Ministry of Health, Labour and Welfare on December 18, 2012), and the dispute settlement and collective industrial dispute resolution functions of unions (measured in terms of the number of unfair labor practice relief and dispute adjustment cases) are weakening. At the same time, the diversification of forms of employment and consequent increase in individualized employment management are pushing up the number of individual labor disputes.

After providing an overview of the collective and individual dispute resolution systems, this section examines the operational status of each and provides an introduction to recent trends in collective and individual disputes.

Collective Labor Disputes

1. Resolution systems

The Trade Union Law (TUL) provides for a system of relief against unfair labor practices, with a view to protecting and promoting labor union activity by providing relief when certain acts have been committed by employers against labor unions and their members (Article 7). It also establishes a system of labour relations commissions designed to provide said relief (Article 19 onwards), among others.

Meanwhile, the Labor Relations Adjustment Act (LRAA) focuses on voluntary adjustments by parties involved in labor relations (Articles 2 and 4), and provides for government assistance in adjusting labor disputes (Article 3).

(1) Unfair labor practice relief system

The unfair labor practice relief system in the Labor Union Act prohibits prejudicial treatment, refusal of collective bargaining, and dominance and intervention by employers against labor unions and union members, and provides for corrective measures in the event of such acts in order to normalize future relations between labor and management and ensure the functioning of the right to organize, the right of collective bargaining, and right of collective action as guaranteed in Article 28 of the Constitution of Japan.

The bodies involved in providing relief are labour relations commissions (both prefectural and central), which are independent tripartite administrative bodies made up of representatives of the public interest, employees, and employers.

The procedure for examination in cases of unfair labor practices follows the sequence of (i) filing a motion for relief (the motion principle), (ii) investigation (claims of the parties, gathering evidence, organizing issues), (iii) hearings (examining witnesses, etc.), (iv) meeting of public members (fact finding, deciding content of orders), and (v) orders (TUL Article 27 onwards).

In the final stage of the process, labour relations commissions issue administrative dispositions in the form of orders for relief or rejection of the motion. The content of relief orders depends on the circumstances of each individual case, and labour relations commissions are permitted broad discretion on the content of relief orders (Supreme Court Full Bench Decision on the 1977 Dai-Ni Hato Taxi Case).

Anyone wishing to contest an initial ruling by a prefectural labour relations commission may continue the dispute either by filing an appeal for reexamination by the Central Labour Relations Commission (CLRC) (TUL Article 27-15), or by filing an action for rescission of the order (administrative disposition) with a court of law (TUL Article 27-19).

Labour relations commissions may recommend settlement to the parties when an opportunity arises

for negotiated settlement between the parties during the course of investigation and hearings (TUL Article 27-14 para.1). If a settlement is successfully reached, the case is concluded (para. 2 of the same).

(2) Labor disputes adjustment system

The methods of adjustment of labor disputes stipulated in the Labor Relations Adjustment Act are conciliation, mediation, and arbitration. Labour relations commissions are involved in adjustment. As well as situations where dispute tactics have already taken place, labor disputes subject to adjustment also include situations where there is concern that dispute tactics might take place (Article 6). Moreover, in the Labor Relations Adjustment Act, dispute tactics refer to actions that hinder the normal duties carried out by the parties concerned on both the labor and the management side, such as slowdowns and lockouts, as well as strikes (Article 7). The following provides an outline of the adjustment methods by type.

[Conciliation] Conciliation (Article 10 onwards) commences following an application by one or both parties concerned. Conciliators appointed by the labour relations commission chairperson from among a register of conciliators (often consisting of a mix of representatives of the public interest, employees, and employers) ascertain the assertions of each party and produce a conciliation proposal. However, the decision on whether to accept this proposal is left up to the parties themselves.

[Mediation] Mediation (Article 17 onwards) commences following either: (1) an application from both parties, (2) an application based on the provisions of a collective agreement by one or both parties, or (3) in cases involving public services, an application from one interested party, the decision of the labour relations commission, and the request of the Minister of Health, Labour and Welfare or the prefectural governor. Mediation is carried out by a tripartite mediation committee formed of representatives of the public interest, employees, and employers, which is appointed by the labour relations commission chairperson and on which employees and employers are equally represented. Both parties present their opinions, and the mediation committee drafts a mediation proposal that it advises them to

accept. Acceptance of this proposal is left up to the parties themselves.

[Arbitration] Arbitration (Article 29 onwards) takes place in the event of an application either by both parties, or by one or both parties in accordance with the provisions of a collective agreement. The chairperson of the labour relations commission appoints three people agreed to by the parties concerned from among public interest members to form an arbitration committee. This committee meets after hearing about the circumstances from the parties concerned, and determines the details of an award by means of a majority vote of the arbitration members. The arbitration award is prepared in writing (Article 33) and has the same force as a collective agreement (Article 34).

However, in the case of dispute tactics being undertaken by parties involved in public services (Article 8: transportation, postal and telecommunications services, water, electricity and gas supply, or medical and public health services), the labour relations commission and the Minister of Health, Labour and Welfare or prefectural governor must be informed at least 10 days in advance (Article 37, paragraph (1)). Moreover, in the event of dispute tactics relating to any kind of business, the parties must immediately notify the labour relations commission or prefectural governor (Article 9).

2. Operational status and trends relating to cases

(1) Unfair labor practice cases

The number of unfair labor practice cases handled over the past eight years is shown in Table IV-7 and Table IV-8. Judging from these, “Cases pending (Total)” could be said to be in a generally decreasing trend for both “First examinations” and “Reexaminations”, although the number has slightly increased over the last two or three years in both cases. The same is true for cases pending “Carried over from previous year”. However, cases of reexamination “Carried over from previous year” are in a decreasing trend.

In terms of “Cases concluded”, cases of reexamination (see Table IV-8) generally tend to be settled more frequently by “Orders / decisions” than

by “Withdrawals/settlements”. Conversely, significantly larger numbers of “First examinations” (see Table IV-7) are concluded by “Withdrawals/settlements” than by “Orders/decisions”. In “First examinations”, “Cases concluded (Total)” generally remain on a par, although some inconsistency can be seen depending on the year. By contrast, “Cases concluded (Total)” in “Reexaminations” turned downwards after peaking in 2006, and either decreased or remained level thereafter. After a huge decrease to 53 cases in 2009, however, they returned to an increase in 2010 and 2011.

Incidentally, the unfair labor practice relief system was revised by means of an amendment to the Labor Union Act in 2004, in order to expedite examinations and increase their accuracy by improving examination procedures and systems. The main revisions were as follows: (1) systematic examination (formulation of examination plans and establishment of targets for examination periods); (2) swifter and more accurate fact-finding (through ordering the appearance of witnesses and submission of articles, and by limiting the submission of evidence in annulment actions relating to articles subject to submission orders); (3) upgrading of the CLRC’s examination system (to enable the issuance of orders through consultations by a subcommittee consisting of five public interest members, and the provision of training and assistance to prefectural labour relations commissions by the CLRC); and (4) promotion of settlements (by allowing labour relations commissions to advise the parties to reach a settlement, and by deeming the execution of written statements of settlement to be a debt).

Of these institutional developments, in the case of the establishment of targets for examination periods mentioned in (1) above, the target set is “to conclude new cases within as short a period as possible within one year and six months” (moreover, as of December 2010, the same target was set for cases submitted for reexamination by the CLRC during the three years from 2011 to 2013). Viewing the “Conclusion Status” of 172 cases pending in 2012 (the total of new motions and cases carried over from the previous year) according to the “Examination Period Target Attainment Status (Dec. 31, 2012)” published on the

CLRC website, 92 cases were concluded in total, and cases took 385 days on average to process. Of all cases concluded, 80 were concluded within the target period of one year and six months, and the rate of target attainment was 87.0%. On the other hand, 12 cases took longer than one year and six months to conclude.

Meanwhile, the “Examination Period Targets (2011-2013)” published by CLRC in December 2010 included a note to the effect that “These targets do not include cases in which significant numbers of cases between the same parties were pending and it was deemed difficult to proceed immediately after a motion was brought, or cases that were pending from before the effectuation of the 2004 amendment to the Trade Union Law and are extremely difficult to process. For these cases, individual efforts are to be taken in accordance with the respective circumstances of each”. Thus, realistic aims have been set out with a view to resolving disputes.

(2) Labor dispute adjustment cases

Numbers of labor dispute adjustment cases and their conclusion status are shown in Table IV-9. According to the data, cases “Carried over from the previous year” are tending to alternate between increases and decreases. Meanwhile, “Cases pending” and the “Total” are generally trending on a par, with the exception of 2009.

In terms of different adjustment methods, “Conciliations” are overwhelmingly in the majority. This is thought to be due to the simplicity of procedures, and the fact that conciliation serves as a means of arbitration, in that, in practice, it brings out problem points between the parties.

In terms of “Cases concluded”, the “Total” and cases concluded by “Settlement” are trending more or less on a par. However, although cases concluded by “Withdrawal” temporarily increased in 2009 and 2010, they may be regarded as being in a decreasing trend in the medium term. Conversely, cases concluded as “Abandoned” are in an increasing trend.

If we look at the conclusion status, we can see that the resolution rate has been demonstrating a downward trend each year (see Table IV-10). One of the reasons for this would seem to be the decline in

the number of cases being withdrawn.

Regarding the grievances leading to labor dispute adjustment, we can see that, in general, financial grievances have accounted for approximately 36% and non-financial grievances for approximately 63% in all years (see Table IV-11). A breakdown of the financial grievances shows that the proportion accounted for by “lump-sum payments” is somewhat higher than all other categories except “other.” The most common non-financial grievance is “pursuit of collective bargaining,” with just under 30%, followed by “management/personnel,” at around 22%.

Looking at trends in the resolution rate, we can see that it has been on the decline year-on-year (see Table IV-12). Until 2008, the figures for the number of cases concluded and the number of cases resolved were both mostly holding steady, but there was a rise in 2009 compared with the previous year, in cases handled by prefectural labour relations commissions and all labour relations commissions, with the number of cases concluded increasing by 200 and the number of cases listed as resolved increasing by 100. It is thought that this might be one of the reasons for the decline in the resolution rate. Since then, however, the resolution rate has declined even though the number of cases has decreased. Deteriorating labor relations due to the worsening economic situation are thought to be partly to blame for this.

If we look at the average time required for adjustment, we can see that there is considerable variation according to the form of adjustment and the year (see Table IV-13). If one were compelled to list the characteristics in recent years, one would have to say that in 2009, in the case of conciliation by all labour relations commissions, the number of cases concluded increased by more than 100, and we can see that the total number for all labour relations commissions consequently increased in the same way. This, probably, is why the average number of days required for adjustment is growing. The number of cases concluded since 2010 has either increased or decreased, depending on the type of adjustment. Here again, deteriorating labor relations may have had an impact on increasing the number of days required for adjustment.

According to data published by CLRC, joint union

cases and last-minute cases in collective industrial dispute adjustment (except specified incorporated administrative agencies, etc.) are in an increasing trend. In particular, the ratio to “all cases” has increased (see Table IV-14).

In 2011, the number of joint union cases was 380, approximately 70% of all cases; among these, 184 were last-minute cases, accounting for approximately 48.4% of the total number of joint union cases, and even as a proportion of all cases, these cases account for approximately 33.9%. This is just conjecture, but the main reasons for this are thought to be the decline in the unionization rate, the rise in the number of irregular employees, and the increase in the number of non-unionized staff in managerial positions.

On the state of occurrence of labor disputes, the Ministry of Health, Labour and Welfare’s “Summary of the 2012 Survey on Collective Bargaining and Labour Disputes” (published June 18, 2013) shows that only 3.7% of individual labor unions had experienced a strike or other labor dispute in the previous three years as of June 30, 2012 (in 2007, the ratio was 5.4%; 4,891 subjects surveyed, 3,147 valid responses, valid response rate 64.3%).

Individual Labor Disputes

Japan has two systems for resolving individual labor disputes: one administrative and one judicial.

1. Administrative system

(1) Resolution system

The administrative system for the resolution of individual labor disputes is based on the Act on Promoting the Resolution of Individual Labor Disputes. Put simply, the resolution system prescribed by this act is focused on voluntary resolution between the parties concerned (Article 2) and consists of the following three steps: “information provision and consultation” for the parties concerned at a consultation service (Article 3), followed by “advice and guidance” by the head of the labour bureau in question, in the event that a voluntary resolution cannot be achieved between employee and employer (Article 4), and finally “conciliation” by the Dispute Resolution Council (Article 5) (see Figure IV-15).

A wide range of disputes concerning the initiation,

conduct, and termination of employment are eligible for resolution by this system, including problems at the time of hiring, withdrawal of job conditional offers of employment, redeployments, temporary secondments, job transfers, worsened working conditions, discrimination such as sexual harassment in the workplace, and dismissals (including dismissals due to economic reasons and termination of fixed-term contract) (Article 1 and Concerning the Enforcement of the Act on Promoting the Resolution of Individual Labor-Related Disputes, September 19, 2001, Ministry of Health, Labour and Welfare Notification No.129, (2) Individual Labor-Related Disputes, 1. Purpose).

(2) Operational status and trends relating to cases

Data on the operation of this dispute resolution system in FY2012 are as follows (Ministry of Health, Labour and Welfare, "Status on the implementation of individual labour dispute resolution in FY2012", published May 31, 2013).

Consultation In FY2012, there were around 1,067,000 cases of consultation. Of these, consultation on civil individual labor disputes (e.g. dismissal not involving violation of labor laws, worsened working conditions, etc.) accounted for about 255,000 cases (see Figure IV-16).

In the main breakdown of consultation on civil individual labor disputes, "bullying / harassment" accounted for the largest proportion with 17.0% (51,670 cases), followed by "dismissal" with 16.9% (51,515 cases), "worsened working conditions" with 11.2% (33,955 cases), "voluntary retirement" with 9.8% (29,763 cases), and "encouragement to retire" with 8.5% (25,838 cases) (see Table IV-17).

By employment format, "regular employees" accounted for 39.8% of those seeking consultation (101,472), followed by "part-time and arubaito workers" with 16.6% (42,309) and "fixed-term contract employees" with 10.6% (27,094). These trends in consultation are also reflected among workers seeking "advice and guidance" and "conciliation". To highlight a specific characteristic, however, the ratios of applications or requests for consultation, advice, guidance and conciliation have

gradually been increasing among "fixed-term contract employees".

Advice and guidance Trends in requests or applications for advice, guidance and conciliation are shown in Figure IV-18. This reveals that advice and guidance are in an increasing trend, while conciliation is conversely decreasing.

There were 11,089 requests for advice and guidance in FY2012, taking account of overlapping in the case content. In descending order of frequency, "dismissal" accounted for the largest proportion with 16.3% (1,811 cases), followed by "bullying / harassment" with 15.6% (1,753 cases), "worsened working conditions" with 9.8% (1,084 cases), "encouragement to retire" with 8.1% (900 cases), and "voluntary retirement" with 7.6% (843 cases) (see Table IV-19 for main details).

Altogether, 10,290 requests for advice and guidance were processed during FY2012, and 10,019 (97.4%) of these were processed within one month (see Table IV-20). Of these, advice and guidance were given in 9,979 cases (97.0%), the request was withdrawn in 249 cases (2.4%), and the procedure was discontinued in 43 cases (0.4%).

Conciliation In FY2012, there were 6,059 applications for conciliation, taking account of overlapping in the case content. In descending order of frequency, "dismissal" accounted for the largest proportion with 29.7% (1,904 cases), followed by "bullying / harassment" with 20.2% (1,297 cases), "encouragement to retire" with 8.9% (574 cases), and "termination of employment" and "worsened working conditions", both with 8.0% (515 cases) (see Table IV-21).

Of cases for which conciliation was requested, 6,059 were processed during FY2012. Of these, agreement was reached between the parties in 2,272 cases (37.5%), the request was withdrawn at the convenience of the applicant in 363 cases (6.0%), and conciliation was discontinued in 3,403 cases (56.2%), for reasons such as failure of one of the parties to take part in the process.

The period needed for processing conciliation was "within 1 month" in 3,381 cases (55.8%) and "between 1 and 2 months" in 2,302 cases (38.0%). Thus, 5,683 cases or approximately 94% of cases

requested were processed within 2 months (see Table IV-22).

(3) Resolution of individual labor disputes by prefectural labour relations commissions

Since 2003, prefectural labour relations commissions have also been providing consultation or conciliation in connection with individual labor disputes.

According to data published by CLRC on its website, 44 prefectures provided conciliation for 393 individual labor disputes in FY2011, with a resolution rate of 57.8%. The processing time was “within 1 month” in 52.9% of cases and “between 1 and 2 months” in 37.1%. Thus, in total, 90% of cases were processed within 2 months.

Meanwhile, cases of guidance, advice and conciliation undertaken by 14 prefectural labour relations commissions are in a generally increasing trend year on year, with 2,287 cases of “guidance and advice”, 423 cases of “conciliation” pending and 406 cases concluded in FY2011. On average, 36.0 days were taken to process conciliation.

2. Judicial system

(1) Resolution system

Two methods of the judicial resolution of individual labor disputes are available: civil litigation and the labor tribunal system, which began operating in April 2006. As the former is conducted in accordance with the procedure for civil actions, in the same way as other civil cases, it is the latter that is explained below.

To put it simply, the labor tribunal system is aimed at disputes concerning rights and obligations in individual contractual labor relations (individual civil disputes in labor relations) (Article 1); in contrast to ordinary civil litigation cases, procedures for dispute resolution take place at district courts (main branch) and are accelerated by a tribunal composed of a judge (labor tribunal judge) and persons involved in industrial relations who have expert knowledge and experience in this field (labor tribunal lay members) (Articles 7, 9 and 15). This tribunal panel attempts a resolution by mediation where possible (Labor

Tribunal Ordinance Article 22), but if this ends in failure, then a ruling is handed down (Article 20. This takes place within three sessions, as a rule: Article 15, paragraph (2)). If there is any objection to a decision, the parties can make a submission to this effect (Article 21), in which situation, the case proceeds to become an ordinary civil lawsuit, with the institution of action deemed to have taken place from the date of the initial submission to the labor tribunal (Article 22, paragraph (1)) (see Figure IV-23).

The following first of all provides an overview of civil litigation relating to labor relations and then looks at the labor tribunal system.

(2) Operational status of ordinary civil litigation concerning labor relations and trends relating to cases

Firstly, if we look at trends in changes over time, we can see that the number of new cases of ordinary civil litigation concerning labor relations that were received by district courts demonstrated a downward trend until 2006, but there has been an upturn over the last few years, with a major increase to approximately 3,200 cases up to 2009 (see Figure IV-24). However, while the number of cases disposed of fell slightly in 2010 and 2011, the number of cases not yet disposed of reached a record high of 3,250.

The most recent statistical figure is for the number of new ordinary civil litigation cases concerning labor relations received by district courts in 2011, which was 3,170 (see Table IV-25).

Of these, there were 3,028 cases of “Plaintiff: Employee, Defendant: Employer”. In descending order of frequency, these break down into claims in connection with “wage, etc.” with a record high of 1,718 cases, followed by claims for “confirmation of existence of employment contract, etc.” in connection with retirement and dismissal, with 893 cases, and “Other” including claims for compensation, with 417 cases.

On the other hand, the total number of cases handled at district courts that were disposed of in 2011 was 2,959 (see Table IV-26). Of these, whereas the number dealt with by means of a “judicial decision” was 933, the number dealt with by means of a “settlement” was 1,599, so we can see that the

number of settlements was greater than the number of judicial decisions. This trend remains unchanged even when we look at the figures for at least the last seven years.

In terms of the deliberation period for cases disposed of in 2011, the “average deliberation period” was 11.9 months. This is longer than in 2009, when the period was 10.8 months, the shortest in the last five years (see Table IV-27). The breakdown for 2011, in ascending order of ratio, was “within 6 months” with 831 cases (28.1%), “within 1 year” with 875 cases (29.6%), and “within 2 years” with 1,016 cases (34.3%). Thus, 92% of all cases were processed within two years. Moreover, this trend has remained more or less unchanged for the last nine years.

(3) Operational status of the labor tribunal system and trends relating to cases

With regard to labor tribunals, the number of new cases filed at district courts in 2011 was 3,586, a figure that has increased considerably since the system began operating (see Table IV-28).

The breakdown of applications in 2011 can be broadly classified into “cases with non-pecuniary objectives,” at 1,814 cases, and “cases with pecuniary objectives,” at 1,772 cases, so there were over 100 cases more of the former type than of the latter. If we look at a more detailed breakdown, the most common of the former were “confirmation of status” (under employment contracts relating to retirements/dismissals and personnel transfer cases) at 1,747 cases, followed by “wages and benefits,” which fall into the latter category, at 1,179 cases. In addition, the wages and benefits category would seem to include cases involving petitions for payment for overtime hours worked and pay in lieu of notice of dismissal. Moreover, 431 of the pecuniary cases were classified as “others,” which in many instances are likely to be claims for compensation for various reasons.

The number of “cases disposed of” in 2011 was 3,513, approximately over 70% (2,502 cases, or

71.2%) of which were concluded by means of “successful mediation” (see IV-29). In addition, including mediation, the trends in the reasons for conclusion have remained the same since the system began operating. The next most common reason for conclusion after “successful mediation” was “labor tribunal judgment,” at 641 cases (18.2%). However, of the cases in which a labor tribunal judgment was made, what catches the eye is the fact that objections were filed in 391 cases, or more than 60% (61.0% of 18.2%). (In addition, the “Article 24 conclusion” referred to in Table IV-29 is a situation in which the members of the labor tribunal conclude procedures on the basis of their own authority in light of the nature of the case, based on Article 24 of the Labor Tribunal Act.)

If we look at 3,513 cases of the “average deliberation period” in regard to the cases that were disposed of in 2011, a little less than 80% of all cases were concluded in three months or less; with regard to the detailed breakdown, 3.4% (120 cases) were dealt within a month or less, 37.3% (1,325 cases) were dealt within two months or less, 36.2% (1,270 cases) were dealt within three months or less, and 22.0% (772 cases) were dealt within six months or less (see Table IV-30). Moreover, the average deliberation period in 2011 was 2.4 months; there has been no change in this trend since the system first began operating and, compared with the situation concerning ordinary civil litigation, which we looked at previously, we can say that cases are resolved fairly swiftly under the labor tribunal system.

Looking at the situation by the number of tribunal sessions held in 2011, approximately 97% of 3,513 cases of “cases disposed of” were concluded within three sessions; with regard to the breakdown, 4.6% (161 cases) involved “no sessions,” 26.1% (917 cases) involved “one session,” 39.9% (1,400 cases) involved “two sessions,” and 26.6% (933 cases) involved “three sessions,” so we can say that the system is being operated in line with the principles of the Labor Tribunal Act (see Table IV-31).

Table IV-7 Number of Unfair Labor Practice Cases (First Examinations)

Year	Cases pending			Cases concluded		
	Carried over from previous year	New cases	Total pending	Withdrawals/ settlements	Orders/ decisions	Total concluded
2003	856 (1)	363	1,219 (1)	280	116	396
2004	823 (1)	311	1,134 (1)	240	135	375
2005	759 (1)	294	1,053 (1)	273	135 (1)	408 (1)
2006	645	331 (2)	976 (2)	247	108	357 (2)
2007	619	330 (1)	949 (1)	314 (1)	147	461 (1)
2008	488	355	843	210	98	308
2009	535	395 (1)	930 (1)	273	103	377 (1)
2010	553	381	934	240	111	351
2011	583	376	959	258	134	392
2012	567	354	921	236	117	353

Sources: Central Labour Relations Commission website (compiled by the author from statistical tables published for multiple years) and Secretariat of the Central Labour Relations Commission, eds. *66th Annual Report on Labour Relations Commissions 2011* (2012) p.3, Table 1

Note: Figures in parentheses denote the number of first examinations conducted by the CLRC included in the main figure. The total number of cases concluded in 2006 includes two cases that were transferred. The total number of cases concluded in 2009 includes one case that was transferred.

Table IV-8 Number of Unfair Labor Practice Cases (Reexaminations)

Year	Cases pending			Cases concluded		
	Carried over from previous year	New cases	Total pending	Withdrawals/ settlements	Orders/ decisions	Total concluded
2004	270	83	353	47	25	72
2005	281	90	371	57	65	122
2006	249	77	326	79	69	148
2007	178	76	254	37	59	96
2008	158	51	209	38	57	95
2009	114	54	168	19	34	53
2010	115	68	183	26	48	74
2011	109	89	198	35	36	71
2012	127	75	202	56	46	102

Sources: Central Labour Relations Commission website (compiled by the author from statistical tables published for multiple years) and Secretariat of the Central Labour Relations Commission, eds. *66th Annual Report on Labour Relations Commissions 2011* (2012) p.13, Table 10-1

Table IV-9 Number of Pending and Concluded Adjustment Cases

Year	Cases pending						Cases concluded				Carrying over to next year
	Carried over from previous year	New cases pending				Total	Withdrawal	Settlement	Abandoned	Total	
		Conciliations	Mediations	Arbitrations	Total						
2004	130 (10)	526 (8)	4	1	531 (8)	661 (18)	147	279 (4)	133 (2)	559 (6)	102 (12)
2005	102 (12)	560 (5)	4	0	564 (5)	666 (17)	139	270 (4)	130 (1)	539 (5)	127 (12)
2006	127 (12)	515 (2)	5 (1)	1	521 (3)	648 (15)	108	289 (3)	173 (2)	570 (5)	78 (10)
2007	78 (10)	467 (3)	5 (1)	0	472 (4)	550 (14)	103 (12)	219 (2)	149	471 (14)	79
2008	79	546 (4)	6 (2)	0	552 (6)	631 (6)	85	264 (4)	181 (2)	530 (6)	101
2009	101	707 (1)	26 (2)	0	733 (3)	834 (3)	121	343 (3)	237	701 (3)	133
2010	133	556 (1)	10 (2)	0	566 (3)	699 (3)	110	293 (2)	204 (1)	608 (3)	91
2011	91	535	8	0	543	634	80	240	200	520	114
2012	114	459	4	0	463	577	73	254	176	503	74

Source: Central Labour Relations Commission website

Notes: 1) Figures in parentheses denote the number of cases relating to specified independent administrative institutions included in the main figure.

2) Figures for withdrawals include cases that did not get underway.

Table IV-10 Adjustment Case Resolution Rate

Year	Number of cases concluded (a)	Number of cases withdrawn (b)	Number of cases resolved (c)	Resolution rate
2004	559 (6)	147	279 (4)	67.7%
2005	539 (5)	139	270 (4)	67.5%
2006	570 (5)	108	289 (3)	62.6%
2007	471 (14)	103 (12)	219 (2)	59.5%
2008	530 (6)	85	264	59.3%
2009	701 (3)	121	343 (3)	59.1%
2010	607 (3)	110	293 (2)	58.8%
2011	520	80	240	54.5%
2012	503	73	254	59.1%

Source: Central Labour Relations Commission website

$$\text{Resolution rate} = \frac{\text{Resolution (c)}}{\text{Number of cases concluded (a) - Number of cases withdrawn (b)}} \times 100$$

Notes: 1) Figures in parentheses denote the number of cases relating to specified independent administrative institutions included in the main figure.

2) Figures for withdrawals include cases that did not get underway.

Table IV-11 Grievances Giving Rise to New Pending Labor Dispute Adjustment Cases (All Labour Relations Commission)

(Number of cases and percentage of total)

	2007		2008		2009		2010		2011	
Total	851(6)	100.0	1,014(13)	100.0	1,324(8)	100.0	1,007(13)	100.0	973(9)	100.0
Financial	306	36.0	332(4)	32.7	451(7)	34.1	390(1)	38.7	347(5)	35.7
Wage increases	27	3.2	34(2)	3.4	41(7)	3.1	21(2)	2.1	20	2.1
Lump-sum payments	54	6.3	49	4.8	76	5.7	56(4)	5.6	47(5)	4.8
Working hours and holiday leave	35	4.1	31	3.1	44	3.3	36	3.6	31	3.2
Other	190	22.3	218(2)	21.5	290	21.9	277(5)	27.5	249	25.6
Non-financial	531(6)	62.4	667(9)	65.8	855	64.6	607(2)	60.3	610(4)	62.7
Management/personnel	191	22.4	222(1)	21.9	313	23.6	225	22.3	189(2)	19.4
Pursuit of collective bargaining	246(4)	28.9	294(3)	29.0	380(4)	28.7	276(2)	27.4	290(2)	29.8
Union approval/activities	21(1)	2.5	42(5)	4.1	68	5.1	33	3.3	31	3.2
Other	73(1)	8.6	109	10.7	94	7.1	73	7.2	100	10.3
Conclusion or complete revision of agreement	15	1.8	15	1.5	18	1.4	10	1.0	16	1.6
Total number of cases	472		522		733		566		543	
Average number of grievances (per case)	1.80		1.84		1.81		1.78		1.79	

Source: Secretariat of the Central Labour Relations Commission, eds. *66th Annual Report on Labour Relations Commissions 2011* (2012) p.153, Table 29-2
 Note: Totals do not match the total number of cases due to the inclusion of multiple grievances per case. Figures in parentheses indicate the number of cases handled by the CLRC, and are included in the totals to their left.

Table IV-12 Labor Dispute Adjustment Cases Resolution Rate (excluding Specified Independent Administrative Institutions) (All Labour Relations Commission)

(Number of cases and percentage of total)

Labour Relations Commission	Case	Year							
		2005	2006	2007	2008	2009	2010	2011	
Prefectural Labour Relations Commission	No. of cases concluded excluding withdrawals and transfers	350	368	316	377	571	388	363	
	No. of resolutions	237	226	187	222	335	212	191	
	Resolution rate	67.7	61.4	59.2	58.9	58.7	54.6	52.6	
Central Labour Relations Commission	No. of cases concluded excluding withdrawals and transfers	3	2	2	6	6	6	6	
	No. of resolutions	2	0	2	6	5	5	6	
	Resolution rate	66.7	0.0	100.0	100.0	83.3	83.3	100.0	
All Labour Relations Commission	No. of cases concluded excluding withdrawals and transfers	353	370	318	383	577	394	369	
	No. of resolutions	239	226	189	228	341	217	197	
	Resolution rate	67.7	61.1	59.4	59.5	59.1	55.1	53.4	

Sources: Secretariat of the Central Labour Relations Commission, *64th Annual Report on Labour Relations Commissions 2009*, (2010) p.146, and the same institution's *66th Annual Report on Labour Relations Commissions 2011*, (2012) p.161 Table 34-2
 Note: Resolution rate = number of resolutions / number of cases concluded excluding withdrawals and transfers

**Table IV-13 Average Length of Labor Dispute Adjustment Cases
(All Labour Relations Commission)**

(Number of cases and days)

Year	Conciliations				Mediations				Total			
	All Labour Relations Commission		Central Labour Relations Commission		All Labour Relations Commission		Central Labour Relations Commission		All Labour Relations Commission		Central Labour Relations Commission	
	Cases concluded excluding withdrawals and transfers		Cases concluded excluding withdrawals		Cases concluded excluding withdrawals		Cases concluded excluding withdrawals		Cases concluded excluding withdrawals and transfers		Cases concluded excluding withdrawals and transfers	
2005	393	47.9 (34.3)	8	39.8 (32.5)	3	48.0 (30.7)	—	— (—)	396	47.9 (34.3)	8	39.8 (32.5)
2006	452	47.1 (34.2)	7	34.4 (28.0)	4	27.5 (27.5)	1	8.0 (8.0)	456	47.0 (34.2)	8	31.1 (25.5)
2007	361	42.8 (36.6)	4	56.3 (43.5)	4	52.8 (32.5)	—	— (—)	365	42.9 (36.6)	4	56.3 (43.5)
2008	442	43.7 (33.6)	10	28.1 (20.1)	3	19.3 (19.3)	2	9.5 (9.5)	445	43.6 (33.5)	12	25.0 (18.3)
2009	560	51.5 (36.8)	2	117.5 (61.0)	24	12.2 (12.2)	7	33.4 (33.4)	584	49.9 (40.2)	9	52.4 (39.6)
2010	488	55.3 (37.5)	7	13.1 (13.1)	10	34.7 (34.7)	2	9.5 (9.5)	498	54.9 (37.4)	9	12.0 (12.0)
2011	431	50.7 (35.1)	1	19.0 (19.0)	9	46.0 (39.1)	5	28.0 (28.0)	440	50.6 (35.2)	6	26.5 (26.5)

Sources: Secretariat of the Central Labour Relations Commission, *64th Annual Report on Labour Relations Commissions 2009*, (2010) p.147, and the same institution's *66th Annual Report on Labour Relations Commissions 2011*, (2012) p.162 Table 36-2

Note: Number of cases concluded, excluding withdrawals and transfers, pending for less than one year. Figures in parentheses indicate the number of days treating periods in excess of two months as 61 days.

