

# Labor Situation in Japan and Its Analysis: General Overview 2015/2016



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**The Japan Institute for Labour Policy and Training**

# Foreword

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

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

In principle, this publication is issued alternately as “General Overview” and “Detailed Exposition” editions. The Detailed Exposition 2014/2015 issued in February 2015, and provides recent write-ups by JILPT researchers dealing mainly with important labor issues. Consequently, as opposed to the Detailed Exposition, this General Overview 2015/2016 edition provides an exhaustive range of write-ups that covered basic points on issues related to labor issues and labor policies in Japan.

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

March 2016

SUGENO Kazuo, President

The Japan Institute for Labour Policy and Training

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## 1 The Japanese Economy: Current Status and Outlook

### The Postwar Years in Japan

Before discussing the current status of Japan's economy, let us examine its background with a long-term overview of the economy's development since World War II.

World War II ended with Japan's defeat in 1945, and the country's industrial infrastructure was completely devastated. A combination of low production capacity and booming demand linked to national reconstruction led to hyperinflation. Against the backdrop of the ongoing Chinese Communist revolution, the US occupation of Japan shifted from a punitive policy to one of support for reconstruction. A 1949 budget recommendation commonly known as the Dodge Line was aimed at balancing the budget, fixing the exchange rate, and reducing inflation, but also resulted in a type of recession called a stabilization crisis.

The second cycle of the postwar years was tied to the outbreak of the Korean War (1950-1953), and was referred to as the Special Procurement Boom (*tokuju keiki* in Japanese, referring to an economic boom due to special procurements, especially in wartime). In fiscal 1953 there was a drastically expanded budget and surge in imports due to crop damage from cold weather, resulting in a trade deficit and currency crisis, meaning that the budget had to be scaled back down in fiscal 1954. The declining phase of the second postwar economic cycle was named "Yoshida deflation" after Prime Minister Shigeru Yoshida, and hit its low point in November 1954.

Next came a rebound known as the Quantitative Boom (*suryo keiki*), driven by rising exports due to improved global economic conditions, and the stabilization of prices. This boom, which led to

capital investment-propelled economic expansion (inflationary expansion) in 1956, constituted the expansionary phase of the third postwar economic cycle. The robust economy was nicknamed the Jimmu Boom after the nation's first Emperor (Emperor Jimmu, accession traditionally dated 660 BC), indicating the fact that it marked the first truly widespread prosperity in Japan's history. The 1956 Economic White Paper famously stated *mohaya "senjo" dewa nai* (it is no longer "postwar"), declaring that economic growth due to recovery-based demand was at an end, and growth would from then on be driven by modernization. However, this 31-month economic expansion phase drew to a close in June 1957, hitting the "ceiling on international balance of payments" as it completed a cycle of burgeoning domestic demand → rising imports → currency crisis → monetary tightening (deflationary policy). The ensuing recession, nicknamed the "bottom-of-the-pot recession" because stagnant conditions were expected to last for a long time, actually bottomed out after 12 months.

### Rapid Economic Growth: the "Postwar Japanese Economic Miracle"

The period of rapid economic growth remembered as the postwar Japanese economic miracle began with the fourth postwar economic cycle, starting in June 1958 with an upturn called the Iwato Boom. *Iwato* refers to an episode from Japanese mythology occurring before the accession of the first Emperor, and indicates the fact that Japan had never known such a boom even during the Jimmu Boom years. It originally stemmed from rapid economic recovery in the United States, but was characterized by a

domestic consumption boom in Japan as standards of living rose and households raced to obtain the “three sacred treasures” (black-and-white television, washing machine, refrigerator). In December 1960 the third long-term economic plan, known as the National Income Doubling Plan, was formulated, and the average annual rate of economic growth over the ensuing years was forecast at 7.2% (in fact it turned out to be 10.0%). The Iwato Boom reached its peak in autumn 1961 due to monetary tightening, again due to hitting the “ceiling on international balance of payments”.

In 1959, Tokyo was selected as the host city for the 1964 Olympics. Monetary tightening was relieved over the short term due to an economic upswing in Europe and the US, and in Japan there was a boom in private-sector construction with various large-scale projects requiring completion in time for the Games: the Shinkansen high-speed rail line, expressways, high-rise buildings. The expansionary phase of the fifth postwar economic cycle, nicknamed the Olympic Boom, began in October 1962. Monetary tightening, in response to worsening of the international balance of payments, was set in motion at the end of 1963, and revoked in 1964. From around 1960 onward, trade liberalization had been progressing in Japan, and in 1963 Japan gained status as one of the GATT (General Agreement on Tariffs and Trade) Article XI nations (countries that cannot restrict imports on the basis of an international balance-of-payments deficit). In September 1964, the IMF World Congress was held in Tokyo and Japan became one of the IMF Article VIII nations (countries that do not exercise foreign exchange control for international balance-of-payment reasons). Japan had already joined the OECD in spring 1964.

This growth phase was brought to an end by domestic factors, primarily the capital investment cycle but also the plateauing of consumption and a construction-industry slump following the pre-Olympic building boom. The 12-month recession beginning in October 1964 entailed major corporate failures such as that of Yamaichi Securities, and was referred to as a “securities recession” or “structural recession”. To address the severe downturn, in the fiscal 1965 supplementary budget the government

issued the first deficit-financing government bonds since the enactment of the Public Finance Law, and in the budgets from fiscal 1966 onward took the measures of issuing construction bonds and slashing taxes.

Thanks to these economic measures and a rise in exports, the economy bottomed out, and the very long sixth cycle started in October 1965 with a 57-month growth phase named the Izanagi Boom. Izanagi is one of the earliest deities in Japanese mythology, and the name implied an economic boom unprecedented even by the iwato era. Capital investment recovered, and there was a rise in exports, housing investment, and demand for a wide range of items. A hallmark of personal consumption was the “new three sacred treasures” or “3 Cs”: Car, Color TV, and (air) Conditioner. The US’s full-scale involvement in Vietnam brought indirect demand for “special procurements” to Japan, and around 1968 the country began showing a consistent international balance-of-payments surplus, while the US fell into a major trade deficit. In 1969 Japan-US textile negotiations began. Monetary tightening was implemented amid rising wages and prices, and the Izanagi Boom hit its peak in July 1970 while the World’s Fair was underway in Osaka. In August 1971 US President Richard Nixon made an emergency economic policy announcement, including the unilateral cancellation of direct convertibility of the US dollar to gold, throwing the global economy into confusion that came to be known as Nixon Shock. In December the Smithsonian Agreement changed the dollar-to-yen exchange rate from 360 yen to the dollar to 308 yen, and the Japanese economy hit bottom the same month.

