

## 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

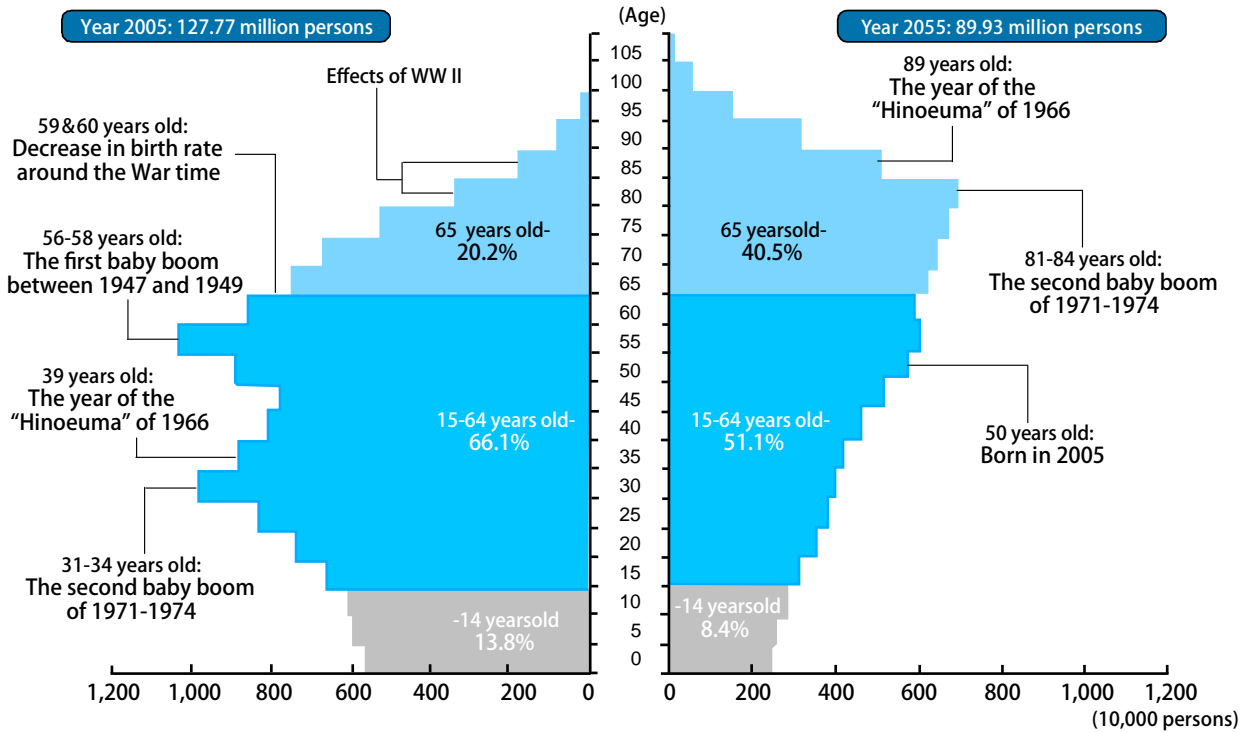
Saitama, Chiba, and Kanagawa, and Tokyo.

## 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.)

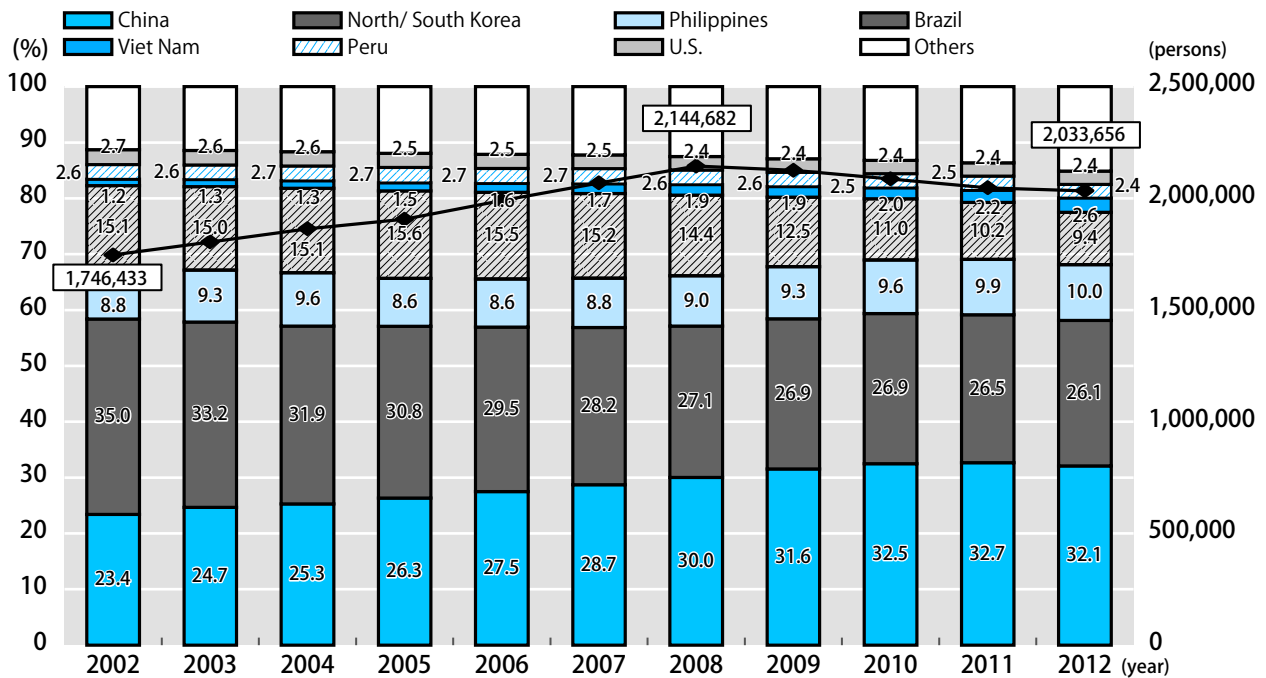
With regard to the breakdown of this, in the past, North and South Koreans accounted for the vast majority of Japan’s resident aliens. Their share has been decreasing, however, and as of the end of 2012, they accounted for 26.1% of the foreign population, a record low (see Figure II-2). On the other 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.

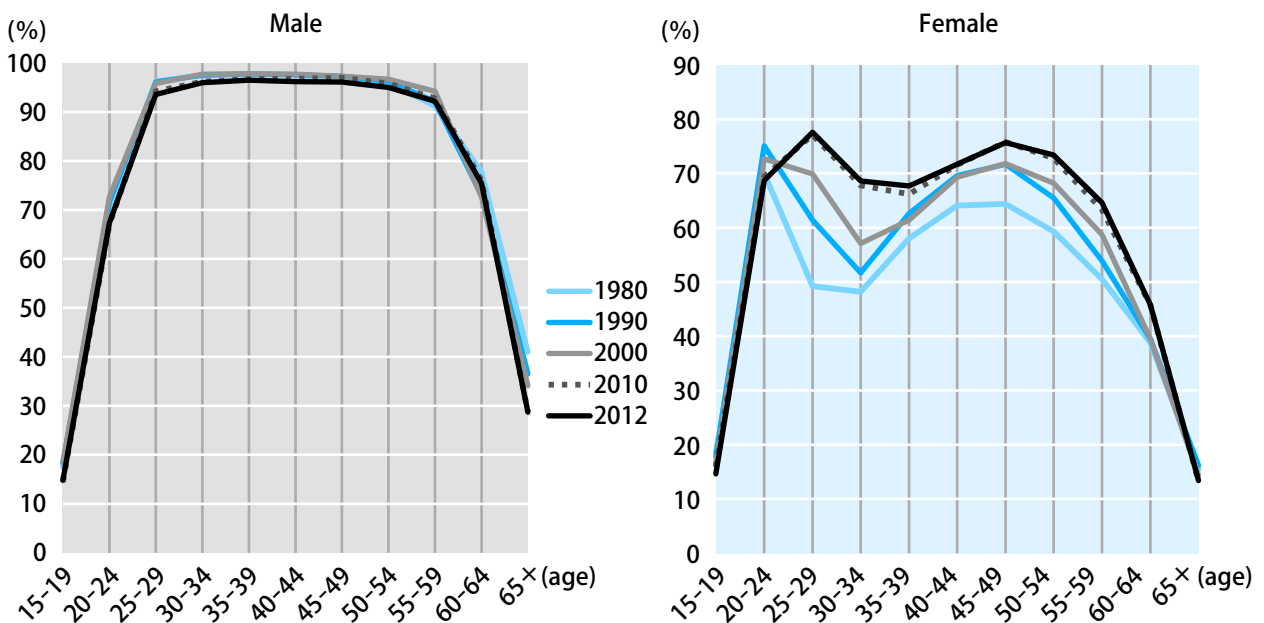
Thus, although women's participation in employment has progressed, the increase in employed females is due to an increase in the number of non-regular workers, among other factors (Ministry of Health, Labour and Welfare, 2012 Analysis of Labor Economy).

**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**

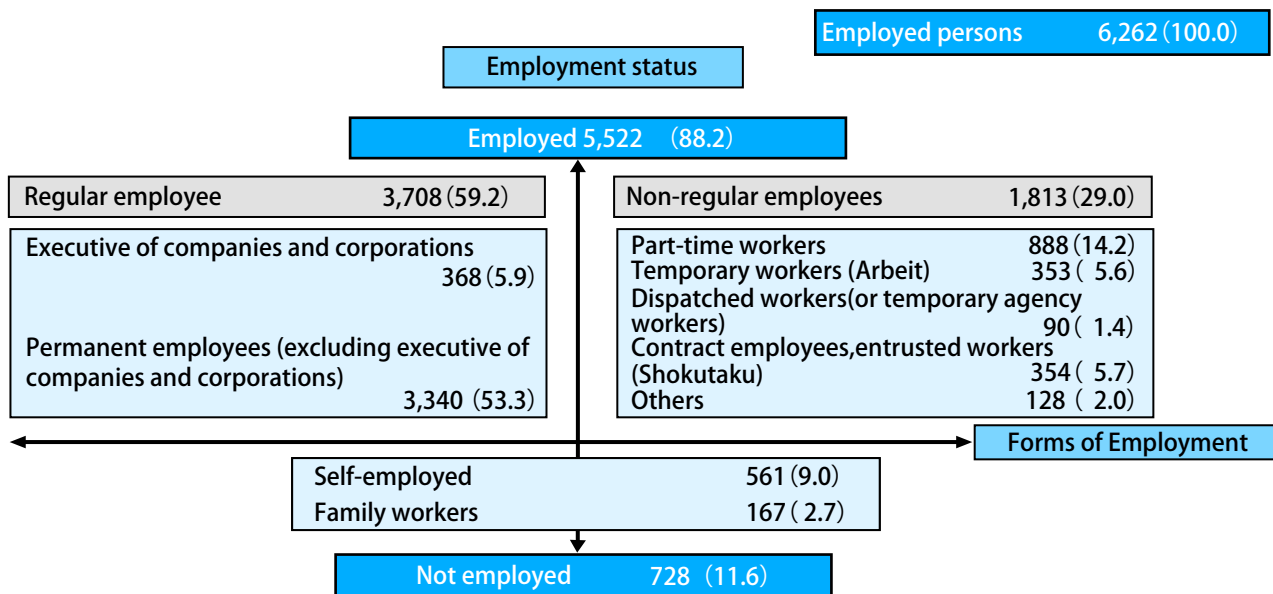
A second recent feature of employment in Japan has been the upward trend in unemployment. From the 1970s to the end of the 1980s, the overall unemployment rate remained between around 2% and 3% as it bobbed around slightly behind trends in the business cycle. Following the collapse of the bubble at the 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)

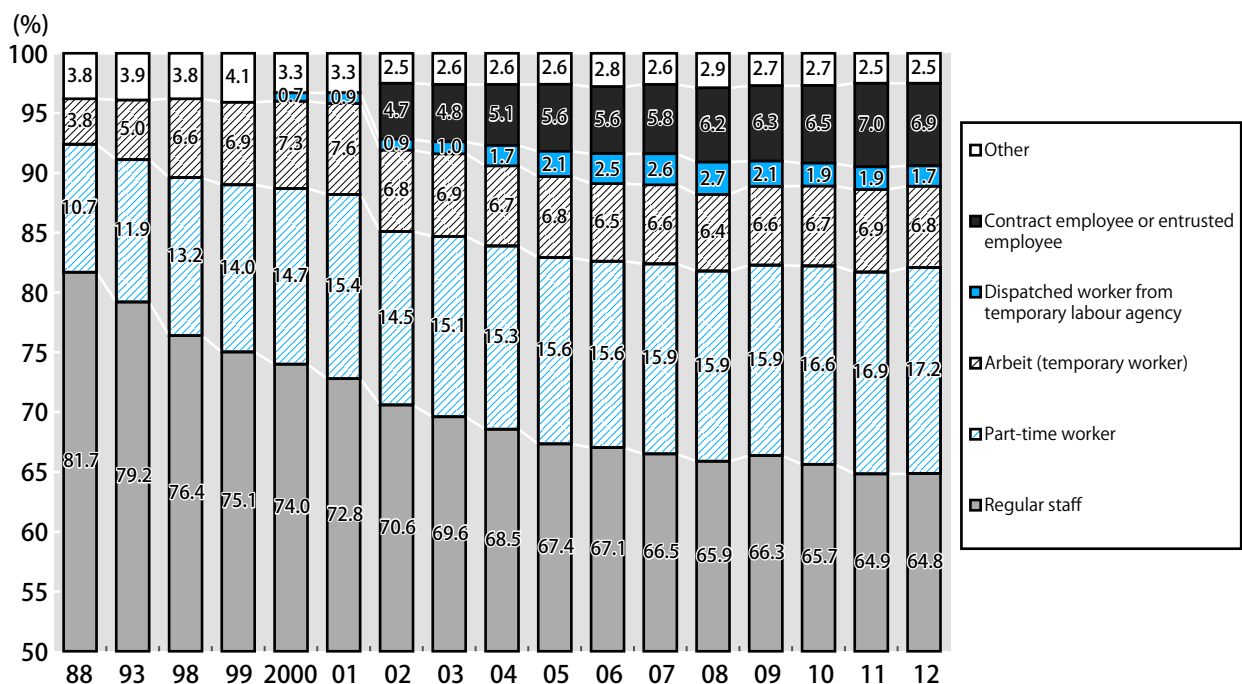


Source: Statistic Bureau, Ministry of Internal Affairs and Communications, *Labour Force Survey (Detailed Tabulation)*

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.