Author's note: There are no statistical data for arbitration, so this has been omitted.

Table IV-14 Trends relating to Joint Labor Union Cases and Last-minute Cases among Adjustment Cases (Collective Labor Disputes) (excluding Specified Independent Administrative Institutions)

Year	cases	All cases	Joint labor union cases	Last-minute cases	
2004		523	300 (57.4%)	134	<44.7%> (25.6%)
2005		559	333 (59.6%)	165	<49.5%> (29.5%)
2006		518	305 (58.9%)	131	<43.0%> (25.3%)
2007		468	305 (65.2%)	143	<46.9%> (30.6%)
2008		546	375 (68.7%)	181	<48.3%> (33.2%)
2009		730	487 (66.7%)	269	<55.2%> (36.8%)
2010		563	393 (69.8%)	207	<52.7%> (36.8%)
2011		543	380 (70.0%)	184	<48.4%> (33.9%)

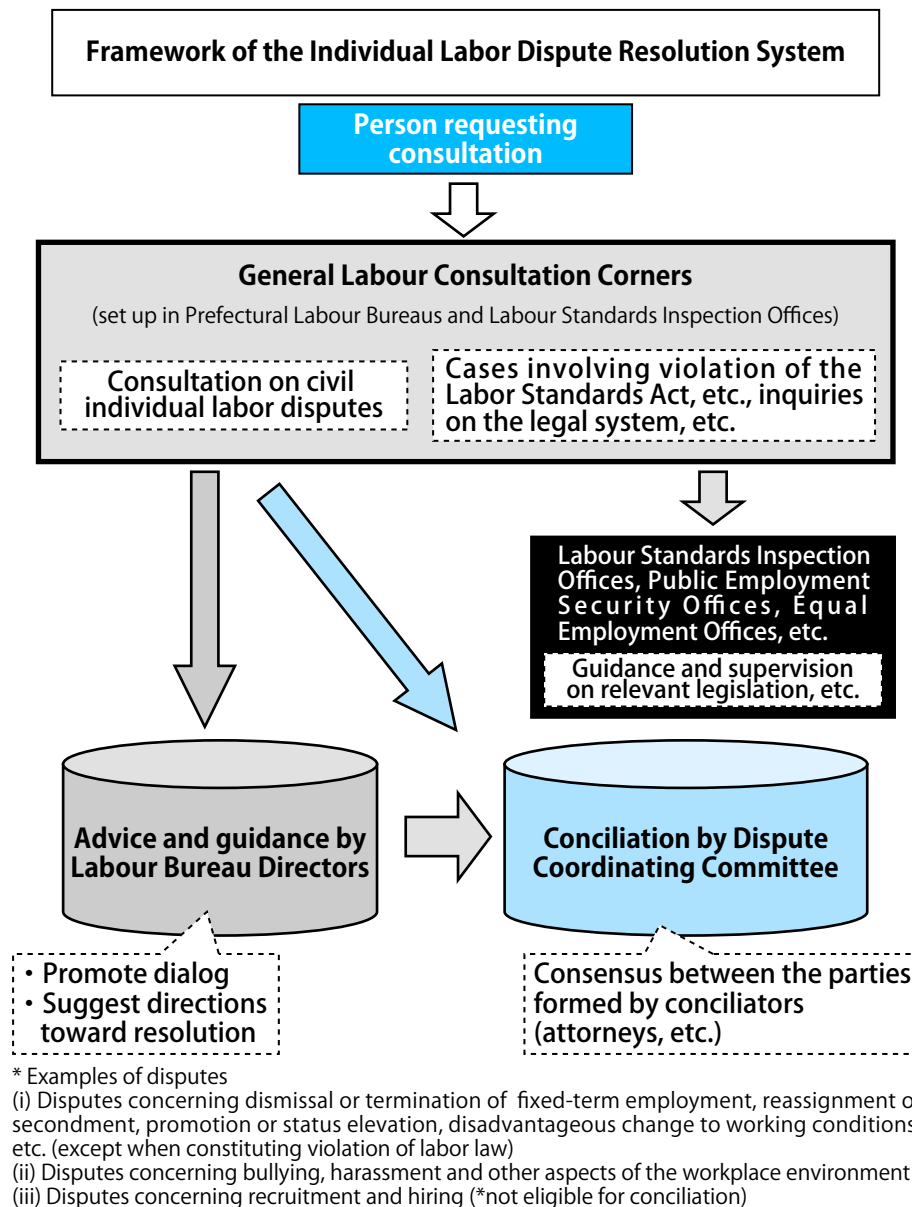
Sources: Central Labour Relations Commission, *2010 Summary of the Total Number of Labor Disputes Handled Nationwide* (released on May 20, 2011), Table 3, and Secretariat of the Central Labour Relations Commission, *66th Annual Report on Labour Relations Commissions 2011*, (2012) p.150 Table 26

Notes: Figures in round brackets denote the share of all cases. Figures in angle brackets denote the share of joint labor union cases.

"Joint labor union" refers to labor unions organized by workers as a regional unit that transcend the boundaries of a single company; these are characterized by the fact that their members are mainly individuals who work at small or medium-sized enterprises. More specifically, they are called "joint labor unions," "general unions," or "regional unions".

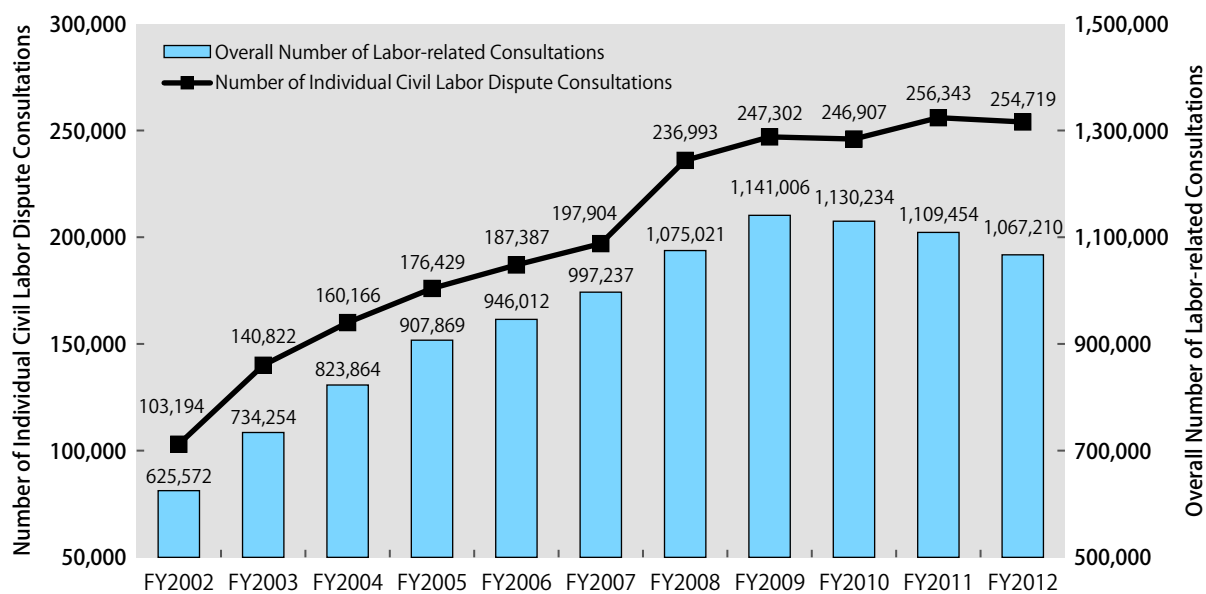
"Last-minute cases" refers to cases where the worker joins the joint labor union after being dismissed and the union in question applies for conciliation in regard to the dismissal.

Figure IV-15 Framework of the Individual Labor Dispute Resolution System



Source: Ministry of Health, Labour and Welfare, *Status on the Implementation of Individual Labour Dispute Resolution in FY2012* (released on May 31, 2013)

Figure IV-16 Trends in the Number of Cases of General Labor Consultations (FY 2002-2012)



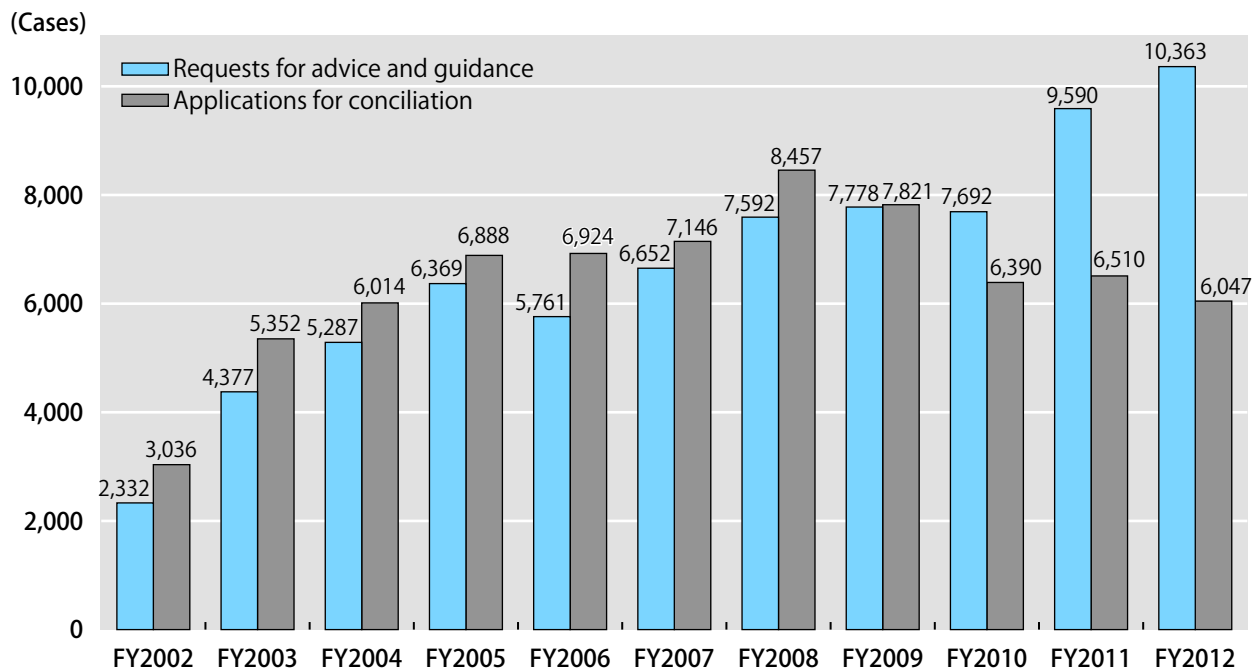
Source: Ministry of Health, Labour and Welfare *Status on the Implementation of Individual Labour Dispute Resolution in FY2012* (released on May 31, 2013), Figure 1

Table IV-17 Trends in Main Disputes over the Last Three Fiscal Years (Cases of Consultation concerning Civil Individual Labor Disputes)

	2010	2011	2012
Bullying / harassment	39,405 (+10.2%)	45,939 (+16.6%)	51,670 (+12.5%)
Dismissal	60,118 (-13.0%)	57,785 (-3.9%)	51,515 (-10.9%)
Worsened working conditions	37,210 (-2.4%)	36,849 (-1.0%)	33,955 (-7.9%)
Encouragement to retire	25,902 (-2.3%)	26,828 (+3.6%)	25,838 (-3.7%)

Source: Ministry of Health, Labour and Welfare, *Status on the Implementation of Individual Labour Dispute Resolution in FY2012* (released on May 31, 2013), Table 1

Note: Figures in parentheses denote the year-on-year change.

Figure IV-18 Trends in Requests for Advice & Guidance and Applications for Conciliation (FY2002-2012)

Source: Ministry of Health, Labour and Welfare, *Status on the Implementation of Individual Labour Dispute Resolution in FY2012* (released on May 31, 2013) Fig. 2

Table IV-19 Trends in Main Disputes over the Last Three Fiscal Years (Applications for Advice and Guidance)

	2010	2011	2012
Bullying / harassment	1,072 (+7.2%)	1,466 (+36.8%)	1,735 (+18.3%)
Dismissal	1,710 (-13.9%)	2,006 (+17.3%)	1,811 (-9.7%)
Worsened working conditions	840 (-8.5%)	988 (+17.6%)	1,084 (+9.7%)
Encouragement to retire	696 (-3.2%)	890 (+27.9%)	900 (+1.1%)

Source: Ministry of Health, Labour and Welfare *Status on the Implementation of Individual Labour Dispute Resolution in FY2012* (released on May 31, 2013) Table 4

Note: Figures in parentheses denote the year-on-year change.

Table IV-20 Trends in Applications for Advice and Guidance Processed within 1 Month

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Cases	3,909	4,957	6,063	5,372	6,295	7,250	7,405	7,490	9,270	10,019
Ratio to total	90.1%	93.9%	95.6%	93.4%	95.5%	96.1%	95.6%	97.6%	96.8%	97.4%

Source: Ministry of Health, Labour and Welfare, *Status on the Implementation of Individual Labour Dispute Resolution in FY2012* (released on May 31, 2013)

Table IV-21 Trends in Main Disputes over the Last Three Fiscal Years (Requests for Conciliation)

	2010	2011	2012
Bullying / harassment	965 (-7.7%)	1,121 (+16.2%)	1,297 (+15.7%)
Dismissal	2,510 (-26.3%)	2,415 (-3.8%)	1,904 (-21.2%)
Worsened working conditions	554 (-21.9%)	597 (+7.8%)	515 (-13.7%)
Encouragement to retire	507 (-16.5%)	523 (+3.2%)	574 (+9.8%)

Source: Ministry of Health, Labour and Welfare, *Status on the Implementation of Individual Labour Dispute Resolution in FY2012* (released on May 31, 2013) Table 7

Note: Figures in parentheses denote the year-on-year change.

Table IV-22 Trends in Requests for Conciliation Processed within 2 Months

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Cases	4,706	5,462	6,270	6,396	6,484	7,299	7,325	6,005	6,014	5,683
Ratio to total	92.3%	92.9%	91.4%	94.2%	92.2%	92.2%	90.5%	93.6%	94.5%	93.8%

Source: Ministry of Health, Labour and Welfare, *Status on the Implementation of Individual Labour Dispute Resolution in FY2012* (released on May 31, 2013)

Figure IV-23 Overview of the Labor Tribunal System

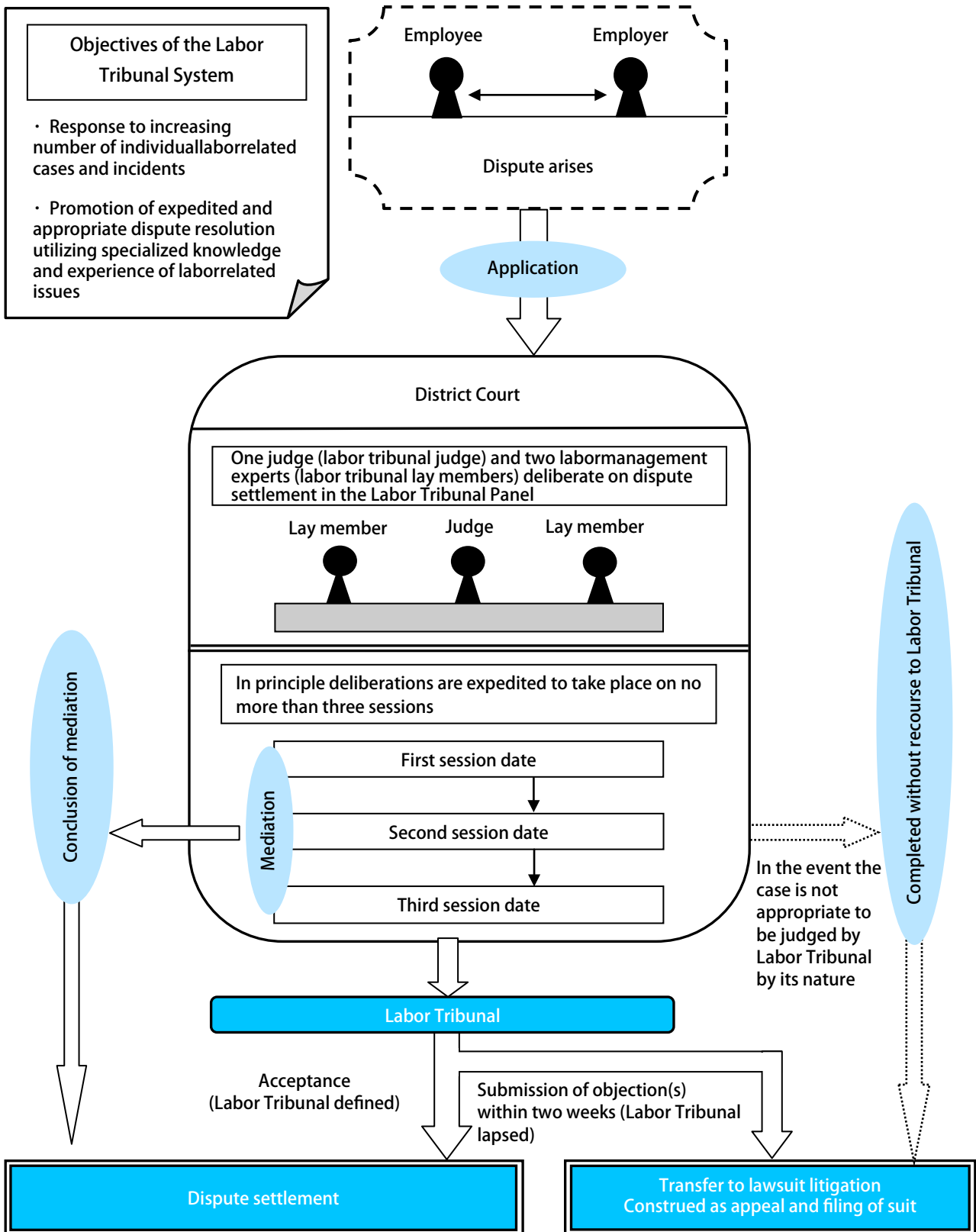
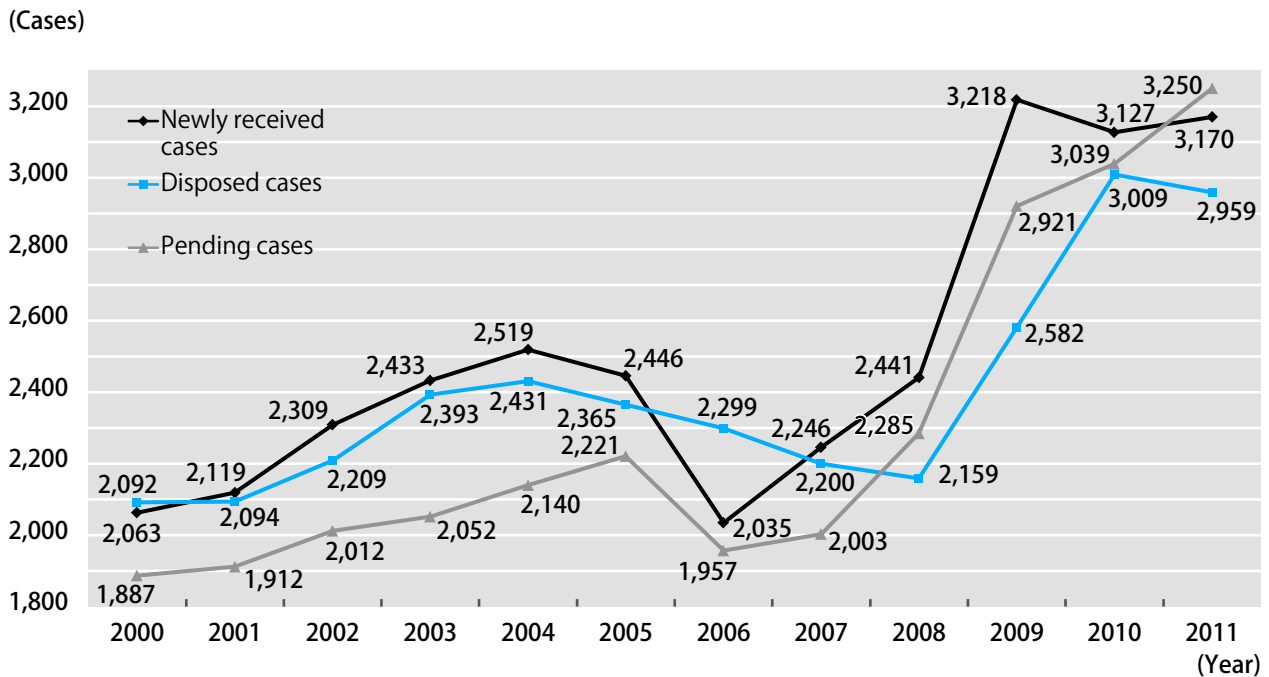


Figure IV-24 Number of Newly Received, Disposed, and Pending Ordinary Civil Litigation Cases concerning Labor Relations (District Courts, 2000-2011)



Source: Compiled by the author from General Secretariat of the Supreme Court, *2011 Overview of Civil and Administrative Labor Relations Cases*, Hosono Jiho (Lawyers Association Journal), Vol.64, No.8, p.47 (2012)

Table IV-25 Number of Newly Received Ordinary Civil Litigation Cases concerning Labor Relations by Party and Type of Claim (District Courts, 2003-2011)

Year	Newly received	Total	Plaintiff: Employee Defendant: Employer			Plaintiff: Employee Defendant: Employer	Other
			Confirmation of existence of employment contract, etc.	Wage, etc.	Other	Confirmation of absence of employment contract, compensation, etc.	Confirmation of invalidation of resolution of exclusion etc.
2003	2,433	2,319	530	1,473	316	103	11
2004	2,519	2,309	573	1,427	309	186	24
2005	2,446	2,303	507	1,437	359	135	8
2006	2,035	1,900	456	1,130	314	124	11
2007	2,246	2,105	537	1,246	322	121	20
2008	2,441	2,300	638	1,249	413	126	15
2009	3,218	3,068	956	1,633	479	138	12
2010	3,127	2,951	951	1,650	350	145	31
2011	3,170	3,028	893	1,718	417	133	9

Source: Compiled by the author from General Secretariat of the Supreme Court, *2007 Overview of Civil and Administrative Labor Relations Cases*, Hosono Jiho (Lawyers Association Journal) Vol.60 No.8 p.50 (2008), id. *2009 Overview of Civil and Administrative Labor Relations Cases*, Hosono Jiho (Lawyers Association Journal) Vol.62 No.8 p.49 (2010) and id. *2011 Overview of Civil and Administrative Labor Relations Cases*, Hosono Jiho (Lawyers Association Journal) Vol.64 No.8 p.54 (2012)

Table IV-26 Ordinary Civil Litigation Cases concerning Labor Relations by Party – Number of Cases Disposed of and Outstanding (District Courts, 2005-2011)

Year	Plaintiff	Disposed Cases							Outstanding
		Total	Judicial decision			Decision/ order	Settlement	Withdrawal/ other	
			Total	Petition accepted (including partial acceptance)	Petition dismissed with prejudice, petition dismissed without prejudice				
2005	Total	2,365	884	539	345	26	1,185	270	2,221
	Employee	2,170	819	498	321	22	1,090	239	2,104
	Employer	186	59	38	21	4	94	29	96
	Other	9	6	3	3	0	1	2	21
2006	Total	2,299	844	518	326	28	1,139	288	1,957
	Employee	2,168	792	487	305	26	1,089	261	1,836
	Employer	117	44	27	17	2	44	27	103
	Other	14	8	4	4	0	6	0	18
2007	Total	2,200	767	475	292	24	1,092	317	2,003
	Employee	2,044	698	437	261	19	1,043	284	1,897
	Employer	135	57	31	26	5	47	26	89
	Other	21	12	7	5	0	2	7	17
2008	Total	2,159	750	443	307	26	1,115	268	2,285
	Employee	2,025	710	420	290	24	1,061	230	2,172
	Employer	116	32	19	13	2	47	35	99
	Other	18	8	4	4	0	7	3	14
2009	Total	2,582	914	554	360	23	1,314	331	2,921
	Employee	2,430	856	522	334	22	1,248	304	2,810
	Employer	136	46	24	22	1	63	26	101
	Other	16	12	8	4	0	3	1	10
2010	Total	3,009	916	580	336	33	1,668	392	3,039
	Employee	2,856	865	545	320	32	1,602	357	2,905
	Employer	137	45	31	14	1	60	31	109
	Other	16	6	4	2	0	6	4	25
2011	Total	2,959	933	594	339	24	1,599	403	3,250
	Employee	2,823	887	565	322	22	1,542	372	3,110
	Employer	119	37	23	14	2	52	28	123
	Other	17	9	6	3	0	5	3	17

Source: General Secretariat of the Supreme Court, *2009 Overview of Civil and Administrative Labor Relations Cases*, Hosojima (Lawyers Association Journal) Vol.62 No.8 p.50 (2010), and the same institute's *2011 Overview of Civil and Administrative Labor Relations Cases*, Hosojima (Lawyers Association Journal) Vol.64 No.8 p.55 (2012)

Notes: 1) Cases in which the plaintiff is the employee refer only to cases where the defendant in the case is the employer; cases in which both the plaintiff and the defendant are employees are included in "Other".

2) In this table, cases where the petition was dismissed with or without prejudice also include the number of cases of judgments for other reasons.

Table IV-27 Ordinary Civil Litigation Cases concerning Labor Relations: Number of Cases Disposed of by Deliberation Period – Average Deliberation Period (District Courts, 2005-2011)

Year	Number of cases disposed of	Within 6 months	Within a year	Within 2 years	Within 3 years	Within 5 years	More than 5 years	Average deliberation period (months)
2005	2,365	786 (33.2)	699 (29.6)	708 (29.9)	113 (4.8)	52 (2.2)	7 (0.3)	11.2
2006	2,299	709 (30.8)	685 (29.8)	680 (29.6)	157 (6.8)	55 (2.4)	13 (0.6)	12.0
2007	2,200	701 (31.9)	639 (29.0)	649 (29.5)	156 (7.1)	52 (2.4)	3 (0.1)	11.7
2008	2,159	671 (31.1)	633 (29.3)	673 (31.2)	135 (6.3)	41 (1.9)	6 (0.3)	11.6
2009	2,582	886 (34.3)	763 (29.6)	754 (29.2)	144 (5.6)	33 (1.3)	2 (0.1)	10.8
2010	3,009	908 (30.2)	918 (30.5)	944 (31.4)	189 (6.3)	46 (1.5)	4 (0.1)	11.5
2011	2,959	831 (28.1)	875 (29.6)	1,016 (34.3)	195 (6.6)	37 (1.3)	5 (0.2)	11.9

Source: General Secretariat of the Supreme Court, *2009 Overview of Civil and Administrative Labor Relations Cases*, Hosoi Jiho (Lawyers Association Journal) Vol.62 No.8 p.51 (2010), and the same institution's *2011 Overview of Civil and Administrative Labor Relations Cases*, Hosoi Jiho (Lawyers Association Journal) Vol.64 No.8 p.56 (2012)

Note: Figures in brackets denote percentages of the total, with figures rounded to one decimal place. Consequently, the totals may not necessarily add up to 100.

Table IV-28 Number of Newly Received Labor Tribunal Cases by Type of Case (District Courts, 2006-2011)

Year	Newly received	Non-pecuniary			Pecuniary			
			Confirmation of status	Other		Wages and benefits	Retirement allowances	Other
2006	877	463	418	45	414	266	66	82
2007	1,494	780	719	61	714	441	126	147
2008	2,052	1,078	1,022	56	974	620	114	240
2009	3,468	1,793	1,701	92	1,675	1,059	205	411
2010	3,375	1,693	1,633	60	1,682	1,100	161	421
2011	3,586	1,814	1,747	67	1,772	1,179	162	431

Source: Compiled by the author from General Secretariat of the Supreme Court, *2007 Overview of Civil and Administrative Labor Relations Cases*, Hosoi Jiho (Lawyers Association Journal) Vol.60 No.8 p.56 (2008), and the same institution's *2009 Overview of Civil and Administrative Labor Relations Cases*, Hosoi Jiho (Lawyers Association Journal) Vol.62 No.8 p.55 (2010), and the same institution's *2011 Overview of Civil and Administrative Labor Relations Cases*, Hosoi Jiho (Lawyers Association Journal) Vol.64 No.8 p.60 (2012)

Note: The figures for 2006 indicate the number of disposed cases from April to December of that year.

**Table IV-29 Number of Disposed Labor Tribunal Cases by Reason for Conclusion
(District Courts, 2006-2011)**

(Cases, figures in brackets are percentages)

Year	Number of cases disposed of	Labor tribunal judgment		Successful mediation	Article 24 conclusion	Withdrawn	Rejected or transferred, etc.
			Objection filed				
2006	606	107 (17.7)	74 [69.2]	427 (70.5)	19 (3.1)	50 (8.3)	3 (0.5)
2007	1,450	306 (21.1)	178 [58.2]	997 (68.8)	47 (3.2)	93 (6.4)	7 (0.5)
2008	1,911	347 (18.2)	228 [65.7]	1,327 (69.4)	59 (3.1)	169 (8.8)	9 (0.5)
2009	3,226	600 (18.6)	388 [64.7]	2,200 (68.2)	107 (3.3)	294 (9.1)	25 (0.8)
2010	3,436	612 (17.8)	364 [59.5]	2,433 (70.8)	121 (3.5)	240 (7.0)	30 (0.9)
2011	3,513	641 (18.2)	391 [61.0]	2,502 (71.2)	119 (3.4)	227 (6.5)	24 (0.7)

Source: Compiled by the author from General Secretariat of the Supreme Court, *2007 Overview of Civil and Administrative Labor Relations Cases*, Hosojihō (Lawyers Association Journal) Vol.60 No.8 p.56 (2008), and the same institution's *2009 Overview of Civil and Administrative Labor Relations Cases*, Hosojihō (Lawyers Association Journal) Vol.62 No.8 p.55 (2010), and the same institution's *2011 Overview of Civil and Administrative Labor Relations Cases*, Hosojihō (Lawyers Association Journal) Vol.64 No.8 p.60 (2012)

Note: The figures for 2006 indicate the number of disposed cases from April to December of that year. Proportions given in the "objection filed" column indicate the proportion of cases for which objections were filed to the number of cases concluded by labor tribunal.