During the seventh cycle, the economy bounced back with a large national budget for fiscal 1972. July of that year saw the launch of Prime Minister Kakuei Tanaka’s Cabinet, which advocated *Nihon retto kaizoron* (“reconstructing the Japanese archipelago”), the potential for which sparked a boom marked by rising land values, stock prices, consumer prices, and wages. Across the Pacific, the US trade deficit continued, and in 1973 one currency after another switched over to a floating exchange rate system, resulting in “excess liquidity”. There was a global crunch in crop supply, and Japan issued another big

budget in fiscal 1973 to fund the “reconstruction of the archipelago”, driving inflation. In the Middle East, the outbreak of the Yom Kippur War between Israel and a coalition of Arab states in October 1973 led to the first oil crisis, as oil-producing states significantly raised oil prices, and after hitting a high point in November, the Japanese “economic miracle” era finally drew to a close.

Over this entire period of rapid economic growth, the average annual growth rate was 9.4%, and the total unemployment rate stayed between 1% and 2% from 1960 onward, while economic dualism due to the disparity between major modern corporations and pre-modern economic sectors was alleviated. At the same time, the economic miracle cast a lasting shadow on society in the form of worsening pollution and regional disparities marked by urban overcrowding and rural depopulation.

### **The Era of Stable Economic Growth**

In 1974, Japan’s economy contracted for the first time since World War II ended. After measures including monetary tightening, reining in of public works projects, a radically curtailed budget for fiscal 1974 and other comprehensive demand-control policies, direct intervention in consumer prices, and labor-management cooperation in the annual spring labor negotiations of 1975, inflation was finally curbed, and economic growth recommenced with the start of the eighth cycle in March 1975.

Anti-recession measures accompanied by issuing of deficit-financing national bonds were implemented, starting with the supplementary budget of fiscal 1975. An export recovery brought the international balance of payments back to a surplus in 1976, and at the 1977 London Summit, it was postulated that the US, West Germany, and Japan should play the role of a “steam engine” pulling the global economy. However, in January 1977 the Japanese economy fell into a “mini-recession” to adjust for various factors. With economic measures implemented, it pulled out of the recession in October of the same year and the growth phase of the ninth cycle began.

In 1978, there was a general move toward economic recovery among developed nations, and oil

supply and demand began to even out. However, in autumn of that year Iran instituted a ban on oil exports as the Islamic Revolution gathered steam, prompting an OPEC decision to raise oil prices progressively from 1979 onward, with price increases every few months through November 1980. This was the second oil crisis, and the downturn phase of Japan’s ninth economic cycle was the longest since the war, lasting 36 months starting in February 1980. While the second oil crisis surpassed the first in terms of the size of price increases and the amount of income transferred overseas, the impact on Japan’s economy was smaller in terms of growth rate and consumer price increase rate, and the unemployment rate rose no more than during the first crisis. This was due not only to differences in initial conditions such as the money supply, but also to larger oil stockpiles and to various lessons the government, Bank of Japan, and private-sector labor and management had absorbed from the first crisis.

The US is viewed as having been more strongly affected by the second oil crisis than Japan, but with stringent monetary tightening by the FRB (Federal Reserve Bank), its economy bottomed out at the end of 1982. As exports to the US increased, the Japanese economy recovered as well, entering the economic growth phase of the 10th cycle in March 1983. US President Ronald Reagan’s economic policy was described as “supply-side”, and slashing of taxes led to a budget deficit, causing high interest rates and dollar appreciation, expanding the country’s trade deficit toward Japan. In the US, however, this imbalance was blamed on unfair Japanese trade policies, and the issue of “Japan-US trade friction” emerged.

The US policy stance, which until 1984 had advocated liberalization of capital and currency trading and encouraged imports through expansion of domestic demand, shifted in 1985 toward a growing protectionist movement and international cooperation aimed at weakening the dollar, based on fears that an excessively valued dollar would suddenly crash. The yen began gaining against the dollar in February 1985, but its sudden, drastic appreciation occurred following the Plaza Accord, announced on September 22 after negotiations among Japan, the US, the UK,

France, and Germany. Exports were already stagnant, and the Japanese economy hit its peak in June 1985, after which it slumped in a strong-yen-driven recession.

The yen skyrocketed against the dollar, from approximately 240 yen to around 155 yen to the dollar a year later in August 1986. This struck a particularly heavy blow to export-based industries like electrical appliances and automobiles, who saw their profits slashed, and employment suffered as manufacturers began shifting production to other countries through overseas direct investment.

Measures taken to combat the recession caused by yen appreciation included expansion of public works projects and low interest rates instituted by the Bank of Japan to stabilize the exchange rate. Due to economic stagnation, however, surplus funds flowed into the real estate and securities markets, triggering an across-the-board rise in asset values known as a bubble (the annual Economic White Paper did not acknowledge the bubble until 1991, when it described it as “a phenomenon in which the real prices of assets are significantly higher than their fundamental values”). The economy hit a low point in November 1986 and began rising in the growth phase of the 11th economic cycle, the legendary asset price bubble (*bubble keiki*). The officially appraised values of land in 1988 were 21.7% higher on average than the previous year, while residential land values in the greater Tokyo metropolitan area shot up 68.6%, highlighting the disparity between urban and rural areas.