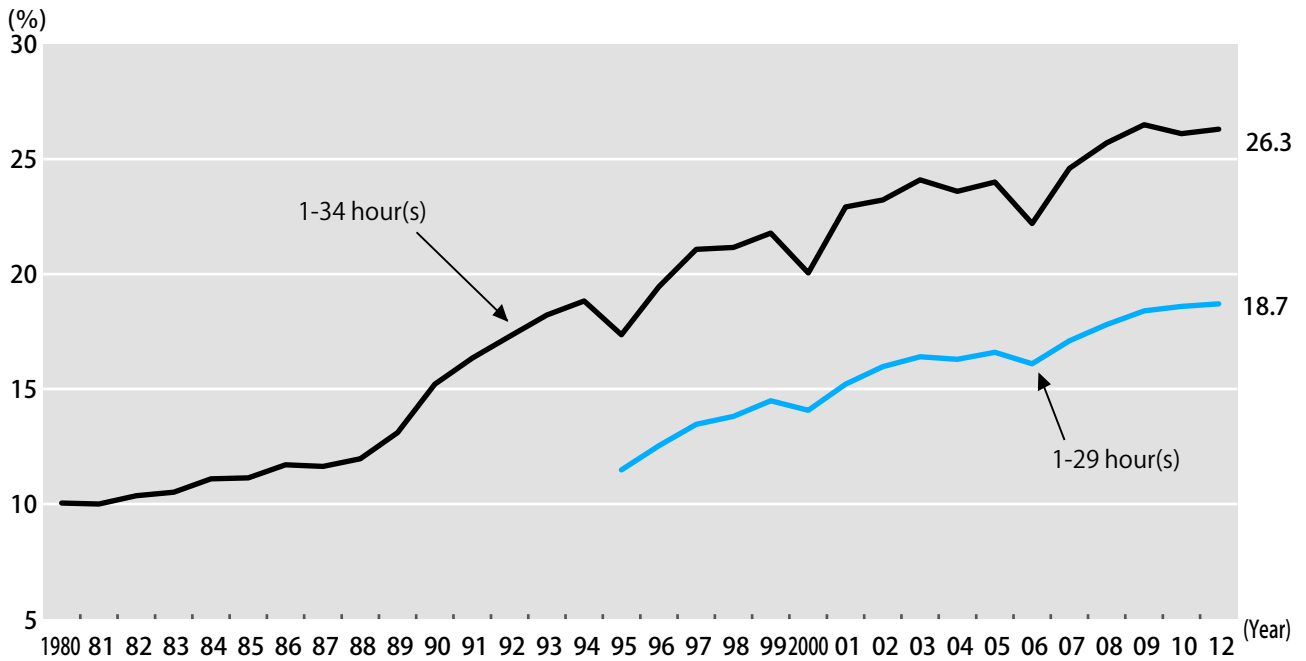
2) This is the share among employees other than board members.

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.



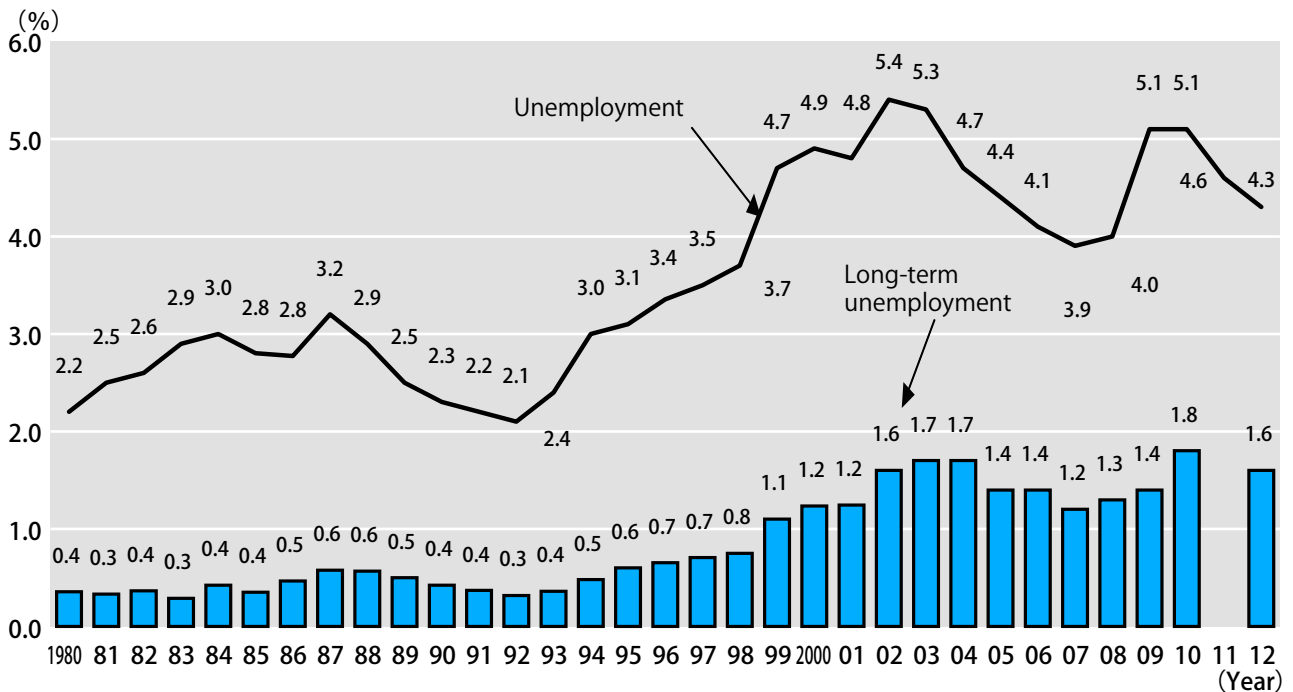
**Figure II-7 Breakdown of Non-agricultural/ Forestry Industry Employees by Working Hours**



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**



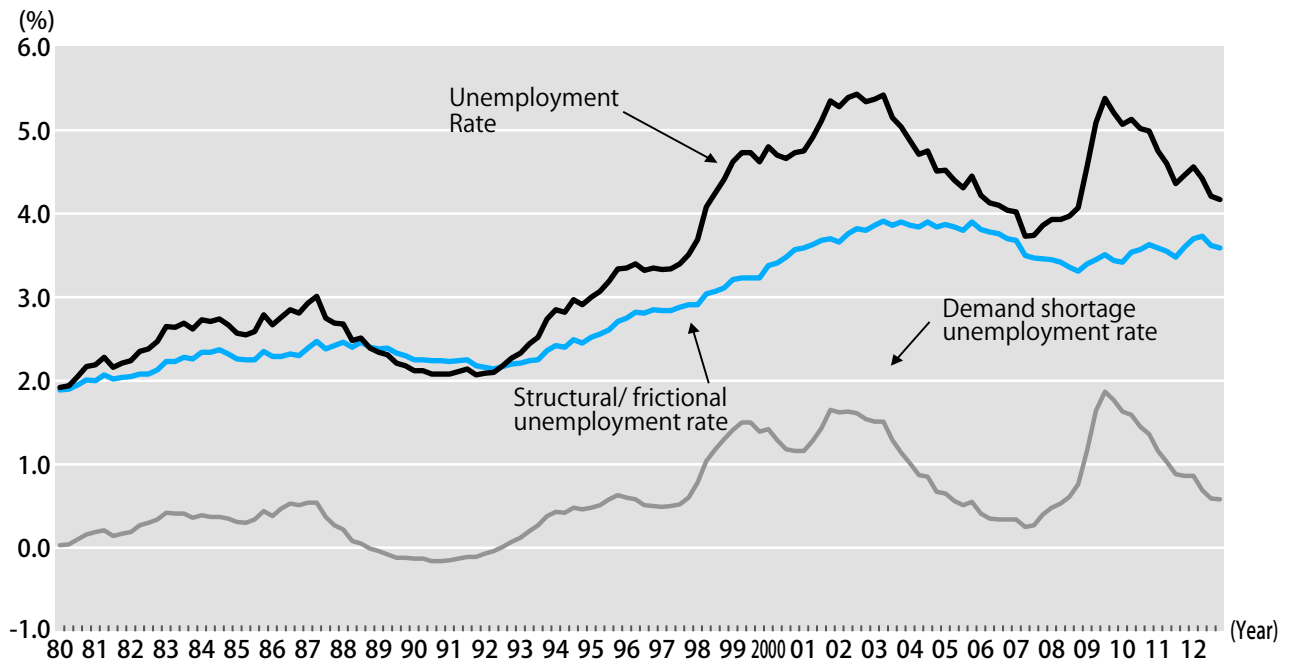
Sources: Statistic Bureau, Ministry of Internal Affairs and Communications, *Labour Force Survey*, *Special Survey of Labour Force Survey (1977-2001)*, *Labour Force Survey (Detailed Tabulation) (2002-2008)*

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.

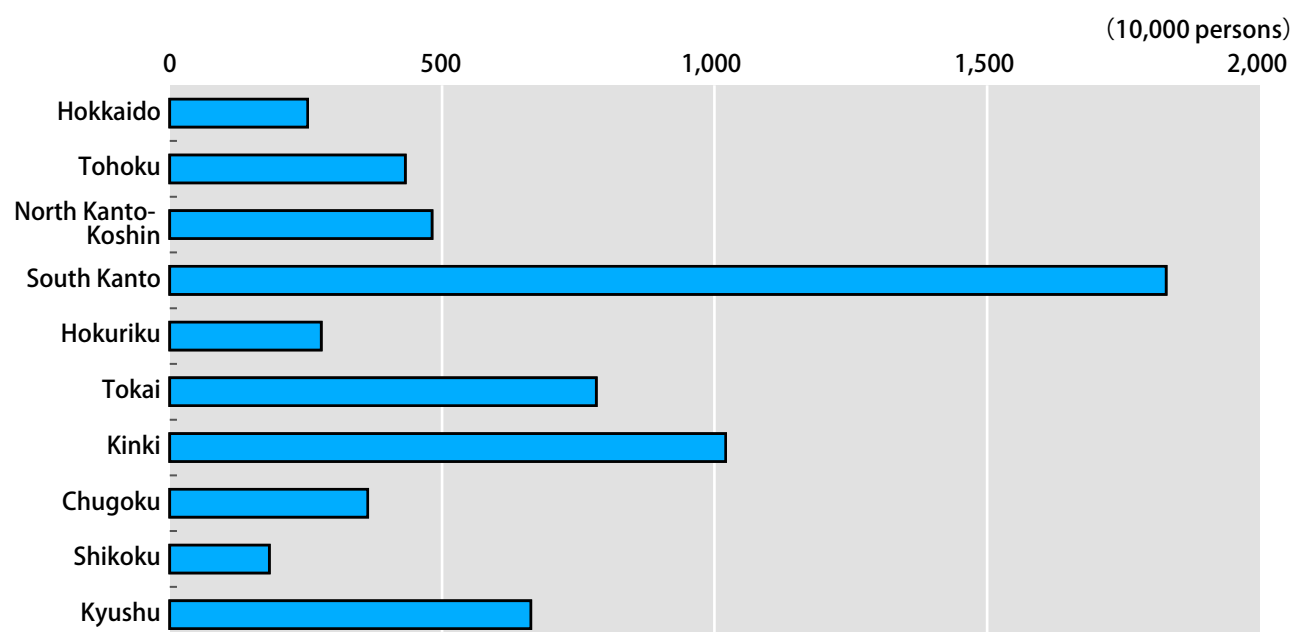
The effects of currency depreciation have also pushed up profits in the automotive and other export-oriented industries, accompanied by an upturn in the employment situation. Compared to April-June 2011, immediately after the disaster, the seasonally adjusted unemployment rate by region (except Chugoku 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*

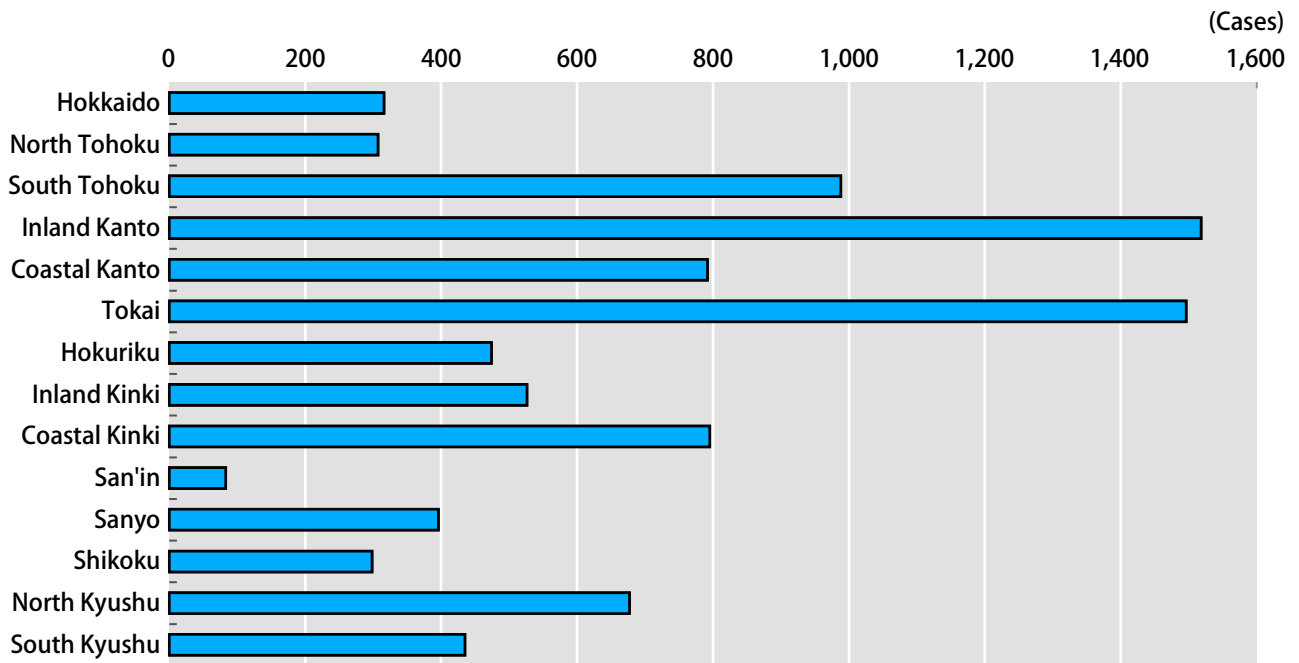
**Table II-11 Proportion of Employees by Industry as Seen in Each Region**