Table IV-30 Labor Tribunal Cases: Number of Cases Disposed of by Deliberation Period – Average Deliberation Period (District Courts, 2006-2011)

(Cases, figures in brackets are percentages)

Year	Number of cases disposed of	Within a month	Within 2 months	Within 3 months	Within 6 months	Within 1 year	Average deliberation period (months)
2006	606	36 (5.9)	192 (31.7)	207 (34.2)	171 (28.2)	0	2.4
2007	1,450	59 (4.1)	428 (29.5)	545 (37.6)	408 (28.1)	10 (0.7)	2.5
2008	1,911	64 (3.3)	598 (31.3)	718 (37.6)	517 (27.1)	14 (0.7)	2.5
2009	3,226	119 (3.7)	1,096 (34.0)	1,170 (36.3)	827 (25.6)	14 (0.4)	2.5
2010	3,436	141 (4.1)	1,240 (36.1)	1,237 (36.0)	799 (23.3)	19 (0.6)	2.4
2011	3,513	120 (3.4)	1,325 (37.3)	1,270 (36.2)	772 (22.0)	26 (0.7)	2.4

Source: General Secretariat of the Supreme Court, *2009 Overview of Civil and Administrative Labor Relations Cases*, Hosojihō (Lawyers Association Journal) Vol.62 No.8 p.56 (2010), and the same institution's *2011 Overview of Civil and Administrative Labor Relations Cases*, Hosojihō (Lawyers Association Journal) Vol.64 No.8 p.61 (2012)

Table IV-31 Labor Tribunal Cases: by Number of Tribunal Sessions – Number of Cases Disposed of (District Courts, 2006-2011)

(Cases, figures in brackets are percentages)

Year	Number of cases disposed of	No session	1 session	2 sessions	3 sessions	4 sessions	More than 5 sessions
2006	606	32 (5.3)	101 (16.7)	215 (35.5)	245 (40.4)	13 (2.1)	0
2007	1,450	67 (4.6)	235 (16.2)	542 (37.4)	563 (38.8)	42 (2.9)	1 (0.1)
2008	1,911	101 (5.3)	370 (19.4)	717 (37.5)	671 (35.1)	49 (2.6)	3 (0.2)
2009	3,226	199 (6.2)	687 (21.3)	1,168 (36.2)	1,079 (33.4)	87 (2.7)	6 (0.2)
2010	3,436	171 (5.0)	910 (26.5)	1,289 (37.5)	996 (29.0)	67 (1.9)	3 (0.1)
2011	3,513	161 (4.6)	917 (26.1)	1,400 (39.9)	933 (26.6)	94 (2.7)	8 (0.2)

Source: General Secretariat of the Supreme Court, *2009 Overview of Civil and Administrative Labor Relations Cases*, Hosō Jiho (Lawyers Association Journal) Vol.62 No.8 p.56 (2010), and the same institution's *2011 Overview of Civil and Administrative Labor Relations Cases*, Hosō Jiho (Lawyers Association Journal) Vol.64 No.8 p.61 (2012)

1 Overview of Employment Measures

A strong yen and price deflation, added to a global financial crisis said to occur once every 100 years, have combined to cause a sharp deterioration in Japan's employment situation. Despite the impact of the global economic slowdown, however, the Japanese economy is now starting to pick up. This is thanks partly to reconstruction demand following the Great East Japan Earthquake of March 2011, and partly to the effects of government policy. Nevertheless, the employment situation remains as harsh as ever, although there have been signs of improvement here too recently. Statistics on the employment situation for FY2012 show that the jobs-to-applicants ratio in the January-March 2013 quarter was 0.85 (seasonally adjusted), the average for 2012 was 0.15 percentage points higher year-on-year at 0.80, and the fiscal year average was 0.14 points higher at 0.82. The overall unemployment rate in January-March 2013 was 4.2%, the average for 2012 was 0.3% points lower year-on-year at 4.3%, and the fiscal year average was 0.2% points lower at 4.3%.

Viewing the employment situation by region, the jobs-to-applicants ratio has generally maintained a rising trend in all areas, reflecting the aspect of economic recovery since March 2009. However, in the Tokai region, where manufacturing workers account for a high proportion of all persons in employment, the ratio decreased between the April-June and October-December quarters of 2012. As for the Tohoku region, reconstruction demand following the Great East Japan Earthquake led to relatively high index levels compared to previous years. Meanwhile, the overall unemployment rate has been in a falling trend in all regions except Hokkaido since March 2009. Hokkaido was little affected by the Lehman

Shock, but has remained more or less on a par during the subsequent recovery phase.

By age group, the overall unemployment rate in ages 15-24 for 2012 fell 0.1 points year-on-year to 8.1%. This is higher than the rate for all age groups (4.3%) and illustrates the continuing harshness of the situation for younger people.

Finally, the jobs-to-applicants ratio for full employees in March 2013 (before seasonal adjustment) was 0.52, 0.06 points higher year-on-year but still at a low level compared to the overall ratio (0.90).

Labor Policies for a Quick Departure from Deflation and Stable Long-term Growth

Amid this situation, a supplementary budget of 13 trillion yen for FY2012 was decided on January 11th this year, with the aim of avoiding a double-dip recession and ushering in a growth strategy, among others. This was the largest such sum in history, except under the state of emergency after the Lehman Shock. Based on the rationale of a 15-month budget when combined with the initial budget for FY2013, the sum was earmarked for an "emergency economic package designed to revive the Japanese economy" and measures to materialize this. Meanwhile, the FY2013 budget was established on May 15th, with priority on policies similarly designed to energize the Japanese economy and bring stability to people's lives. Both the FY2012 supplementary budget and the FY2013 budget set out employment measures such as supporting transfers of unemployed workers to growth sectors, based on a harsh employment situation. They also incorporate policies for promoting active participation by women and young

people, creating employment in regional areas, developing ability through vocational training, stabilizing the employment of non-regular workers, improving training and conditions for human resources, and achieving a work-life balance, among others.

For Japan's economy to go beyond recovery and continue to achieve stable growth over the long term, it will be vital to capitalize on latent demand both in Japan and abroad, while executing a growth strategy that stimulates private investment, raising labor productivity, and strengthening Japan's latent growth potential. To this end, the "Japan Revitalization Strategy – JAPAN is BACK" was decided by the Cabinet on June 14th this year. The Strategy incorporates the following policies aimed at securing numbers of workers (quantity) and achieving an improvement in labor productivity (quality), amid an increasingly global economy, a declining birth rate and population aging.

(1) Policy change from excessive employment stability to labor fluidity (achieving labor movement without unemployment)

The government will amend the policy of employment stability that has expanded in response to a rapidly deteriorating employment situation since the Lehman Shock. For individuals to change jobs smoothly, manifest their ability, and play active roles as bearers of economic growth, the government will boldly shift to a policy of supporting labor movement, including support for ability development.

(2) Enhancing matching functions by utilizing private-sector human resources business

While promoting the disclosure of information held by "Hello Work" public employment security offices to private concerns, the government will make maximum use of private-sector human resource business to provide a prompt and effective response to a wide variety of needs, including those of young people who are out of employment after graduation, etc., and women who want to return to work.

(3) Materializing diverse ways of working

The government will promote system reviews and others to facilitate flexible and diverse ways of working, so that individuals can find opportunities to take an active role in society according to their own

lifestyles and wishes.

(4) Promoting active participation by women

To reduce the number of women who leave work for childbirth, child rearing, and so on, while also increasing the ratio of women in leadership positions, the government will promote the development of an environment that maximizes the strong abilities dormant within women and allows women to take an active role. The government will promote initiatives aimed at comprehensively providing high-quality infant education and nursery care, and steadily implementing the "New System of Children and Childrearing Support", including enhancement of family support with support for childcare in the community. The government will also expand the "Plan to Accelerate the Zero Childcare Waiting List Project" for five years from this fiscal year, the aim being to embark on as many support measures as possible for municipalities without waiting for the start of New System in two years' time.

(5) Promoting active participation by the young, the elderly and others

The government will strive to create a "Society for All", where anyone who has willingness can take an active role. In particular, it is important to nurture all of the young people who will shoulder the future of Japan, so that they can develop their abilities to the fullest extent and succeed in the world. Therefore, based on recommendations by the "Forum for Promoting Active Participation by Young People and Women", the government will promote successful activity by the young people who will drive the growth of Japan.

Employment Insurance System

The employment insurance system is intended to stabilize workers' living circumstances during times of unemployment and to encourage the unemployed to quickly find reemployment. It functions as an important employment safety net, and the number of insured persons and persons receiving benefits respectively averaged 39,010,000 and 580,000 in FY2012.

In practice, it takes the form of payment of a daily basic allowance, which is paid for a prescribed number of days to secure income in the event of

unemployment.

Because of the need to provide benefits at a sufficient level to enable people to maintain as far as possible their living standards before becoming unemployed and to be able to calmly search for fresh employment, this daily basic allowance is set at a fixed proportion of a person's wage prior to unemployment. In order to ensure that the period of unemployment is no longer than necessary and that unemployed persons quickly reenter the workforce, however, benefits are gradually decreased as the wage level prior to job loss rises so that they do not exceed wages on the labor market in the event of reemployment. More specifically, the benefit rate is set at 50% to 80% of a person's wage prior to unemployment (45% to 80% in the case of 60- to 64-year-olds).

The length of the benefit period is determined according to the difficulty faced by job seekers in finding reemployment. It is therefore set at a more generous level for those who are older, have been insured for longer, and have lost their jobs due to bankruptcy or layoff rather than voluntary retirement. More specifically, the benefit period is 90 to 330 days for persons made unemployed by bankruptcy or layoff and 90 to 150 days for persons taking voluntary retirement, depending on the age and length of enrollment of the insured person.

Support System for Job Seekers

The Support System for Job Seekers was introduced in October 2011 as a new safety net for job seekers who are not eligible for unemployment benefits (specific job seekers), due to the growing

need to support these people. Under the system, specific job seekers are given opportunities to attend publicly provided vocational training (job seeker support training or public vocational training). They may also receive vocational training benefits to support their lives during the training period, provided they meet certain conditions on income, assets, etc. Of the above training types, job seeker support training consists of a "Basic Course" for learning the basic skills common to many professions, and a "Practical Course" for learning all the practical skills needed to perform a specific profession.

Beside this, Hello Work public employment security offices offer career advice for job seekers and guidance toward suitable training. They also provide employment support throughout the training right to the end of the training period, based on employment support plans drawn up to suit the situation of individual job seekers.

Training institutions offer career advice based on Job Cards as well as employment support in collaboration with Hello Work, such as using information on vacancies and employment interviews received from Hello Work. For those who have completed their training, meanwhile, Hello Work provides detailed employment support including a system of one-on-one counselors wherever necessary, and thus endeavors to help job seekers find employment as soon as possible.

As of May 31st, 2013, some 164,000 persons had undergone training since the system was introduced in October 2011. The employment rate of those completing the training courses is more than about 70%.

2 Employment Measures for Young People

As well as reinforcing employment support for new and recent graduates, for whom the employment environment is forecast to be harsh, it is necessary to implement comprehensive support for young people, in order to ensure that the young people who will be responsible for the future of Japan can work with peace of mind and conviction, and can adequately exercise their abilities and motivation, by such means as promoting support at public employment security offices, aimed at helping “freeters” (part-time workers employed on a casual basis) find regular employment.

Major Employment Measures Aimed at Young People in FY2013

1. Employment support for new and recent graduates

- Using School and University Graduate Job Supporters
 - (1) Providing employment support that focuses on high school and university graduates in an integrated manner, and promoting their matching with small and medium-sized enterprises
 - (i) School and University Graduate Job Supporters, whose numbers were doubled in FY2010 under the Contingency Fund for Responses to the Economic Crisis and Regional Revitalization and the supplementary budget, will continue to be deployed in branches of Hello Work; they will cooperate in the organization of job interview sessions, by such means as securing details of vacancies, as well as making visits to corporate briefing sessions organized by universities, in order to undertake consultations in regard to job search activities.
 - (ii) In collaboration with schools, lectures will be held on the significance of working and job search activities while still at school, involving guardians as well; in addition, corporate briefing sessions involving local companies will be held within high schools and information will be proactively disseminated to relevant parties.
 - (2) Support aimed at looking for employment while still at school, involving guardians as well
 - (i) In collaboration with schools, lectures will be held on the significance of working and job search activities while still at school, involving guardians as well; in addition, corporate briefing sessions involving local companies will be held within high schools and information will be proactively disseminated to relevant parties.
- Using the New Graduate Employment Support Headquarters and New Graduate Support Hello Work branches
 - (1) Using the New Graduate Employment Support Headquarters and New Graduate Support Hello Work branches
 - (i) In order to implement effective employment support based on the actual situation in the region in question, efforts will be made to seek the utilization of the “New Graduate Employment Support Headquarters”, which consists of relevant individuals from Hello Work, local government, the labor sector, business circles and schools, and to implement employment support for new and recent graduates in collaboration with related local organizations.
 - (ii) Efforts will be made to publicize the New Graduate Support Hello Work branches, which specialize in employment opportunities for new and recent graduates; further efforts will be made to promote their utilization, in order to support the employment of new and recent graduates.
 - (2) The “Young Worker Support Company Declaration” Project
 - (i) This provides positive PR and others for “Young Worker Support Companies”. These are small and medium enterprises that have established a certain system for labor management, advertise vacancies for young people, positively hire and train

young people (below the age of 35), and actively announce corporate data and hiring information in more detail than normal information on job vacancies.

2. Promoting a switch to regular employment among “freeters” and other non-regular workers

(1) Hello Work support for promoting a switch to regular employment among “freeters” and other non-regular workers

(i) Thorough, consistent support for “freeters” wishing to find regular employment, based on a case worker system that operates from the initial career consultation and employment referral, through to the individual becoming settled at their workplace.

(ii) Since FY2012, “Young Hello Work” (Tokyo, Aichi, Osaka), “Young Support Corners” and others have been set up as support centers in many areas with particularly high populations of freeters (211 locations). Among other services, these provide pre-consultation upon initial use, preparation of employment plans aimed at hiring as regular employees, vocational guidance and introductions, and employment support seminars for freeters.

(2) Implementing meticulous employment support at Job Cafes

“Job Cafes” operated by prefectural authorities are centers that provide one-stop employment-related services for young people. They offer aptitude assessment, counseling, seminars and other services in accordance with local circumstances. (108 locations in 46 prefectures)

(3) Employment support through the utilization of subsidy systems, such as the trial employment system

The switch to permanent employment is promoted by a system of “trial employment” (maximum 40,000 yen, maximum three months per person), whereby companies offer employment for three months on a trial basis following an introduction by Hello Work.

3. Enhancement of vocational independence support for NEETs and other young people

• Expansion of “Community Youth Support Stations”

Expansion of number of “Community Youth Support Stations,” which serve as local centers of support for NEETs and other young people, strengthening of network functions in collaboration with educational institutes, etc., and active encouragement of young people and their parents or guardians.

3

Policies Designed to Secure Employment for Older and Disabled Workers

Measures for Older Workers

With the labor force forecast to decline as a result of the rapid aging of society and a decline in the birthrate, it will be necessary to utilize the knowledge and experience of older people effectively in the economy and society, in order to maintain the dynamism of the economy and society, ensure that more people can support the social security system, and increase the sustainability of that system.

The “Japan Revitalization Strategy” (decided by the Cabinet on June 14, 2013) sets out the aim of building a “society of participation by all”, in which every citizen can play an active part as long as they wish to do so. Moreover, it sets forth the target of achieving a labor force participation rate of 65% among those aged 60-64 by 2020.

In order to secure stable employment for older people, as well as imposing on employers the obligation to secure employment opportunities up to the age of 65, either by increasing the mandatory retirement age set by employers, introducing a system of continued employment, or abolishing the mandatory retirement age, the Act on Stabilization of Employment of Elderly Persons seeks to enhance measures relating to the promotion of the re-employment of middle-aged and older people (45-65 years old) and enhance measures aimed at securing opportunities for temporary and short-term employment for those who have retired after reaching the mandatory retirement age.

In line with this law, measures focused on the employment of older people are being comprehensively

promoted, with a particular focus on the following measures.

Securing Stable Employment for Older Workers by Raising the Mandatory Retirement Age and Introducing Continued Employment Schemes, Etc.

Under the Act on Stabilization of Employment of Elderly Persons, employers must devise measures to secure employment for elderly workers. Employers who have not devised such measures are given guidance and other assistance from Public Employment Security Offices, as well as technical consultation and advice by advisers on elderly employment, in collaboration with the Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers (JEED).

Meanwhile, the age of eligibility for the fixed component of state pensions is being raised in stages. For men, the increase to age 65 will be complete in 2013, while the age for the earnings-related component will be raised to 61 (as part of a staged increase to age 65 by 2025). This could mean that some people might be left without a pension and without an income. From April 2013, therefore, based on an amendment to the law, schemes excluding some employees from continued employment systems were abolished, a firm link was created between employment and pensions, and steps were taken to guarantee employment up to 65 for everyone who wants to work.

Figure V-1 Outline of the “Act to Partially Amend the Act on Stabilization of Employment of Elderly Persons”

Approved by the Diet on August 29th, 2012

Given Japan’s rapidly aging population and low birth rate, it is necessary to promote the employment of everyone who is capable of working – including the young, women, the elderly and persons with disabilities – and to materialize a society in which everyone who supports that society can participate. As a measure to promote employment of the elderly, this Act implements some necessary amendments such as removing the provision regarding criteria set by employers on eligibility for the continued employment system and enhancing measures to secure elderly employment.

1. Abolition of schemes excluding some employees from coverage under continued employment systems

• The Act abolishes schemes that allow employers to exclude some of their employees from coverage under continued employment systems based on criteria established through labor-management agreements. This ensures that all employees who wish to remain employed after retirement age are covered by continued employment systems.

2. Expansion of the scope of companies employing persons covered by continued employment systems

• The Act establishes a scheme that expands the scope of companies employing persons covered by continued employment systems to include group companies.

3. Introduction of a provision to announce the name of companies in breach of obligation

• The Act establishes a provision whereby the names of companies are announced if they do not comply with recommendations regarding the obligation for measures to secure elderly employment.

4. Formulation of guidelines on the implementation and operation of measures to secure elderly employment (as amended by the Lower House)

• The Act establishes grounds for guidelines on the implementation and operation of measures by employers to secure elderly employment.

5. Others

• The Act establishes a 12-year transitional measure allowing employers to continue applying criteria set for employees who have reached the age of eligibility for employee pensions (earnings-related component), and arranges other necessary provisions.

Date of effectuation: April 1, 2013

Figure V-2 Abolition of Schemes excluding Some Employees from Continued Employment Systems

- The current system of elderly employment under the Act on Stabilization of Employment of Elderly Persons prohibits the setting of a mandatory retirement age lower than 60 (Article 8 of the Act).
- An amendment to the Act in 2004 already obliges employers that have set a mandatory retirement age lower than 65 to introduce one of the following measures (measures to secure elderly employment) in order to secure employment until the age of 65 (Article 9 of the Act).

(i) Raise the mandatory retirement age.

(ii) Introduce a continued employment system. (Some workers who wish to remain in employment may be excluded if criteria have been established under a labor-management agreement.)

(i) Abolish the mandatory retirement age.

Underlined part abolished from April 2013 (2012 Amendment)

Implementation of one of these measures is already obligatory.

* Companies are obliged to adopt one of these measures as their system; they are not obliged to employ each individual worker.

* Raising the mandatory retirement age is not obligatory.

- Percentage of companies that have introduced measures to secure elderly employment: 97.3%
 - Percentage of all employees who, having reached the mandatory retirement age in the last year (approx. 430,000 employees), quit their jobs as they did not meet the criteria: 1.6% (approx. 6,800 employees)
- (In both cases, figures were aggregated from companies with 31 or more employees. As of June 1, 2012)

Support and Promotion of Reemployment of Middle-aged and Older Workers

Guidance is available for employers when preparing job cards for elderly job-seekers, while trial employment incentives are paid to businesses employing middle-aged, older and other workers on a fixed-term trial basis. Measures are also available to assist employers in accepting elderly and other workers who would otherwise have difficulty in finding work, through introductions from Public Employment Security Offices, etc. From 2013, meanwhile, employers will be supported in implementing various measures to improve employment environments with a view to promoting the use of older workers. These include developing workplaces or jobs for older workers (such as by moving into new business sectors), introducing or improving machinery and equipment, work methods or environments, and developing employment management systems. As well as this, support is available for employers who, through introductions by private-sector job introduction agencies, accept older workers who are approaching the mandatory retirement age and wish to be employed in other companies where they can use their knowledge and experience. In this way, steps are being taken to stabilize employment for older workers.

Meanwhile, the main Public Employment Security

Offices offer support to older workers in redesigning vocational lives, job assistance through a system of supervisors called “Navigators” for those with particular difficulty in finding work, and so on.

Besides these, the government’s Senior Work Program, in cooperation with employers’ organizations and public employment security offices, offers an integrated package of skill training, interviews, follow-ups, etc., on the premise of employment in communities where older workers live.

Promotion of Diverse Employment and Social Involvement of Older People

The Silver Human Resource Center Program is being promoted to provide convenient community-based temporary and short-term job opportunities to suit older people’s needs. (As of March 31, 2013, there were 1,299 centers with approximately 740,000 members).

As well as supporting projects jointly planned and proposed by Silver Human Resource Centers and local authorities, support is also provided for strengthening their functions. This includes ensuring safe, appropriate employment and expanding employment opportunities, so that members of the various centers can work with reassurance in their local neighborhoods.

Figure V-3 Structure of Measures for Elderly Employment

As we approach an era with a life expectancy of 100, the government will consider ways of securing employment opportunities for the elderly, according to their diverse employment needs, and otherwise developing an environment in which they can find their “place” and take their “turn to serve” in the community, towards the goal of creating a society of lifelong active service.

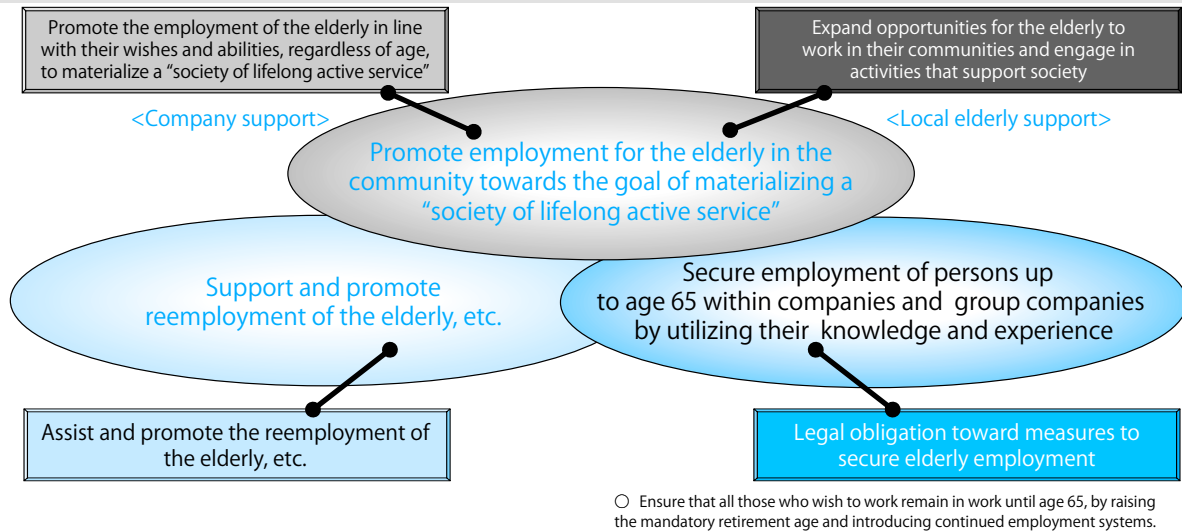


Figure V-4 Structure of Measures for Elderly Employment in 2013

(i) Promote the employment of the elderly in line with their wishes and abilities, regardless of age, to materialize a “society of lifelong active service”

- Implement moves to foster a social momentum towards materializing a society of lifelong active service, by enhancing support for an increase in companies where people can work regardless of age, and by encouraging the elderly to review their lifestyles as they reach a later stage in life.
 - **Implement community-based model projects for materializing a society of lifelong active service (new project for FY2013)**
(Foster local momentum through efforts by local core model companies, give advice to employers on employment management for materializing a society of lifelong active service)
 - **Provide subsidy for elderly employment security (new project for FY2013)**
(Subsidy for employers who improve the elderly employment environment)
 - **Provide consultation and assistance for employers from the Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers (JEED)**

(ii) Expand opportunities for the elderly to work in their communities and engage in activities that support society

- Make use of Silver Human Resource Centers to secure employment opportunities for the elderly after mandatory retirement, etc., in accordance with their diverse employment needs.
 - **Promote Silver Human Resource Center projects**
 - **Implement project to develop the environment for materializing a society of lifelong active service (new project for FY2013)**
(Hold seminars and others on designing vocational life in older age, support vocational life design aimed at lifelong active service for the elderly)
 - **Implement (expand) the Senior Work Program**
(Hold integrated skill training courses, interviews, internships, etc., in collaboration with employers’ organizations, public employment security offices and others)

(iii) Assist and promote the reemployment of the elderly, etc.

- To help the elderly feel reassured in receiving support for reemployment, the main “Hello Work” offices throughout the country will enhance and strengthen support for reemployment by providing support for redesigning vocational lives, employment support from assignment supervisors called “Navigators” , and others.
 - **Implement the general employment support project for elderly persons (new project for FY2013)**
(Set up elderly employment consultation sections in main Hello Work offices across the country, to provide support for redesigning vocational lives and support for finding jobs based on “Navigators” , etc.)
 - **Pay various subsidies (including the Subsidy for Employment Development of Designated Job Seekers)**
 - **Implement the Senior Work Program (same as in (ii) above)**

(iv) Legal obligation toward measures to secure elderly employment

- **Smoothly enforce the amended Act on Stabilization of Employment of Elderly Persons (April 1, 2013)**
- **Provide consultation and assistance for employers from JEED (same as in (i) above)**

The Current Status of the Employment of Persons with Disabilities

With regard to the employment of persons with disabilities, one can see that there has been further progress, with the actual employment rate amongst private-sector companies recording a record high for the ninth year in succession, reaching 1.69% (up from 1.65% in the previous year) as of June 1, 2012. There has been particularly remarkable progress in the employment of persons with disabilities at large companies (those with at least 1,000 employees), at which the actual employment rate is 1.90%, higher than the statutory employment rate (1.8%, increasing to 2.0% from April 2013). Moreover, the number of cases of employment gained through Hello Work employment offices in FY2012 grew significantly from the FY2011 level of 59,367 cases, reaching an all-time high of 68,321 cases.

Employment Measures for Persons with Disabilities

Employment measures for persons with disabilities have been developed to enable them to work in places of employment as far as possible, in accordance with their aptitudes and abilities, and to participate in society through their workplaces. These measures are based on the “Basic Plan for the Disabled” (FY2003-FY2012) provided under the Basic Act for Persons with Disabilities and the “5 Year Plan to Implement Priority Measures” (FY2008-FY2012) as a concrete plan for implementing the Basic Plan, as well as the “Act on Employment Promotion, etc. of Persons with Disabilities” and the “Fundamental Policy for Employment Measures for Persons with Disabilities” (FY2009-FY2013) based on the Act, among others.

In future, employment support for persons with mental disabilities, etc., will need to be strengthened in line with the nature of their disability. Support measures with emphasis on small and medium enterprises will need to be promoted, as well as a shift to “employment” from “welfare”, “education” and “medical treatment” by relevant local organizations and others.

Employment Quota System for Disabled Persons and Levy and Grant System for Employing Persons with Disabilities

The Act for Employment Promotion, etc. of the Disabled stipulates that quotas be established for the hiring of the physically and or intellectually disabled, specifying the percentage of a company’s workforce to be occupied by persons with disabilities. Business owners are required to hire persons with disabilities in numbers equivalent to or greater than the legally mandated quota. From April 2006, moreover, persons with mental disabilities (those holding a Health Welfare Handbook for Persons with Mental Disabilities) are included in the employment quotas of companies.

The current statutory employment rate is 2.0% among private-sector companies (with government-affiliated corporations having a rate of 2.3%), and 2.3% among the national government and local government bodies (with boards of education having a rate of 2.2%).

Public Employment Security Offices promote the employment of persons with disabilities by directing the following to submit a hiring plan: (1) business owners whose hiring practices fall significantly below the quota, (2) business owners who need to meet the quota by hiring a large number of persons with disabilities, and (3) business owners in the private sector who plan to hire a large number of workers in the future. A warning is issued to any business owner who does not implement a submitted plan.

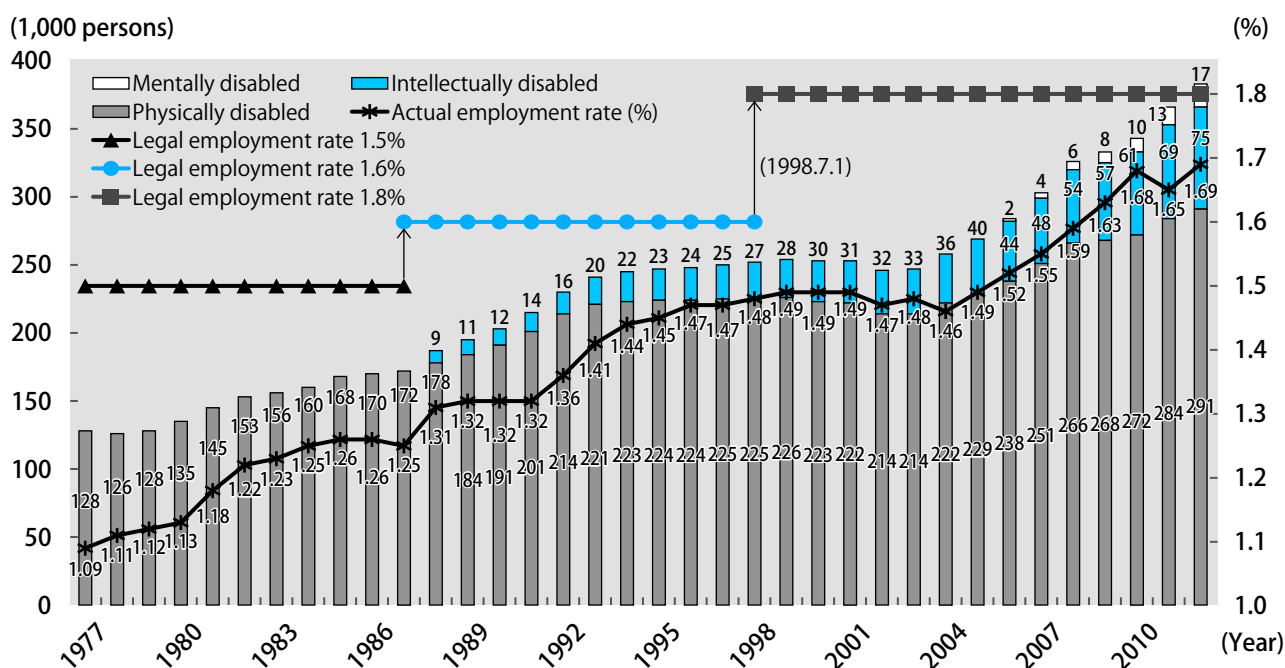
The Levy and Grant System for Employing Persons with Disabilities was established to ease the economic burden on business owners who hire persons with disabilities, and to increase job opportunities for the disabled. Levies (50,000 yen) are collected from companies that fail to fulfill the employment quota, and distributed as compensatory payments (27,000 yen) and bonuses (21,000 yen) to companies that employ more physically or intellectually disabled persons than the quota. A number of grants are also awarded to encourage the hiring of the disabled. By informing business owners of these requirements and dispensing grants, we seek to stabilize employment of persons with disabilities and maximize their employment opportunities.

Response to the Convention on the Rights of Persons with Disabilities

The government has conducted reviews aimed at promoting integrated reforms of Japan's system for persons with disabilities, starting with the development of domestic legislation needed to ratify the Convention on the Rights of Persons with Disabilities. For its part, the Ministry of Health, Labour and Welfare has held meetings of a "Research Group on Directions for Addressing the Convention on the Rights of Persons with Disabilities in the Field of Labor and Employment" from November 2011 (9 meetings in all). It has also conducted reviews in the Disabled Employment Subcommittee of the Labour

Policy Council since September 2012, with a view to prohibiting discrimination against the disabled, securing reasonable accommodation, and addressing other issues in the field of employment and labor. On April 9th, 2013, a "Bill to Partially Amend the Act on Employment Promotion, etc. of Persons with Disabilities" was decided by the Cabinet. Its content including prohibition of discrimination against the disabled, and an obligation by employers to provide reasonable accommodation, based on an outline proposal compiled by the Subcommittee. The government then submitted the Bill to the Diet, it was made law on June 13th, 2013, and was promulgated on June 19th.