Even with a surging yen and weak dollar, exports did not decline noticeably on a dollar basis, due in part to the so-called J-curve effect, meaning that Japan-US trade friction remained a major political issue. In 1986 the Maekawa Report was released, calling for improvement of Japanese citizens' living conditions through expansion of domestic demand, opening of markets, and financial deregulation, and in 1987 this was more concretely codified in the Economic Council's road map for structural reform, known as the New Maekawa Report. The New Maekawa Report advocated expanding domestic demand, cutting working hours (aiming for an 1,800-hour work year as soon as possible, with sights set on

the year 2000), an industrial structure consistent with international harmony, coping with problems in employment, economic measures for regions outside major urban centers, and Japan's contributions to the world. The strong yen and the asset price bubble turned Japan into an “affluent” country, but it was noted that people did not feel prosperous unless they traveled overseas, and the reduction of work hours and correction of overseas and domestic price disparities were serious challenges. In 1989 and 1990, Japan and the US worked on the Structural Impediments Initiative, and based on this, a basic plan was formulated for 430 trillion yen in public investment over the decade beginning in fiscal 1991.

### The Era of Slow Growth

The Japanese stock market continued rising until the end of 1989, and land values until 1991, before both began falling. This was the so-called “collapse of the bubble”. The drop in land prices, the first since World War II ended, went on until around 2005. The recession that began in February 1991 was fought with a variety of fiscal and economic measures including increased public works spending, reduced taxes, deregulation, and disposal of bad loans. With the Basel Capital Accord (a uniform international standard for banks' capital asset ratios) scheduled for application in Japan at the end of March 1993, banks became more reluctant to approve loans.

With the recovery of exports, progress of inventory adjustment, and support from economic measures, the economy bottomed out in October 1993 and went into the growth phase of the 12th cycle, but the recovery was gradual due to factors such as the Great Hanshin-Awaji Earthquake and sharp yen appreciation in the first half of 1995 (Figure I-1③), and corporate balance sheet adjustment aimed more at returning loans than pursuing profits amid disinflation. Even as the economy recovered, the total unemployment rate continued to rise, finally starting to level off at around 3.5% in 1996. Young job seekers had great difficulty finding employment for an entire decade, from the graduates of March 1994 until around 2005, in what was known as the Employment Ice Age (*shushoku hyogaki*) (Figure I-3). Nonetheless, by around 1997, of the “three

excesses” (capacity, employment, and debt), two (excess capacity and excess employment) had been virtually overcome.

The consumption tax, first introduced at 3% in 1989, was raised to 5% in April 1997. Prior to the tax rate hike there was a surge in sales of consumer products, while consumption slumped after the rate rose. Meanwhile, income tax and residential tax breaks (implemented since fiscal 1994 ahead of the consumption tax hike in order to offset its effects) were phased out, social insurance premiums were raised, and out-of-pocket payments for medical expenses rose as well. The economy hit a high the following month, May 1997, and began dropping, but what greatly exacerbated the ensuing recession was the Asian currency crisis and associated financial volatility.

The Berlin Wall fell in 1989 and Germany was reunited the following year, while the Soviet Union collapsed in 1991 and China shifted to a Socialist system with a free-market economy in 1993, all milestones in the end of the Cold War. Meanwhile, commercial utilization of the Internet was spreading (first coming to Japan in 1993), and the era of globalization and connectedness had arrived, marked by rapid global transfer of goods, money, and information. This was accompanied by the advent of hedge funds, investment vehicles handling enormous amounts of capital, leading in 1992 to the withdrawal of the British pound from the ERM (European Exchange Rate Mechanism) and to the speculation in the Thai, Indonesian, and Korean currencies resulting in the 1997 Asian currency crisis. This crisis affected Japan in terms of payment of bailout funds and a decline in exports.

Meanwhile, financial instability drastically worsened with the revelation of bad loans at banks’ mortgage-lending subsidiaries in 1995, followed by the failures of the Second Association of Regional Banks and Nissan Life, and then in November 1997 the city bank Hokkaido Takushoku Bank and Yamaichi Securities, one of Japan’s big four securities firms. In 1996 the Cabinet of Prime Minister Ryutaro Hashimoto called for a “financial Big Bang” to revitalize the sector, but the reasons for the successive failures of financial institutions had not yet been

clarified, and the root cause was not systemic, but lay in accounting practices that allowed “book-value accounting” and rendered companies’ true financial status opaque. In February 1998, a system for injection of public funds was introduced in order to stabilize the financial system, and the Long-Term Credit Bank of Japan and the Nippon Credit Bank, Limited were liquidated. As financial institutions improved their business practices, they became more reluctant to lend to corporations, and investment was sluggish. For the first time, the economy shrank in real terms for two consecutive years, 1998 and 1999.

In 1998, the successive Cabinets of Keizo Obuchi and Yoshiro Mori implemented economic policies entailing tax cuts and large-scale fiscal stimulus, and also in 1998 the US hedge fund LTCM was liquidated. Meanwhile, the Japanese economy bottomed out in January 1999 as exports recovered at the height of the “tech bubble” phase (which began in 1995) of the long-term, much-vaunted “New Economy” expansion in progress since 1991. In Japan, as well, tech corporations such as Softbank, Hikari Tsushin, and Livedoor saw their stock prices rise, in the growth phase of the 13th economic cycle known as the “IT bubble economy”.

The tech-heavy NASDAQ index peaked in March 2000, and the US entered an economic slowdown (which turned to a recession in March 2001), and falling exports pushed the Japanese economy into a slump after hitting a high in November 2000. The consumer price index had been falling continuously since late 1998, during the previous economic downturn, but it was in the monthly economic report of April 2001 that the government first acknowledged that the country was experiencing “gradual deflation, in the sense of a sustained decline in consumer prices.” For this reason, the collapse of the tech bubble is generally viewed as the starting point of Japan’s long-term deflation (Figure I-2).

### **Japan’s Longest Postwar Growth Period**

In January 2002, with exports rising due to a weakening yen and economic recovery in the US and Asia, and inventory adjustment coming to an end, the Japanese economy bottomed out and began a gradual recovery. Although the rate of growth was not high,

the economic expansion phase of the 14th cycle was the longest since World War II ended, at 73 months. It is sometimes called Izanami Boom, Izanami being the female counterpart of the male deity Izanagi, implying that it is comparable to the prolonged “Izanagi boom” of the late 1960s.