(%)

|                      | 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              |

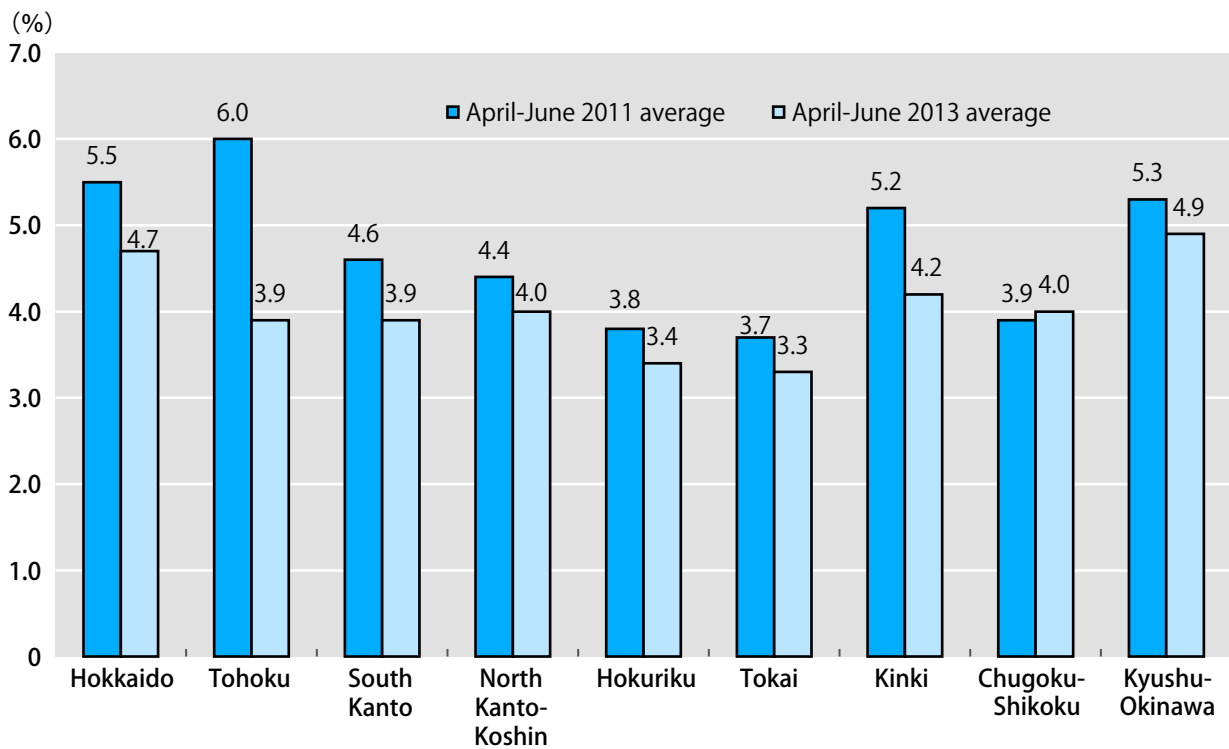
Source: Ministry of Internal Affairs and Communications, *Economic Census 2009*

**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 1973<sup>1</sup>. 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 2012<sup>2</sup>, 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.

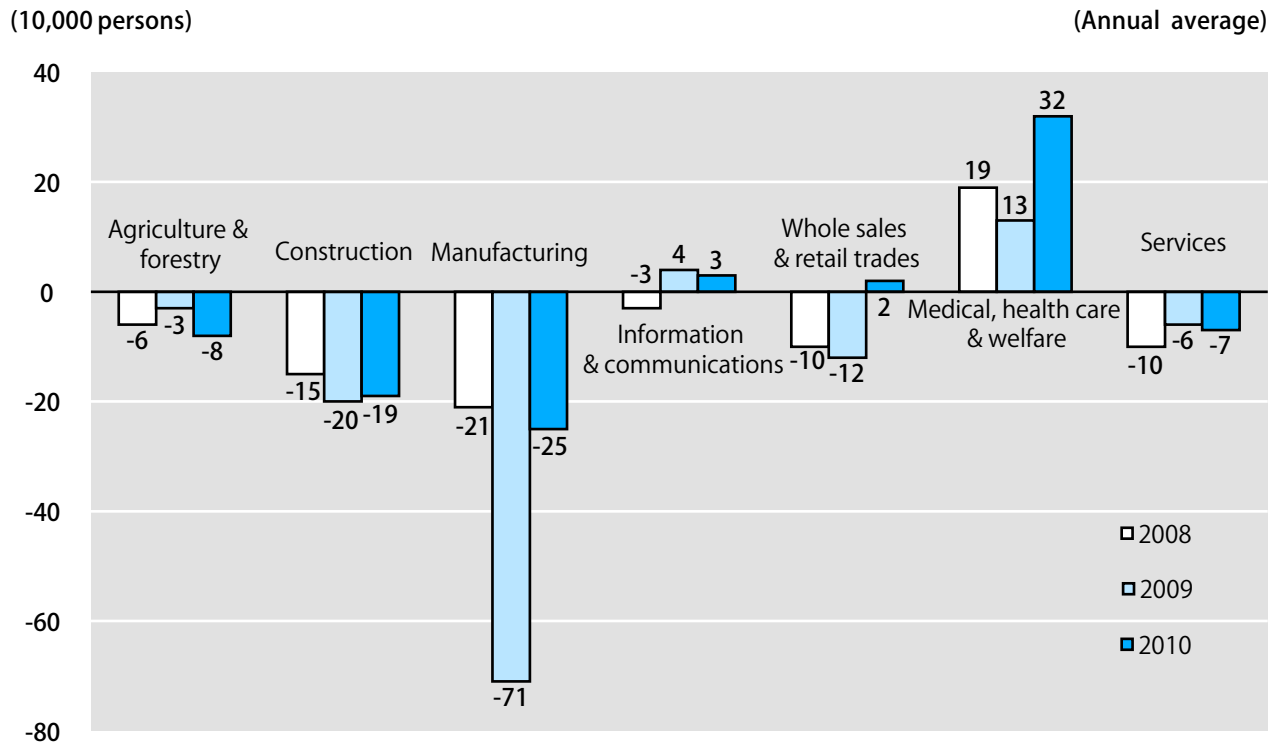
2) Secondary industries are Mining and quarrying of stone and gravel, Construction and Manufacturing.

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).

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

<sup>2</sup> 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 <sup>1)</sup> |                             |
|---------------------------------------------------------------------------|---------------------|-----------|----------------|-----------------------------|---------------------------|-----------------------------|
|                                                                           | 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 <sup>2)</sup> | 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. <sup>3)</sup>                                            | 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

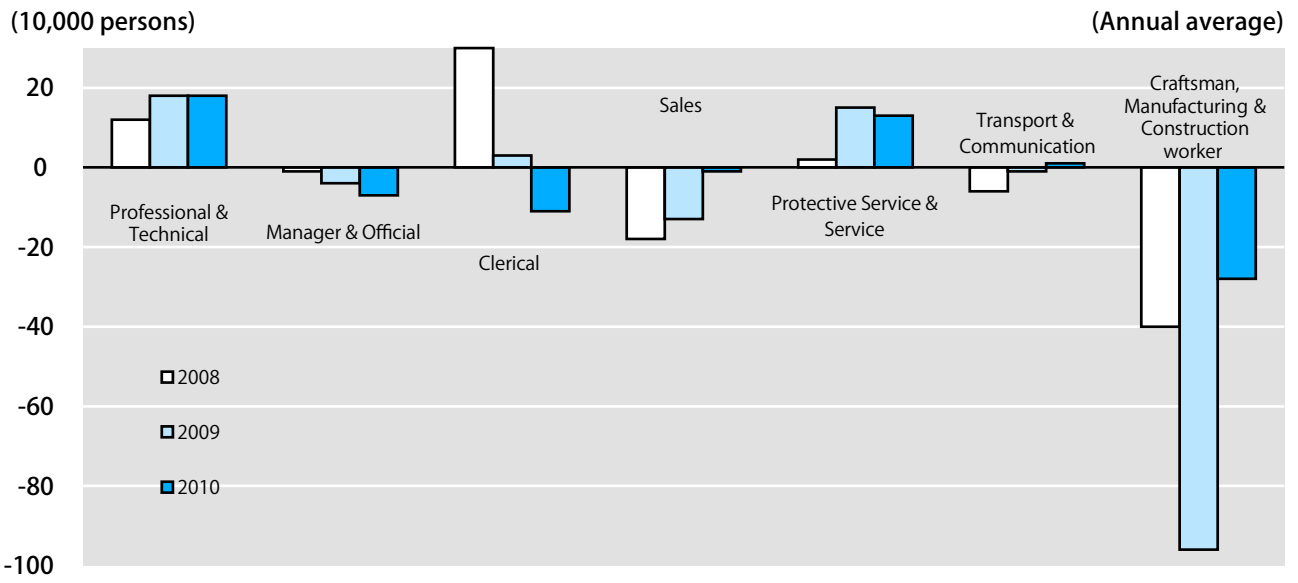
3) Excluding foreign official business

**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<br>(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<br>difference<br>(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 contact 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 objectives<sup>1</sup>. Principal points of revision include the fact that day labor dispatch was prohibited<sup>2</sup>, and that it was made mandatory for dispatching agencies to publish their margin of the dispatch fees paid to them by dispatch clients<sup>3</sup>.

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

<sup>1</sup> 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".

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

<sup>3</sup> "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 | Workers other than regular employees |                     |                     |                    |                   |                   |        |       |     |
|-------------------------------------------------------------|---------|---------------|--------------------------------------|---------------------|---------------------|--------------------|-------------------|-------------------|--------|-------|-----|
|                                                             |         |               | Form of employment                   |                     |                     |                    |                   |                   |        |       |     |
|                                                             |         |               | 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<br>(10,000 persons) | Proportion to employees excluding executives<br>(%) |
|------|-----------------------------------------------------|-----------------------------------------------------|
| 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**

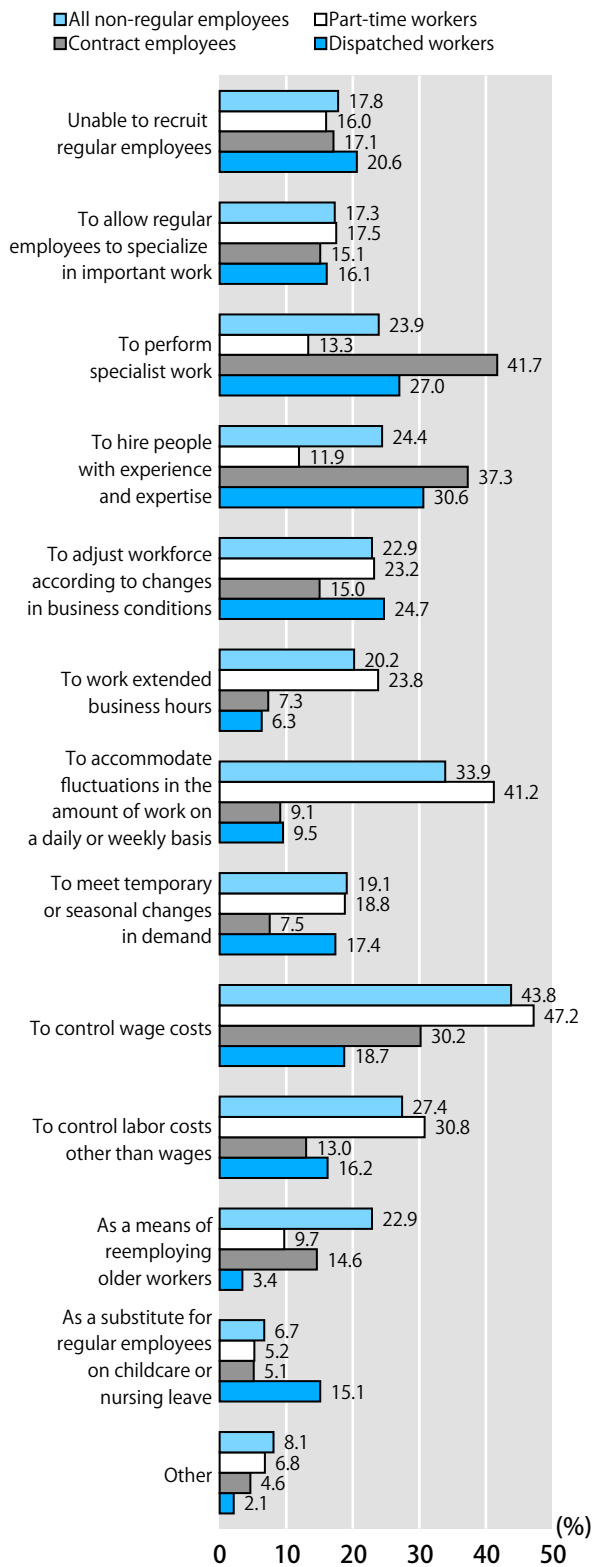
(%)

|               | 1990 | 1995 | 2000 | 2005 | 2010 |
|---------------|------|------|------|------|------|
| <b>Male</b>   |      |      |      |      |      |
| 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 |
| <b>Female</b> |      |      |      |      |      |
| 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)