Figure V-5 Employment Situation for Disabled Persons at Private Enterprise



Source: *Reports on Employment Situation for Disabled Persons*, Ministry of Health, Labour and Welfare

Notes: 1) Figures show total numbers in companies obliged to employ (i.e. with 56 or more regular employees).

2) Persons with disabilities are the total of those listed below.

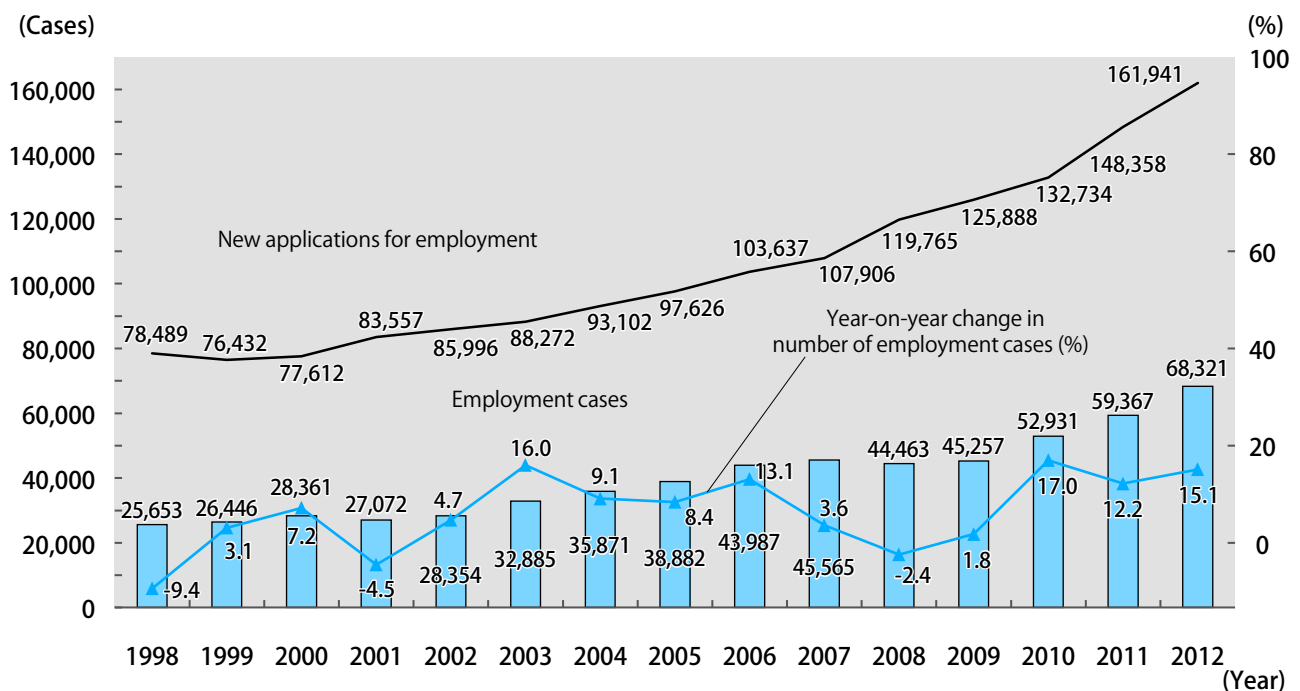
- -1987 Physically disabled (those with severe physical disabilities counted twice)
- 1988-1992 Physically disabled (those with severe physical disabilities counted twice)
- 1993-
 - Intellectual disabled
 - Physically disabled (those with severe physical disabilities counted twice)
 - Intellectual disabled (those with severe intellectual disabilities counted twice)
 - Part-time workers with severe physical disabilities
 - Part-time workers with severe intellectual disabilities
- 2006-
 - Mentally disabled (part-time workers with mental disabilities counted half)
- 2010-
 - Part-time workers with physical disabilities (counted half)
 - Part-time workers with intellectual disabilities (counted half)

Table V-6 Situation of Employment Placement of Persons with Disabilities at Public Employment Security Offices

(Cases, persons, % , % points)

Year	1) Number of new applications for employment		2) Number of valid applicants for employment		3) Number of employment cases		4) Employment rate $\langle 3 \rangle / \langle 1 \rangle >$	
		Year-on-year change		Year-on-year change		Year-on-year change		Year-on-year change
2001	83,557	7.7	143,777	9.0	27,072	-4.5	32.4	-4.1
2002	85,996	2.9	155,180	7.9	28,354	4.7	33.0	0.6
2003	88,272	2.6	153,544	-1.1	32,885	16.0	37.3	4.3
2004	93,182	5.6	153,984	0.3	35,871	9.1	38.5	1.2
2005	97,626	4.8	146,679	-4.7	38,882	8.4	39.8	1.3
2006	103,637	6.2	151,897	3.6	43,987	13.1	42.4	2.6
2007	107,906	4.1	140,791	-7.3	45,565	3.6	42.2	-0.2
2008	119,765	11.0	143,533	1.9	44,463	-2.4	37.1	-5.1
2009	125,888	5.1	157,892	10.0	45,257	1.8	36.0	-1.1
2010	132,734	5.4	169,116	7.1	52,931	17.0	39.9	3.9
2011	148,358	11.8	182,535	7.9	59,367	24.9	40.0	0.1
2012	161,941	9.2	198,755	8.9	68,321	34.6	42.2	2.2

Source: Employment Security Services Statistics, Ministry of Health, Labour and Welfare

Figure V-7 Changes in the Number of Employment Cases and of New Applications for Employment

Source: Employment Security Services Statistics, Ministry of Health, Labour and Welfare

4 Policy on Equal Employment Opportunity between Men and Women

More than 20 years have now passed since the enactment of the Act on Securing, etc. of Equal Opportunity and Treatment between Men and Women in Employment (hereinafter referred to as the “Equal Opportunity Act”) in 1985, and the intervening period has seen major advances in the development of related legislation. In 2006, the act was revised to expand the scope of prohibition of sexual discrimination (to prohibit, for example, certain forms of indirect discrimination), prohibit prejudicial treatment on the grounds of pregnancy or childbirth, etc., and require the introduction of measures to prevent sexual discrimination, and so forth.

The proportion of women in the total labor force population has risen from 39.7% in 1985 to 42.8% in 2012, and women’s share of managerial positions (section manager level or above) has also risen from 1.4% in 1985 to 7.9% in 2012.

On the other hand, many women still leave their jobs for reasons of childbirth, child rearing, and so on, making it difficult for them to build sustainable professional careers. Moreover, a working style premised partly upon long working hours is seen mainly among male core workers, and a similar working style would be difficult for many women to achieve. In view of these facts, steps are being taken to secure substantial equality of opportunities. One way of doing so is to ensure the rigorous enforcement of the Equal Opportunity Act, which provides for the prohibition of discriminatory treatment at all stages of employment management, among other issues. Another is to keep promoting positive action (i.e. autonomous and positive efforts by companies aiming to eliminate the disparity inevitably arising between male and female workers), as well as measures to support a balance between work and home in the child rearing and childcare phases.

In the “Japan Revitalization Strategy – JAPAN is BACK” decided by the Cabinet in June 2013, fully utilizing the “power of women” is placed at the core of the growth strategy. The strategy sets the target of

boosting the employment rate of women aged 25-44 to 73% by 2020, and efforts to improve the employment rate of women, and particularly to eliminate the “M-shaped curve” (a curve expressing the labor force rate of women by age group), are being tackled as priority tasks.

In order to ensure compliance with the Equal Opportunity Act, the equal employment offices in the prefectural labor bureaus established in each prefecture as local agencies of the Ministry of Health, Labour and Welfare engage in the following activities:

1. Active dissemination of information about the Equal Opportunity Act and provision of consultation services regarding discriminatory treatment due to sex in recruitment/hiring, assignments, promotions/demotions, education and training, uniform welfare packages, changes in job category and form of employment, encouragement to retire, mandatory retirement, dismissal, renewal of labor contracts, unfair treatment on the grounds of marriage, pregnancy or childbirth, and sexual harassment in the workplace.
2. Advice, guidance, and recommendations by the heads of prefectural labor bureaus and mediation by the Equal Opportunity Mediation Commission to promote the swift resolution of disputes between workers and employers regarding equal treatment, etc.
3. Proactive guidance based on the Equal Opportunity Act to ensure equal treatment of the sexes and monitoring of the actual state of employment management by enterprises.

With a view to securing substantial equality of treatment, meanwhile, “Guidelines for Supporting Efforts by Labor and Management Aimed at Reducing the Gender Pay Gap” and “Supporting Tools for Increase of Visibility of the Gender Gap” have been

produced and distributed. As well as encouraging companies to “notice” the need to ascertain the facts of gender disparity and make efforts internally, these support autonomous initiatives by labor and management.

Besides this, positive steps are being taken to give necessary advice and provide information, while promoting further efforts enabling companies to engage in concrete initiatives for positive action. Specific examples are direct lobbying to companies to promote efforts, promoting information disclosure on the status of activity by women using the “Positive Action Information Portal Site”, awarding companies

that promote equality and balance, paying additional balance support grants to companies tackling positive action, and forming “Women’s Activity Promotion Councils” in collaboration with business groups and others.

Finally, manuals on the introduction of a system of mentors (employees who advise and support female employees) and training of role models (personalities who have a wealth of job experience and serve as examples to others) have been produced and distributed, and support is being given to create an environment in which female workers can remain in employment.

Non-regular Employment Measures

1) Current status of workers in non-regular employment

Workers in non-regular employment (fixed-term contract workers, part-time workers and dispatch workers) have been in a rising trend in recent years. In 2012, the number of workers in non-regular employment reached about 18.13 million, accounting for 35.2% of all workers in the average for FY2012. This ratio is continually reaching new heights. People who take up non-regular employment because there is no company where they can work as full employees (so-called “involuntary non-regular workers”) and workers in non-regular employment who want to become full employees are also in a rising trend. Other problems pointed out with non-regular employment include the fact that it is unstable, wages are low, opportunities for vocational development are scarce, and safety nets are inadequate. Problems have also arisen in terms of the formation and utilization of human resources.

2) Promoting non-regular employment measures

Based on this current reality, it is important to promote a shift to regular employment by non-regular workers who seek regular employment, while also developing an environment in society as a whole in which workers (both regular and non-regular) can live securely. To this end, as well as the legislative response to be discussed below, comprehensive measures are being promoted, including:

- 1 Strengthening efforts to prevent young people from quitting their jobs early, so that they do not involuntarily fall into non-regular employment at the point of access to society.
- 2 Using the systems of trial employment and job seeker support, in accordance with needs, and carrying out matching using Job Cards in Young Hello Work centers and elsewhere, with the aim of converting freeters and other non-regular

workers to regular employment.

- 3 Giving renewed support for career improvement within companies from FY2013, revising the system of employment insurance to support relearning, and studying policies aimed at materializing diverse ways of working, so that young people and others who are non-regular workers can improve or change their careers.

Fixed-term Employment Measures

1) Present situation of fixed-term contract workers

Of fixed-term contract workers, i.e. those working under labor contracts with a fixed term, those with a contract term of one year or less increased from 7.27 million in 2002 to 7.60 million in 2012.

2) Improved employment management of fixed-term contract workers

Problems highlighted with fixed-term contract workers include the instability of employment, disparity in conditions, etc., and the inadequacy of vocational ability development.

One of the stipulations of the Amended Labor Contract Act is that, when a fixed-term labor contract has been repeatedly renewed beyond a total of 5 years, it must be converted to an open-ended labor contract upon request from the worker. The amended Act came into full force on April 1st, 2013, and ongoing efforts are being made to publicize its purpose and content.

Promoting Measures on Part-time Work

1) Securing equal and balanced treatment based on the Part-Time Work Act

Part-time workers have been increasing in recent years, not only in ancillary work as was previously the case, but also in key workplace roles such as serving in managerial positions. On the other hand, the treatment of part-time workers is not always commensurate with the work they do, and the

challenge now is to eliminate unreasonable disparity in treatment compared to full employees and to secure fair treatment befitting their work and contribution. To meet this challenge, the “Act on Improvement, etc. of Employment Management for Part-Time Workers” (hereinafter the “Part-Time Work Act”) sets out to ensure equal and balanced treatment on a par with full-time workers, in line with the situation of their working style, and to promote a conversion to full-time workers. Through these and other measures, the aim is to create employment environments where

part-time workers can more effectively manifest their abilities.

The 2007 amendment of the Part-Time Work Act included a supplementary provision targeting a review of the Act three years after enforcement. Based on this review provision, the Labour Policy Council studied future directions for measures on part-time work from September 2011, culminating in a proposal to the Minister of Health, Labour and Welfare in June 2012. In future, necessary legislative measures are to be taken in line with this proposal.

Figure V-8 Outline of the Part-time Work Act* (*“Act on Improvement, etc. of Employment Management for Part-Time Workers”)

Among others, steps will be taken to improve part-time workers' satisfaction, secure equal and balanced treatment compared with that of full employees, and promote conversion to full employees, in order to create an employment environment in which part-time workers can effectively perform with their full abilities.

1 Obligation to issue documents and explain working conditions

- In addition to the obligation to issue documents under the Labour Standards Act, business operators are also obliged to indicate clearly any wage increases, retirement allowances and bonuses by issuing documents (violation punishable by a civil fine) (Article 6).
- Upon request from part-time workers, business operators are obliged to explain matters taken into account when making decisions concerning their treatment (Article 13).

2 Promoting efforts to secure equal and balanced treatment

- Business operators must endeavor to ensure that the treatment of all part-time workers is balanced with that of full employees in terms of decisions on wages, the implementation of education and training, and the use of employee welfare facilities, according to their diverse working formats (Articles 9-11).
- Business operators are prohibited from engaging in discriminatory treatment against part-time workers with equal job descriptions to full employees (Article 8).

* “Part-time workers with equal job descriptions”: Part-time workers whose job description and system of use of human resources are the same as those of full employees, and who have concluded labor contracts without a fixed term (including fixed-term labor contracts that are repeatedly renewed and may therefore be regarded as labor contracts without a fixed term)

3 Promoting conversion to general workers

- Business operators are obliged to take measures to promote conversion of part-time workers to full employees, including making positions known to part-time workers when recruiting full employees, giving part-time workers the opportunity to apply for positions when newly assigning full employees, and establishing examinations systems for conversion to full employees, etc. (Article 12).

4 Complaint handling and dispute resolution assistance

- Business operators must endeavor to achieve voluntary resolution of complaints (Article 19).
- The Director General of the Prefectural Labour Bureau will assist in dispute resolution and establish conciliation with regard to obligatory provisions (Articles 20-24).

2) Initiatives aimed at securing equal and balanced treatment, etc.

Among other services, the Equal Employment Sections of Prefectural Labor Bureaus hold one-on-one counseling sessions for part-time workers and others, provide advice and support for employers, give administrative guidance based on consultation

topics or scheduled business visits, and assist in resolving disputes based on reports from workers or employers.

3) Support for employers who make efforts for equal and balanced treatment

Equal Employment Sections of Prefectural Labor

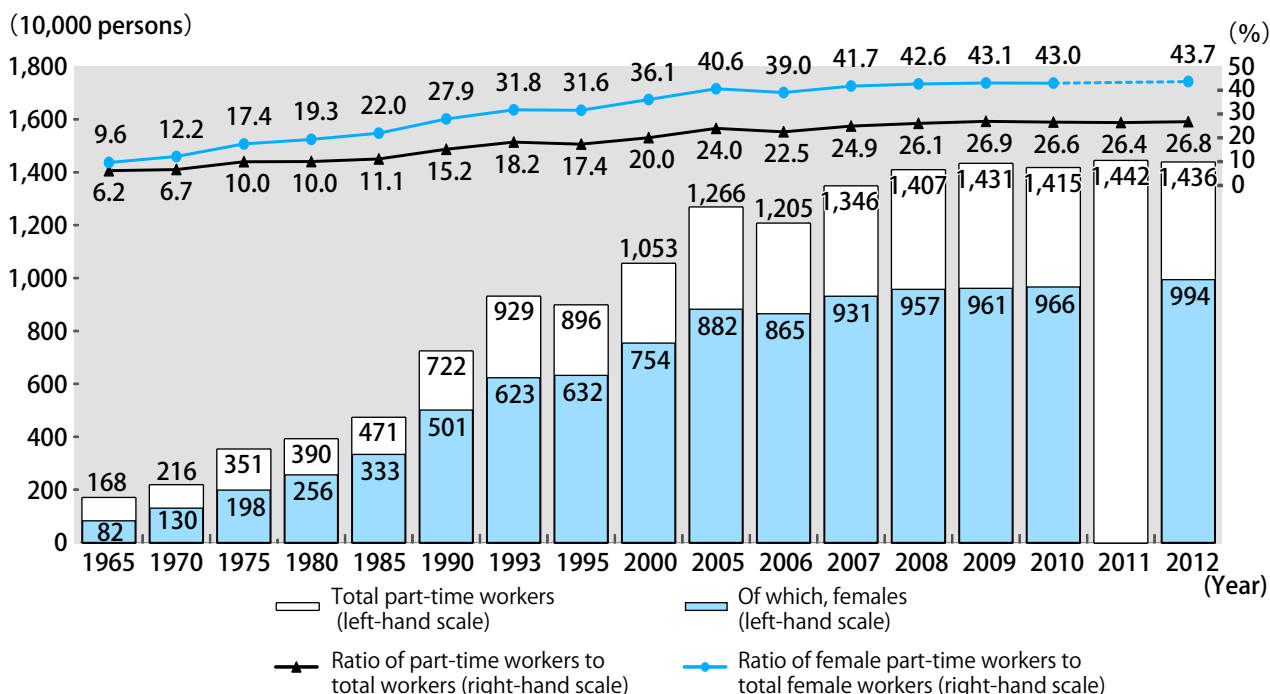
Bureaus appoint Equal Employment Guidance Officers (Equality Promotion Officers) as specialists in human resources management. These give advice to further promote concrete methods of tackling equal and balanced treatment between part-time and full-time workers, as well as conversions from part-time to full-time work. They also provide support for efforts to improve employment management in line with the actual circumstances of employers.

Alongside this, Equal Employment Consultants are appointed to promote the creation of environments

where part-time workers can manifest their abilities with confidence, while employers are supported in their introduction of job analysis and job evaluation.

Finally, grants are used to promote efforts aimed at securing equal and balanced treatment for part-time workers and full employees and to achieve a conversion to full employees. This includes support for employers who attempt equal and balanced treatment for part-time workers, etc., and their conversion to full employees.

Figure V-9 Changes in the Number and Percentage of Part-time Workers



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

Notes: 1) "Part-time workers" are persons employed in non-agricultural industries (excluding those not at work) who work less than 35 hours per week.

2) "Total part-time workers" for 2011 is a complementary estimate, and the "Ratio of part-time workers to all workers" is a reference value calculated from the complementary estimate.

As no complementary estimates have been prepared for total workers (female) or part-time workers (female), no figures are given for "Total part-time workers (of which, females)" or "Ratio of female part-time workers to total female workers".

Labor Measures on Dispatch and Contracting

In 1985, the Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers (the “Worker Dispatch Act”) was enacted. With this, worker dispatching business was established as a new format for employing workers at the dispatching source, as distinct from the worker supply business that had been prohibited under the Employment Security Act. At first, the application of the Act was limited to certain occupations only, in view of the level of work speciality, the special nature of employment management, and so on.

The purpose of limiting applicable occupations was out of concern that it should not encourage dispatch client companies to substitute their regular workers with dispatch workers, to maintain harmony with customary employment practices in Japan.

Subsequently, applicable occupations were fundamentally deregulated in 1999, while in 2003 the period of dispatch acceptance was extended to a maximum of 3 years. At the same time, the restrictions on worker dispatch for manufacturing were lifted and dispatch workers vastly increased.

With these trends ongoing, the sudden deterioration of the employment situation following the Lehman Shock in autumn 2008 exposed socially problematic formats such as day worker dispatch, in terms of their dismissal practices. It also revealed problems with employment stability in the formats of registered dispatch and dispatch for manufacturing work. Another problem highlighted was that dispatch workers did not receive treatment befitting their working situation, as, for example, their wages had remained frozen at a low rate.

In view of these circumstances, a bill for amending the Worker Dispatch Act was submitted to the Diet, with the aim of stabilizing the employment

of dispatch workers and improving their treatment. The Bill contained provisions fundamentally prohibiting day worker dispatch, mandatory consideration for equal treatment, and a system of de facto labor contract application. After some revision, the amendment was duly enacted in March 2012 and brought into effect in October 2012. While the Bill was being debated, a supplementary Diet resolution was passed to the effect that further consideration would be given to registered dispatch, dispatch of manufacturing workers, and specific worker dispatch business, as well as limits on the dispatch period. These issues have been under discussion by an expert study group since October 2012. Once this study group has delivered its findings (due in around summer 2013), the issues will be turned over to the Labour Policy Council for further discussion, and necessary measures will then be taken.

After the 2003 amendment, the total number of dispatch workers increased sharply to 3.81 million, or the equivalent of 1.74 million regular workers (FY2007). With the sudden deterioration of the employment situation following the Lehman Shock in autumn 2008, however, they are now in a decreasing trend. Although the number of worker dispatch businesses remains high at 82,476, the number of dispatch client businesses is 710,972 and the total number of dispatch workers is around 2.71 million, equivalent to some 1.48 million regular workers (FY2010).

Although worker dispatch is now established and serves a certain function as a mechanism for adjusting manpower supply and demand, it also has problems in terms of employment stability, improvement of treatment, and dealing with illegal dispatch, including dispatch clients. Efforts are being made to address these problems by strengthening guidance and supervision, revising the system, etc.

6 Public Job Introduction System

The basic purposes of Public Employment Security Offices, which are located in approximately 545 locations all over Japan (including branch offices), are to provide job seekers with the most suitable job opportunities according to their wishes and abilities and to introduce the most appropriate personnel to employers who are looking for employees.

The Public Employment Security Offices are connected online throughout Japan, and offer service using the Hello Work System to provide information about job vacancies and job searches immediately through computers.

In addition, in order to respond appropriately to the recently diversifying needs of users, we have strengthened our agencies by introducing service such as following measures and operations.

Mothers' Hello Work and Mothers' Corners

"Mothers' Hello Work" offices have been set up in 13 locations since FY2006, while, in prefectural capitals and other regional core cities with no Mothers' Hello Work, Mothers' Corners have been set up in Hello Work offices since FY2007. As a result, reemployment support is now being provided, mainly for women raising children, in 177 support centers nationwide (as of FY2013; includes planned sites). Specifically, as well as developing an easily accessible environment even for those with children, the services on offer include detailed vocational consultation by a system of supervisors, and information on job vacancies in line with needs, for those who have already started preparing job-seeking activity and seek early reemployment. Information on nursery services is also provided in collaboration with

local authorities and others.

Hello Work Plaza

Hello Work Plazas have been established (in 43 locations as of FY2013) in areas that are convenient for jobseekers, in order to provide the careers advice and employment referral services of Hello Work, thereby enabling jobseekers to use these services effectively and promoting matching between jobseekers and available vacancies.

New Graduate Support Hello Work

New Graduate Support Hello Work branches have been established in all prefectures (in 57 locations as of FY2013) since September 24, 2010, as specialist branches of Hello Work that are easy to use for students and recent graduates seeking work. These branches provide consistent individual support (such as providing advice on how to undertake job search activities, correcting application forms, and providing guidance concerning interviews) and various kinds of support for matching jobseekers with vacancies (such as providing information on vacancies across the country, providing employment referrals, developing vacancy opportunities, and holding various seminars) based on a system of caseworkers (called Job Supporters).

Job Banks

These undertake careers advice and employment referrals, specializing in professional and technical roles and managerial posts for those aged 40 or above, and have been established in 6 cities across the country, in order to promote the re-employment of those with specialist knowledge and skills.

7 Employment Measures for Foreigners

Basic Approach to Employment Measures for Foreigners

Within the framework of existing legislation, the scope of acceptance of foreign workers has been determined while giving comprehensive consideration to “factors including but not limited to the effects on Japanese industry and public welfare” (Immigration Control and Refugee Recognition Act).

The Employment Countermeasures Act, revised in 2007, specifies in addition that the Government should take measures to promote the employment of foreigners in specialist and technical fields, improve the employment management and promote the reemployment of foreigners, and prevent their illegal employment. It also makes it mandatory for employers to endeavor to improve their employment management and assist the reemployment of foreign workers, and to submit notification regarding their state of employment of foreigners. In line with the Employment Countermeasures Act, the Minister of Health, Labour and Welfare has issued a notice establishing guidelines concerning the measures that employers should take to improve their employment management of foreign workers and to ensure their proper treatment (hereinafter referred to as the “Foreign Worker Employment Guidelines”).

Further indication is provided in the Basic Guidelines on Employment Policy (Public Notice issued by the Minister for Health, Labour and Welfare, February 2008), drawn up to map out the mid-term direction of employment policy over the next five years or so, which state that the employment in Japan of foreigners in specialist and technical fields should be actively promoted, and action should be taken to attract high-quality international students and help them to find employment in Japan, and to improve the work environment faced by foreign workers.

Moreover, in the “Action Plan on Measures for Foreign Residents of Japanese Descent” formulated in March 2011, based on the “Basic Policy on

Measures for Foreign Residents of Japanese Descent”, it is stated that interpreters and consultants will continue to be deployed at Hello Work and employment training courses will continue to be implemented.

In addition, there are those of the opinion that the scope of acceptance of foreign workers should be expanded, due to concerns about there being insufficient workforce in the future. However, in order to improve working conditions and avoid impeding the promotion of matching and the securing of personnel through this, as well as because of growing fears about the labor market acquiring a two-tier structure, rather than simply responding through expanding the scope of acceptance of foreign workers, it is believed to be important to first of all achieve participation in the labor market on the part of young people, women, older people, and persons with disabilities within Japan, as per the target set forth in the New Growth Strategy (Cabinet decision dated June 18, 2010), which prescribes total mobilization in regard to the policy, in order to increase the employment rates of young people, women, older people, and persons with disabilities, thereby curbing the decline in the number of employees.

Present Situation regarding Foreign Workers and Issues to Address

In the past, Nikkei (ethnic Japanese) and other foreign resident workers could concentrate fully on their work, as arrangements used to be made for all aspects of their daily lives (including accommodation) through support from dispatching agencies and contracting companies. With the sudden downturn in the employment and unemployment situations since the fall of 2008, however, many of them have simultaneously lost jobs and accommodation, etc., resulting in frequent visits to public employment security offices in areas with concentrated populations of Nikkei and others. Up till

that point, they had been employed in unskilled labor for a long time, communicating through interpreters deployed by personnel dispatch companies, so in addition to lacking any ability in the Japanese language and being unfamiliar with Japanese employment practices, many of them had not accumulated adequate skills, so it was extremely difficult to arrange reemployment for these people. Consultations on reemployment still remain at a high level in areas with large Nikkei populations. There has been no change in the structure, moreover, whereby many of them are engaged in the insecure employment of dispatch work and contracted labor. As a result, competition with Japanese job seekers has become another factor exacerbating the harshness of reemployment for foreign residents.

On the other hand, amidst a situation in which the economy is becoming increasingly globalized, the proactive utilization of highly skilled foreign professionals is becoming a crucial issue in regard to increasing the dynamism of the Japanese economy. However, there are still few companies in Japan that accept highly skilled foreign professionals, and even if one looks at the utilization situation at companies, the current situation is such that mechanisms that enable foreign personnel to exercise their characteristic creative thinking and expertise effectively are inadequate. Moreover, at present, there are more than 130,000 foreign students residing in Japan, who are “embryonic highly skilled foreign professionals,” about 50% of whom wish to seek employment at a Japanese company, but the number of foreign students who had actually found employment at a Japanese company was only 8,586 in 2011 (announced by the Ministry of Justice, July 2012). The obstacles to foreign students finding employment at Japanese companies include the fact that few companies recruit foreign students, the fact that the period when job search activities take place in Japan is early, so it is difficult to engage in job-seeking while also studying, and the fact that there is a mismatch between the personnel sought by companies and the skills of foreign students.

Improvement of Employment Environment Faced by Nikkei and Other Foreign Residents, Support in the Event of Job Loss, and Promotion of Employment of Foreigners in Specialist and Technical Fields

As well as deploying interpreters in public employment security offices in regions where numerous foreigners of Japanese descent have settled, the Ministry will seek to promote the stable employment of foreigners of Japanese descent by providing young Nikkei residents with guidance and career formation advice through individual guidance, as well as providing meticulous employment support through a caseworker system.

Moreover, once one becomes separated from one's employment amidst the current harsh employment environment, it is exceedingly difficult to find another job. Therefore, as well as appointing interpreters in Spanish, Portuguese and other mother tongues of these residents, public employment security offices are collaborating with municipalities to create systems of information provision and consultation by setting up consultation offices where one-stop advice on daily life and other issues can be received.

Furthermore, work preparation training aimed at increasing skills (including Japanese language ability) is provided for Nikkei seeking reemployment in Japan. Efforts are also being made, in collaboration with local authorities, to secure opportunities for vocational training that are open by foreigners, in a bid to promote stable employment.

The promotion of the employment of foreign workers in “specialist and technical fields” – so-called highly skilled foreign professionals – is primarily being undertaken by Employment Service Centers for Foreigners, which were established as facilities specializing in careers advice and job placements for these foreigners, and providing guidance and advice to employers concerning employment management. In addition, public employment security offices are undertaking such tasks as proactively finding vacancies in “specialist and technical fields” at businesses that are deemed to be able to accept foreign workers in an appropriate fashion.

Moreover, they provide accurate advice and guidance based on the guidelines for foreigners and strive to ensure that the employment of foreign workers in “specialist and technical fields” is promoted through improvements in employment management at companies.

Finally, now that more international students who could become highly skilled foreign professionals are seeking employment in Japan after graduation, efforts are being made to gradually tie this in to employment. These efforts include actively locating job vacancies

suited to international students, providing them with information on job-seeking activities and employment support, and promoting matches via national networks. To enhance mutual understanding between these students and potential employers, an internship program for international students has been implemented since FY2008, while further efforts are being made to promote employment in Japan for international students by offering employment guidance and job interviews.