The Cabinet of Prime Minister Junichiro Koizumi, who took office in April 2001, avoided fiscal stimulus to the greatest possible extent and aimed for economic growth through regulatory reforms, under the slogan “No growth without structural reform”. For this reason, public capital formation trended downward (Figure I-1②). Meanwhile, the Bank of Japan carried on with zero interest rate and quantitative easing policies aimed at reversing deflation, and the word “deflation” disappeared (for the time being) from the monthly economic report in July 2006. At the same time, banks’ outstanding loan balances dwindled even more sharply than during the 1990s when the Basel Accords were implemented (Figure I-1①), due to sluggish demand for capital investment funds, corporations’ shift toward direct financing, and reorganization of financial institutions including the advent of megabanks.

In general, economic growth can be attributed to three different factors: an increase of capital, and increase of labor, and TFP (total factors in productivity), such as advances in technology, which cannot be attributed to either of the first two factors. When examined through the lens of this “growth accounting”, we find that the real economic growth rate averaged between 4% and 5% during the 1970s and 1980s but declined to around 1% during the 1990s and around 0.5% during the 2000s, and the factors contributing to this decline are, in order of importance: volume of capital, TFP, and labor input. From this it follows that insufficient capital investment is the greatest single cause of the growth rate drop-off. There is a tendency for labor’s share of income to drop during economic boom times and rise during recessions, and this was the case during the Izanami Boom of the 2000s as well, while corporations’ internal reserves grew as they were hesitant to engage in capital investment. High real interest rates due to deflation were one factor standing in the way of investment, and this was another reason

that ending deflation constituted an important policy challenge. As the real cost to companies of workers’ wages rises amid deflation, companies seek to keep personnel costs down by curtailing wage increases and employing non-regular workers (Figure I-4). However, wages are what drive consumption, and if employees’ income does not rise, demand for products is suppressed and deflation cannot be ended, in what is known as a deflationary spiral. This is what lay behind the sluggish growth of the 2000s.

This period was also a turning point for the employment structure of Japan. The total population peaked in 2007 and began shrinking (the population aged 15 and older continued growing until 2011), but the working-age population had already hit a high in 1998, and regular employees as a percentage of the total workforce in 1997, before both began declining. While this helps to alleviate fears of worsening unemployment, it also means that unless the employment rate and labor productivity are raised, the growth rate will remain low over the medium term.

In the summer of 2007 the yen began appreciating again, and with the American economic slowdown resulting from the subprime mortgage crisis at the end of 2007, and rising costs of oil and raw materials, Japan’s economy started gradually weakening. Going into 2008, exports became sluggish, and the longest period of economic growth since World War II drew to a close in February 2008.

September 2008 saw the failure of the major US investment bank Lehman Brothers, and the existing financial instability developed into a global financial crisis. Economies slowed down across the board, and the world was plunged into a recession. Japan was no exception, with the corporate sector seeing business decline drastically as overseas demand plummeted. Exports and imports dropped, particularly the former, and Japan’s balance of trade fell into its first deficit on a monthly basis since the second oil crisis decades earlier. On the employment front, there were major adjustments in number of personnel including the suspension of many temporary workers’ employment, although employment of regular workers was more or less upheld through policy measures such as employment adjustment subsidies to compensate for

suspensions of business. In 2009 the consumer price index once again fell below that of the preceding year, and in the monthly economic report of November 2009, the word “deflation” made a comeback with the acknowledgment that Japan was “experiencing gradual deflation”. The economic growth rate was negative for two consecutive years, 2008 and 2009.

In spring 2009 exports began rising again amid an overseas recovery, particularly in emerging nations, and the balance of trade went back to a surplus. Consumption of durable goods was propelled by policy measures, such as tax breaks and subsidies for environmentally friendly vehicles and the “Eco-point” incentive program, pushing up personal consumption overall. The economy hit bottom in March 2009, and entered the 15th cycle with a gradual recovery from the severe recession.

In the midst of this recovery, the Great East Japan Earthquake struck in March 2011. The quake and tsunami decimated manufacturing sites particularly on the Pacific coast, supply chains were cut off, electricity use was restricted, and a nuclear power plant accident caused widespread damage, spreading the impact of the disaster far beyond the affected region itself. Prices of raw materials rose and liquefied natural gas imports grew due to the suspension of nuclear power plants, plunging the nation back into a pronounced trade deficit. The yen strengthened, staying below 80 yen to the dollar from summer 2011 through the beginning of 2012, and in October 2011 severe floods struck Thailand and affected the facilities of numerous Japanese firms that have a presence there, but the economy did not completely stall during 2011 thanks to rising reconstruction-driven demand from the summer onward.

From July through September 2012, the global economy slowed against the backdrop of the European debt crisis centered in Greece and other EU member states, and Japan saw a drop in exports of electronic components and other items to countries like China and Taiwan that export heavily to Europe. This happened just as the environmentally friendly vehicle subsidy’s positive impact on consumption wore itself out, and Japan’s economy showed signs of

weakness. The economy peaked and bottomed out (within the context of the 15th cycle) in April and November 2012 respectively, and after emerging from this short-lived recession, Japan entered the growth phase of the 16th postwar economic cycle.

## **The Current Status of Japan’s Economy**

In November 2012, the yen began rapidly weakening (Figure I-1③) against the backdrop of an ongoing US economic recovery, entrenchment of Japan’s trade deficit, and a widening Japan-US interest rate differential. This coincided, in the same month, with the dissolution of the Diet (Japanese parliament) and perception that Shinzo Abe was certain to return to the Prime Minister’s office, which was seen as ensuring ongoing yen depreciation and resurgent stock values particularly among exporters.

If exporters’ improved business performance were simply the result of transference of income from import-driven to export-driven industries, it would bring no economic growth to Japan. The important issue is whether strong performance across a wide range of export-oriented industry exerts a positive ripple effect on the entire economy.

The Abe Cabinet announced an economic and fiscal policy based on “three arrows”: bold fiscal stimulus, flexible monetary policy (monetary easing), and a growth strategy (centered on structural reforms) that stimulates private-sector investment. Among market insiders, this policy was termed “Abenomics”.