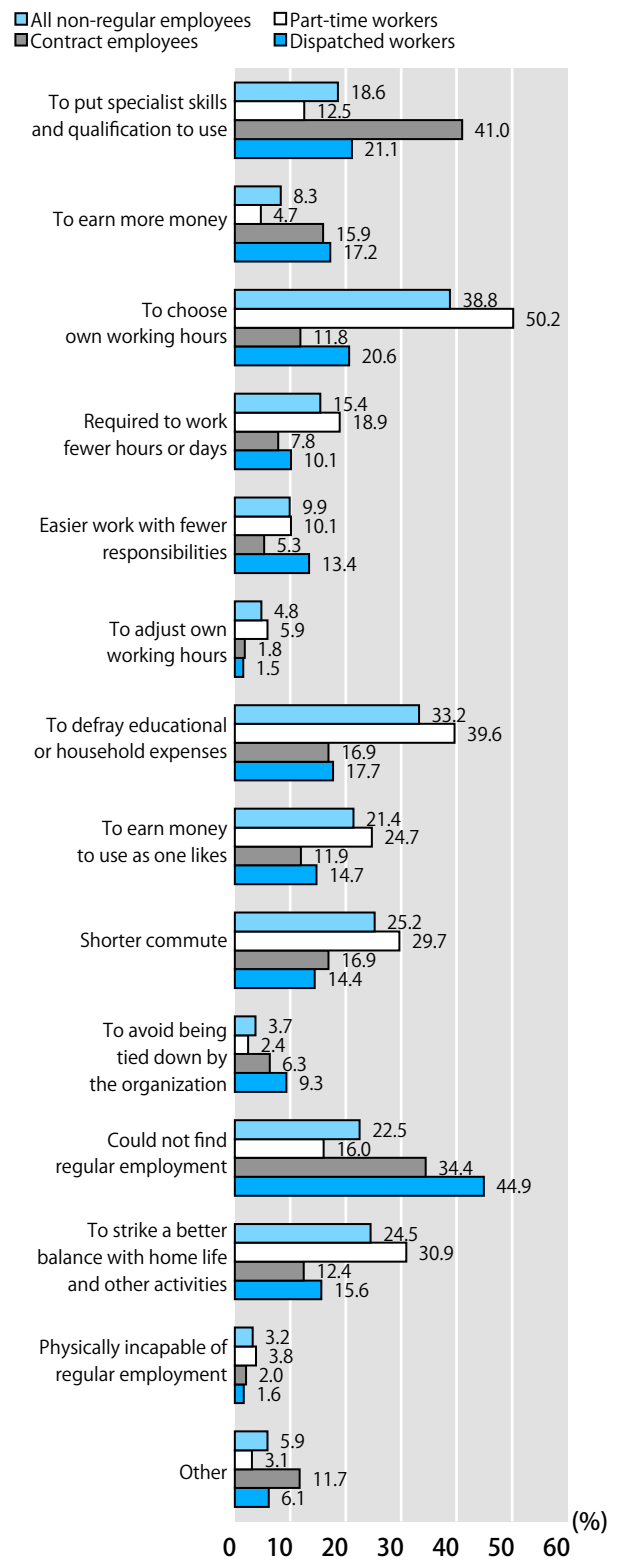
Note: The proportion of non-regular employees is the proportion of all non-agricultural/forestry employees excluding executives of companies and corporations who are part-time workers, entrusted workers, dispatched workers, or not otherwise classified (15-24 age group excludes school pupils and students).

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



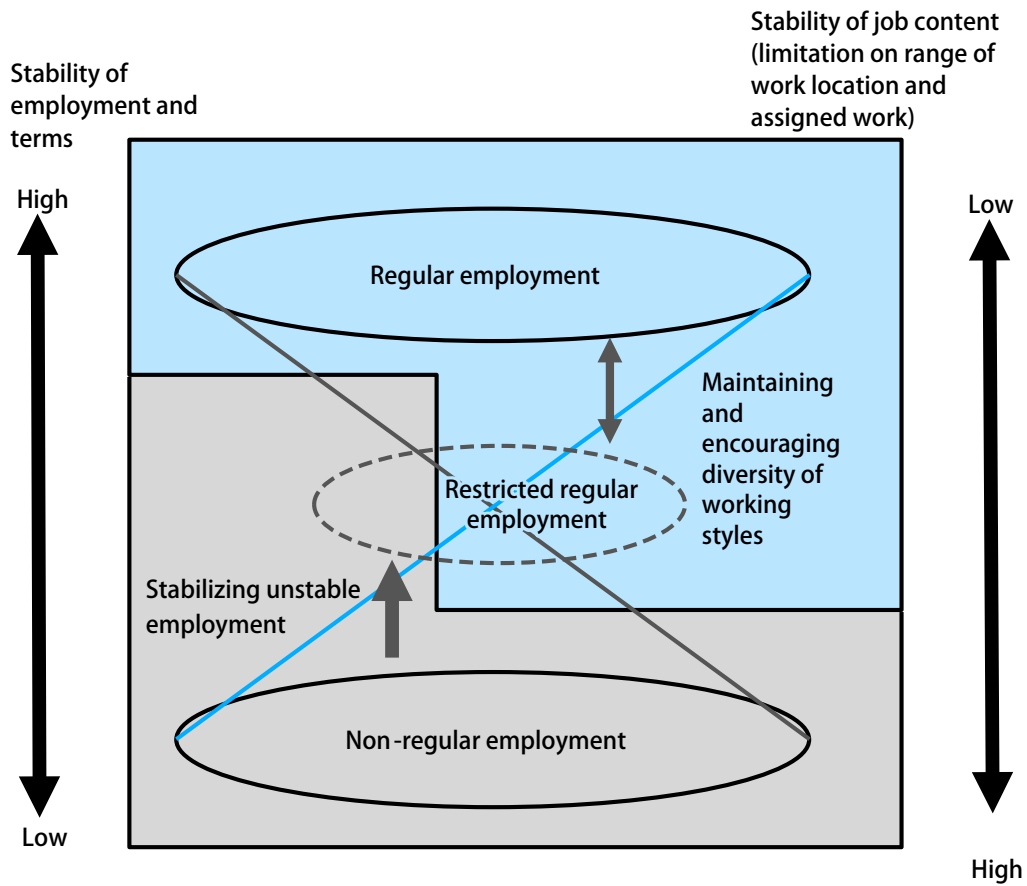
Source: Ministry of Health, Labour and Welfare, *Outline of the 2010 General Survey on Diversified Types of Employment*

**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

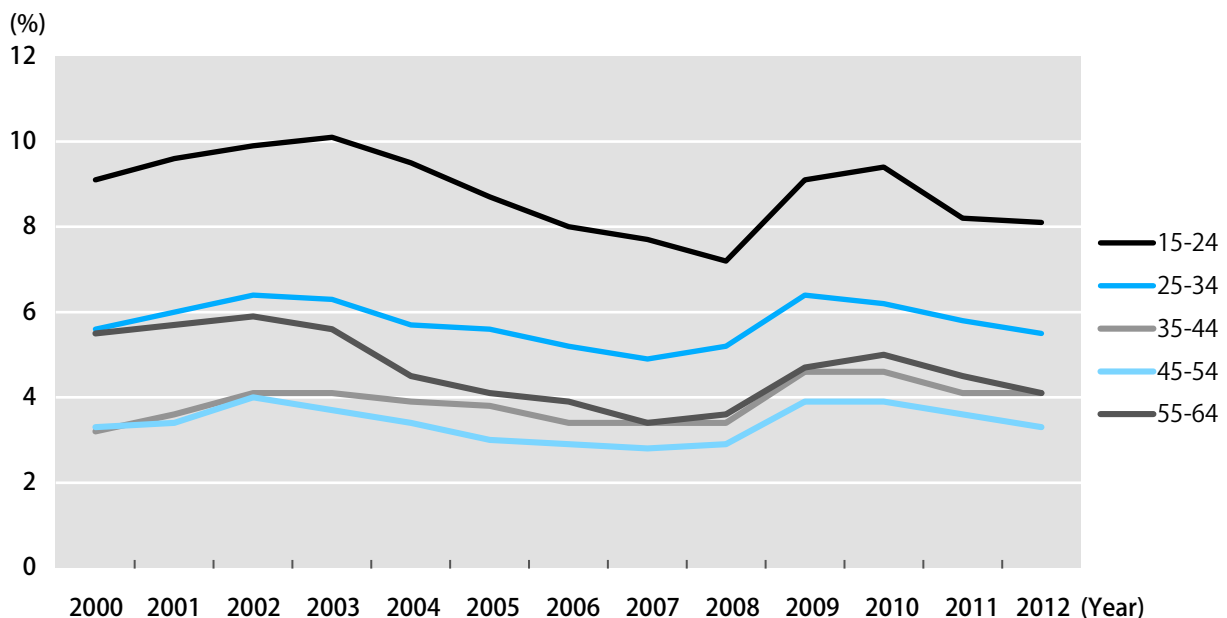
young, the labor market become polarized, even during the recovery, it was difficult for those who entered the labor market during the downturn to find stable employment.

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).

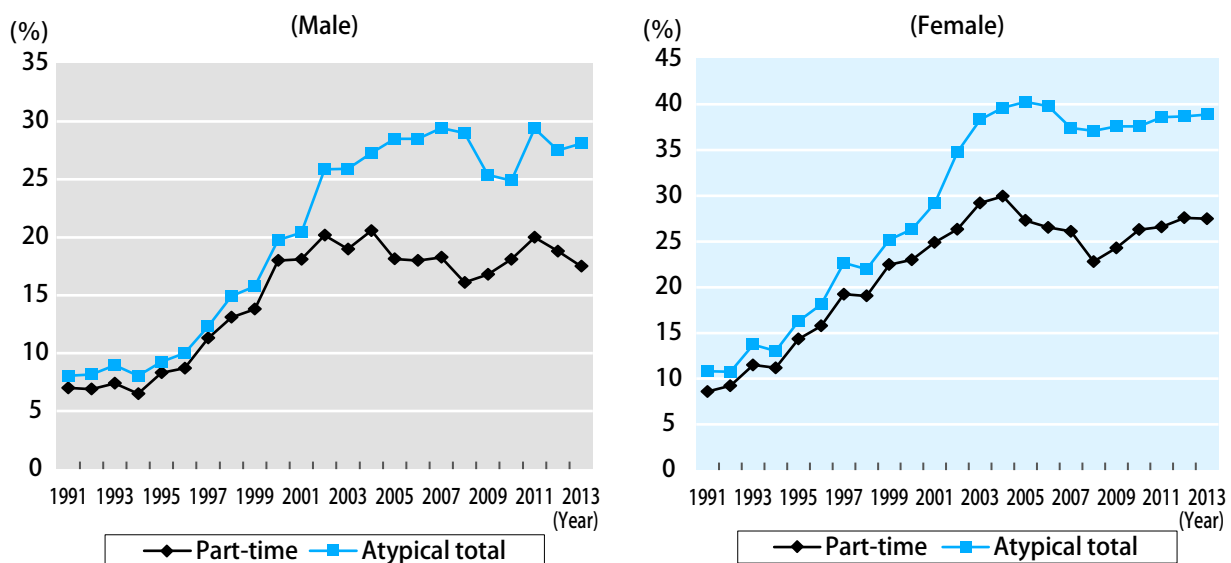
## Changes in Status of Employment

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

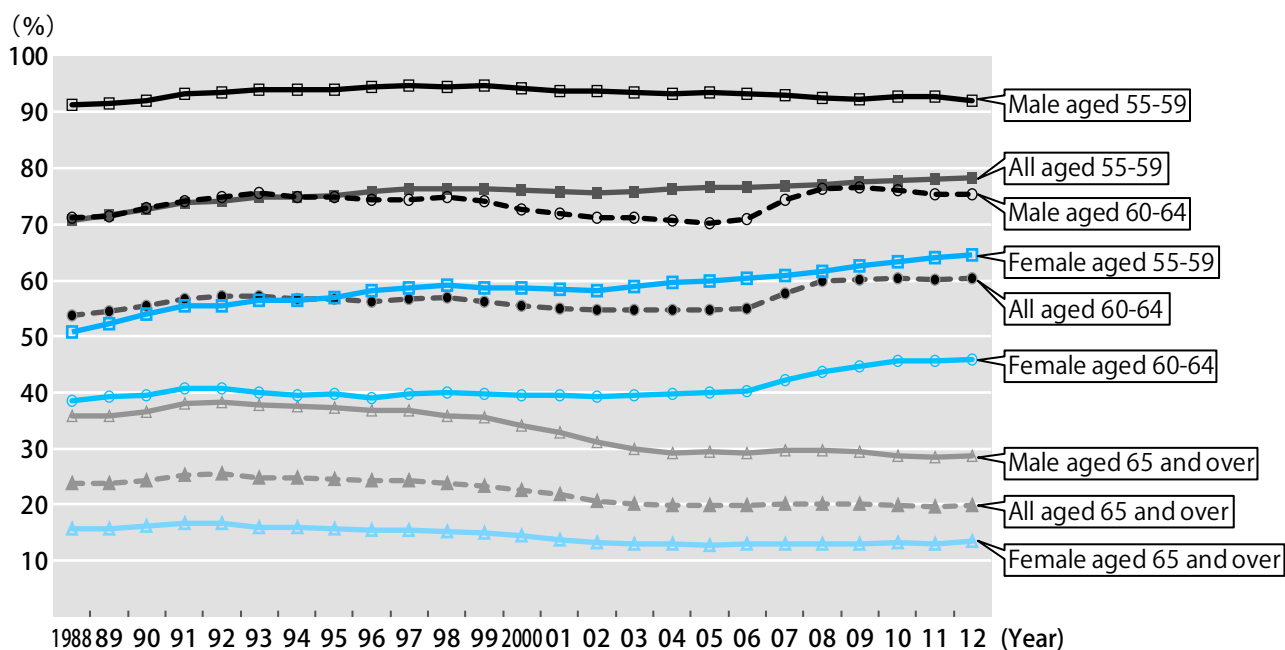
In line with the Act on Stabilization of Employment of Older Persons, “older persons” are defined in Japan as persons aged 55 or above, and we use the same definition in this section to outline the employment situation of older people divided into three age groups: 55- to 59-year olds, 60- to 64-year-olds,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