Figure V-10 Basic Approach to Employment Measures for Foreigners

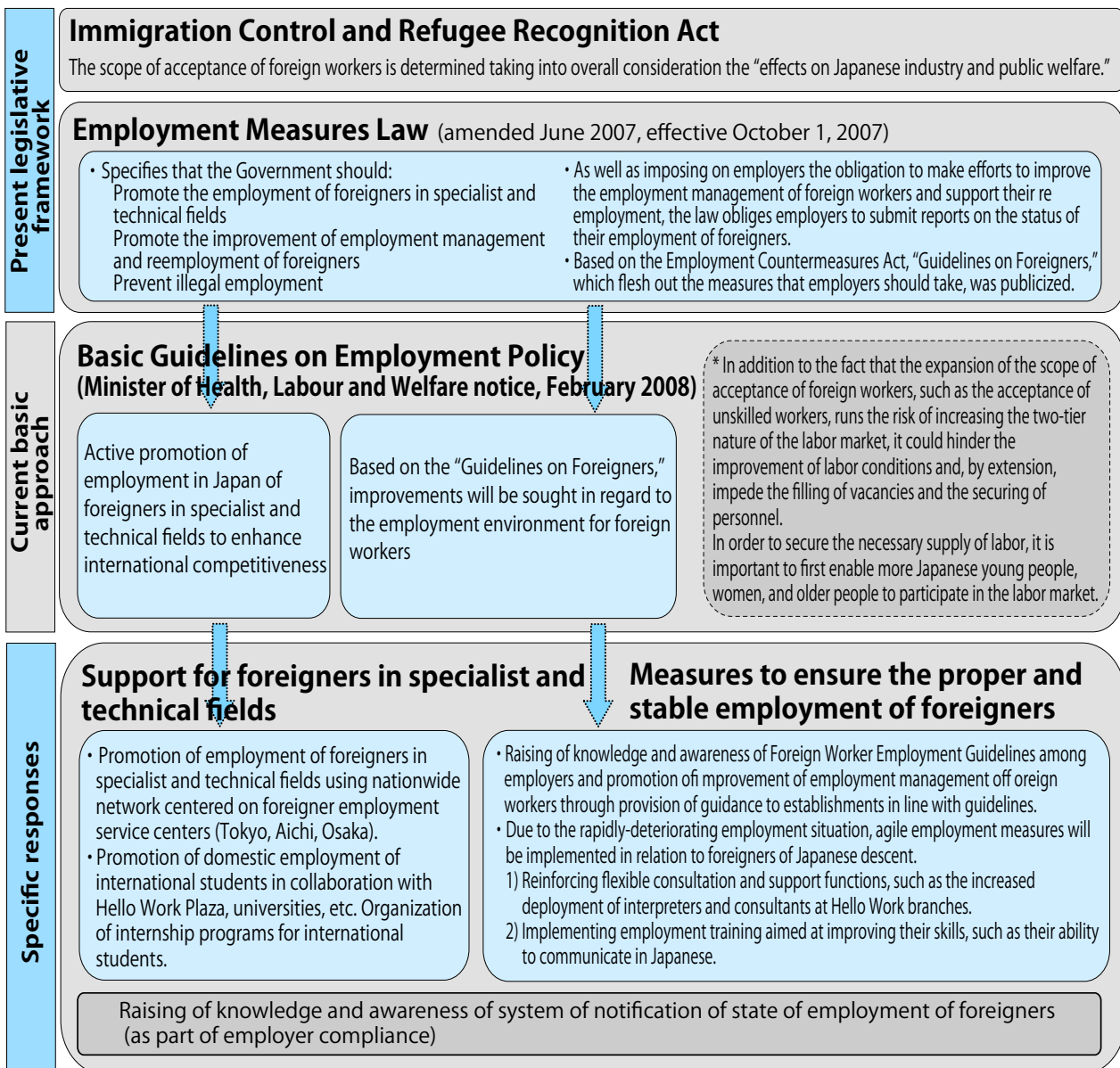


Figure V-11 The Acceptance of Highly Skilled Foreign Professionals Is a National Strategy

① Employment Measure That the Government Should Take

- Clearly positioning the promotion of the employment of foreign people “with advanced expert knowledge and skills” as an employment measure that the government should take.

(Article 4 of the Employment Countermeasures Act)

② Expanding the Acceptance of Foreign Students

- Aiming to accept 300,000 foreign students by 2020.
- Implementing systematic support, from when they enter education, including their acceptance into the university and society, through to their career path after graduating or completing their graduate studies, including finding a job.

(*Plan to Accept 300,000 International Students (Outline)* (Formulated July 29, 2008))

③ A liberal System for Accepting Highly Skilled Foreign Professionals

- No limits such as labor market tests or acceptance quotas; basically, anyone with a university degree can be employed.

④ Increasing the Number of Highly Skilled Foreign Professionals Living in Japan

- Aiming to double the number of highly skilled foreign professionals living in Japan by implementing measures to attract them to Japan.
- Aiming to accept 300,000 high-quality foreign students.
- Furthermore, in order to attract intelligent foreign personnel to Japan, consideration will be given to introducing a “points system” that gives preferential measures in terms of immigration control to advanced foreign personnel with an excellent employment history and record of achievement (*New Growth Strategy*, Cabinet decision taken in June 2010).

8 Promotion of Measures to Assist Work-life Balance

Charter and Action Guidelines to Promote Work-life Balance

Following deliberations by the Top-level Public/Private Council on the Work-life Balance, consisting of relevant Cabinet ministers, experts, and representatives of business, labor, and local government, a “Work-life Balance Charter” and “Action Guidelines to Promote the Work-life Balance” were established on December 18, 2007. In the years ahead, society as a whole needs to take positive action based on this Charter and Action Guidelines.

(For the text of the Charter and Action Guidelines, see the Cabinet Office website: http://www.gender.go.jp/english_contents/mge/wlb/index.html)

1) Work-Life Balance Charter

The Charter maps out the overall course of national measures, defining a society in which work and family life are balanced as “a society in which each and every citizen can work and fulfill his or her responsibilities in the workplace while enjoying a sense of worth and fulfillment and at the same time being able to choose and realize various lifestyles at each stage of life – including during parenting and in middle and old age – in regard to their lives at home and in the community.” In line with this definition, the roles of interested parties are described as follows: (1) enterprises and workers should endeavor to work together to raise productivity and take voluntary action to change mindsets and cultures in the workplace and reform ways of working; (2) citizens should consider how to balance their own work and family lives and play an active role in the home and the community; (3) the Government should take active steps to promote and support the development of social momentum, establishment of an institutional framework, and development of necessary conditions; and (4) local governments should develop innovative measures tailored to conditions in their own locales.

2) Action Guidelines to Promote the Work-life Balance

The Action Guidelines set forth principles for

effective action by employers and workers and measures for implementation by the central and local governments. To promote voluntary action in society as a whole, 14 numerical targets are set for attainment in five and 10 years’ time, including targets for the labor force participation rates for young people, women, and older people, the proportion of employees working at least 60 hours per week, and the proportion of women remaining in employment after having their first child.

Promotion of Measures to Assist Work-life Balance

1) Promotion of Reform of Working Patterns

The Ministry of Health, Labour and Welfare is taking steps to encourage voluntary efforts by labor and management to improve working time arrangements, etc. This includes reducing overtime work and encouraging employees to take annual paid leave, in line with charters and codes of conduct, with a view to achieving a balance between work and life.

More specifically, support is provided for efforts to improve working time arrangements by small and medium enterprises using the subsidy for promoting the improvement of working time arrangements, while the Ministry also disseminates and publicizes “Guidelines for Improvement of Working Time Arrangements”, which set out necessary matters for employers to deal appropriately with improving working time arrangements.

2) Promotion of Measures to Support Balance of Work and Home

Upgrading the environment to ensure that it is easy for both men and women to continue working while bringing up children or looking after elderly relatives realizes the wishes of the individual and, by extension, leads to the maintenance and improvement of Japan’s dynamism. However, if one looks at the reality of the situation, one can see that the number of women who leave their jobs when they give birth to their first child has reached approximately 60%,

among whom there are quite a few who quit their jobs because it is difficult to combine work with child-rearing. Moreover, irrespective of the fact that more than 30% of men wish to take childcare leave, the proportion of men who actually take childcare leave is still only 1.89% (FY2012 Basic Survey of Gender Equality in Employment Management).

Thus, there is a situation in which it is not possible for men and women to combine work with family life, and this is believed to be a factor behind the declining birth rate. Accordingly, in the Japan Revitalization Strategy decided upon by the Cabinet in June 2013, the numerical targets were set of achieving a continued employment rate for women around the time of the birth of their first child of 55%, and a rate of taking childcare leave among men of 13% by 2020. Moreover, the Ministry of Health, Labour and Welfare is implementing the following concrete measures.

(1) Thorough publicizing of the amended Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave

The amended Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave entered into force on June 30, 2010. This obliged employers to implement a system of short-time working for workers caring for children under the age of three and institutionalizes their exemption from working outside their normal working hours, as well as creating additional childcare leave for parents and leave for taking care of family members. Moreover, mechanisms aimed at ensuring their legal effectiveness were established.

In order to support the upgrading of the workplace environment so that both men and women can continue working while bringing up children or caring for family members, the amended law is being thoroughly publicized. Moreover, prefectural labor bureaus provide the requisite advice, guidance or recommendations concerning disputes between workers and employers, when their assistance in resolving these is sought by the parties concerned.

(2) Promotion of measures by enterprises to support the development of the next generation

The Act on Advancement of Measures to Support Raising Next-generation Children obliges general employers to formulate an action plan to support employees in combining work with child-rearing and to submit this to their prefectural labor bureau, as well as obliging them to advertise this and publicize it among their employees. The amendment entered into force in April 2011 and the scope of application of this obligation was expanded from companies with at least 301 regularly-employed employees to companies with at least 101 regularly-employed employees.

Moreover, enterprises that develop and implement appropriate action plans and meet certain requirements, such as attainment of their objectives, are accredited by the Minister of Health, Labour and Welfare and allowed to use the “Kurumin” mark in recognition of their family friendliness.

As the Act on Advancement of Measures to Support Raising Next-generation Children is a temporary statute until FY2014, a review is underway on strengthening or extending it from this fiscal year.

(3) Initiatives to promote childcare leave by men

To encourage men to take childcare leave, the “Ikumen” project for publicity and PR of men who are actively involved in childcare has been implemented since 2010. Through a user-participation official website and the distribution of PR materials, the Ministry is taking steps to foster a general social movement enabling men to be more actively involved in childcare. In the current fiscal year, the Ministry is holding “Ikumen Company Awards” to commend companies that attempt to improve their work while actively encouraging men’s involvement in childcare.

(4) Support for development of workplaces that facilitate the work-life balance

In addition to (1), (2) and (3) above, the Government is working to develop conditions that facilitate the balancing of work and personal life through such measures as providing various subsidies to enterprises that promote balance, encouraging the spread of “family-friendly enterprises” through the “Equality and Work-life Balance Enterprises Recognition” program, and publicizing positive examples through a Best Practice Collection of support for balance.

9 Minimum Wage System

Purpose of System

The minimum wage system is a system by which the Government establishes legally enforceable minimum amounts for wages that at least employers must pay workers.

The stated objective of the Minimum Wage Act (hereinafter referred to as the “Act”) is “to improve the working conditions of low-paid workers by guaranteeing minimum amounts of wages and thereby to contribute to stabilizing workers’ living, raising the quality of the labor force, and securing fair competition among undertakings, as well as to promote the sound development of the national economy” (Article 1 of the Act).

Methods of Determination and Types of Minimum Wage

In Japan, minimum wages are determined based on investigation and deliberation by minimum wage councils. This is called the “council method”.

*Another method of determining minimum wages, called the “expanded collective labor agreement method”, was discontinued under revisions to the Act effective from 2008.

Minimum wages are of three kinds – regional, industrial, and occupational – of which two are presently set: 1) regional minimum wages and 2) industrial minimum wages.

1) Regional minimum wages

(All 47 prefectures had regional minimum wages in FY2012. These covered approximately 51.2 million workers, and the weighted average amount was 749 yen).

Regional minimum wages are determined at the level of each prefecture and accordingly named after the prefecture. As a rule, they apply to all workers working at establishments and all employers employing even just one worker in the prefecture concerned.

2) Industrial minimum wages

(There were 243 industrial minimum wages in FY2012, covering approximately 3.65 million workers. The weighted average amount was 807 yen).

Almost all industrial minimum wages (242 of the total) are established for a specific industry in a given prefecture, and accordingly named after the prefecture and industry concerned. One minimum wage covers a specified industry nationwide, and is named accordingly.

Following the recommendations of the Central Minimum Wage Council dated July 29, 1981, and February 14, 1986, industrial minimum wages are established where the employers and workers concerned consider it necessary for wages to be higher than the regional minimum in order to improve working conditions and ensure fair business competition. (240 “new industrial minimum wages” of this kind have so far been set).

The “former” industrial minimum wages set before these recommendations were made have not, with the exception of those replaced by new equivalents, been revised since 1989, and have been phased out as they have fallen below the regional minimum wage. Presently only three minimum wages of this kind remain.

Standards for Determination of Minimum Wages

Minimum wages are established taking into all-round consideration three factors: 1) workers’ cost of living, 2) workers’ wages, and 3) the capacity of normal industries to pay wages. When considering the first factor, consideration is shown for consistency with measures pertaining to public assistance to enable workers to maintain the minimum standards of wholesome and cultured living (Article 9 of the Act).

Revision of Minimum Wage Rates

Since 1978, guideline increases to regional minimum wages have been presented every year by the Central Minimum Wage Council to the regional

minimum wage councils in order to ensure consistency nationwide. The Regional Minimum Wage Councils then consider revisions to the regional minimum wage in their area based on local conditions and taking these guidelines into consideration.

Industrial minimum wages are revised after deliberation by a minimum wage council where it deems this necessary following a request by a representative of some or all workers or employers (Article 15, Paragraph 1 of the Act).

Expression of Minimum Wage

Minimum wages are presently expressed in the form of an hourly rate as provided for by Article 3 of the Act. (However, some industrial minimum wages are expressed as both a daily rate, as in the past, and as an hourly rate: the daily rate applies to those workers in the industries concerned who are paid a daily wage, and the hourly rate applies to those paid an hourly or monthly wage. Following the entry into effect of the revised Act in 2008, minimum wages

expressed as daily rates must also be expressed as an hourly rate when next revised).

In order to determine whether the wage actually paid meets the minimum wage, therefore, the actual wage received less the allowances for dependents, etc. shown in 5 is compared with the minimum wage by the appropriate method shown below according to the mode of payment of wages (Article 2 of the Rules).

1) Hourly wage:

Hourly wage \geq minimum wage (hourly rate)

2) Daily wage:

Daily wage / scheduled working hours per day \geq minimum wage (hourly rate)

(Daily wage \geq daily rate of minimum wage in the case of industrial minimum wages to which a daily rate applies)

3) Monthly wage:

Wage is converted to an amount per hour and compared with the minimum wage (hourly rate)

Figure V-12 Methods Used to Set Minimum Wages (Minimum Wage Set through Minimum Wage Council Investigation and Deliberation)

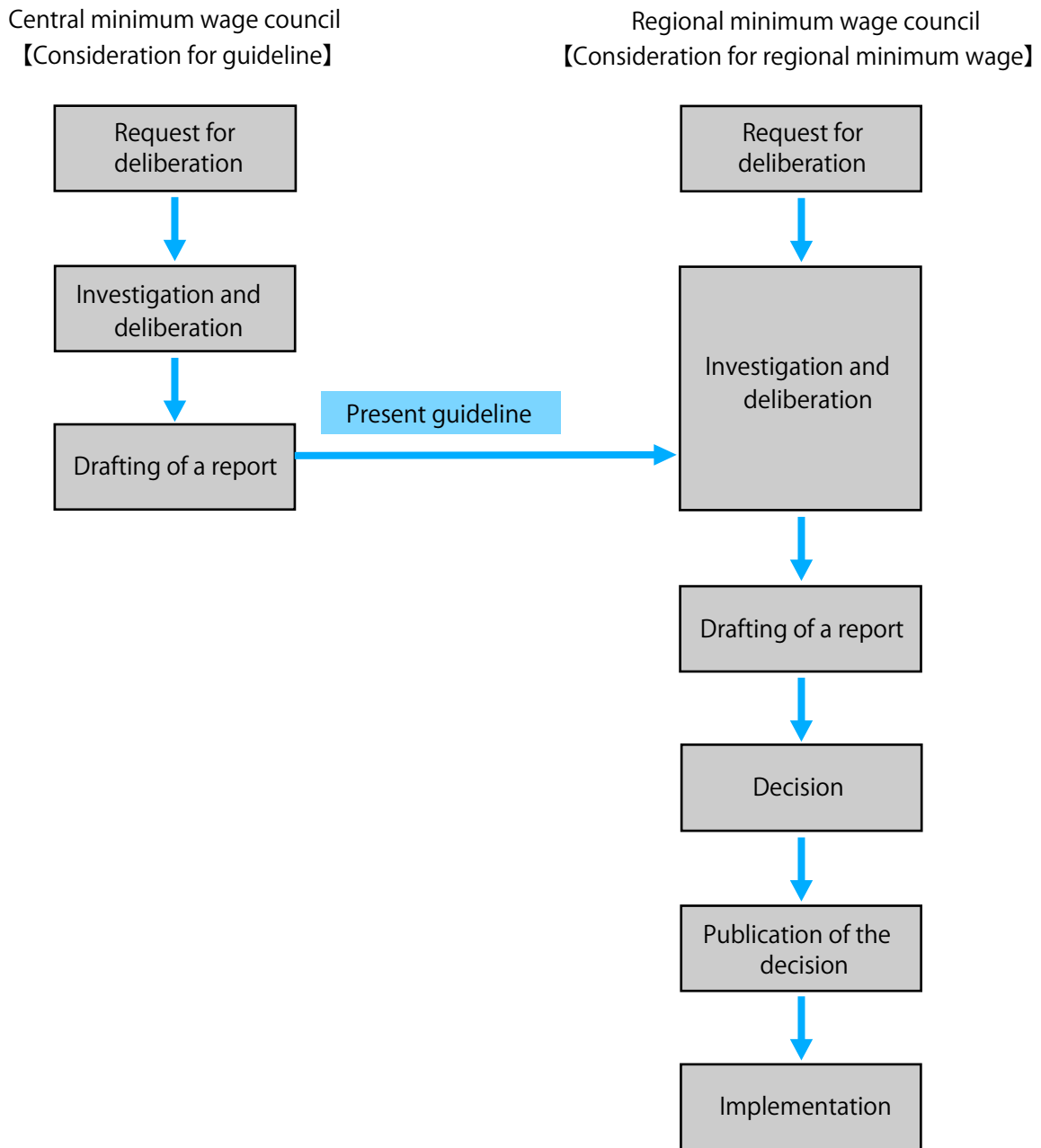


Table V-13 Minimum Wages (Weighted National Average)

(As of July 2, 2013, yen)

	Hourly rate
Minimum wage by prefecture	749
Minimum wage by industry	807

Statistics on Occurrence of Industrial Accidents and International Announcement of Relevant Information

In Japan, approximately 110,000 workers every year suffer death or injury requiring a work absence of at least 4 days due to industrial accidents. Although this figure is decreasing over the long term, it has increased for three straight years. In terms of fatalities alone, the number in 2012 was 1,093, more than in the previous year.

Also in 2012, there were 1,982 suicides of “employees and working people” with “work problems” cited as one of the causes or motives. Besides these, there was one case of an industrial accident claim in which 17 workers employed by a printing plant had contracted bile duct cancer caused by chemical substances. The Ministry of Health, Labour and Welfare deemed this to have been work-related.

The Ministry then reported at an international conference that bile duct cancer, which until then had not been recognized as an occupational cancer, had occurred as a result of work, and has also made international announcements on other relevant information. This includes regular updates of information on radiation affecting workers at the TEPCO Fukushima No.1 Nuclear Reactor, announced in English on its website and through other media.

Initiatives to Prevent Industrial Accidents

The Ministry of Health, Labour and Welfare has drawn up Industrial Accident Prevention Plans every five years since 1958, and is currently promoting the “12th Industrial Accident Prevention Plan” covering the five years from April 2013 to March 2017. In the Plan, priority measures are highlighted in line with long-term accident trends and changes in social circumstances. As well as targets for reducing industrial accidents in general, numerical targets are set for each priority measure.

The priority measures highlighted in the Plan are

as follows.

- (i) Prioritization of measures in line with changes in industrial accidents and work-related diseases

Examples of priority measures: tertiary industries, land haulage business, mental health measures

- (ii) Efforts to prevent accidents through collaboration and cooperation between the government, industrial accident prevention organizations, industrial bodies and others
- (iii) Promotion of awareness reform by society, companies and workers in relation to safety and health
- (iv) Promotion of policy measures based on scientific evidence and international trends
- (v) Strengthening of efforts by order-makers, manufacturers, and managers of facilities, etc.
- (vi) Response following the Great East Japan Earthquake and the TEPCO Fukushima No. 1 Nuclear Reactor accident

Workers' Compensation Insurance System

This government insurance system pays the necessary insurance benefits to workers to give them prompt and equitable protection against injury, illness, disability, death, etc. resulting from employment or commutation. The system also provides welfare services to injured workers to promote their smooth return to society (see Figure V-14).

(1) Eligibility

Any business that employs workers may participate in the Workers' Compensation Insurance System, excluding government employees (except local government part-time workers engaged in blue-collar labor). Certain businesses engaged in agriculture, forestry or fishery, and employing five or fewer workers may be eligible on a temporary basis. Additionally, special enrollment may be granted to smaller business owners and their family employees, sole proprietorships, and workers dispatched on

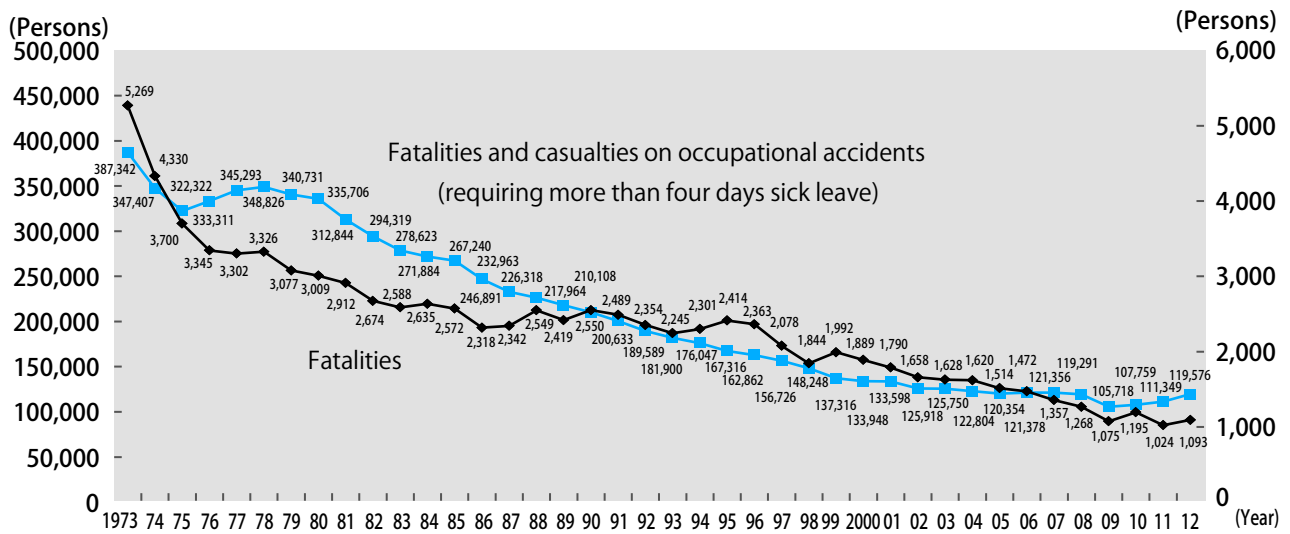
overseas assignments. In those cases, they are entitled to receive benefits for injuries sustained at the workplace and, in some circumstances, for injuries sustained while commuting to or from the workplace.

(2) Insurance Premiums and the Burden of Expenses

Employers are required to pay insurance premiums, which are calculated by multiplying total

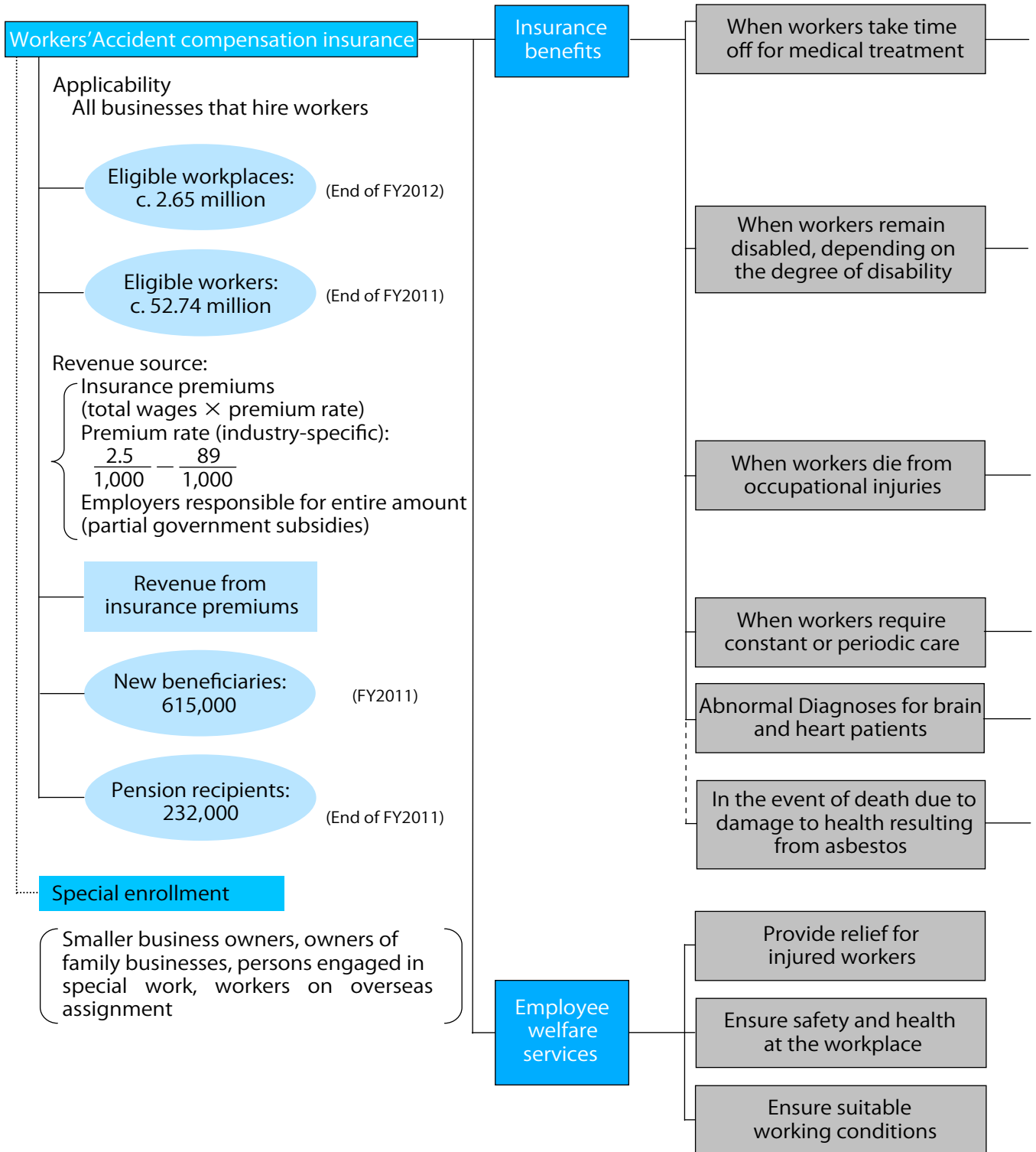
payable wages by the accident rate determined for each business category (2.5/1,000-89/1,000). Companies larger than a specific size may participate in a so-called merit system, whereby premium rates or total premium (excluding those related to accidents occurring while in commute or benefits for a second physical exam) are based on relevant accident rates at each company.

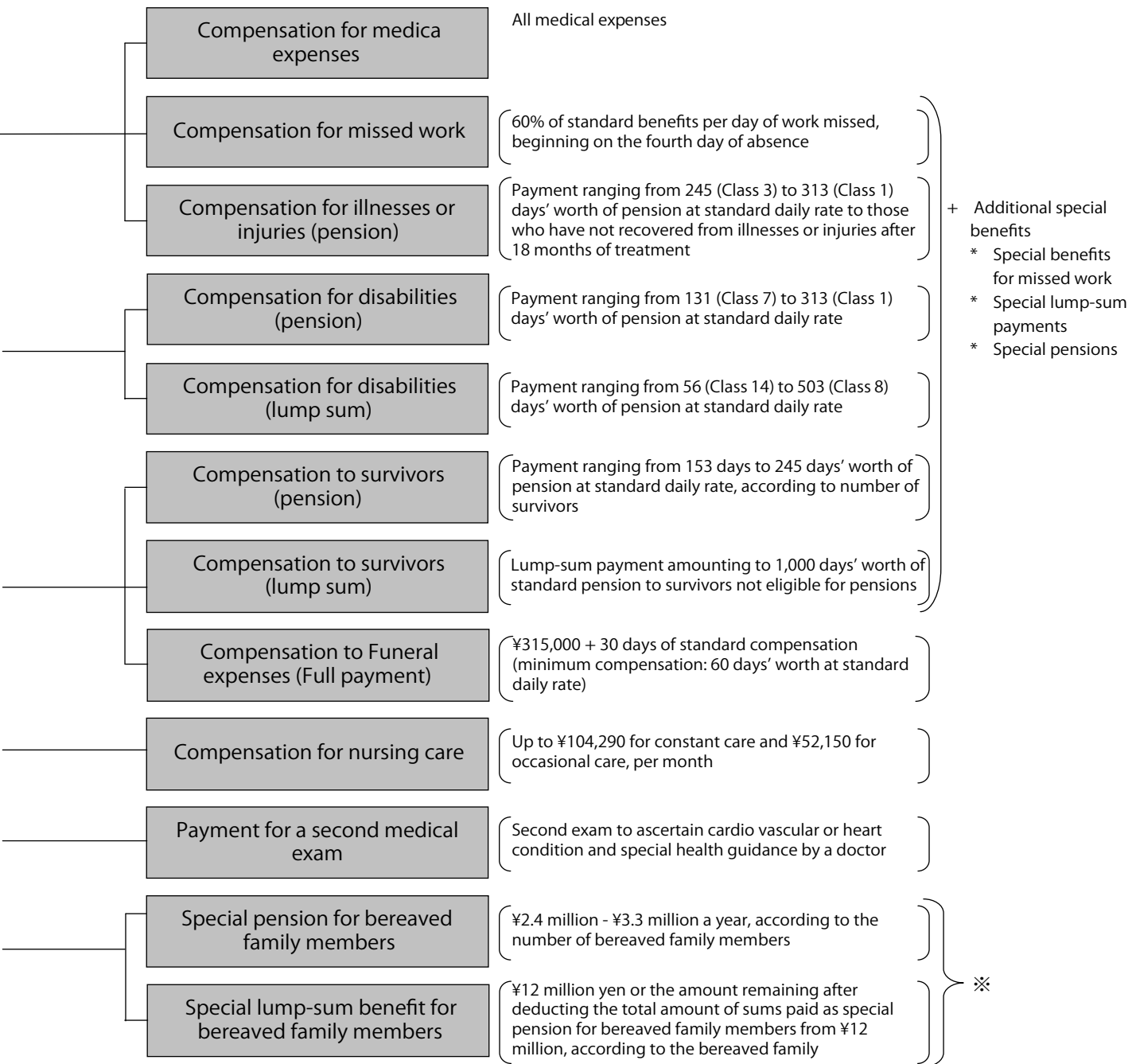
Figure V-14 Changes in Reported Cases of Occupational Accidents



Source: Research done by Labour Standards Bureau, Ministry of Health, Labour and Welfare
 (Compiled from workers' accident insurance benefit data and others until 2011, and reports on workers' casualties, etc., from 2012 onwards)

Figure V-15 Outline of Workers' Compensation Insurance System





(Provision of artificial limbs, establishment and administration of industrial accident hospitals)

(Special benefits for injured workers; benefits to defray the cost of educating injured workers' children)

(Implementation of measures for preventing accidents at the workplace and promoting occupational medicine)

Source: Ministry of Health, Labour and Welfare

Notes: 1) Standard daily rate is calculated by dividing total wages paid to a worker during the three calendar months preceding the injury by the number of calendar days in that period (minimum compensation: ¥ 3,950).

2) Minimum and maximum standard daily rates for pensions and long-term (18 months) medical treatment are determined according to age group.

3) There are merit systems that increase or decrease health care rate (amount of insurance premium) according to the balance of industrial accident insurance for each business (40% for persons occupied in continual businesses, and among businesses for a definite term, 40% for persons occupied in construction business and 35% for persons occupied in logging business).

4) ※ is Based on the "Act on Asbestos Health Damage Relief".

11 Vocational Skills Development Policy

Japan's policy on vocational skills development can be broadly divided into developing and improving vocational skills, on the one hand, and evaluating and promoting vocational skills, on the other. For these, the following six policy measures have been identified.

1. Providing opportunities for vocational training in public vocational skill development facilities, as well as private education and training institutions.
2. Using grants to promote education and training provided by private employers and others.
3. Using grants to promote self-motivated skill development by workers themselves.
4. Developing a foundation for objectively evaluating vocational skills possessed by workers, and operating a system of skill testing.
5. Encouraging a shift to stable employment by non-regular employees through finely tailored career consultancy, practical vocational training and skill evaluation after completion of training, etc. (the Job Card system).
6. Supporting work by NEETs and other young people.