The fiscal policy being implemented by the Bank of Japan is aimed at swiftly ending deflation, with the target of a 2% year-on-year rise in the consumer price index. As this policy got underway, the word “deflation” once again disappeared from the monthly economic report in December 2013. The law governing the consumption tax was revised in 2012, mandating a 3% hike, from 5% to 8%, to take effect in April 2014. This kept the consumer price index rising at a rate of over 2% year-on-year from April 2014 through March 2015, although since April 2015 the rate of year-on-year increase has stayed below 1%.

Approximately 3.5 trillion yen from the national coffers has been put into fiscal stimulus, including acceleration of reconstruction and restoration efforts

in the disaster-hit region, and is estimated to have expanded the GDP by about 0.7% in real terms. For the first three quarters of 2013, the economy grew in real terms year-on-year for three consecutive quarters, followed by a rush to buy goods before the consumption tax hike, which triggered a backlash reflected in a year-on-year decline through the third quarter of 2014. The economy returned to growth in the fourth quarter of 2014.

Private-sector capital investment has been growing year-on-year consistently since the second quarter of 2013, with the exception of the second quarter of 2014 when the consumption tax rate hike took effect (Figure I-1②).

## Outlook for the Future

In this final section, let us examine three aspects of the outlook for Japan's economic future: wages, the 2020 Tokyo Olympics, and the nation's finances.

Over the past 60 years in Japan, there have been annual spring negotiations (*shunto*) between labor and management at major corporations, all held more or less concurrently. Since the Abe Cabinet took office, employment and income have been viewed as crucial policy issues for overcoming deflation, and in 2013 an extraordinary measure was taken in the form of an autumn meeting among government, labor, and management in advance of the 2014 spring talks, which were to coincide with the consumption tax hike. The government has also been encouraging labor and management to negotiate wage increases on a voluntary basis since then. This is because a rise in prices due to a higher consumption tax, if unaccompanied by an increase in wages, amounts to a *de facto* wage decrease that quells economic growth.

Wages have been trending downward over the long term since the late 1990s, and the key factor driving this is the rising percentage of part-time workers, who earn lower wages (Figure I-4). Wages for the general workforce have been virtually flat, although those for part-time workers are rising. The percentage of firms raising workers' wages has been fluctuating between about 60% and 80% in line with economic conditions, and in 2014, after rising for three consecutive years, it stood at 83.6%, the highest

percentage since the survey began (Figure I-5). Another consumption tax hike, up 2% to 10%, is slated for April 2017, and the factor that will most strongly affect consumer demand is whether or not wages can be raised sufficiently in terms of purchasing power.

A national project on the scale of the Olympics has the power to generate demand and improve consumer mindset, as it did in Japan during the Olympic Boom of the early 1960s, but it is often followed by a reflexive economic slump afterward. Also, reconstruction after the 2011 earthquake and tsunami is still in progress, and there are concerns that too much large-scale construction occurring at the same time could result in shortages of construction materials and human resources. The long-term impact of the Olympics on Japan's economy remains to be seen.

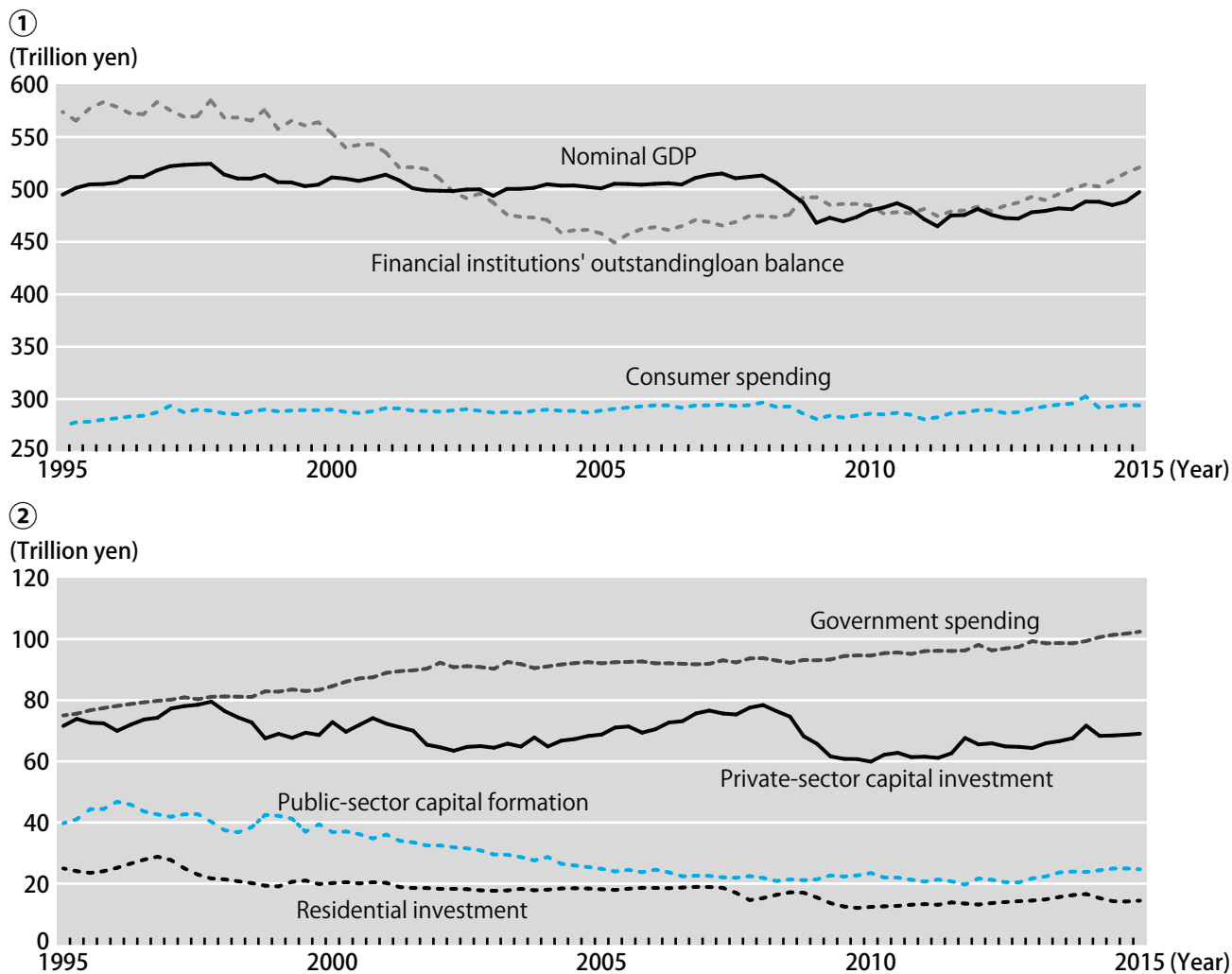
According to the OECD "Economic Outlook 96", Japan's national debt in 2014 was equivalent to 233.8% of GDP, far above Italy's 149.2% and France's 117.4% and the highest among developed nations. A high percentage like this does not immediately lead to economic collapse, but government spending is sure to continue increasing as Japan's society ages further, and it will be necessary to seek out a viable route to fiscal health while closely monitoring interest rate trends. There is no doubt that stable economic growth can greatly aid in this arduous endeavor.