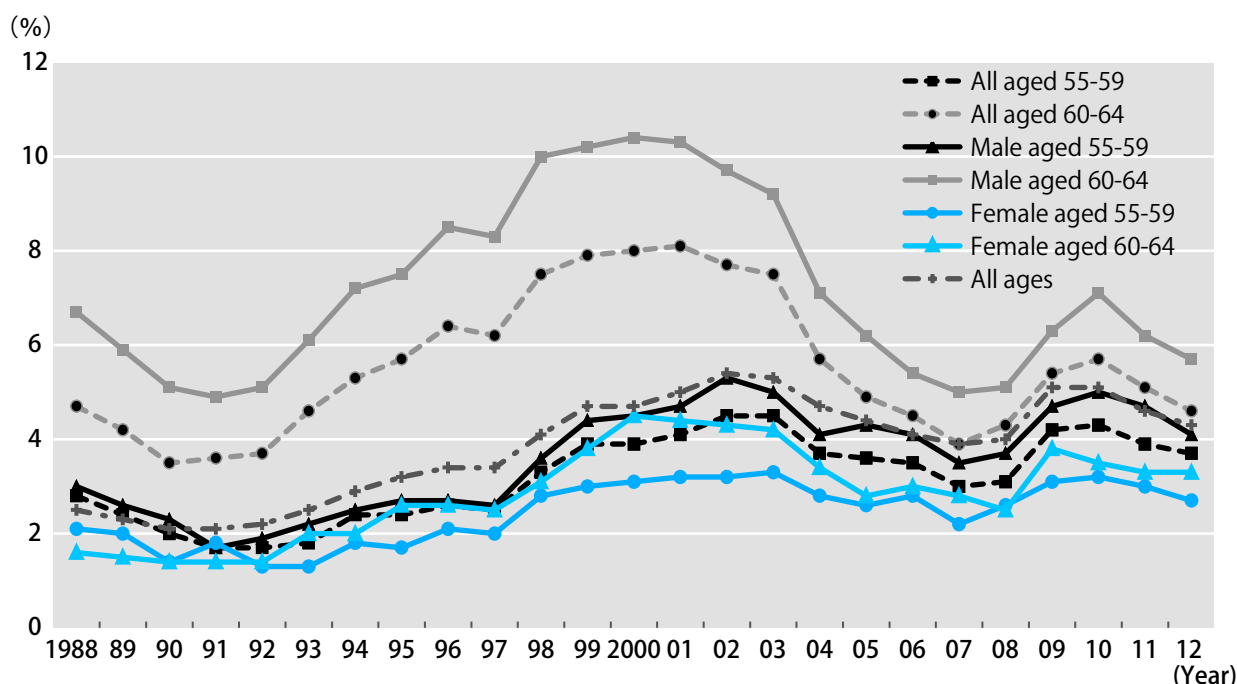
amid a harsh economic climate, but thereafter returned to a decrease. In comparison with the overall average of age group totals (4.3% in 2012), men in the 60-64 age group (5.7% in 2012) are significantly higher than the average, as is the total for men and

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

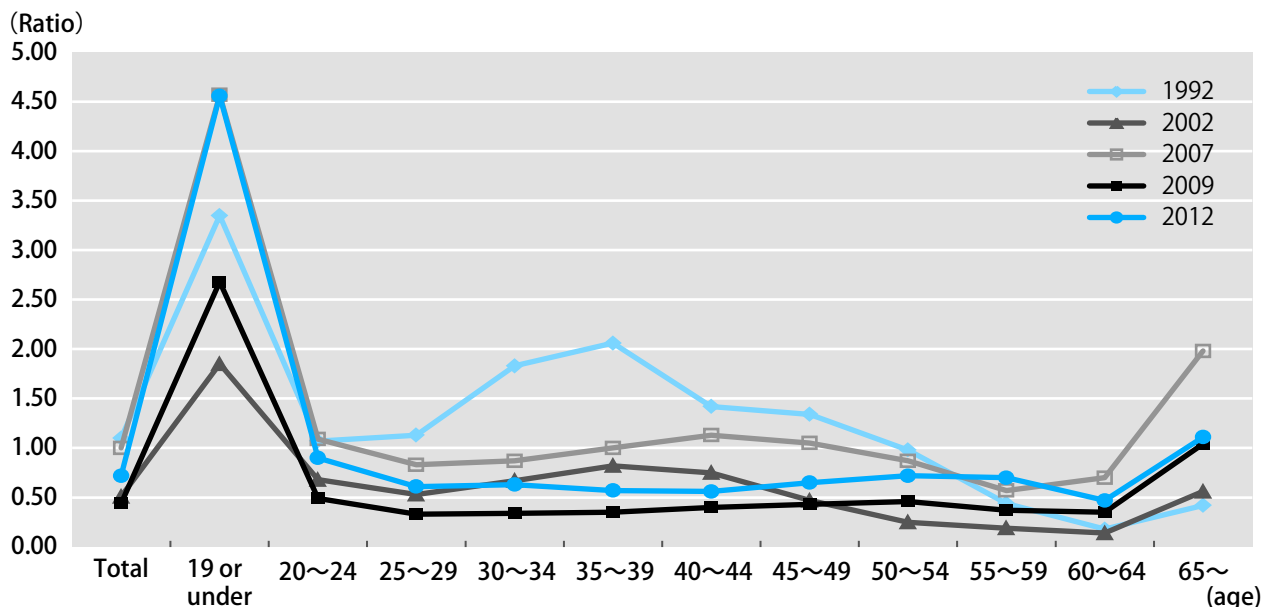
desired. This is thought to have boosted the labor force ratio and curbed the rise in the unemployment rate for the 60-64 age group from 2007 onwards.

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

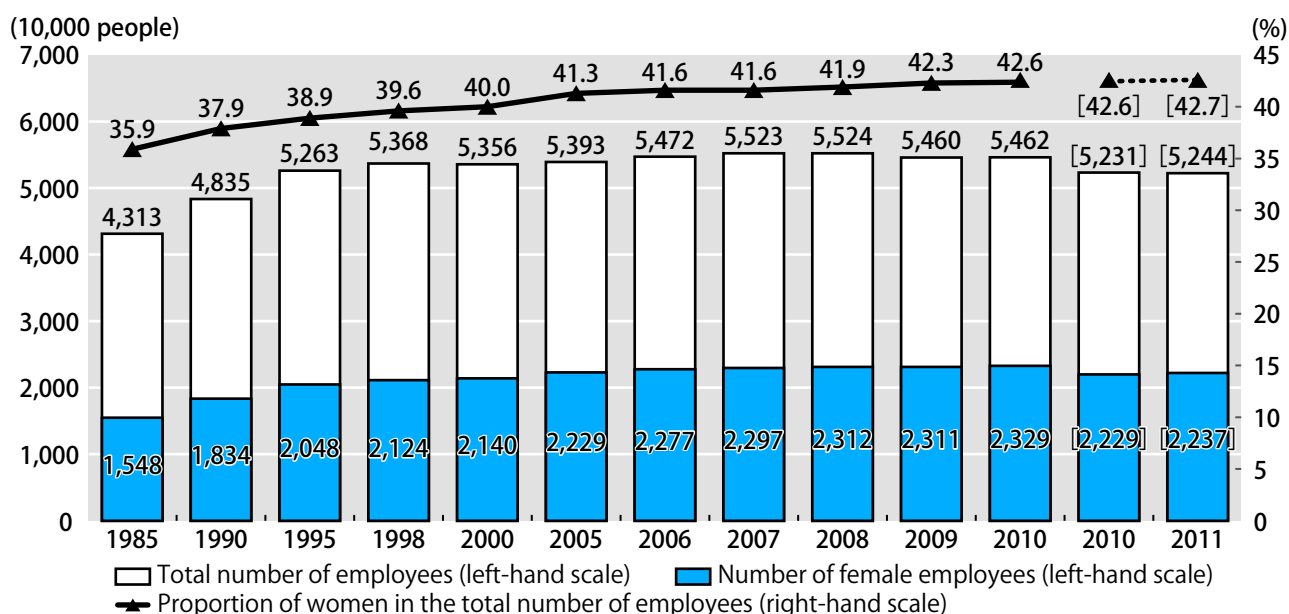
old age. Those who lost positions of permanent employment as economic difficulties were encountered in entering old age or who had to temporarily leave the workforce for health reasons, on the other hand, face severe employment conditions. Employment of older persons is quite stable provided that they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

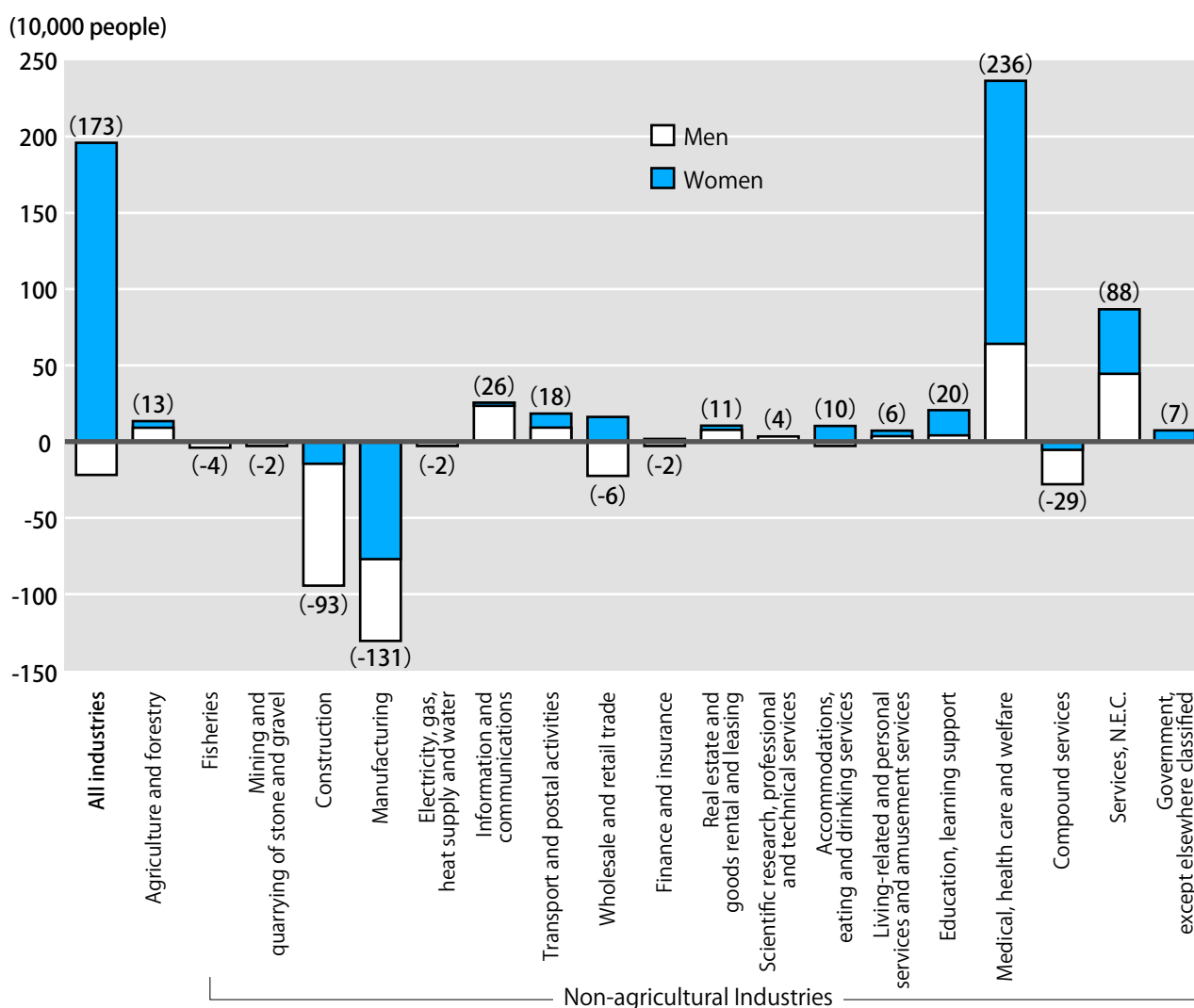
As numbers of men in employment continue to fall, those of women are increasing. In recent years, women have accounted for around 40% of the total workforce, and in 2010, the number of women in employment reached a record high of 23.29 million. Owing to the Great East Japan Earthquake, figures for Iwate,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