Figure V-17 shows the ways in which public vocational training has been implemented in Japan. Graduates from school are offered mainly long-term training lasting one to two years, while unemployed workers receive mostly training of six months or less and employed workers primarily receive short-term training of only a few days. By act, vocational training is offered to those changing occupations (and currently unemployed) and the physically disabled free of charge, but the cost of texts and other materials is borne by trainees. Some training courses for those changing occupations (and currently unemployed) are entrusted to private sector education and training institutions. Training subjects taught at public human resources development facilities are mostly vocational and technical subjects for industries

such as manufacturing and construction, but among the training commissioned to the private sector, courses are established in various subjects like computers and social welfare. Short-term vocational training for the employed is implemented based on the needs of employers or employers' associations of the region.

The Polytechnic University, a public vocational capacity development university, provides training and education to cultivate public vocational training instructors and develops textbooks for that purpose.

Figure V-16 shows how private-sector education and training are promoted. In particular, career development promotion grants assist employers with part of the wages and costs incurred when providing education, training, and other services for their workers based on internal vocational ability development plans. The aim of this is to encourage effective career formation for workers within companies. Career development promotion grants are funded by two programs established as separate from unemployment insurance within the employment insurance system. They are characterized in that funds levied broadly from employers are broadly returned to employers as grants for education and training.

Assistance with self-development is provided by the education and training benefits scheme introduced in December 1998. With this, workers who have been enrolled in employment insurance for at least 3 years (or at least 1 year in the first instance) are subsidized for 20% of the cost of attending and completing an education and training course designated by the Minister of Health, Labour and Welfare, up to a maximum of 100,000 yen.

In April 2013, the scheme covered 8,541 courses in 1,905 institutions offering a wide range of courses, from preparation courses geared toward computer-related qualifications and bookkeeping examinations, to home helper training courses.

As a government measure for evaluating vocational skills, vocational ability evaluation

standards have been formulated as basic tools for objectively evaluating vocational ability. Another is the system of National Trade Skill Tests, used to test and accredit the level of workers' skills.

Vocational ability evaluation standards are used to organize and systemize the skills needed by trade and occupation or job in four skill levels, ranging from junior staff to those responsible for organizations or divisions. They have so far been formulated for 50 trades and 9 clerical occupations. Companies are encouraged to customize these and use them, for example, when developing systems of personnel evaluation, wages and conditions, or showing workers the vocational ability required by the employer.

The National Trade Skill Test system, created in FY1959 to improve the skills and status of workers, is carried out for different categories of trades and grades. As of April 1st, 2013, it covered 128 targeted trades. The grade categories, depending on the occupation, include (1) those categorized by grade (Advanced Grade, Grade 1, Grade 2, Grade 3, Basic Grade 1 and Basic Grade 2) and (2) those not categorized by grade (single grade).

Meanwhile, the Job Card system created in April 2008 is designed to match job seekers with companies looking for staff, encourage acquisition of practical vocational skills and promote a shift to stable employment. This is done via the following measures.

- (1) Career consultancy by career consultants with a certain level of knowledge, using Job Cards.
- (2) Providing opportunities for attending practical vocational training (the vocational ability development program), including training that combines practical experience in companies with classroom learning at education and training institutes.
- (3) The use of "Job Cards", containing summarized information on vocational skill evaluation after the completion of training, as well as professional histories and others organized through career consulting, in job hunting activity, etc.

Vocational training under this system (the vocational ability development program) includes:

- (1) Fixed-term on-the-job training program: For workers on fixed-term contracts and others lacking opportunities to develop vocational

skills, practical training through employment by companies for periods of 3 to 6 months.

- (2) Practical human resource development system: Mainly for new graduates, training to develop core workers at workplaces through employment by companies for periods of 6 months to 2 years.
- (3) Young worker challenge training: For workers aged less than 35 on fixed-term contracts, and others lacking opportunities to develop vocational skills, practical training through employment by companies for periods of 3 months to 2 years.
- (4) The Japanese Dual System: For job seekers needing to acquire practical vocational skills, training commissioned to private education and training institutes, etc., for a standard 4 months (commissioned training type), and classroom training at public vocational ability development facilities for a standard 6 months (short course type).
- (5) Public vocational training
 - a. Displaced worker training

For workers eligible for employment insurance benefits, training to acquire the knowledge and skills needed for re-employment, held at public vocational ability development facilities, private education and training institutes, etc.
 - b. School graduate training

For senior high school graduates and others, long-term training designed to develop skilled workers, held in public vocational ability development facilities.
- (6) For workers ineligible for employment insurance benefits, training to acquire skills ranging from basic to practical, using private education and training institutes.

For NEETs and other young people, networks of local young people's support organizations are being created in collaboration with local authorities. These are being used as centers for the operation of "Regional Youth Support Stations" (known as Support Stations), which provide support to help NEETs and other young people make decisions on

their future life paths, including employment.

In the supplementary budget for FY2012, as well as expanding the number of Support Stations, steps are to be taken to prevent young people from succumbing to the NEETs phenomenon. This will be done by building collaboration with schools and promoting support for existing students and school dropouts under the “Support Station – Schools

Collaboration Promotion Program”. Besides this, powerful support is to be given for employing NEETs and other young people by implementing the “Collective Training Program Project for Unemployed Youth, etc.” This will give support in daily life, including a residential format, and provide collective on-the-job training.

Figure V-16 Overview of Support for Vocational Training at Private-sector Companies

<Support for the Formulation of In-House Vocational Ability Development Plans>

○Support Through Vocational Ability Development Service Centers

At Vocational Ability Development Service Centers, the development of vocational abilities within companies is promoted through the services such as the following:

- Advice and guidance concerning the formulation of in-house vocational ability development plans
- Implementing training for those promoting the development of vocational abilities concerning advice and guidance regarding career formation for workers.

<Support for the Implementation of Vocational Training>

○Support Through Subsidies for the Promotion of Career Formation

In order to effectively promote the career formation of workers within companies, subsidies will be provided to cover part of the training costs and wages during training periods of workers whose employers implement vocational training with clearly-specified goals and support the independent development of their vocational abilities.

○Support Through Accredited Vocational Training Systems

Vocational training undertaken by employers that meets the standards stipulated by the Ministry of Health, Labour and Welfare in regard to its subjects, training periods, and equipment, can be accredited as such by the governor of the relevant prefecture, based on an application for accreditation. Vocational training that has received this accreditation is called accredited vocational training, and subsidies are provided to the operators of small and medium-sized enterprises implementing such training, to cover the cost of running accredited vocational training.

Figure V-17 Implementation Status of Public Vocational Training

1. Public Vocational Skill Development Facilities	265 colleges (as of April 1, 2013)
National (Employment and Human Resources Development Organization of Japan)	72 colleges
Polytechnic University	1 college
Prefectural	172 colleges
Municipal	1 college
Vocational Skills Development Center	19 colleges

2. Implementation Status of and Plans for Public Vocational Training

(Persons)

	FY2010 results	FY2011 results	FY2013 plan
Training for unemployed people	165,307	149,112	164,719
Of which, number outsourced	119,260	106,473	121,270
Organization	68,376	33,469	31,683
Of which, number outsourced	35,429	2,742	100
Prefectural	96,931	115,643	133,036
Of which, number outsourced	83,831	103,731	121,170
Training for employed people	91,182	90,333	126,024
Organization	35,778	39,332	57,000
Prefectural	55,404	51,001	69,024
Training for graduates	20,989	20,012	220,003
Organization	6,529	6,353	5,860
Prefectural	14,460	13,659	16,143
Total	277,478	259,457	312,746
Organization	110,683	79,154	94,543
Prefectural	166,795	180,303	218,203

Outsourced training includes outsourced training utilization-type dual systems, while training for graduates includes ordinary and specialist course utilization-type dual systems.

(Persons)

Training for disabled people	FY2010 results	FY2011 results	FY2013 plan
Training for unemployed people (within institutions)	2,762	2,667	2,995
Training for unemployed people (outsourced)	6,198	5,637	6,600
Training for employed people	357	326	1,100
Total	9,317	8,630	10,695

Source: Ministry of Health, Labour and Welfare

1 The Subject of Japan's Social Security System

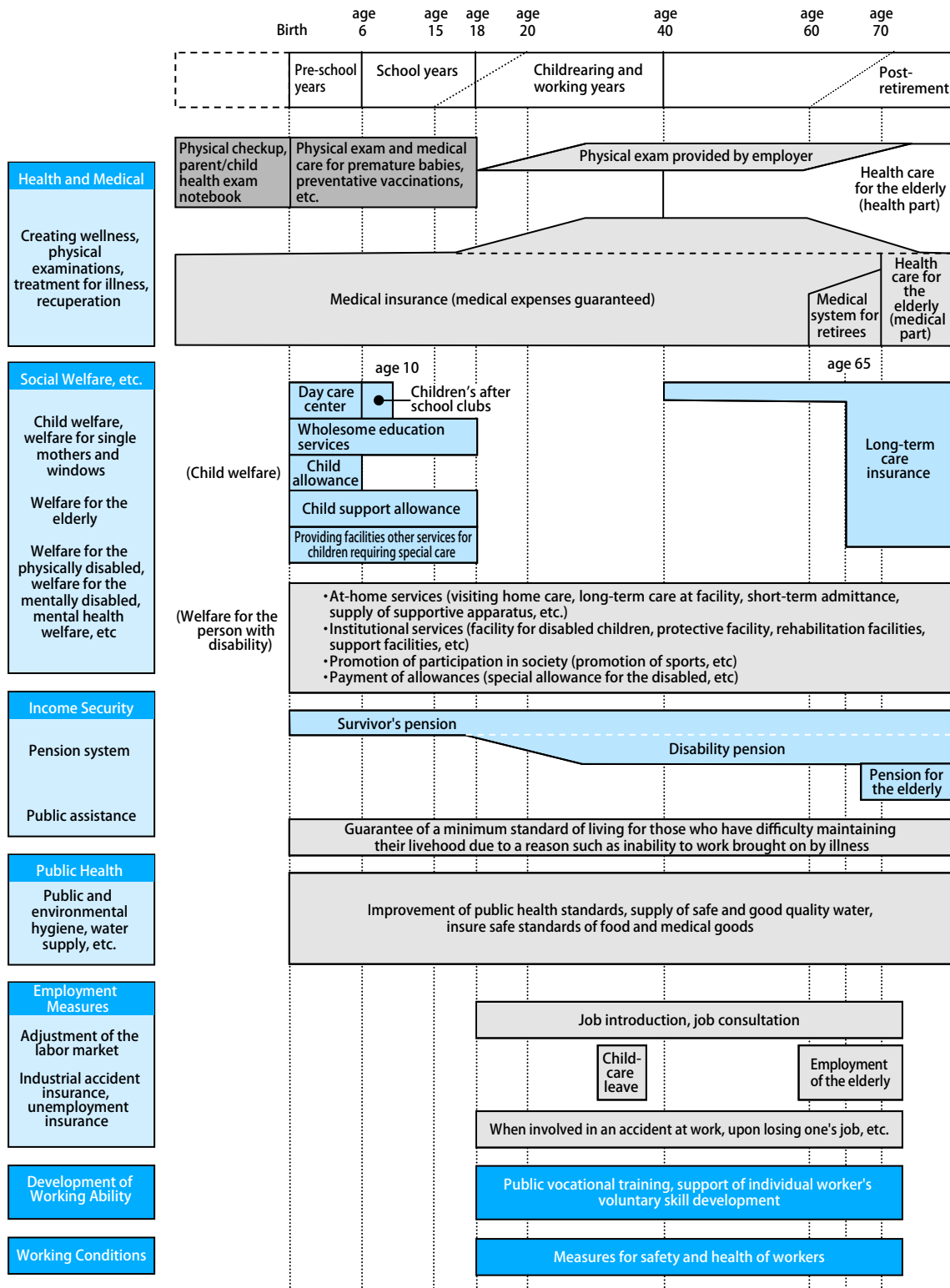
Japan's Social Security System Responds to Socioeconomic Changes and Risks in Daily Life

The growing interdependence of the global economy is illustrated by the way in which the destabilization of European economies due to the European debt crisis has had an impact on China and other emerging economies by reducing their exports. In Japan, various policies aimed at stimulating the economy and boosting employment are being promoted with a view to reconstruction after the Great East Japan Earthquake, and a new growth strategy combining bold monetary easing with a raft of economic policies has been launched. However, owing to the time lag before positive moves on financial markets take effect on labor markets, the "Global Wage Report 2012-13" by the International Labour Organization (ILO) reports that the rate of year-on-year change in average real wages worldwide was 1.2% in 2011, down from 2.1% in 2010. Meanwhile, a fall in the labor share has been observed in developed economies, but this trend is seen as particularly marked in Japan (see JILPT "International Labor Information", December 2012). Given this state of affairs, Japan's working population has been in decline since peaking at 66.84 million in 2007, and fell to 65.55 million in 2012. Conversely, the ratio of non-regular employees to all workers continues to rise each year, standing at 35.7% in the final quarter of 2011. Because the wages of non-regular employees are lower than those of regular employees, this situation could have the effect of expanding income inequality and problems of poverty. As a result, the government has asserted need

to forge close links between employment policies and welfare policies in order to revive the "large middle class" (see the MHLW "White Paper on Labour Economy 2012 (Analysis of Labour Economy)", Chapter 2).

Amid this situation, a system of social security that guarantees people's livelihoods, based on funding from taxes and social insurance, is playing an important role in addressing the various risks that arise in people's lives, including loss of income due to unemployment or retirement, sickness, disability, etc. Japan's social security system is similar to those in Europe and the U.S. in that, to satisfy each stage of people's lives, it is composed of such elements as medical insurance, public health services, social welfare services, income maintenance, and employment measures (see Figure VI-1). Of these, medical insurances, health care programs for older people, long-term care insurance and pension systems, as well as unemployment insurance and industrial accident compensation insurance are the social insurances that are mainly financed by social insurance premiums and partly subsidized by the government revenues. In contrast, welfares for the child, for single mothers and widows, for older people, for people with disabilities, and for the poor as well as public health services are all public policies provided with funds drawn from taxes. Internationally speaking, the characteristics of long-term care insurance and health care programs for older people in Japan is that they are half funded at public expense out of tax revenues although they are included in social insurance.

Figure VI-1 Social Security System by Life Stage



Source: Ministry, of Health, Labour and Welfare, *Annual Reports on Health, Labour and Welfare*

The Benefits and Cost Burden of Social Security

In order to make an international comparison on the trend of social security, the Organisation for Economic Co-operation and Development (OECD) is disclosing information on indices of social expenditure that includes pension funds, medical care and welfare for the poor, child allowance that gets transferred, social security benefits from expenditures on welfare services and expenditures such as expenses for facility development that do not get transferred directly to individuals (OECD Social Expenditure Database 2001). Looking at the percentage of social expenditure occupying the national income, Japan's ratio is lower than European countries, but higher than the U.S. (see upper section of Table VI-2). Furthermore, based on the figures in closely related years, the percentage of national income occupied by social security costs is low when compared with that in Germany, France, and Sweden, but higher than the U.S. and the U.K. (see lower section of Table VI-2).

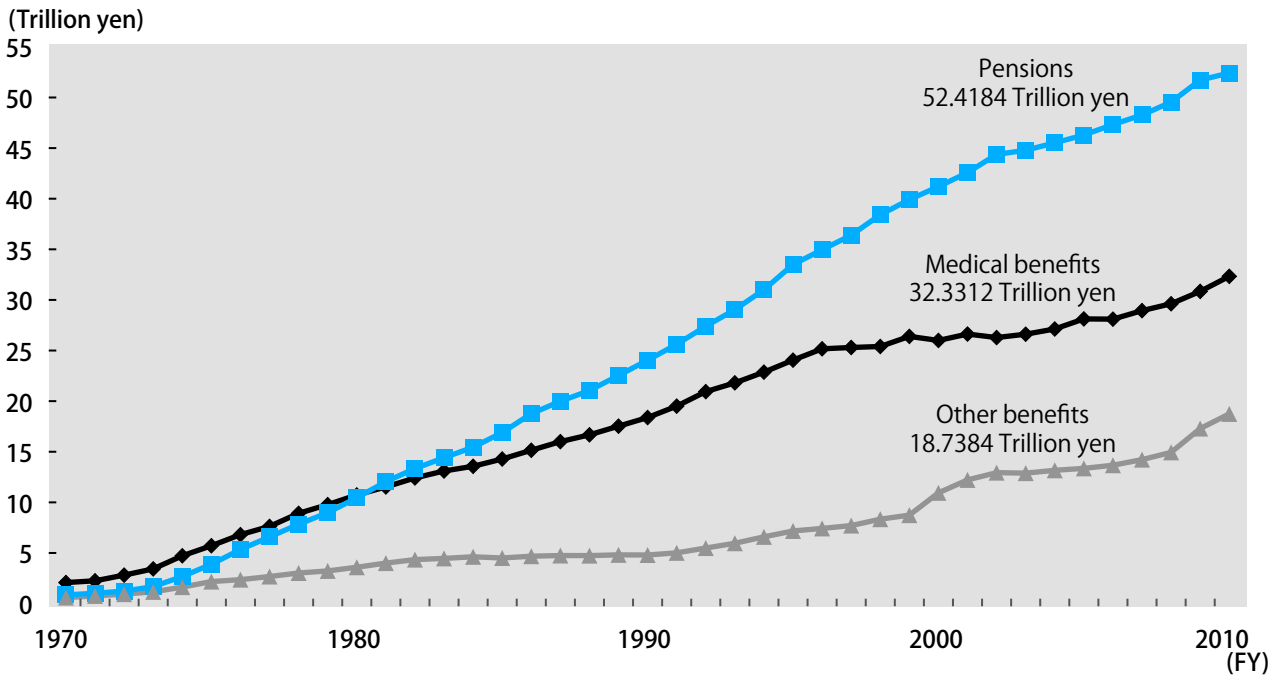
Japan's expenditure on social security benefits is rising as the birthrate declines and the population ages. As of 2011, the total population of Japan was 127.93 million people, while the population of those aged 65 or above had reached 29.6 million (Ministry of Internal Affairs and Communications, Monthly Report on Current Population Estimates, May 2011).

As a result, the population aging rate (population aged 65 or above/total population x100) was below 10% in 1980, at 9.1%, but it had increased above 10% to 12.1% by 1990, reaching 23% as of 2010. This progressive aging of the population is bringing about an increase in the number of people receiving pension payments; moreover, per capita medical benefit payments are about five times higher among older people than among those of working age, so medical and healthcare costs have also increased. The growth in medical and healthcare costs declined temporarily with the introduction of nursing care insurance in 2000, but they have been on the rise again since then. As population aging is also leading to an increase in the number of older people in need of care due to the increase in number of "old-old", expenditure in long-term care insurance benefits is also rising. As a consequence, the rise in expenditure on social security benefits, including pension, health care, and long-term care insurance benefits, continues (see Figure VI-3). While expenditure on benefits (especially for older people) has risen in response to population aging, expenditure on welfare-related benefits, including child welfare, continues to account for a small proportion of Japanese expenditure on social security benefits due to the insufficient expansion of childcare-related benefits compared with Scandinavia and France, despite the importance attached to reversing the decline of the birthrate.

Table VI-2 International Comparison of Social Expenditures and National Burden Ratios

	Japan	United States	United Kingdom	Germany	France	Sweden
Social expenditure (% of national income)	26.1	20.3	27.4	35.3	39.4	37.5
Social expenditure (% of GDP)	19.1	16.5	21.3	26.2	28.8	27.7
National burden ratio (% of national income)	40.0	34.9	48.3	52.4	61.2	64.8

Sources: On social expenditure — National Institute of Population and Social Security Research, "Financial Statistics of Social Security in Japan (FY2010)"; on international comparisons of social expenditure based on OECD standards — Ministry of Finance, "International Comparison of National Burden Ratio" (for Japan, actual figures for FY2010; for other countries, OECD "Revenue Statistics 1965-2011" and *id.* "National Accounts")

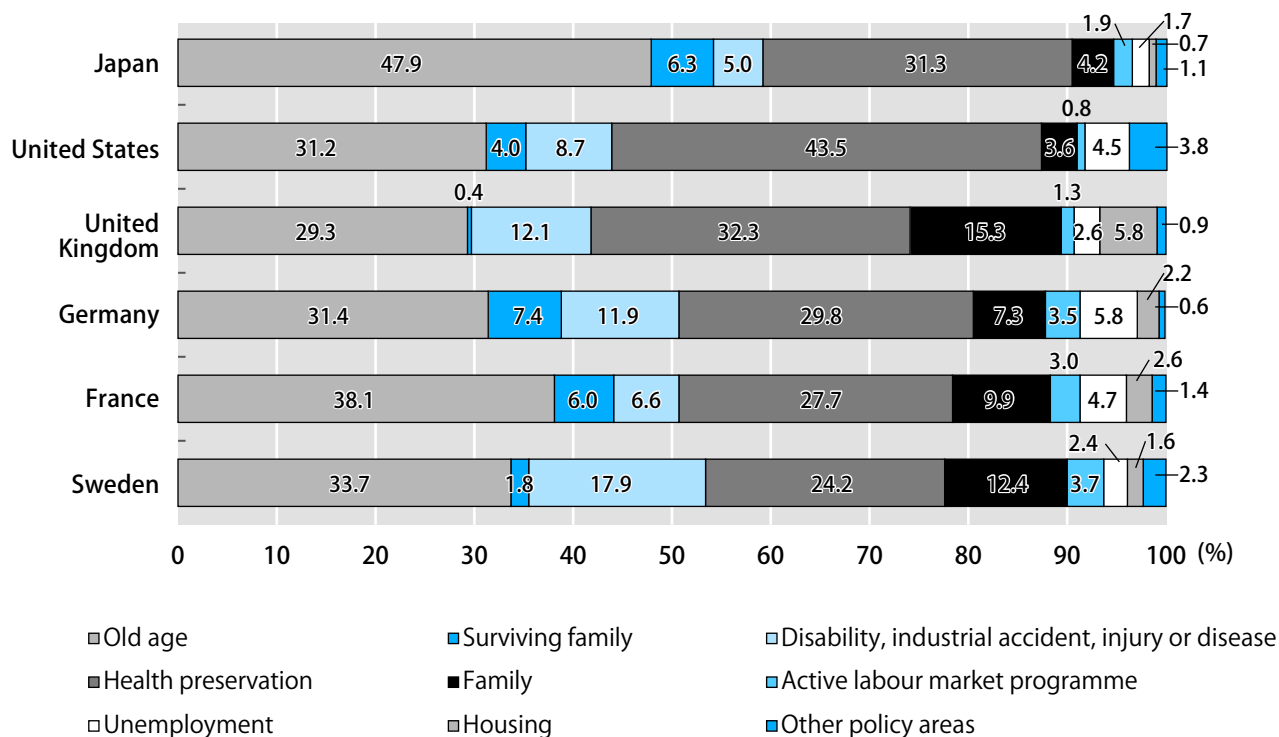
Figure VI-3 Changes in Social Security Benefits by Category

Source: National Institute of Population and Social Security Research, *Financial Statistics of Social Security in Japan (FY2010)*

As a result, if one looks at an international comparison of the structural mix of social expenditure by government field (Figure VI-4), one can see that whereas in Japan, 47.9% of social security benefit costs are spent on social security payments to older people, the expenditure on family-related policy, including benefits for households with children, and expenditure on protecting livelihoods and other issues account for only 4.2% and 1.1% respectively. Even in

the USA, where the ratio of spending on family-related policies is small, expenditure on livelihood protection and other issues is larger than Japan's at 3.8%. In Europe, the emphasis is on welfare for households with children. Here, the ratio of family-related policies to social security benefit costs is 7.3% in Germany, 9.9% in France, 12.4% in Sweden and 15.3% in the UK, more than twice Japan's level.

Figure VI-4 International Comparison of the Structural Mix of Social Expenditure by Government Field (FY2009)



Source: National Institute of Population and Social Security Research, "Financial Statistics of Social Security in Japan (FY2010)", Figure 3 International Comparison of Social Expenditure by Policy Area in FY 2009

Trends in social security benefit costs are impacted by Japan's declining birthrate and population aging, both of which are expected to continue. According to "Population Projections for Japan (Jan. 2012 estimates)" by the National Institute of Population and Social Security Research, the ratio of older persons to the general population was 23.0% in 2010 but is expected to continue growing. The ratio is forecast to reach 33.4% in 2035, when one person in every three will be elderly, and 39.9% in 2060, when the elderly population will include one in every 2.5 people.

To address this progressive birthrate decline and population aging, a change of government in 2009 provided the impetus for replacing the existing income-capped child allowance (*jido teate*) with uncapped child allowance (*kodomo teate*), and taking a step toward social security reform with emphasis on child welfare. However, due to the large fiscal outlays needed for medical treatment, nursing, welfare and

livelihood guarantees for victims of the Great East Japan Earthquake, as well as economic reconstruction of damage areas, child allowance (*kodomo teate*) was abolished as of payments in September 2011. Now, income-capped child allowance (*jido teate*) is again being paid to households with children. Nevertheless, even after another change of administration in 2012, integrated reforms of social security and tax are still being promoted, based on an agreement reached during the previous administration. The aim of this is to secure fiscal resources for social security spending, which is rising with the increase in older persons, while maintaining a balance both with trends in the national economy and with the tax system.

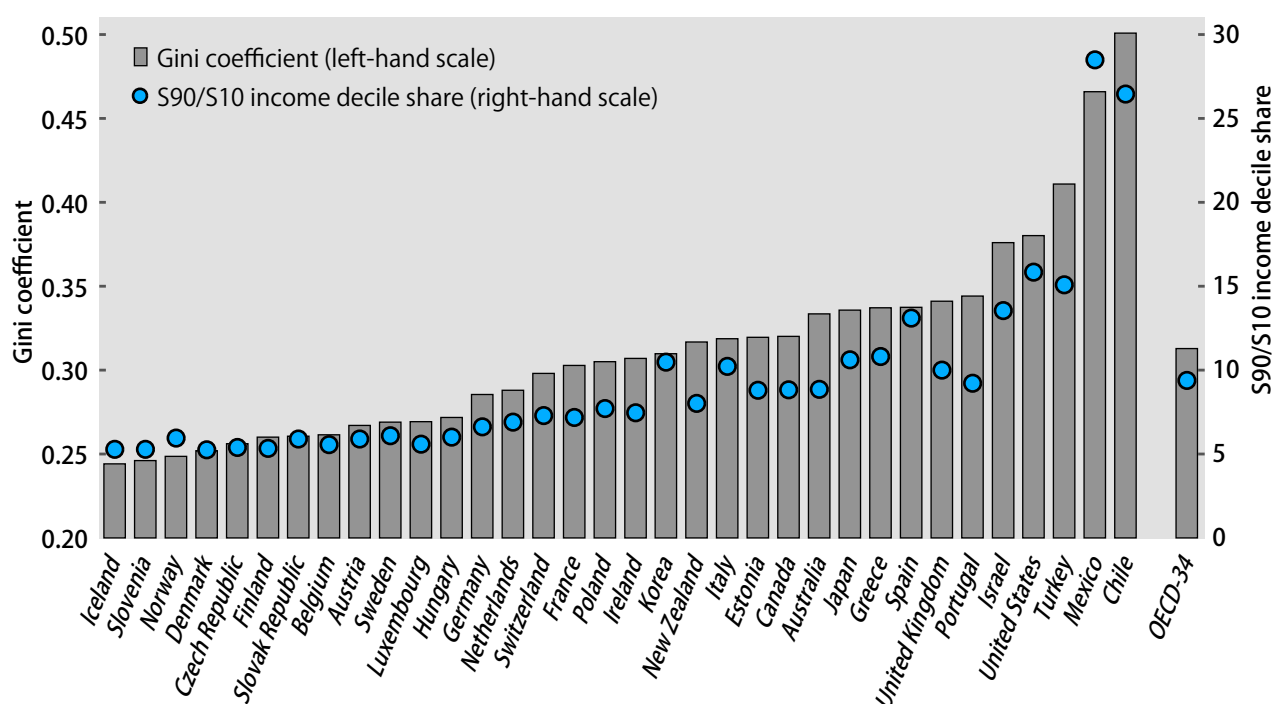
Social Security Cost Burden Based on the Increase in Income Difference and Burden Capacity

According to international comparative research on income inequality by the OECD, a comparison of

the Gini coefficients of household disposable income after taxes and income transfers via social security (equivalized disposable income per household member adjusted for household size) shows that Japan's Gini coefficient is larger than those of the Scandinavian countries, Germany and France, smaller than those of the USA and the UK, and on the same level as those of Spain, Portugal, Greece and other

Mediterranean countries (Figure VI-5). The Ministry of Health, Labour and Welfare has also estimated and published Japan's poverty rate based on the calculation method employed by the OECD (Outline of the 2010 Comprehensive Survey of Living Conditions, II Income etc of various types of households, 7 Poverty rate, http://www.mhlw.go.jp/english/database/db-hss/dl/report_gaikyo_2010.pdf).

Figure VI-5 Gini Coefficient of Equivalized Household Disposable Income and S90/S10 Income Deciles in OECD Countries (2010)



Source: OECD (2013), "Crisis squeezes income and puts pressure on inequality and poverty". This note as well as all figures and underlying data can be downloaded via www.oecd.org/social/inequality.htm

Note: "Equivalized household disposable income" is the disposable income per household member, adjusted for household size.

Thus, income inequality in Japan cannot exactly be described as small compared to other OECD countries. Based on this situation, the "Comprehensive Reform of Social Security and Tax" (decided by the Cabinet in February 2012) includes the assertion that "Japan's society and social security system today (part omitted) face a number of problems, including those of poverty and income inequality, unfairness among the generations, and widening isolation and social exclusion. To address

these problems, we are required to ensure the sustainability and strengthen the functions of the whole social security system, including pensions, healthcare, nursing and childcare". Various social security policies have already been adopted to reduce income inequality in addressing these policy challenges, such as increasing child allowance and raising the level of livelihood protection. As a result, the redistribution coefficient based on the Gini coefficient (i.e. the Gini coefficient before

redistribution *minus* the Gini coefficient after redistribution *divided by* the Gini coefficient before redistribution) has risen since around the mid-2000s. This shows that the income redistribution function of social security is working (Ministry of Health, Labour and Welfare, “2008 Survey Results on the Redistribution of Income”). However, because the

ratio of family-related benefit expenditure (including benefits for households with children) to overall social security benefit costs is smaller than those of Scandinavian countries and France, as stated in 1 above, the redistribution coefficient in elderly households is larger and that in single-mother households is smaller.

**Table VI-6 Closing of Income Gap through Income Redistribution
(Gini Coefficient for Equivalent Incomes)**

Year of survey	Gini coefficient				Rate of improvement in Gini coefficient		
	Equivalent initial income (1)	(1) + social security benefits - social security contributions (2)	Equivalent disposal income ((2) - tax) (3)	Equivalent income after redistribution ((3) + benefits in kind) (4)	Rate of improvement due to redistribution *1	Rate of improvement due to social security *2	Rate of improvement due to taxation *3
1996	0.376	0.327	0.312	0.310	17.7	13.7	4.7
1999	0.408	0.350	0.337	0.333	18.4	15.3	3.7
2002	0.419	0.337	0.323	0.322	25.3	19.9	4.3
2005	0.435	0.336	0.322	0.323	25.9	22.8	4.1
2008	0.454	0.343	0.327	0.319	29.7	26.2	4.7

Source: Summary Findings of the 2008 Income Redistribution Survey (Ministry of Health, Labour and Welfare).