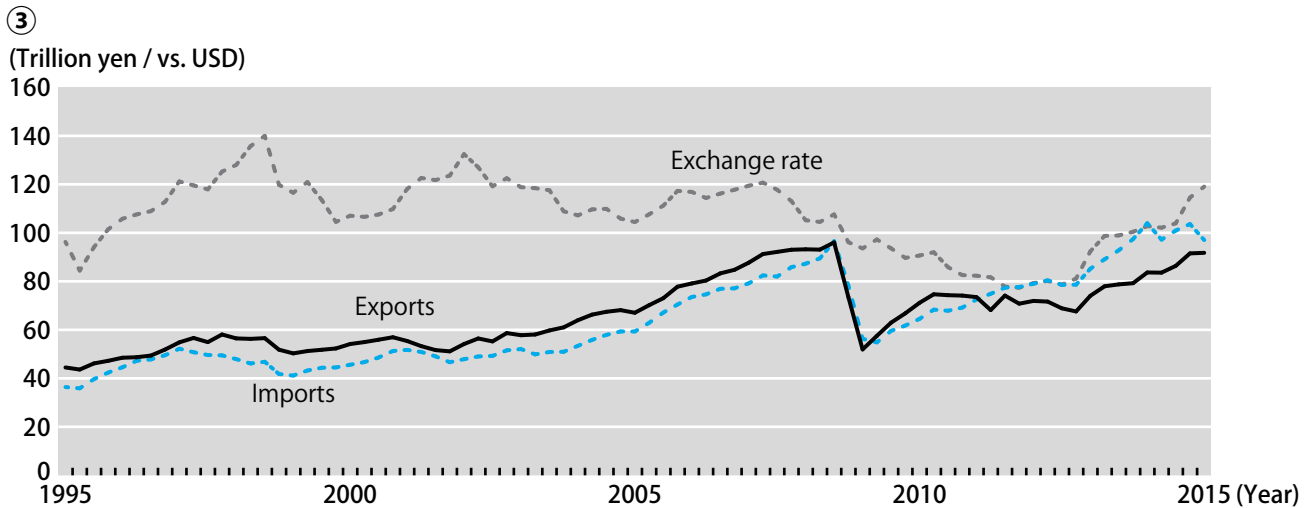
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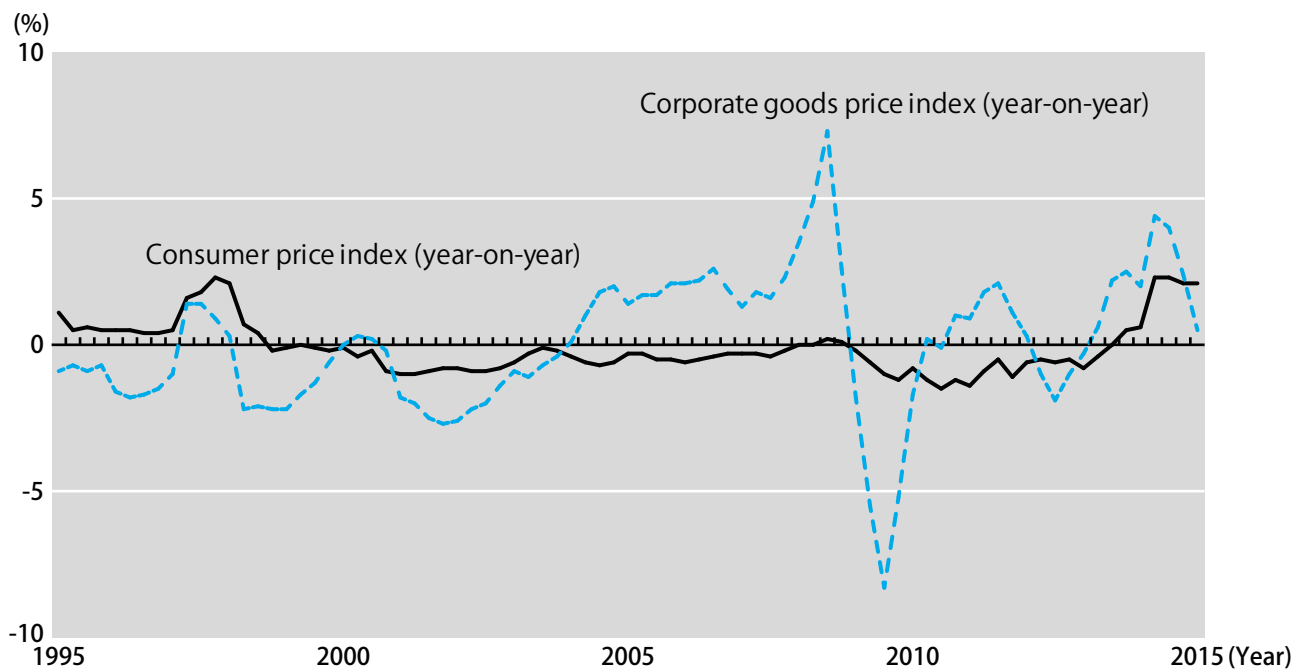
**Figure I-1 Nominal GDP by Category of Demand, Outstanding Loan Balance of Financial Institutions, Change in the Exchange Rate**