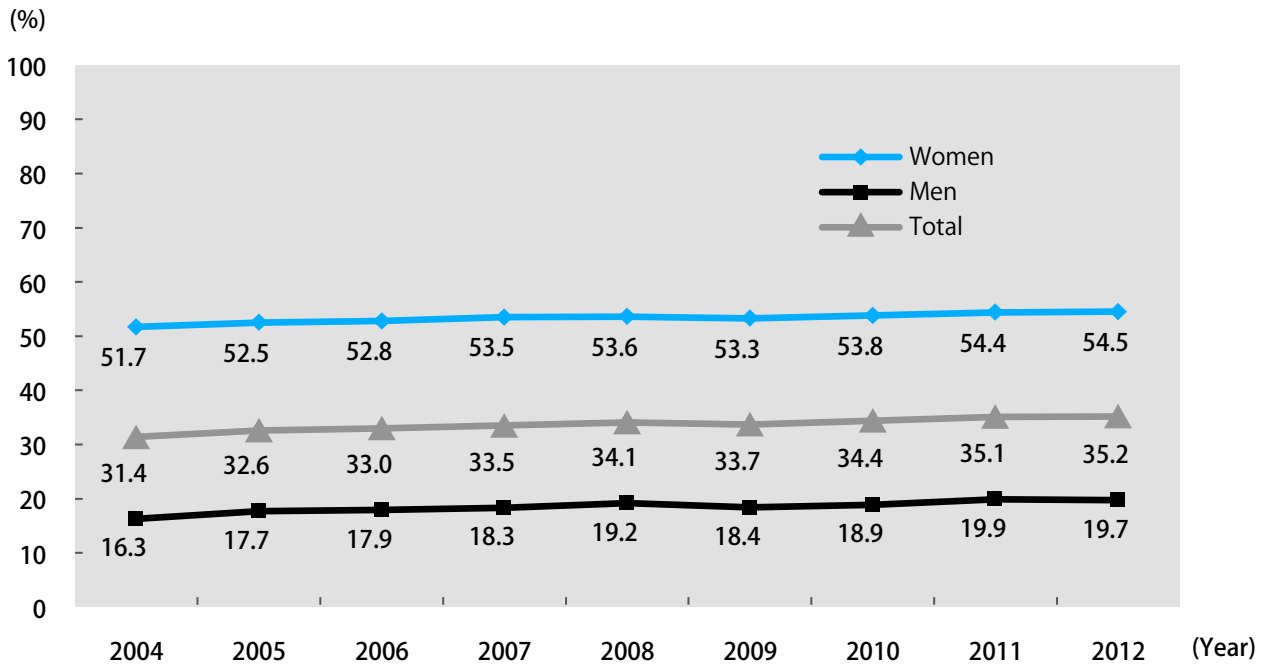
### Significant Gender Gap in the Non-Regular Ratio

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

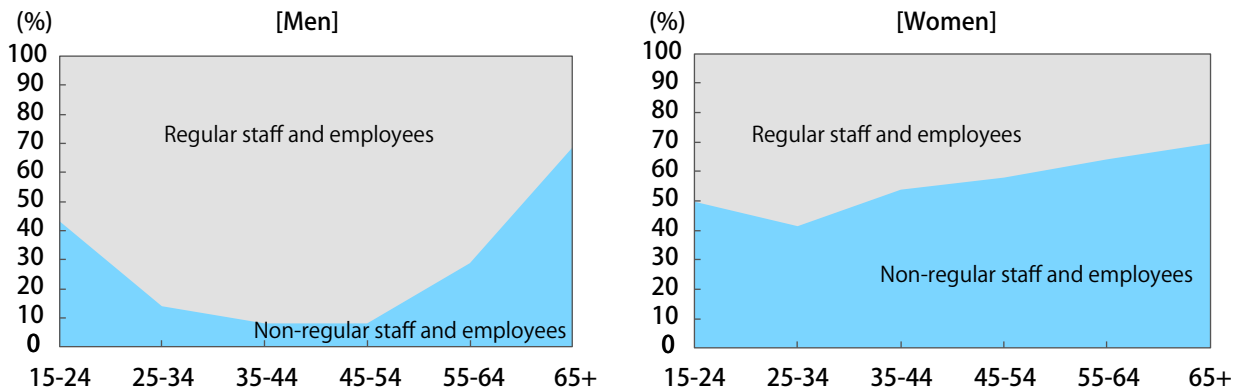
the 65 and over age group with 66.9%, followed by the 15-24 age group with 43.9% and 55-64 with 31.4%. The lowest is the 35-44 age group with 8.2%, followed by 45-54 with 8.6% and 25-34 with 15.3%. For women, the highest ratio is in the 65 and over age group with 71.4%, followed by 55-64 with 65.4% and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



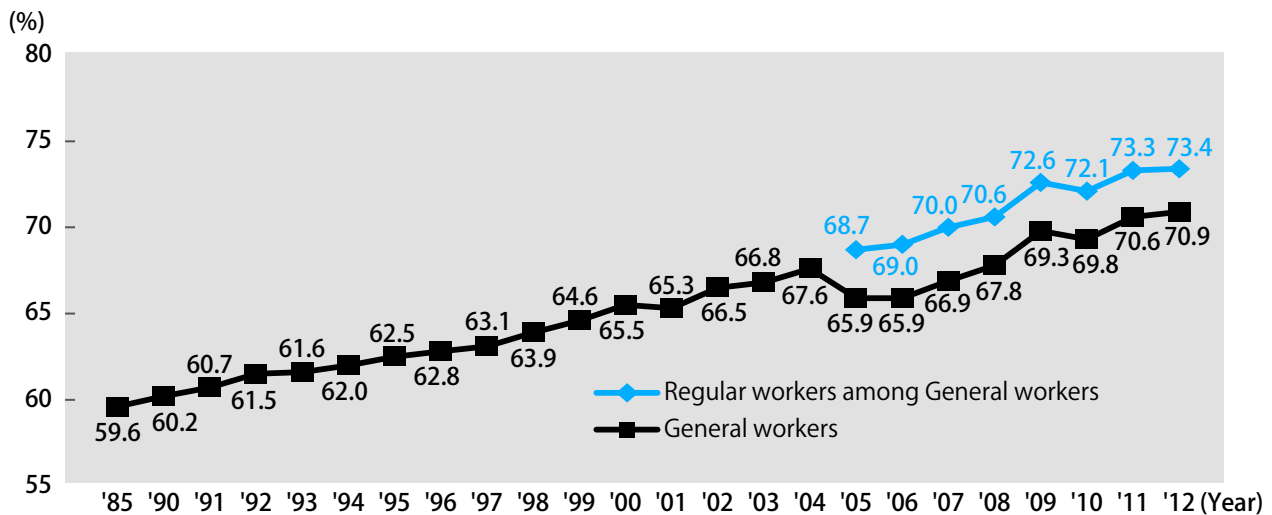
Source: Ministry of Internal Affairs and Communications, *Labour Force Survey*

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*

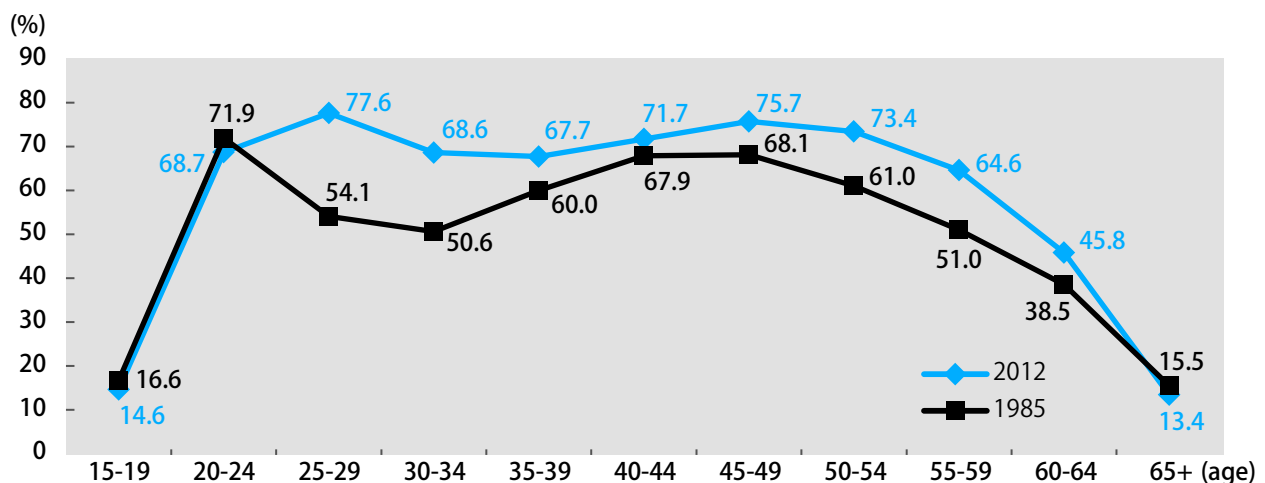
Notes: 1) "Ordinary workers" are regular employees other than "part-time workers".

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).

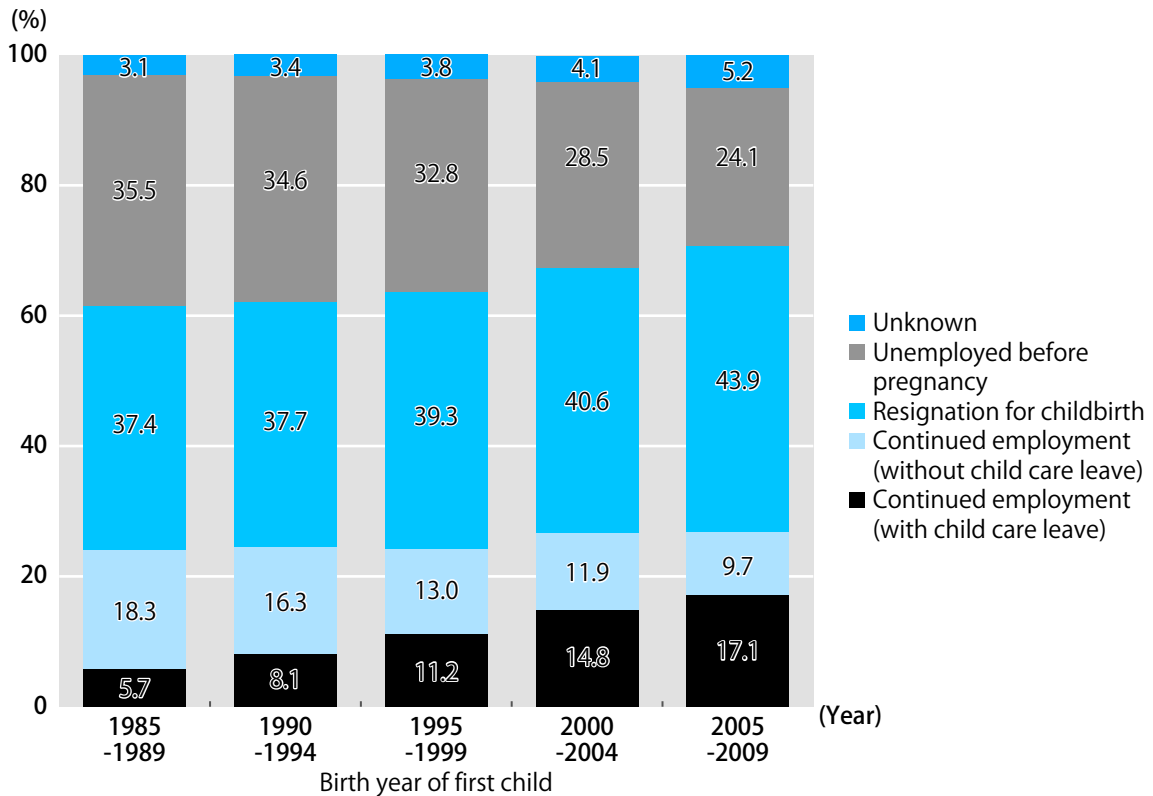
**Figure II-37 Trends in the Labor Force Ratio of Women by Age Group**

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

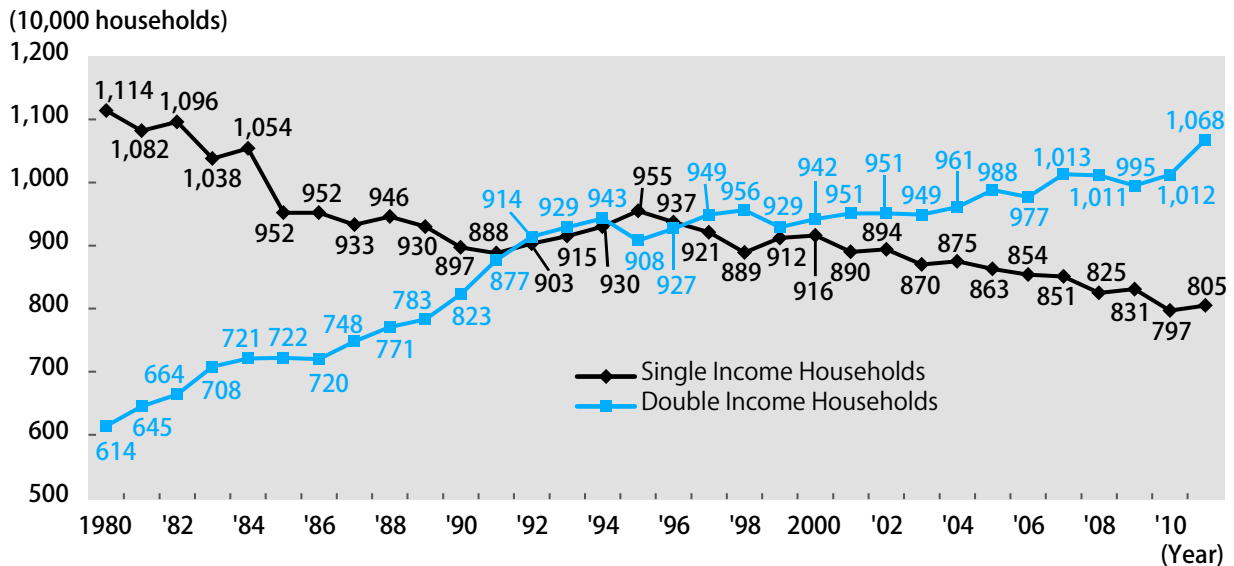


**Figure II-38 Continued Employment Rate around Birth of First Child**



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).