Notes: 1) Rate of improvement due to redistribution = $1 - (4) / (1)$

2) Rate of improvement due to social security = $1 - (2) / (1) \times (4) / (3)$

3) Rate of improvement due to taxation = $1 - (3) / (2)$

2 Income Security and Childcare Services for Households with Children

Child Allowance: Under the system of Child Allowance, an allowance is paid to parents and others (including operators of children's homes) who raise children domiciled in Japan. The allowance is paid monthly until the child graduates from junior high school (age 15), the amount paid each month depending on the child's age and an income cap. The allowance is a flat 15,000 yen for children aged 0-2, 10,000 yen for children aged 3 until leaving elementary school, and 10,000 yen for junior high school pupils. The amount for children whose parents earn more than the income cap (9.6 million yen p.a.) is a flat 5,000 yen per month.

Child Rearing Allowance: Under the system of Child Rearing Allowance, an allowance is paid to children aged up to 18 (i.e. until they graduate from senior high school in March) in single-parent households (including single-mother and single-father families) if earnings are within the income cap, and single-parent households subject to court protection orders following domestic violence from a spouse. As of 2012, the amount paid is a basic monthly 41,430 yen for the first child, the basic amount plus 5,000 yen for the second child, and the basic amount plus 3,000 yen for the third child onwards.

Special Child Rearing Allowance: Under the system of Special Child Rearing Allowance, an allowance is paid to disabled children and young people up to age 20, according to the degree of disability, in households with disabled children if earnings are within the income cap. The amount paid is 50,400 yen per month for the severest type of disability and 33,570 yen for the next most severe type. For disabled people aged over 20, Basic Disability Pension is paid if earnings are within the income cap.

Childcare Services: Based on the Child Welfare Act, child welfare services in Japan consist of services provided at facilities for children and young people who cannot live with their families due to various problems (children's homes, nursery homes

and maternal and child living support facilities), childcare services at daycare centers, and services provided to children with disabilities both at home and at facilities. This section discusses childcare services that relate to combined support for child-rearing and employment. Childcare services are mainly provided by daycare centers. Daycare centers aim to look after children each day when their guardians (mainly their parents) cannot look after them, due to such reasons as having to work; there are daycare centers that are licensed by local authorities based on the Child Welfare Act, and those that are not licensed (daycare centers that have filed a notification to the local authority). The fees are calculated based on the income of the child's guardians during the previous fiscal year, the situation regarding the taxes levied on the guardians, such as income tax and residential tax, and the age of the child concerned.

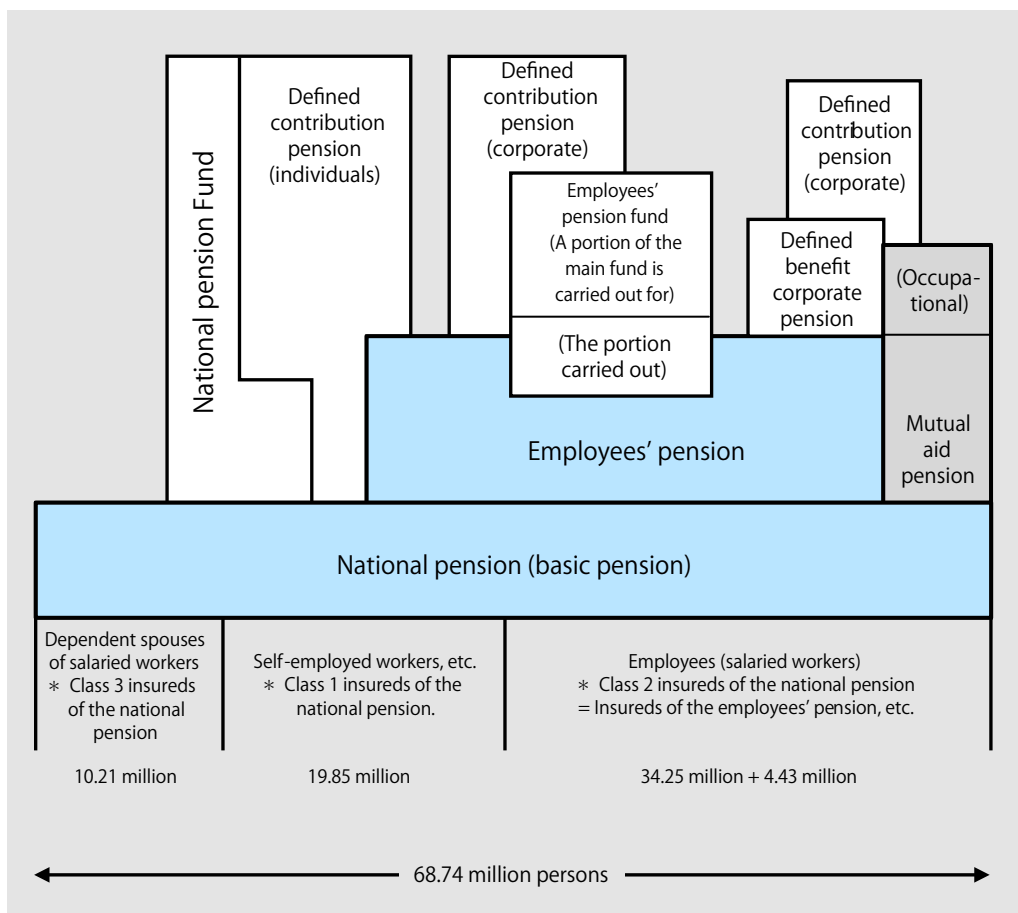
As to the state of childcare services, according to "On the State of Daycare Centers, etc. (April 1, 2009)" by the Daycare Division of the Equal Employment, Children and Families Bureau, Ministry of Health, Labour and Welfare, there were 23,711 daycare centers, 2,176,802 children using them, and 24,825 children on waiting lists. The children on waiting lists are those who, even though they lack childcare and have applied to enter a daycare center (licensed daycare center), are unable to enter a daycare center because, for example, the daycare center that their guardians would like them to enter would exceed the maximum number of children for whom it can care. The existence of children on waiting lists suggests that it is necessary to further enhance childcare services, by such means as increasing the maximum number of children who can be cared for by increasing the number of daycare center staff and increasing the number of daycare centers in areas with many children on waiting lists, in order to provide combined support for child-rearing and employment.

3 The Pension System and Public Assistance

Pension system: As can be seen from Figure VI-7, the basis of the pension system, which fulfils a role in guaranteeing income after retirement, is the basic pension, in which all citizens (those aged 20 or above but under 60) enroll and which pays pension benefits once an individual reaches pensionable age (currently 60 years old, rising to 65 for men from 2013 and to 65 for women from 2018). In addition to this, salaried employees such as company employees and civil servants respectively receive the welfare pension and mutual aid pension, which are earnings-related pension schemes paid to top up the basic

pension. To distinguish it from these pensions paid to salaried employees, the basic pension that most self-employed workers and workers in the agriculture, forestry and fisheries sector receive is called the national pension. In many advanced countries (such as the U.S., Canada and Sweden), the same pension system is applied to both company employees and civil servants, and post-retirement income security does not differ according to job category. From this perspective, consideration is currently being given to integrating the welfare pension and mutual aid pension systems.

Figure VI-7 The Pension System



Source: Compiled by the author, adding the number of insured persons in 2009 to the *2004 Key Points in Pension System Reforms* published by the Ministry of Health, Labour and Welfare Pension Bureau

Japan's pension system is revised once every 5 years based on recalculations of pension financing. In the pension reform of 2004, it has been decided to adjust the benefits standards along with the economic situation and the progress of an aging society (however, it is aimed that the standards should not go below 50% of the income of the working generations), instead of fixing the future insurance burden to a certain level (18.3% after 2025, in the case for employees' pensions), drawing from Sweden's pension reform of 2001, etc. In the pension reform of 2009, the proportion of the basic pension paid to all citizens that is funded by the government from tax revenues was raised from one-third to one-half.

The insurance premium for the basic pension for self-employed workers is set at a fixed amount (¥15,040 monthly, as of 2013). On the other hand, the

burden of the insurance premium for company employees and civil servants is borne equally by the employer and the employee, and the premium rate is set at 16.4% of total income, including salary and bonuses (from September 2013). The bereaved families of those enrolled in the pension system and those receiving pension benefits receive survivor's pensions, while those enrolled in the pension system who have a disability receive a disability pension if they meet certain conditions. The transitions in the number of people receiving pension benefits and the amount paid to them can be seen in Table VI-8. Currently (as of 2013), the basic pension benefit is 65,541 yen per month (784,000 yen p.a.), while the old age welfare pension is 239,000yen (2,771,000 yen) when combining a couple's basic pension with the husband's earnings-related component.

Table VI-8 Transitions in the Number of People Receiving Benefits and the Amount Paid under the Pension System

FY	Insured persons (10,000 persons)				Beneficiaries (10,000 persons)				Income and expenditure					
	Total	Basic pension (Self-employed workers, etc.: Class 1)	Basic pension (Full-time house wife: Class 3)	Employee's pension	Mutual aid association (Pension in these)	Total	Basic pension (National pension)	Employee's pension	Mutual aid association	National pension Income (Insurance Premiums + State Contribution) (¥100 million)	Expenditure (¥100 million)	Employee's pension Income (Insurance Premiums + State Contribution) (¥100 million)	Expenditure (¥100 million)	Reserve balance (¥100 billion)
1987	6,411	1,582	927	2,822	2,252	112	891	149						
1990	6,631	1,758	1,196	3,149	2,500	191	1,065	96						
1995	6,995	1,910	1,220	3,328	3,236	690	1,425	40						
2000	7,049	2,154	1,153	3,219	4,091	1,307	1,307	14						
2005	7,045	2,190	1,079	3,302	460	3,995	1,337	2,316	342	37,873	43,350	300,685	353,284	1,403
2006	7,038	2,123	1,079	3,379	457	4,030	1,275	2,404	351	39,228	43,082	297,954	320,994	1,398
2007	7,007	2,035	1,063	3,457	451	4,146	1,260	2,523	363	38,466	43,435	299,463	329,875	1,302
2008	6,936	2,001	1,044	3,444	447	4,283	1,236	2,668	379	37,545	43,317	309,480	339,860	1,166
2009	6,874	1,985	1,021	3,425	443	4,414	1,205	2,814	395	37,813	39,911	320,483	365,618	1,208
2010	6,926	1,938	1,005	3,441	442	4,445	1,092	2,943	410	34,010	31,498	319,356	379,804	1,142
2011	6,774	1,904	978	3,451	441	4,539	1,067	3,048	424	34,701	34,717	326,080	375,420	1,115

Source: Ministry of Health, Labour and Welfare, Overview of Welfare Pension Insurance and the National Pension Scheme (FY2011)

Notes: 1) The integration of welfare pension schemes and mutual aid societies (pension divisions) is being considered, so the number of insured people enrolled in mutual aid societies, such as civil servants, in recent years is shown.

2) The total number of those receiving pension benefits is the number receiving the basic pension after excluding overlap with those receiving the basic welfare pension.

The corporate pensions that supplement these public pensions consist of defined benefit and defined contribution corporate pensions (arrangements for which were instituted in 2001 to protect beneficiaries and ensure the portability of reserves) and employees' pension funds, which were established prior to 2001. For the self-employed and professionals, there is also a national pension fund for supplementing the basic pension. Following the introduction of the corporate pension system in 2001, it was decided that welfare pension funds would gradually change to defined-benefit corporate pensions, so as shown in Table VI-9, the number of defined-benefit corporate pension funds and the number of those enrolled in them are increasing.

Moreover, even companies that were unable to have a welfare pension fund because of their small scale have become able to offer defined-benefit corporate pensions by concluding contracts with operating agencies, and the number of contracts for this kind of corporate pension and the number of people enrolled therein are also increasing. However, although the asset management yield of corporate pensions was in positive figures before the Lehman Shock, the yield for FY2010 fell into negative figures, following the Lehman Shock, so there is growing concern among companies and those enrolled in such schemes about the reliability (or lack thereof) of the asset management of corporate pensions.

Table VI-9 Transitions in Defined-benefit and Defined-contribution Corporate Pensions

Year	No. of welfare pension funds	No. of welfare pension fund contributors (x10,000)	Number of people enrolled in defined-benefit pension schemes (10,000 people)	Number of corporate defined-benefit pension schemes by establishment type			Number of people enrolled in defined-contribution pension schemes (corporate type) (10,000 people)	Number of businesses with defined-contribution pension schemes (corporate type)
				Convention type	Fund type	Total		
2002	1,656	1,039	9	15	0	15	33	361
2003	1,357	835	135	168	148	316	71	845
2004	838	615	314	484	508	992	126	1,402
2005	687	531	384	834	596	1,430	173	1,966
2006	658	474	430	1,335	605	1,940	219	2,313
2007	626	462	506	2,479	619	3,098	271	2,710
2008	617	439	570	4,396	611	5,007	311	3,043
2009	608	431	647	6,797	610	7,407	340	3,301
2010	595	430	727	9,436	608	10,044	371	3,705
2011	577	411	801	14,377	612	14,999	422	4,135

Sources: Pension Fund Association, Statistics Concerning the Fiscal Situation, Transitions in the Number of Defined-benefit Corporate Pension Systems by Establishment Type and the Number of People Enrolled Therein, and Transitions in the Number of Defined-contribution Corporate Pension System Contracts and the Number of People Enrolled Therein

The characteristic of Japan's pension system relating to the labor market is the point that it cooperates with unemployment insurance. In the case of older workers aged between 60 and 64, therefore, elderly employment continuation benefits and elderly

reemployment benefits are provided when wages fall below 85% of the level immediately prior to retirement at 60. Further, to support female workers' combining of childrearing and work activities, payment of employees' pension insurance premium is

excused for both the worker and employer during the period of child care leave (For the Assistance Measures to Balance Work and Family and for the Gender Equal Employment Policies, see Chapter V).

Public assistance: The public assistance system is designed to guarantee a minimum standard of living by providing benefits in kind according to need. These are provided by the Government through local governments when a person falls into poverty, despite employment, savings, assets, pensions, and allowances, etc., due to circumstances such as sickness, mental/physical disability, or unforeseen accident based on the principle of complementarity. In practice, the level of public assistance is determined based on the minimum cost of living calculated according to standards laid down by the Government and relative to the income of the household concerned, the shortfall being covered by the provision of benefits in cash or in kind (such as

medical benefits). As of February 2013, public assistance was provided to 1,577,000 households and 2,155,000 individual beneficiaries, taking the ratio of assisted households to 1.7% of the general population. As a result of the recent stagnation of the economy and the growth of income disparities, the cost of public assistance is growing by the year. If one looks at the people receiving public assistance by age, one can see that the proportion of older people receiving such assistance has been growing in recent years, due to the fact that there are people who do not qualify to receive pension benefits, that it is difficult for older people to find employment due to the prolonged economic slowdown, and that a growing number of people are unable to pay for medical care costs as a result of being on low incomes, and can only receive healthcare through the medical benefit paid under the public assistance program.

Table VI-10 Transitions by Year in the Number and Proportion of Households Receiving Public Assistance by Type of Household

Year	Number of households receiving public assistance				Composition ratio		
	Total number	Households with older people	Households with single mothers	Households with sick or injured people, etc. (including households with disabled people)	Households with older people (%)	Households with single mothers (%)	Households with sick or injured people, etc. (including households with disabled people) (%)
1990	622	232	73	318	37.2	31.5	31.3
1995	601	254	52	294	42.3	20.6	37.1
2000	750	341	63	346	45.5	18.5	36.0
2005	1040	452	91	497	43.5	20.0	36.5
2006	1074	474	93	507	44.1	19.5	36.3
2007	1103	498	93	512	45.1	18.7	36.2
2008	1146	524	93	529	45.7	17.8	36.5
2009	1274	563	100	612	44.2	17.7	38.1
2010	1405	604	109	692	43.0	7.8	49.3

Source: Compiled by the author from Annual Transitions in the Number of Households Receiving Public Assistance by Household Type and the Household Assistance Rate, from the list of official statistical data concerning "public assistance" published by the National Institute of Population and Social Security Research

Notes: 1) This is the one-month average.

2) Does not include households whose assistance is currently suspended.

3) In the household assistance rate, the number of households receiving public assistance is divided by the number of households in the National Livelihood Survey (per 1,000 households).

4) For some years, the figure by household type and the total figure for this differs from the overall total; this is not a printing error but is rather due to the margin of error resulting from adding up the total for each month (April - March) and dividing by 12, then rounding off the figures.

4 Medical Insurance and Long-term Care Insurance

Medical Insurance: Within Japan's medical insurance there is association-managed health insurance for employees (and their families) of workplaces of five or more workers, Japan Health Insurance Association-administered health insurance for employees (and their families) of workplaces with fewer than five workers, national health insurance for the self-employed, etc., and medical insurance provided by mutual aid associations for national government employees and local government employees (see upper row of Table VI-11). Subscribers in medical insurance programs pay the insurance premium themselves, but the subscribers themselves and their families may receive medical services at the medical institution of their choice by

paying only a portion of the medical expense. Furthermore, with regard to people aged 65 or over requiring long-term care and all older people aged 70 or over, there is a system of medical aid for older people (see lower row of Table VI-11) that is funded by insurance premiums paid by older people, contributions borne by health insurance societies and the national health insurance scheme. Under this system, the insurance premiums of older people on low incomes are reduced and, in the event that the local authority cannot sustain the finances alone, it is possible for a number of local authorities to form an extended association to provide medical and healthcare services to older people.

Table VI-11 Medical Insurance System

Plan		Insurer (As of 31 March, 2009)	Subscribers (As of March 31, 2008) and (subscriber's dependents) (Unit:1,000 persons)	Insurance Benefits			
				Payment in part	Medical Benefits		
					High-Cost Medical Care Benefits, and the High-Cost Medical Care & Nursing Care Benefits Combination System		
Health insurance	Ordinary employees	Kyokai Kenpo	Japan Health Insurance Association	34,705 (19,496 15,210)	<p>After the commencement of compulsory education to those 69 years of age: 30%</p> <p>Prior to the commencement of compulsory education: 20%</p> <p>70 to 74 years old: 20% (*) (Persons with income comparable with those of an active worker: 30%)</p> <p>(*) For those 70 to 74 years of age, the rate will be kept at 10% from April 2008 to March 2010.</p>	<p>High-Cost Medical Care Benefits</p> <ul style="list-style-type: none"> • Maximum amount paid by the patient <p>Under 70 years of age:</p> <p>High income persons: 150,000 yen+ (medical costs-500,000 yen) × 1%</p> <p>Average income persons: 80,100 yen+ (medical costs-267,000 yen) × 1%</p> <p>Low income persons: 35,400 yen</p> <p>From 70 to 74 years of age:</p> <p>With income comparative with those of an active worker: 80,100 yen + (medical costs-267,000 yen) × 1% ,</p> <p>Outpatient Treatment (for each patient): 44,400 yen</p> <p>Average income persons(*): 62,100 yen, Outpatient treatment (for each patient) 24,600 yen</p> <p>Low-income persons: 24,600 yen, Outpatient treatment (for each patient) 8,000 yen</p> <p>Low-income persons with especially low income: 15,000 yen.</p> <p>Outpatient treatment (for each patient) 8,000 yen</p> <ul style="list-style-type: none"> • Standard amount for aggregation of households: <p>For those under 70 years of age, if there are multiple payments of more than 21,000 yen in the same month, reimbursement is calculated on the basis of their sum.</p> <ul style="list-style-type: none"> • Burden reduction for those with multiple cases: <p>If a household has been eligible for reimbursement three times or more within a 12-month period, the amount of payment in part from the fourth time will be:</p> <p>Under 70 years of age:</p> <p>High-income persons: 83,400 yen</p> <p>Standard-income persons: 44,400 yen</p> <p>Low-income persons: 24,600 yen</p> <p>70 years of age or older with income comparative with those of an active worker and standard income (*): 44,400 yen</p> <ul style="list-style-type: none"> • Burden reduction for patients suffering from long-term and high-cost illness <p>Self-pay limit for the patients suffering from hemophilia or chronic renal failure requiring artificial dialysis: 10,000 yen</p> <p>Self-pay limit for high-income persons receiving artificial dialysis: 20,000 yen</p> <p>(*) Burden reduction for multiple cases is not applicable to persons from 70 to 74 years of age classified as standard income class as the self-pay limit will be kept unchanged at 44,000 yen (12,000 yen for outpatient treatment) from April 2008 through March 2010.</p> <p>High-cost medical care and high-cost nursing care benefits combination system:</p> <p>Burden reduction system applicable in the instances where the total of the self-pay burden under the medical insurance and nursing care insurance paid in a year (from August to July next year) become extremely high. Self-pay limits will be fixed in high details according to the income and age of the patients.</p>	
		Association managed	Health insurance associations	1,497			30,337 (15,906 14,431)
		Insured parties, as stipulated in Article 3, Par.2, Health Insurance Law	Japan Health Insurance Association				17 (11 6)
Seamen's insurance			National government	144 (62 82)			
Mutual aid insurance	National government employees		Mutual aid associations (21)	9,023 (4,394 4,629)			
	Local government employees		Mutual aid associations (55)				
	Private school instructors		Mutual aid associations (1)				
National health insurance	Farmers, self-employed etc.		Municipalities 1,788	39,492 Municipalities 46,881 Health insurance associations 165 Health insurance associations 3,522			
			Health insurance associations 165				
	Retired workers eligible for employees insurance benefits		Municipalities 1,788				
Long life medical care system (Medical care system for the latter-stage elderly people)		Management body: Extended associations for medical care for the latter-stage elderly people (47)		13,458	10% (Persons with income comparable with those of an active worker 30%)	<p>Maximum amount of payment in part (per person) 44,400 yen</p> <p>(Persons with income comparable to that of an active worker) 80,100 yen+ (medical cost-267,000 yen) × 1%</p> <p>(Incase of frequent reimbursement) 44,400 yen</p> <p>(Average income persons) 44,400 yen</p> <p>(Low income persons) 24,600 yen</p> <p>(Very low income among low income persons) 15,000 yen</p> <p>12,000 yen</p> <p>8,000 yen</p> <p>8,000 yen</p>	

Plan			Insurance Benefits			Financial resources	
			Medical Benefits		Cash Benefits	Insurance premiums	Government subsidies
			Hospital Meal Charge Benefits	Hospitalized living expenses benefits			
Health insurance	Ordinary employees	Kyokai Kenpo	Standard payment amounts for dietary therapy:	(Standard payment amounts for those living in hospitals)	• Sickness benefits • Lump-sum payment for childbirth, child care etc.	9.34% (National average)	13.0% of benefits (contribution for latter-stage elderly people 16.4 %)
		Association-managed		• Standard income persons (I) 460 yen per meal and 320 yen per day			
	Insured parties, as stipulated in Article 3, Par.2, Health Insurance Law			• Standard income persons (II) 420 yen per meal and 320 yen per day	• Sickness benefits • Lump-sum payment for childbirth, child care etc.	Daily rate (class 1) 360 yen (class 11) 3,020 yen	13.0 % of benefits (contribution for the latter-stage elderly people 16.4 %)
Seamen's insurance			• Low income persons 210 yen per meal and 320 yen per day	Same as above	9.25% (Sickness insurance rate)	Fixed amount	
Mutual aid insurance	National government employees		• Standard-income persons 260 yen per meal	Same as above (including additional benefits)	—	None	
	Local government employees		• Low-income persons Up to the first 90th day 210 yen per meal From the 91st day 160 yen per meal		—		
	Private school instructors		• Low-income person with especially low income 100 yen per meal		—		
National health insurance	Farmers, self-employed etc.		• Low-income person with especially low income 100 yen per meal	• Applicable to persons 65 years of age or older hospitalized in the convalescent ward * For patients with greater needs for in-hospital treatment due to being obstinate or other diseases, the payment amount will be same as the standard payment amounts for dietary therapy.	• Lump-sum payment for childbirth, child care • Funeral services expenses	Each household is assessed a fixed amount and amount based on ability to pay Calculations vary somewhat according to insurer	43% of benefits etc.
	Retired workers eligible for employees insurance benefits						32-55% of benefits etc.
Long life medical care system (Medical care system for the latter-stage elderly people)			Same as above	Same as above. • Persons on senior welfare pensions 100 yen per meal	Funeral services expenses etc.	Rates are fixed based on the equal amount per insured and the percentage of their income determined by the respective extended associations.	<ul style="list-style-type: none"> • Insurance premium 10% • Contribution Approximately 40% • Public Approximately 50% (Breakdown of public expenses) National : Prefectures : Municipals 4 : 1 : 1

Source: "2012 Annual Health, Labour and Welfare Report", References, 2 Health and Medical Services, (1) Health Care Insurance, Outline of Healthcare Insurance System (as of June 2012)

Notes: 1) Those insured by the long-life medical care system (medical care system for the latter-stage elderly people) comprises persons of 75 years of age or older, and the persons from 65 to 74 years of age certified by an extended association to have a certain degree of handicap.

2) Persons with income comparative with those of an active worker mean their taxable income is 1.45 million yen (0.28 million yen for monthly income) and annual income is more than 5.2 million yen [family including elderly person(s)] or 3.83 million yen (single-elderly person household).

3) For new subscribers and their families who are exempt from health insurance eligibility and subscribe from September 1, 1997, the fixed-rate state subsidy to NHI Associations will be at the same level as that paid to the Japan Health Insurance Association

4) Numbers of subscribers are preliminary estimates in the case of health insurance. Sums in the breakdowns may not add up to the totals due to rounding.

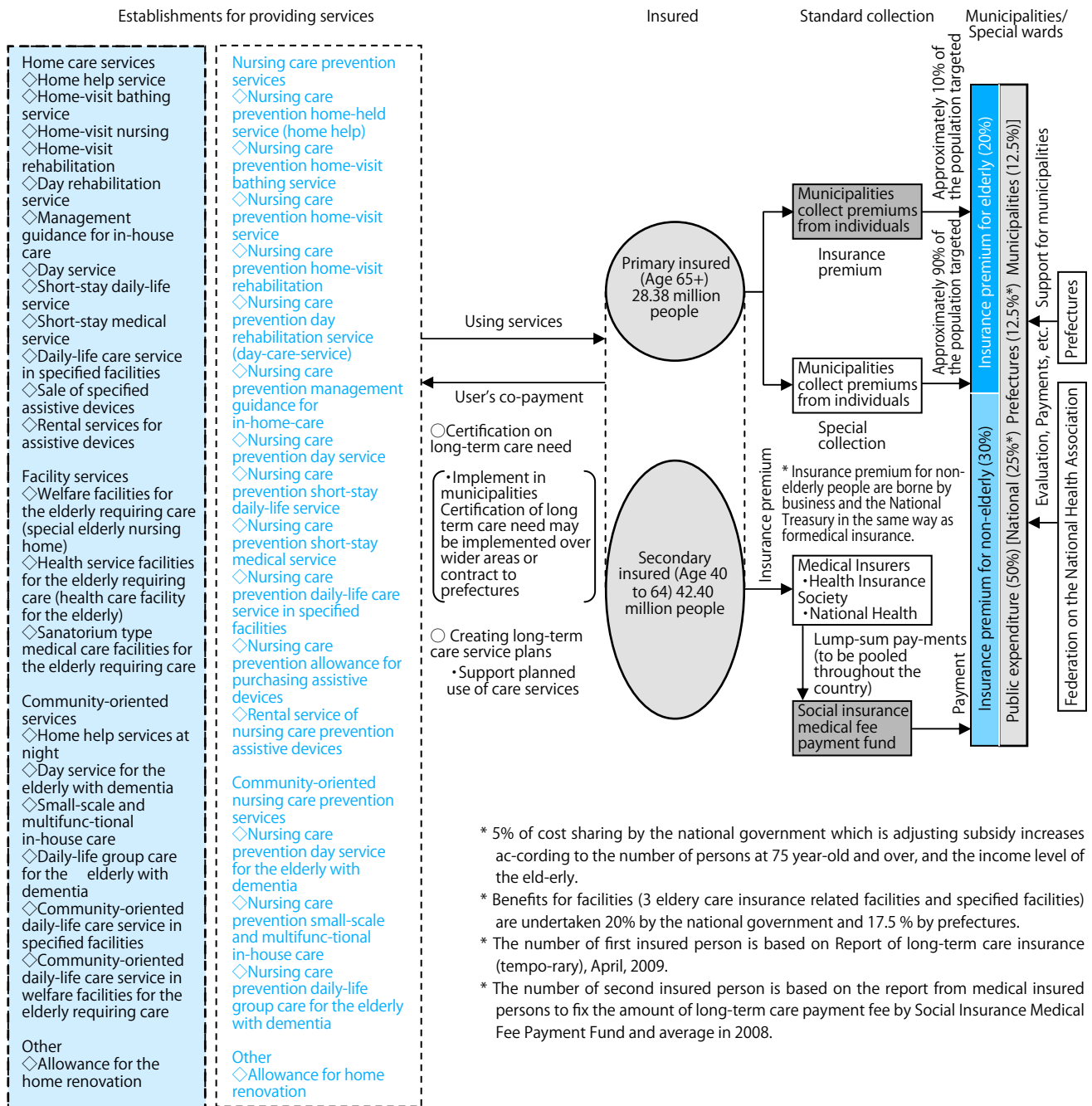
5) Between July 2010 and FY2012, the state subsidy rate for the Japan Health Insurance Association (general employees and persons insured under Article 3 para. 2 of the National Health Insurance Act) is 16.4% of the benefit cost.

National health expenditure, combining the cost of medical benefits from public health insurance with that from public assistance, topped 30 trillion yen (6.1% of GDP) in 1999, creating a need for appropriate controls on the growth of healthcare expenditure. When long-term nursing insurance was introduced in 2000, growth in healthcare expenditure temporarily decreased. It subsequently turned back to an increase, however, and expenditure remains in an upward trend. In FY2010, national health expenditure reached 37.4 trillion yen, and the ratio of expenditure to GDP had risen to 7.8%. By age group, national health expenditure was 2.4 trillion yen (6.5%) for ages 0-14, 5 trillion yen (13.4%) for ages 15-44, 9.3 trillion yen (24.8%) for ages 45-64, and 20.7 trillion yen (55.4%) for ages 65 and over. Expenditure on the elderly accounted for the highest proportion of all national health expenditure. If this continues to be supported by a combination of public spending with contributions from national health insurance and health insurance associations, problems will arise due to a slowdown in growth of insurance premium income accompanying the reduced rate of growth in the Japanese economy. In view of this and the need to ensure intergenerational fairness between current working generations and the elderly, a revision of the system was necessary, and a reform of the elderly healthcare system was introduced in 2008. In the previous system (the system of elderly healthcare), elderly patients were only liable for copayment of costs incurred by health examinations or hospital stays (with reduced burdens for low earners), and they paid no insurance premiums. By contrast, the "longevity healthcare system" (the late-stage medical care system for the elderly) introduced in 2008, covering the over 75s and disabled elderly persons between ages 65 and 73, is a public healthcare system in which 50% of medical benefit costs are paid from the public purse (specifically, by the central government, prefectures and municipalities in proportions of 4:1:1). Besides this, 40% is borne by

health insurance contributions from working generations up to age 64, and the remaining 10% is funded by insurance premiums from the elderly themselves. However, those on low incomes are exempt from paying premiums and also have lower copayment costs.

Long-term care insurance: Long-term care insurance has been in operation since April 2000 to provide public assistance to lighten the care burden for long-term care recipients' families. This assistance makes it easier for bedridden older people and other older people requiring long-term care to receive this care at home, and for others to receive long-term care at a facility outside of home. Under the long-term care insurance system, in exchange for citizens aged 40 and above paying long-term care insurance premiums, it is possible to receive specific types of long-term care service if required after reaching the age of 65, such as the dispatch of a home-helper; in order to receive these services, the older person concerned must submit an application and have it approved by the municipality's long-term care approval committee. Whereas the insurance premiums and the standards for certifying the necessity of receiving long-term care are set in a uniform manner nationwide, the task of issuing approvals based on those standards is undertaken by municipal long-term care approval committees. In addition, long-term care services are provided on the basis of care plans drawn up by care managers, by a service provider selected by the person requiring long-term care from among the long-term care service providers approved by the municipality, respecting the choice of the individual requiring long-term care (Figure VI-12). Those using long-term care services bear 10% of the cost, as a general rule. However, a maximum limit is set in order to ensure that the cost burden on the user is not too high, with the municipality paying any high-cost long-term care service fees in excess of that maximum limit.