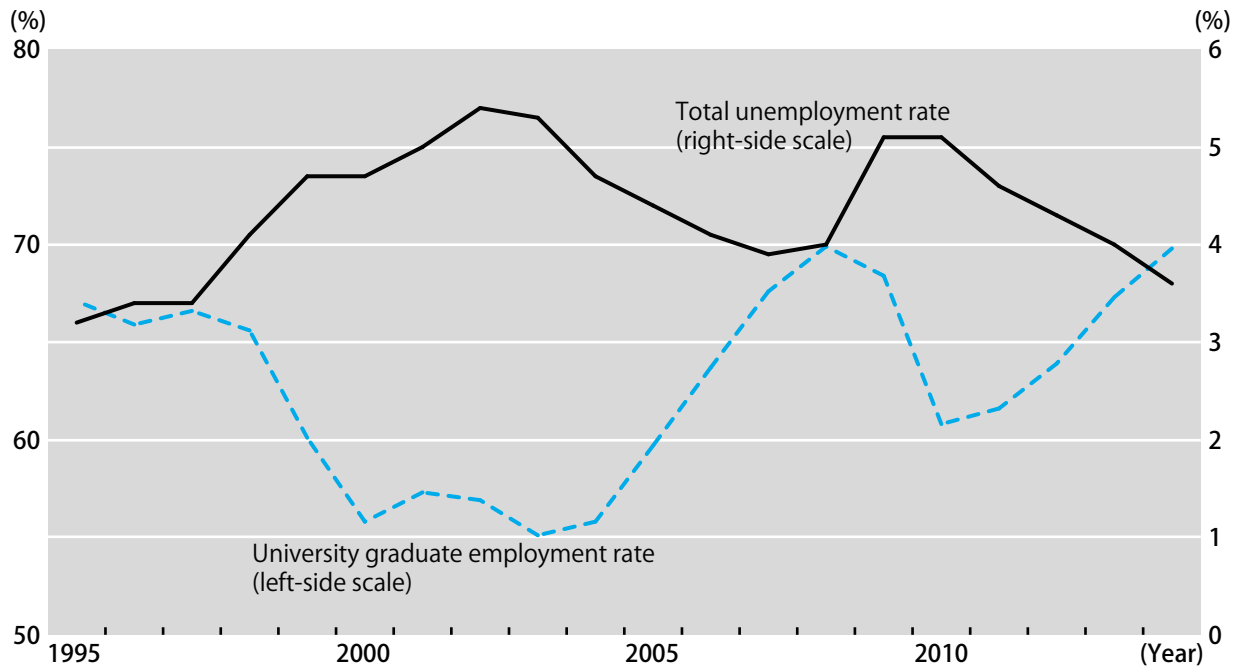


Note: Values for nominal GDP and other constituent elements are seasonally adjusted values by quarter. Financial institutions' outstanding loan balances are three-month averages of monthly values. Exchange rates are three-month averages of monthly values for central markets.

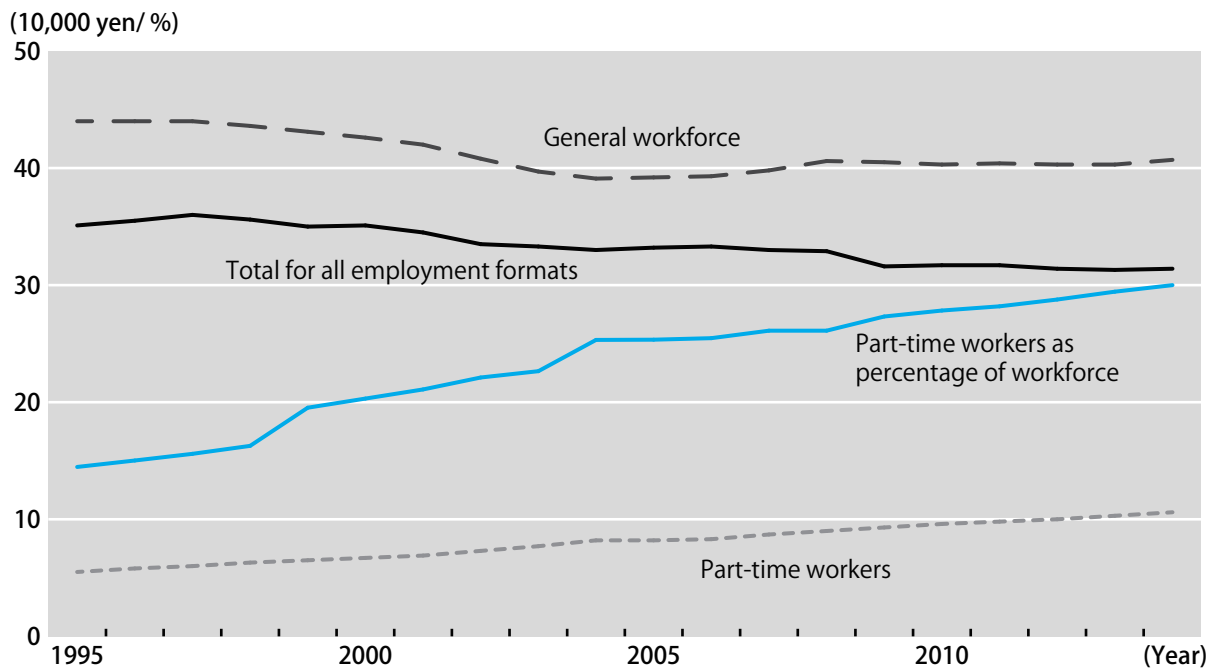
**Figure I-2 Consumer Prices and Corporate Goods Prices**