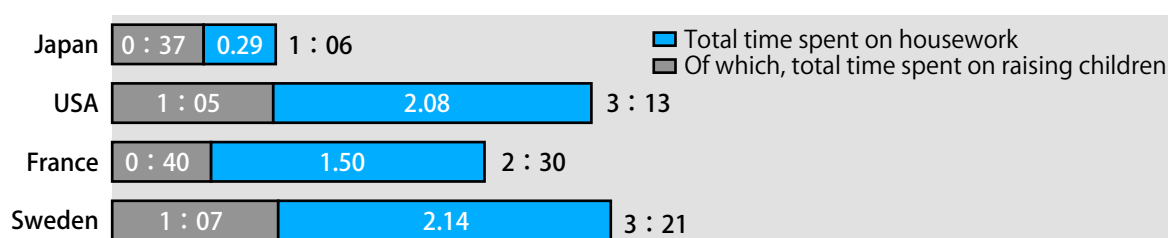
2) "Dual income households of persons in employment" are households in which both husband and wife are employed in non-agricultural industries.

### 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

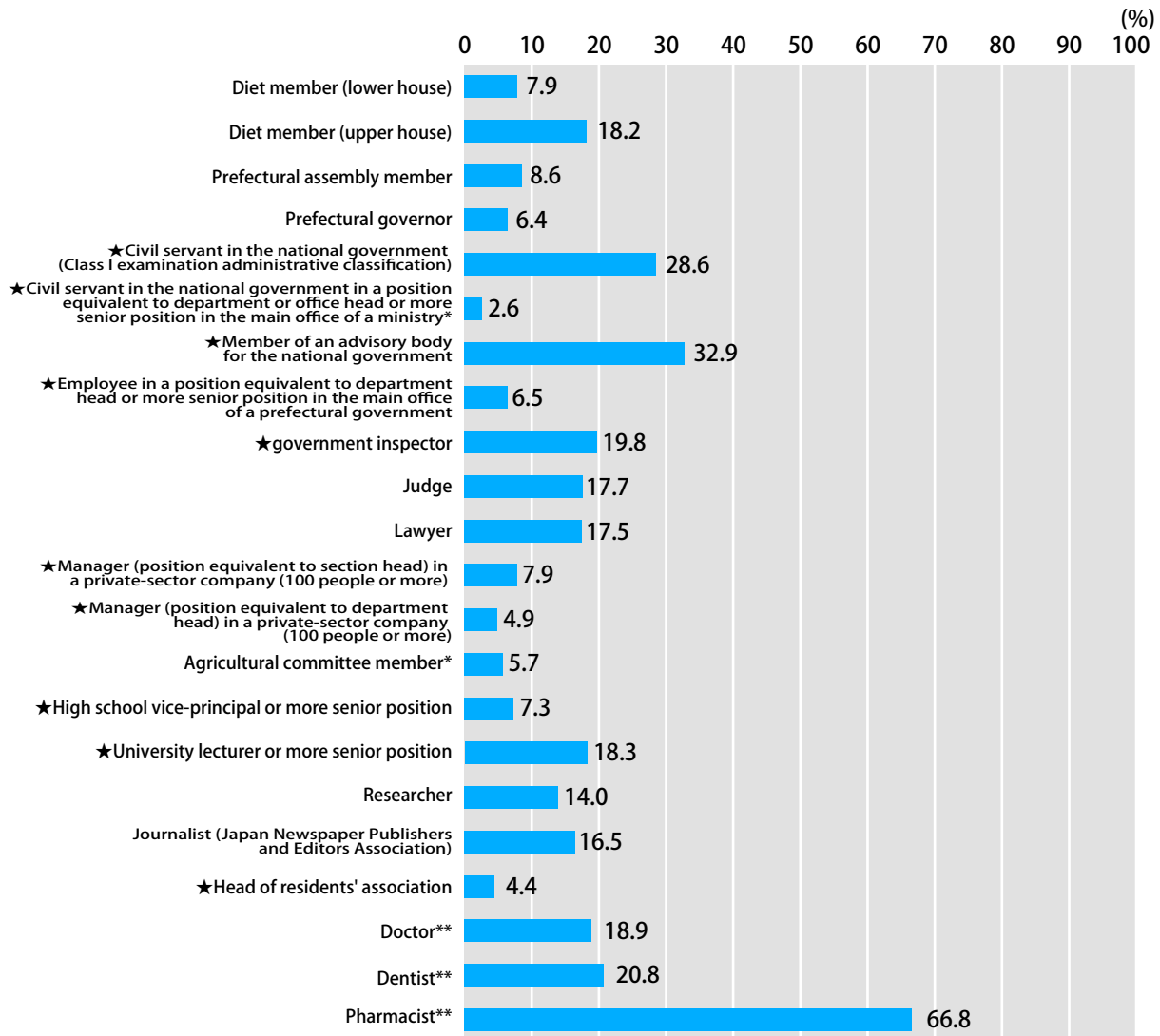
(Figure II-39). Behind this are thought to lie changing awareness of social advancement by women, changing economic circumstances, and other factors. However, time spent on housework and childcare by men in homes with preschool children is still only about 1 hour per day, a low level in international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

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

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

(2) Persons granted “Temporary Visitor” status

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

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

(5) Special permanent residents

(6) Persons with no resident status

(Source: Immigration Bureau, Ministry of Justice)

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

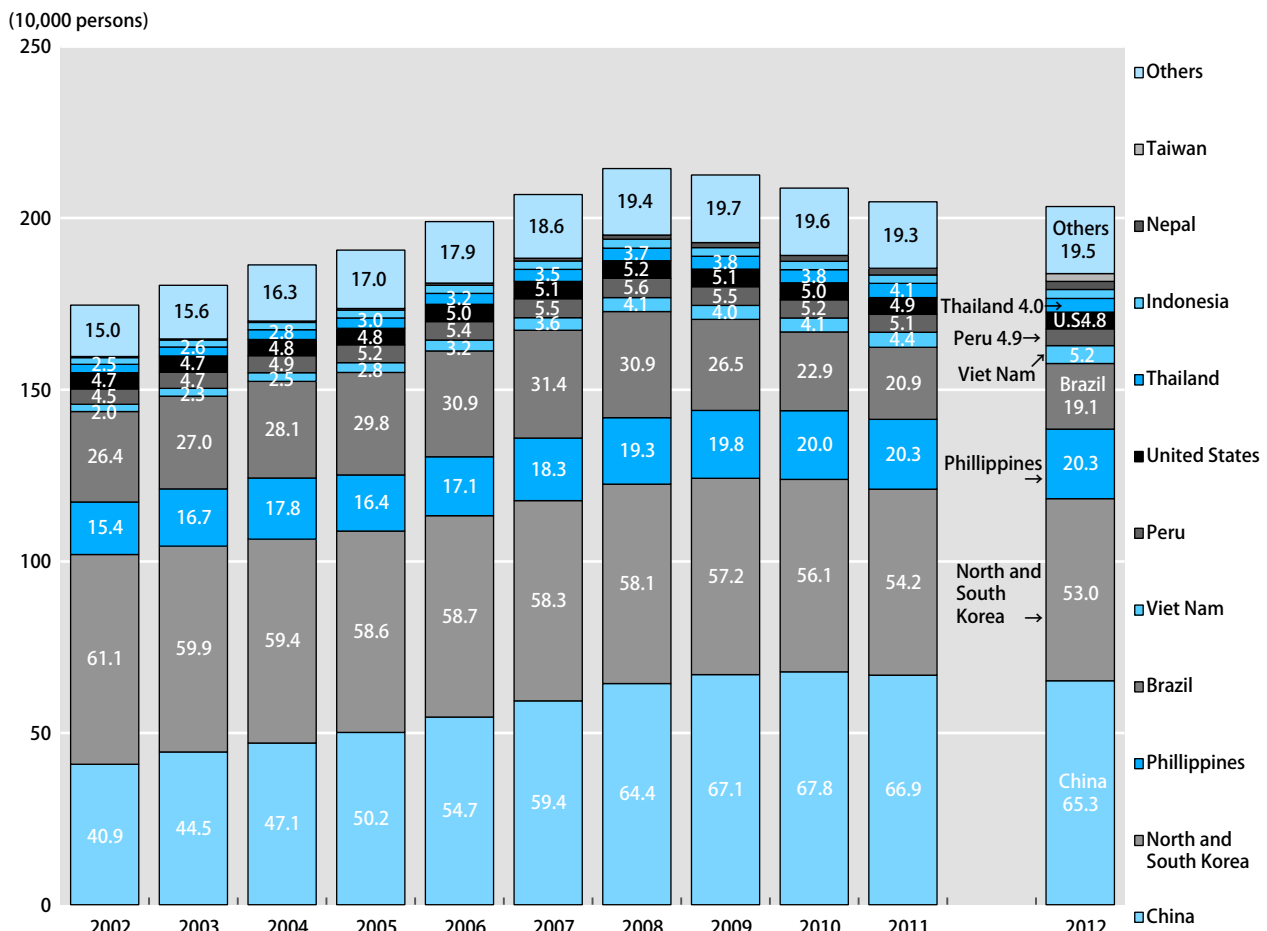
Figure II-39 shows numbers of foreign residents in terms of the nationality or region indicated on their residence card or special permanent resident certificate. In all, there were 2,033,656 foreign residents in 2012, accounting for 1.60% of Japan's population. Of these, 652,555 were Chinese, occupying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

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

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

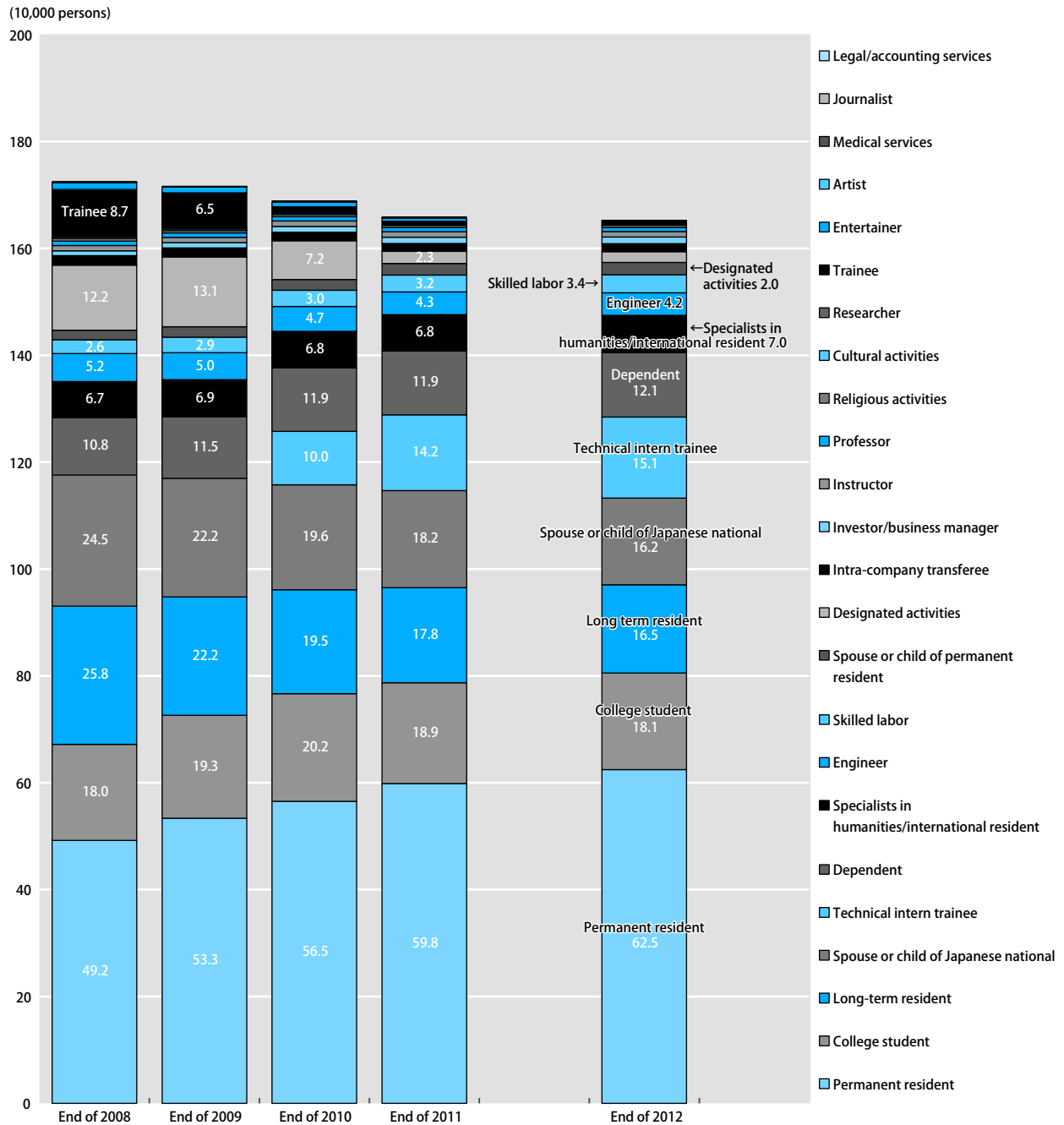
As for numbers of foreign residents by status of residence, compared to the number of registered foreign nationals (except temporary visitors, etc.) at the end of 2012, there were more foreign residents in statuses such as "investor/ business manager", "technical intern training", "skilled labor", "spouse,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