Figure VI-12 Long-term Care Insurance System



* 5% of cost sharing by the national government which is adjusting subsidy increases according to the number of persons at 75 year-old and over, and the income level of the elderly.
 * Benefits for facilities (3 elderly care insurance related facilities and specified facilities) are undertaken 20% by the national government and 17.5% by prefectures.
 * The number of first insured person is based on Report of long-term care insurance (temporary), April, 2009.
 * The number of second insured person is based on the report from medical insured persons to fix the amount of long-term care payment fee by Social Insurance Medical Fee Payment Fund and average in 2008.

Source: "2012 Annual Health, Labour and Welfare Report", References, 10 Health and Welfare Services for the Elderly, Outline of Long-Term Care Insurance System

With regard to the number of people enrolled in long-term care insurance, as of 2011, there were 29.78 million people insured aged 65 or above (primary insured persons) and 42.70 million people insured aged between 40 and 64 (secondary insured persons). As of 2011, 1.40 million persons requiring support and 3.91 million persons requiring long-term care were certified eligible to receive long-term care insurance services. The number of long-term care workers (the total of full-time and part-time) providing long-term care services to elderly persons certified as requiring support or long-term care was 177,000 for home visit type long-term care, 330,000 for daycare type long-term care, 44,000 for in-home type long-term care, and 322,000 for long-term care insurance facilities, etc. (Ministry of Health, Labour and Welfare, FY2008 Survey of Institutions and Establishments for Long-term Care).

Given these circumstances in which many older people have been certified as requiring support or long-term care and are receiving long-term care insurance services, in municipalities that have a particularly high population aging rate, a situation has arisen in which the rise in the cost of providing long-term care insurance benefits is continuing and a deterioration in the state of public finances for long-term care insurance has become unavoidable. In order to deal with this problem, an amendment to the Long-term Care Insurance Act was made in 2005. Through this, initiatives such as those focused on the prevention of illness so that people do not end up in a state in which they require long-term care and the establishment of regional comprehensive support centers to provide more cohesive services in the community were incorporated into the long-term care insurance framework. Besides this, a Community-

Based Care Improvement Initiative that would make use of diverse networks connected with long-term care (such as monitoring by NPOs and others as well as by local authorities and healthcare facilities) was proposed in 2008. The aim of this was to enable the elderly to receive long-term care services while remaining in the familiar surroundings of their home communities. With this, Comprehensive Regional Support Centers were to be established as facilities where comprehensive efforts would be made to improve the health, welfare and healthcare of local residents, prevent abuse, provide management to prevent long-term care, and others in the local community. The centers would be established by local authorities, but the day-to-day running could be outsourced. In future, meanwhile, elderly residents are expected to increase in urban areas while increasing more gradually in provincial areas. To address this, a comprehensive regional care system that would guarantee five aspects in cross-linkage (securing homes for the elderly in line with local circumstances, supporting their lives, preventing long-term care, providing long-term care services, and medical care) was proposed (Elderly Healthcare and Health Promotion Project, Comprehensive Regional Care Research Group Report). Based on new ideas like this, the 2011 revision of long-term care insurance incorporated a provision to the effect that the central government and local authorities should endeavor to create comprehensive regional care systems. Today, initiatives enabling the elderly to receive long-term in-home care while living in the familiar surroundings of their home communities are being promoted in forms appropriate to the circumstances of each locality.

Appendix (International Comparisons)

Appendix 1 Population, Labor Force and Labor Force Participation Rate by Gender and Age (2012)

(1,000 persons, %)

Japan ¹⁾									
Age group	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
15-19	6,060	3,110	2,950	890	460	430	14.7	14.8	14.6
20-24	6,290	3,220	3,070	4,280	2,170	2,110	68.0	67.4	68.7
25-29	7,090	3,610	3,480	6,080	3,380	2,700	85.8	93.6	77.6
30-34	7,890	4,000	3,890	6,500	3,840	2,670	82.4	96.0	68.6
35-39	9,480	4,800	4,670	7,790	4,630	3,160	82.2	96.5	67.7
40-44	9,440	4,770	4,670	7,940	4,590	3,350	84.1	96.2	71.7
45-49	8,130	4,090	4,040	6,990	3,930	3,060	86.0	96.1	75.7
50-54	7,660	3,830	3,830	6,450	3,640	2,810	84.2	95.0	73.4
55-59	8,020	3,980	4,040	6,280	3,670	2,610	78.3	92.2	64.6
60-64	10,350	5,080	5,280	6,260	3,830	2,420	60.5	75.4	45.8
65-69	8,090	3,880	4,210	3,090	1,900	1,190	38.2	49.0	28.3
70-74	7,360	3,420	3,940	1,720	1,060	660	23.4	31.0	16.8
75~	15,110	5,760	9,340	1,270	780	490	8.4	13.5	5.2
15-64	80,420	40,490	39,930	59,460	34,150	25,310	73.9	84.3	63.4
65+	30,550	13,060	17,490	6,090	3,750	2,340	19.9	28.7	13.4
Total (15+)	110,980	53,550	57,420	65,550	37,890	27,660	59.1	70.8	48.2

United States of America ²⁾									
Age group	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
16-19	16,984	8,657	8,327	5,823	2,940	2,883	34.3	34.0	34.6
20-24	21,799	10,889	10,910	15,462	8,110	7,352	70.9	74.5	67.4
25-29	20,653	10,216	10,437	16,792	9,027	7,765	81.3	88.4	74.4
30-34	20,322	9,989	10,333	16,672	9,055	7,617	82.0	90.6	73.7
35-39	19,025	9,309	9,716	15,658	8,502	7,156	82.3	91.3	73.7
40-44	20,617	10,107	10,510	17,076	9,106	7,970	82.8	90.1	75.8
45-49	21,358	10,449	10,909	17,456	9,205	8,251	81.7	88.1	75.6
50-54	22,339	10,890	11,449	17,597	9,157	8,440	78.8	84.1	73.7
55-59	20,575	9,922	10,653	14,908	7,737	7,171	72.5	78.0	67.3
60-64	17,744	8,495	9,249	9,802	5,142	4,660	55.2	60.5	50.4
65-69	13,800	6,499	7,301	4,427	2,412	2,015	32.1	37.1	27.6
70-74	9,853	4,537	5,316	1,917	1,096	821	19.5	24.2	15.4
75+	18,216	7,386	10,830	1,383	837	546	7.6	11.3	5.0
16-64	201,416	98,923	102,493	147,246	77,981	69,265	73.1	78.8	67.6
65+	41,869	18,422	23,447	7,727	4,345	3,382	18.5	23.6	14.4
Total (16+)	243,285	117,345	125,940	154,973	82,326	72,647	63.7	70.2	57.7

United Kingdom ³⁾									
Age group	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
15-19	2,994	1,529	1,465	1,444	728	716	48.2	47.6	48.9
20-24	4,282	2,171	2,111	3,165	1,720	1,445	73.9	79.2	68.4
25-29	4,447	2,266	2,181	3,735	2,082	1,653	84.0	91.9	75.8
30-34	4,047	2,033	2,014	3,477	1,911	1,567	85.9	94.0	77.8
35-39	3,925	1,954	1,971	3,368	1,840	1,528	85.8	94.2	77.5
40-44	4,502	2,226	2,276	3,915	2,078	1,837	87.0	93.3	80.7
45-49	4,633	2,277	2,356	3,997	2,071	1,926	86.3	91.0	81.7
50-54	4,162	2,046	2,116	3,488	1,795	1,693	83.8	87.7	80.0
55-59	3,609	1,774	1,835	2,687	1,417	1,270	74.4	79.9	69.2
60-64	3,584	1,741	1,843	1,705	1,023	682	47.6	58.8	37.0
65-69	3,234	1,559	1,675	648	392	256	20.0	25.1	15.3
70-74	2,442	1,152	1,291	191	120	71	7.8	10.4	5.5
75+	4,641	1,963	2,678	115	74	41	2.5	3.8	1.5
15-64	40,186	20,017	20,169	30,980	16,664	14,316	77.1	83.2	71.0
65+	10,317	4,673	5,643	953	585	368	9.2	12.5	6.5
Total (15+)	50,502	24,690	25,812	31,933	17,249	14,685	63.2	69.9	56.9

Germany ⁴⁾									
Age group	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
15-19	4,102	2,111	1,991	1,169	653	516	28.5	30.9	25.9
20-24	4,860	2,505	2,355	3,379	1,805	1,574	69.5	72.1	66.9
25-29	4,972	2,518	2,454	4,128	2,193	1,935	83.0	87.1	78.8
30-34	4,972	2,513	2,459	4,330	2,370	1,960	87.1	94.3	79.7
35-39	4,722	2,382	2,340	4,167	2,274	1,893	88.2	95.5	80.9
40-44	6,242	3,173	3,069	5,625	3,020	2,605	90.1	95.2	84.9
45-49	6,934	3,518	3,416	6,216	3,302	2,914	89.7	93.9	85.3
50-54	6,431	3,237	3,194	5,580	2,966	2,614	86.8	91.6	81.8
55-59	5,599	2,744	2,855	4,444	2,351	2,093	79.4	85.7	73.3
60-64	5,036	2,459	2,577	2,506	1,448	1,058	49.8	58.9	41.1
65-69	4,066	1,957	2,109	458	284	174	11.3	14.5	8.3
70-74	5,079	2,366	2,713	263	167	96	5.2	7.1	3.5
75+	7,513	3,028	4,485	109	73	36	1.5	2.4	0.8
15-64	53,870	27,160	26,710	41,544	22,382	19,162	77.1	82.4	71.7
65+	16,658	7,351	9,307	830	524	306	5.0	7.1	3.3
Total (15+)	70,528	34,511	36,017	42,374	22,906	19,468	60.1	66.4	54.1

France ⁵⁾									
Age group	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
15-19	3,617	1,838	1,778	522	316	206	14.4	17.2	11.6
20-24	3,792	1,890	1,903	2,281	1,218	1,063	60.2	64.5	55.9
25-29	3,805	1,875	1,930	3,273	1,722	1,551	86.0	91.8	80.4
30-34	3,907	1,926	1,981	3,447	1,819	1,628	88.2	94.4	82.2
35-39	4,022	1,991	2,030	3,608	1,896	1,712	89.7	95.2	84.3
40-44	4,331	2,135	2,196	3,926	2,031	1,895	90.6	95.1	86.3
45-49	4,342	2,132	2,209	3,885	2,004	1,881	89.5	94.0	85.1
50-54	4,180	2,029	2,151	3,611	1,849	1,761	86.4	91.1	81.9
55-59	4,013	1,933	2,080	2,910	1,489	1,421	72.5	77.0	68.3
60-64	3,992	1,920	2,073	922	482	440	23.1	25.1	21.2
65-69	2,992	1,420	1,572	179	102	77	6.0	7.2	4.9
70-74	2,262	1,032	1,230	40	26	14	1.8	2.5	1.1
75+	5,225	2,018	3,207	20	11	9	0.4	0.5	0.3
15-64	40,000	19,670	20,330	28,384	14,826	13,558	71.0	75.4	66.7
65+	10,479	4,470	6,009	239	139	100	2.3	3.1	1.7
Total (15+)	50,479	24,140	26,338	28,623	14,965	13,658	56.7	62.0	51.9

Italy ⁶⁾									
Age group	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
15-19	2,333	1,202	1,132	248	153	96	10.6	12.7	8.5
20-24	3,143	1,604	1,539	1,484	872	612	47.2	54.3	39.8
25-29	3,398	1,708	1,690	2,374	1,325	1,049	69.9	77.6	62.1
30-34	3,919	1,968	1,951	3,108	1,762	1,347	79.3	89.5	69.1
35-39	4,685	2,350	2,336	3,794	2,162	1,632	81.0	92.0	69.9
40-44	4,918	2,455	2,463	3,953	2,274	1,680	80.4	92.6	68.2
45-49	4,890	2,425	2,465	3,865	2,221	1,644	79.0	91.6	66.7
50-54	4,251	2,086	2,165	3,194	1,868	1,327	75.1	89.5	61.3
55-59	3,780	1,838	1,941	2,302	1,362	940	60.9	74.1	48.4
60-64	3,721	1,797	1,924	894	588	306	24.0	32.7	15.9
65-69	3,173	1,509	1,664	260	194	66	8.2	12.8	4.0
70-74	3,091	1,421	1,669	110	87	23	3.6	6.1	1.4
75+	6,128	2,366	3,763	56	45	11	0.9	1.9	0.3
15-64	39,038	19,433	19,605	25,217	14,584	10,633	64.6	75.1	54.2
65+	12,392	5,296	7,096	426	326	100	3.4	6.2	1.4
Total (15+)	51,430	24,729	26,701	25,642	14,910	10,733	49.9	60.3	40.2

(1,000 persons, %)

Republic of Korea ⁷										Singapore ⁸									
Age group	Population			Active population			Activity rate			Age group	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women		Total	Men	Women	Total	Men	Women	Total	Men	Women
15-19	3,298	1,700	1,599	253	108	145	7.7	6.3	9.1	15-19	259	132	127	34	19	15	12.4	13.8	10.9
20-24	2,806	1,259	1,546	1,373	546	827	48.9	43.4	53.5	20-24	265	133	132	171	91	81	63.6	64.5	62.6
25-29	3,413	1,748	1,665	2,530	1,338	1,192	74.1	76.5	71.6	25-29	255	123	132	207	104	103	88.3	89.9	86.8
30-34	3,928	2,004	1,925	2,930	1,845	1,085	74.6	92.1	56.4	30-34	295	141	155	245	124	121	89.8	97.2	83.3
35-39	3,984	2,028	1,956	3,002	1,916	1,086	75.4	94.4	55.5	35-39	314	152	162	266	140	126	88.0	98.2	78.9
40-44	4,316	2,183	2,133	3,429	2,058	1,371	79.4	94.3	64.3	40-44	309	151	158	266	144	122	85.4	97.1	74.8
45-49	4,137	2,098	2,039	3,331	1,951	1,380	80.5	93.0	67.7	45-49	321	161	160	270	151	119	84.4	95.6	73.4
50-54	4,149	2,078	2,071	3,193	1,899	1,294	77.0	91.4	62.5	50-54	310	157	154	249	145	104	79.5	93.8	65.6
55-59	3,262	1,625	1,638	2,275	1,377	898	69.7	84.7	54.8	55-59	272	136	135	197	121	76	72.4	88.5	56.2
60-64	2,360	1,151	1,209	1,363	832	531	57.8	72.3	43.9	60-64	214	106	108	128	82	46	58.1	74.6	41.7
65-69	1,930	874	1,057	840	488	352	43.5	55.9	33.3	65-69	129	62	67	53	34	19	38.6	52.6	26.3
70-74	1,758	763	995	586	329	257	33.3	43.2	25.8	70+	250	106	144	34	23	11	13.1	20.7	7.4
75+	2,242	820	1,422	395	206	190	17.6	25.1	13.3	15-64	2,813	1,392	1,421	2,033	1,121	912	72.3	80.5	64.2
15-64	35,652	17,872	17,780	23,679	13,869	9,811	66.4	77.6	55.2	65+	379	169	210	87	57	30	22.0	32.4	13.7
65+	5,930	2,457	3,474	1,821	1,023	799	30.7	41.6	23.0	Total (15+)	3,192	1,561	1,631	2,120	1,178	942	66.6	76.0	57.7
Total (15+)	41,582	20,328	21,254	25,501	14,892	10,609	61.3	73.3	49.9										

Thailand ⁹									
Age group	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
15-19	5,029	2,575	2,454	1,268	839	429	25.2	32.6	17.5
20-24	5,242	2,676	2,566	3,603	2,091	1,512	68.7	78.1	58.9
25-29	5,252	2,669	2,583	4,603	2,532	2,070	87.6	94.9	80.2
30-34	5,318	2,683	2,636	4,836	2,580	2,255	90.9	96.2	85.6
35-39	5,418	2,672	2,746	4,973	2,591	2,382	91.8	97.0	86.7
40-49	10,901	5,254	5,647	9,873	5,070	4,803	90.6	96.5	85.0
50-59	8,821	4,215	4,606	7,310	3,881	3,429	82.9	92.1	74.5
60+	8,719	3,821	4,898	3,378	1,893	1,484	38.7	49.5	30.3
Total (15+)	54,700	26,565	28,135	39,842	21,479	18,364	72.8	80.9	65.3

Sources : OECD countries : OECD.Stat Extracts(<http://stats.oecd.org/>), September 2013Others : ILO LABORSTA(<http://laborsta.ilo.org/>)

Note : 1) This covers the population that has resided in Japan and does not include diplomats from other countries or U.S. military personnel stationed in Japan. Members of the Self-defence Forces and inmates of imprisoned facilities are included.

2) Compiled from the Current Population Survey (CPS) by the U.S. Department of Commerce. This covers the population that is 16 years of age or older and does not include military personnel, inmates of correctional facilities, diplomats from other countries or U.S. citizens residing abroad.

3) Compiled from the "Labour Force Survey" by the U.K. Office for National Statistics. This covers the population that is 16 years of age or older. Professional soldiers are included, but drafted soldiers are not.

4) Compiled from the "Microcensus" by the Federal Statistical Office of Germany. This covers the domestic residents including military personnel.

5) Compiled from the "Labour Force Survey" by Institut national de la statistique et des etudes economiques (INSEE)

6) Compiled from the quarter "Labour Force Survey" by the Istituto Nazionale di Statistica (Istat). It includes military personnel.

7) Inhabitant population based upon the "Labour Force Survey" by the National Statistical Office of South Korea. This covers domestic residents and does not include military personnel.

8) Compiled from the "Labour Force Survey" by the Ministry of Manpower of Singapore. This covers the population that has nationality and permanent residence status, and does not include tourists, transient residents or commuters from other countries.

9) Compiled from the "Labour Force Survey" by the National Statistical Office of Thailand.

Appendix 2 Part-time Employment as a Proportion of Total Employment

(%)

Country		1995	2000	2005	2008	2009	2010	2011	2012
JAPAN	Total	-	-	18.3	19.6	20.3	20.2	20.6	20.5
	Men	-	-	8.8	9.9	10.5	10.4	10.3	10.3
	Women	-	-	31.7	33.2	33.8	33.9	34.8	34.5
UNITED STATES OF AMERICA	Total	14.0	12.6	12.8	12.8	14.1	13.5	12.6	13.4
	Men	8.3	7.7	7.8	8.0	9.2	8.8	8.4	8.7
	Women	20.2	18.0	18.3	17.8	19.2	18.4	17.1	18.3
CANADA	Total	18.8	18.1	18.4	18.5	19.3	19.4	19.1	18.8
	Men	10.8	10.4	10.9	11.4	12.0	12.1	12.2	11.8
	Women	28.5	27.2	26.9	26.6	27.1	27.4	26.8	26.6
UNITED KINGDOM	Total	22.3	23.0	23.0	23.0	23.9	24.6	24.6	24.9
	Men	7.4	8.6	9.6	10.3	10.9	11.6	11.7	12.2
	Women	40.8	40.8	38.5	37.8	38.8	39.4	39.3	39.4
GERMANY	Total	14.2	17.6	21.5	21.8	21.9	21.7	22.1	22.1
	Men	3.4	4.8	7.3	7.9	7.9	7.9	8.5	8.7
	Women	29.1	33.9	38.8	38.5	38.3	37.9	38.0	37.8
FRANCE	Total	14.2	14.2	13.2	12.9	13.3	13.6	13.6	13.8
	Men	5.6	5.5	5.0	4.9	5.1	5.7	5.9	5.9
	Women	24.8	24.9	22.6	21.9	22.5	22.4	22.1	22.4
ITALY	Total	10.5	12.2	14.6	15.9	15.8	16.3	16.7	17.8
	Men	4.8	5.7	5.3	6.1	5.9	6.3	6.6	7.5
	Women	21.1	23.4	28.8	30.6	30.5	31.1	31.3	32.3
SWEDEN	Total	15.1	14.0	13.5	14.4	14.6	14.5	14.3	14.3
	Men	6.8	7.3	8.5	9.6	10.0	10.1	10.1	10.3
	Women	24.1	21.4	19.0	19.6	19.8	19.4	19.0	18.6
REPUBLIC OF KOREA	Total	4.3	7.0	9.0	9.3	9.9	10.7	13.5	10.2
	Men	2.8	5.1	6.5	6.5	6.9	7.2	10.0	6.8
	Women	6.6	9.8	12.5	13.2	14.2	15.5	18.5	15.0
AUSTRALIA	Total	-	-	24	23.8	24.7	24.9	24.7	24.6
	Men	-	-	12	12.3	13.2	13.5	13.2	13.1
	Women	-	-	38.7	37.7	38.3	38.6	38.5	38.4

Source : OECD database "Labour Force Statistics" (<http://stats.oecd.org/>), September 2013

Note : The figures refers to those who usually work less than 30 hours per week in their main job. Figures for Japan are based on actual working hours. Figures for the United States of America are for wage and salaried workers.

Appendix 3 Unemployment Rates (Officially Published National Sources)

(%)

Country or region	1995	2000	2005	2008	2009	2010	2011	2012
JAPAN	3.2	4.7	4.4	4.0	5.1	5.1	4.6	4.3
UNITED STATES OF AMERICA ¹⁾	5.6	4.0	5.1	5.8	9.3	9.6	8.9	8.1
CANADA ²⁾	9.5	6.8	6.8	6.1	8.3	8.0	7.4	7.2
UNITED KINGDOM ¹⁾	8.5	5.4	4.8	5.6	7.6	7.8	8.0	7.9
GERMANY ³⁾	8.3	8.0	11.3	7.5	7.8	7.1	5.9	5.5
FRANCE ⁴⁾	10.5	9.0	9.3	7.8	9.5	9.7	9.6	10.3
ITALY ⁵⁾	11.2	10.0	7.7	6.7	7.8	8.4	8.4	10.7
SWEDEN ⁶⁾	8.8	5.6	7.7	6.2	8.3	8.6	7.8	8.0
RUSSIA ⁷⁾	9.5	10.6	7.1	6.2	8.3	7.3	6.5	5.5
CHINA ⁸⁾	2.9	3.1	4.2	4.2	4.3	4.1	4.1	4.1
CHINA, HONG KONG SAR	3.2	4.9	5.6	3.5	5.3	4.3	3.4	3.3
TAIWAN	1.8	3.0	4.1	4.1	5.9	5.2	4.4	4.2
REPUBLIC OF KOREA	—	4.4	3.7	3.2	3.6	3.7	3.4	3.2
SINGAPORE ⁹⁾	2.2	3.7	4.1	3.2	4.3	3.1	2.9	2.8
MALAYSIA ¹⁰⁾	3.1	3.0	3.5	3.3	3.7	3.3	3.1	3.0
THAILAND ¹¹⁾	1.7	3.6	1.8	1.4	1.5	1.0	0.7	0.7
INDONESIA ¹²⁾	—	6.1	11.2	8.4	7.9	7.1	6.6	6.1
PHILIPPINES ¹³⁾	9.5	11.2	7.8	7.4	7.5	7.4	7.0	7.0
AUSTRALIA ¹⁴⁾	8.5	6.3	5.0	4.3	5.6	5.2	5.1	5.2
NEW ZEALAND ¹⁵⁾	6.5	6.1	3.8	4.2	6.1	6.5	6.5	6.9
BRAZIL ¹⁶⁾	6.1	9.4	9.9	7.9	8.1	6.7	6.0	5.5

Sources : Japan- Statistics Bureau, Ministry of Internal Affairs and Communications, *Annual Labour Force Survey* (2013)

U.S.- U.S. Department of Labor, LFS from the Current Population Survey (2013)

EU- Eurostat Database "LFS main indicators" (2013)

Others : ILO LABORSTA (<http://laborsta.ilo.org/>) as of 2013 or each government website

Appendix 4 Wages, Manufacturing

(Total)

Country or region		1995 Year	2000	2005	2008	2009	2010	2011	2012	Note ¹⁾	
Japan ²⁾	Yen/month		357,524	371,452	380,885	374,362	349,603	362,340	368,340	372,073	
	Yen/day	JPN	17,699	18,573	19,140	19,003	18,400	18,487	18,889	18,887	E e
	Yen/hour		2,176	2,266	2,303	2,288	2,269	2,244	2,288	2,276	
United States of America ³⁾	US \$/h	USA	12.34	14.32	16.56	17.75	18.24	18.61	18.93	19.08	E e
Canada	CA \$/h	CAN	16.34	17.55	19.87	21.90	22.65	23.06	22.96	23.61	E e
United Kingdom ⁴⁾	Pound/h	GBR	7.03	8.79	11.02	12.09	12.3	12.63	13.15	13.33	E e
Germany ⁵⁾	Euro/h	DEU	25.73	27.78	15.60	19.51	19.59	20.11	20.43	21.03	E e
France ⁶⁾	Euro/h	FRA	12.6	14.1	16.4	17.9	—	16.63	—	—	E e
Italy ⁷⁾	Index	ITA	—	9.93	11.36	—	—	12.96	—	—	R w
Sweden	Krona/h	SWE	107.0	111.3	129.9	145.2	145.6	149.8	154.7	157.5	E w
Russia	Ruble/m	RUS	454	2,365	8,421	16,050	16,583	19,078	21,781	24,512	E e
China ⁸⁾	Yuan/m	CHN	5,169	8,750	15,934	24,404	26,810	30,916	36,665	41,650	E e
Hong Kong	HK \$/m	HKG	9,508	11,870	9,800	10,750	10,500	11,000	12,000	12,000	E e
Republic of Korea ⁹⁾	1,000 Won/m	KOR	870	1,228	1,825	2,168	2,163	2,274	2,532	2,503	E e
Singapore	SG \$/m	SGP	2,157	3,036	3,495	3,955	3,966	4,263	4,388	3,300	E e
Thailand	Baht/m	THA	4,994	5,839	6,420	7,873	7,519	7,495	8,066	9,392	E e
Philippines	Peso/d	PHL	6,654	226	248	290	300	311	316	330	R e
India	Rupee/m	IND	1,211	1,281	159	209	318	—	—	—	E w
Australia	AU \$/w	AUS	678	803	1,030	1,151	1,174	1,211	1,269	1,283	E e
New Zealand	NZ \$/h	NZL	15.58	15.64	18.67	22.45	23.40	22.79	23.92	24.85	E e
Brazil	Real/m	BRA	631	763	—	—	—	—	1,268	1,406	E e

Sources : Japan- Ministry of Health, Labour and Welfare, Monthly Labour Survey, 2012

France, Italy- Eurostat Database "Structure of Earnings Survey" as of Dec. 2013

China- National Bureau of Statistics of the People's Republic of China "China Annual Statistics 2013"

Republic of Korea- Ministry of Employment and Labor, as of Nov. 2013

Thailand- (figures for 2005-) National Statistical Office "Labour Force Survey" (2013)

India- (figures for 2005-) Ministry of Statistics and Programme Implementation "NSS Report, Employment and Unemployment in India"

Others- ILO Database and each government website

Notes : 1) E= Earnings, R= Wage rate, e= Employees (wage workers and salary employees), w= Wage workers (hourly/ daily wage workers)

2) Regular workers of the business institutions employing 5 or more workers in the monthly labor surveys (full-time / part-time workers) : bonus and other specially-paid wages are included. The working hours refer to the total hours actually worked.

3) Production workers of the private sector (excluding managerial workers)

4) It covers full-time workers who are the age of 16 or over.

5) Column on 1995 is the value for 1996. Family allowances paid directly by employers are included. Values for 2000 or earlier are shown in DEM. EUR1.00=DEM1.95583.

6) Column on 1995 is the value for 1996, on 2005 for 2004, on 2008 for 2007.

7) Column on 2000 is the value for 2002, on 2005 for 2006.

8) Unit of operation is state, cities, and others.

9) Unit 1,000 won; business institutions with 10 regular employees or more.

Appendix 5 Average Annual Hours Actually Worked per Person in Employment

Year	Japan	United States	United Kingdom	Germany	France
1990	2,031	1,831	1,765	1,578	1,644
1995	1,884	1,844	1,731	1,529	1,590
2000	1,821	1,836	1,700	1,471	1,523
2001	1,809	1,814	1,705	1,453	1,514
2002	1,798	1,810	1,684	1,441	1,476
2003	1,799	1,800	1,674	1,436	1,473
2004	1,787	1,802	1,674	1,436	1,501
2005	1,775	1,799	1,673	1,431	1,495
2006	1,784	1,800	1,669	1,424	1,473
2007	1,785	1,798	1,677	1,422	1,485
2008	1,771	1,792	1,659	1,422	1,492
2009	1,714	1,767	1,651	1,383	1,472
2010	1,733	1,778	1,652	1,407	1,480
2011	1,728	1,787	1,625	1,406	1,482
2012	1,745	1,790	1,654	1,397	1,479

Source : OECD Database "Average annual hours actually worked per worker" Sep. 2013

Notes : Germany's value for 1990 is in the area of previous West Germany.

Appendix 6 Trade Union Membership and Density Rates (National Official Statistics)

(thousands, %)

Country	1995	2000	2005	2008	2009	2010	2011	2012
Japan¹⁾								
Membership	12,614	11,539	10,138	10,065	10,078	10,054	9,961	9,892
Density rates	23.8	21.5	18.7	18.1	18.5	18.5	18.1	17.9
United States of America								
Membership	16,360	16,258	15,685	16,098	15,327	14,715	14,764	14,366
Density rates	14.9	13.5	12.5	12.4	12.3	11.9	11.8	11.3
United Kingdom								
Membership	7,113	7,119	7,050	6,869	6,710	6,530	6,396	6,455
Density rates	32.4	29.8	28.6	27.4	27.4	26.6	26.0	26.0
Germany²⁾								
Membership	11,242	9,740	8,344	7,927	7,831	7,737	7,702	7,697
Density rates	36.0	29.0	22.8	20.5	20.3	19.9	19.3	19.2
France								
Membership	1,780	1,781	1,779	1,807	1,857	1,850	—	—
Density rates	8.7	8.0	7.7	7.6	7.9	7.8	—	—
Republic of Korea								
Membership	1,615	1,526	1,506	1,666	1,640	1,643	1,720	1,781
Density rates	13.8	12.0	10.3	10.5	10.1	9.8	10.1	10.3
Singapore								
Membership	235	315	450	517	526	550	588	613
Density rates	—	14.5	19.4	17.5	17.6	17.7	18.2	18.3
Malaysia								
Membership	707	734	761	806	807	803	800	890
Density rates	9.2	7.9	7.6	7.6	7.4	6.8	6.5	7.0
Philippines								
Membership	3,587	3,788	1,910	1,942	1,985	1,714	1,779	1,833
Density rates	30.2	27.2	11.7	10.9	10.6	8.7	8.7	8.5
Australia								
Membership	2,252	1,902	1,912	1,753	1,835	1,788	1,835	1,840
Density rates	32.7	24.7	22.4	18.9	19.7	18.3	18.4	18.2

Sources : Japan, Ministry of Health, Labour and Welfare, *Basic Survey on Labour Unions*, 2012

U.S., U.S. Bureau of Labor Statistics (Jan.2013) *Union Members in 2012*

U.K., Department for Business (May.2013) *Trade Union Membership 2012*

Germany, Hans Böckler Stiftung, as of Jan.2014

France, OECD Database, as of Nov.2013

Republic of Korea, Ministry of Labor, as of Dec.2013

Singapore, Ministry of Manpower, as of Nov.2013

Malaysia, Ministry of Human Resources, as of Dec.2013

Philippines, Bureau of Labor and Employment Statistics, as of Dec.2013

Australia, Australian Bureau of Statistics (May 2013) *Employee Earnings, Benefits and Trade Union Membership*

Notes : 1) Because of the Great East Japan Earthquake, density rate in 2011 is calculated by figures for reference purpose.

2) The membership consists of the DGB (Deutscher Gewerkschaftsbund), DBB (Deutschen Beamtenbundes) and CGB (Christlicher Gewerkschaftsbund). In an f after 2004, the membership of the CGB is estimated to be approximately 300,000, though the actual number is unknown.

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