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



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

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



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

### Distribution of Foreigners by Region

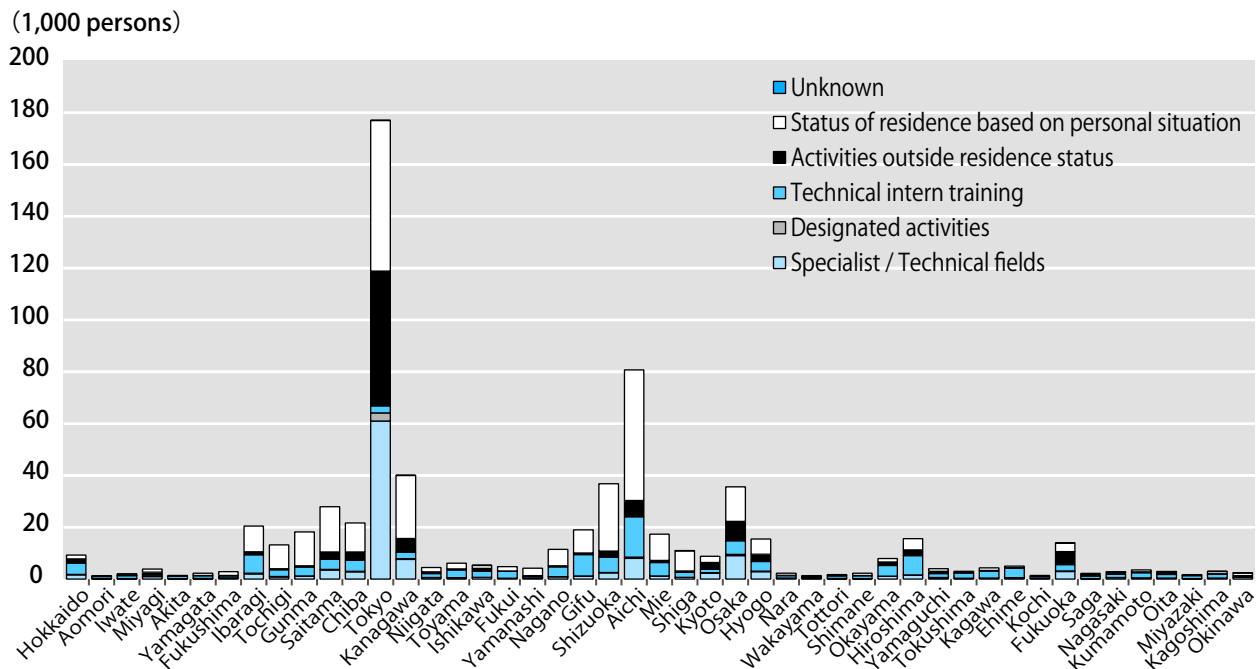
Some inconsistency is seen in numbers of foreign nationals, depending on the prefecture. Figure II-41 shows numbers of foreign workers by prefecture and status of residence, according to the Ministry of Health, Labour and Welfare’s “Summary of

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

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

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

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



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

## Companies' Employment Management of Foreign Workers

### Hiring Policies and Reasons for Employing Foreign Workers

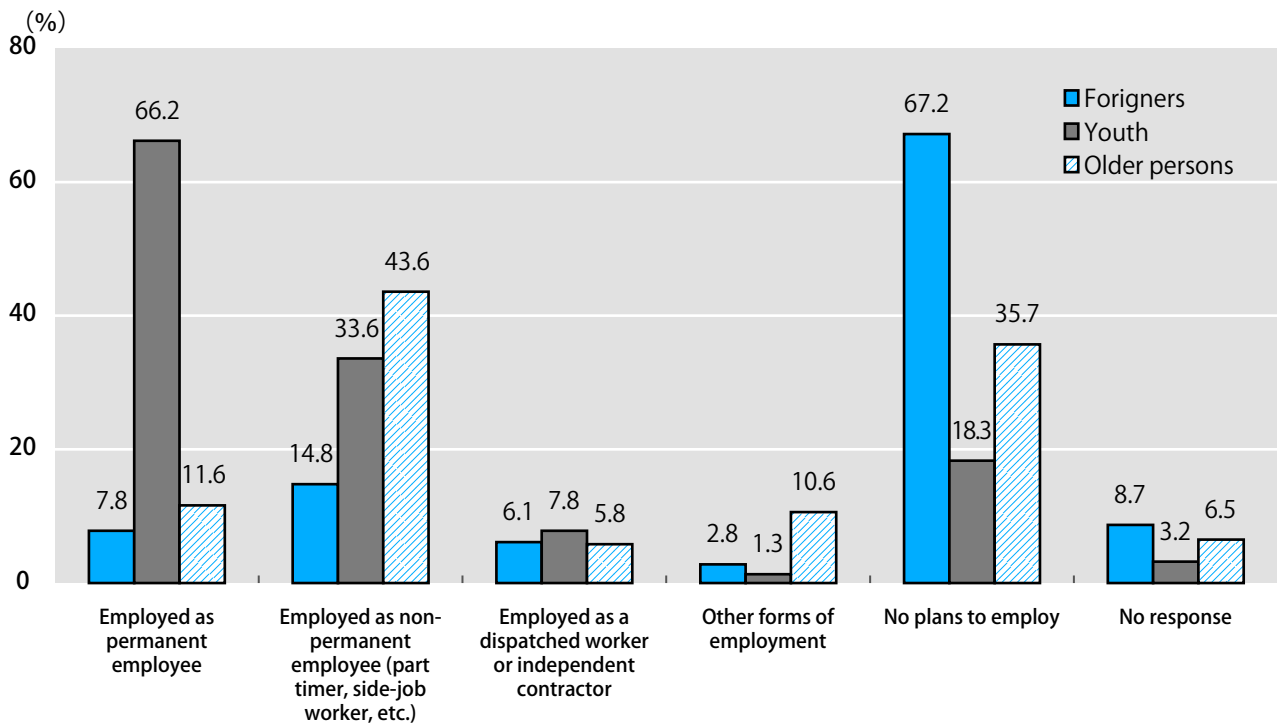
What kind of policies do Japanese companies have with regard to hiring foreign workers? In a questionnaire survey conducted by JILPT, around two-thirds of respondents said they "Have no plans" to hire foreign workers, in terms either of employment type or of job content (Figure II-42,

Figure II-43).

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

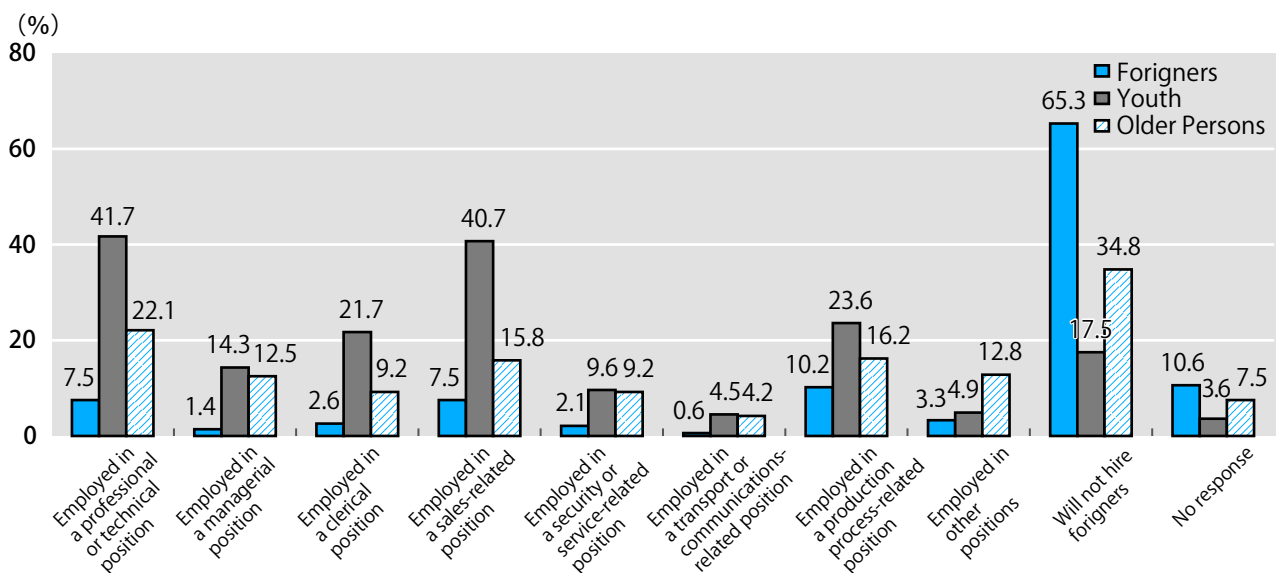


**Figure II-45 Foreign Worker Employment Policy by Employment Type (n=2252, Multiple Answers)**

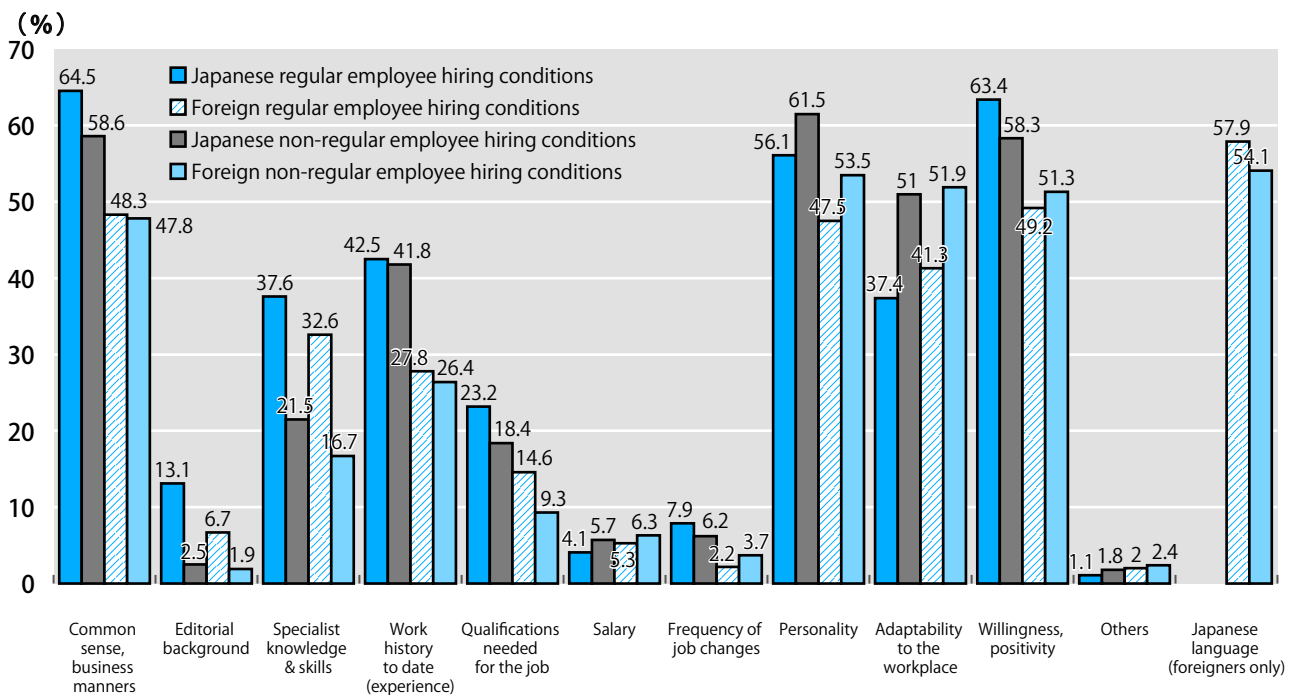


Source: Japan Institute for Labour Policy and Training, *Survey Concerning Industry and Personnel Utilization After the Simultaneous Worldwide Recession (2010)*

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



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

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

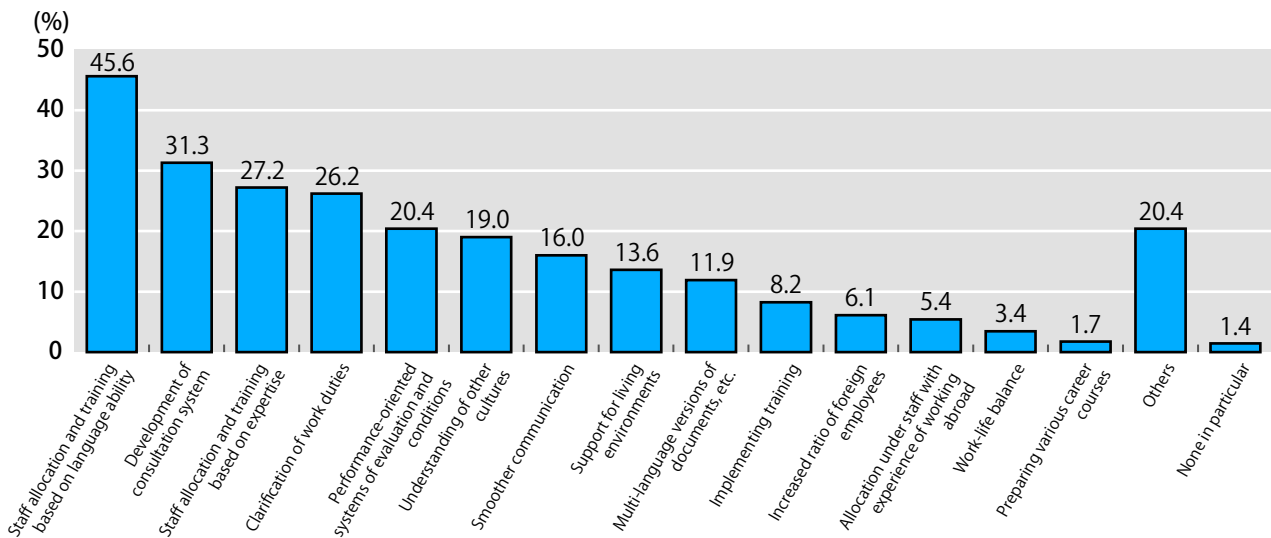
Source: Japan Institute for Labour Policy and Training, *Survey Concerning Industry and Personnel Utilization After the Simultaneous Worldwide Recession (2010)*

### Employment Management of Highly Skilled Foreign Professionals

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

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

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



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

## Employment Management of Foreign Workers in Manufacturing

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

[Nikkei Workers]

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

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

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

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

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

As a consequence of bringing over their families

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

#### [Technical Interns]

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

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

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

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

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

strapped micro, small, and medium enterprises.

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

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

### Issues in Employment Management of Foreign Workers

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

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

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

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

old age.

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

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