**Figure I-3 Total Unemployment Rate and University-graduate Employment Rate**

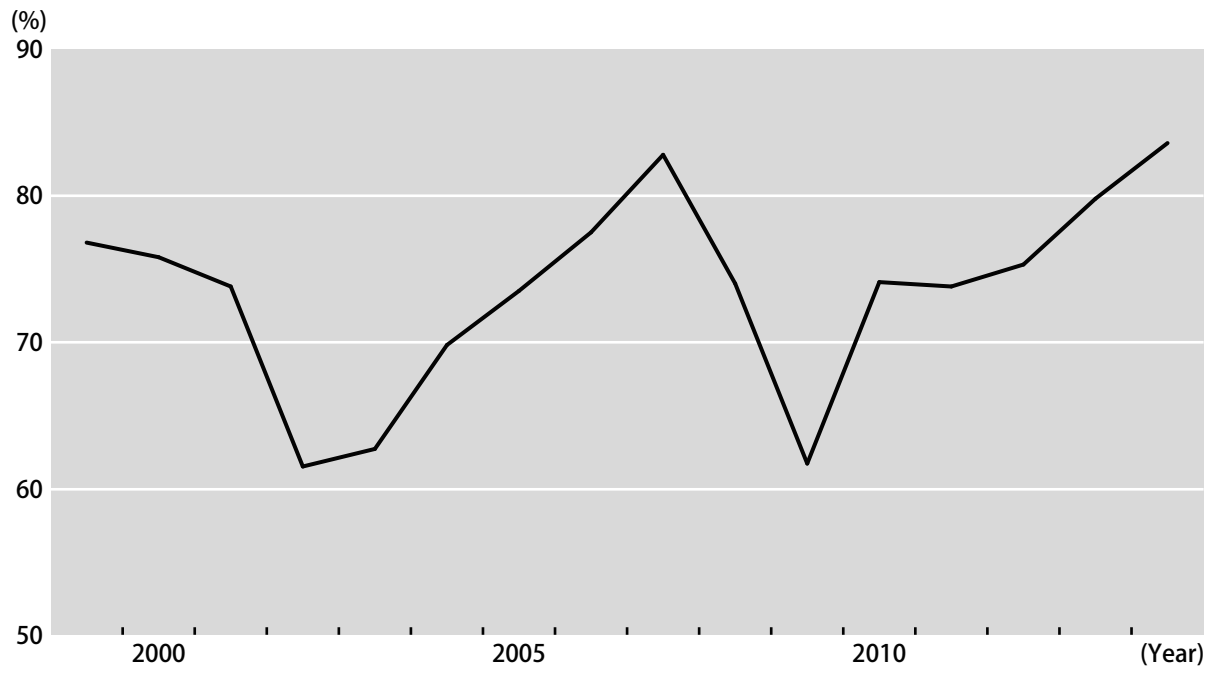


**Figure I-4 Total Cash Earnings by Employment Format, and Part-time Workers as Percentage of Workforce**



Note: For total cash earnings, average of monthly values for 2010 were multiplied by the 2010 standard index.

**Figure I-5 Percentage of Companies That Raised Employees' Wages**



## 2 Characteristics of Recent Labor Issues

### Trends in the Japanese Economy and Employment Since the Bubble's Collapse

After the collapse of the late 1980s asset price bubble in 1991, Japan fell into prolonged economic stagnation, albeit interspersed with multiple periods of recovery, known as the “lost 20 years”. During this era, particularly from the late 1990s onward, the nation was caught in long-term deflation. During these troubled decades, the labor market underwent the following structural changes.

1. The employment rate among men in their prime working years (aged 25-34, 35-44, 45-54) was on a downward trend. This was the outcome of the so-called “employment ice age”, roughly 1993-2005, when many job seekers could not find the kind of jobs they wanted, eventually leaving the labor force and remaining marginalized.
2. There was consistent growth in non-regular employees as a percentage of the total labor force. Workers other than regular employees made up approximately 20% of the working population in 1991, but this percentage topped 30% in 2003 and has continued rising since. In addition to an increase in the number of part-time workers as more women and senior citizens joined the workforce, a rise in the percentage of non-regular employees among younger workers (aged 25-34) was a contributing factor.
3. Methods of employment adjustment changed as well. During the recession period from 1998 to 2001, a rising percentage of enterprises took direct approaches to downsizing their workforces, such as soliciting voluntary early retirees and laying off employees, in addition to already prevalent methods such as reducing overtime hours and curtailing mid-career hiring. Later, during the slump accompanying the global financial crisis of 2008-9, hiring of temporary, part-time, and dispatched workers was suspended.
4. Wage growth was stagnant. As service industries

gained an increasing share of the economy, average wages were driven down by a growing number of part-time workers in the relatively low-productivity service sector. Meanwhile, wages in the manufacturing sector were held down by ever fiercer price competition as globalization advanced.

### The Japanese Economy and Status of Employment in Recent Years

After the global financial crisis beginning in fall 2008, the Japanese economy entered a recovery phase in 2009, and overcome a temporary slump following the Great East Japan Earthquake of 2011 to gather steam in 2012. Afterward, growth weakened once again, as exports and production fell with the slowdown of the global economy and reduced automotive sales following a surge in demand accompanying the eco-friendly vehicle subsidy. In 2013, aggressive monetary easing as part of Prime Minister Shinzo Abe’s “Abenomics” policy contributed to a resurgent stock market and more positive corporate and consumer mentality, with personal consumption-centered domestic demand driving an economic recovery. The economy was subject to downward pressures for a time as consumption slumped after the consumption tax hike of April 2014, in a backlash against last-minute demand before the tax hike, but as of this writing (summer 2015) Japan is back on a gradual yet sustained growth trajectory.

Under these circumstances, employment is steadily improving. The jobs-to-applicants ratio in fiscal 2014 was 1.11, the highest in 23 years, and the total unemployment rate at 3.5% was the lowest in 17 years, while companies’ perceptions of understaffing grew stronger. As corporate profits rose with the economic recovery, wages rose in 2014 by a percentage that, while low, was the highest in 15 years, and further wage growth is projected for 2015

as part of what appears to be an economic virtuous cycle.

## Shrinking Population and Changing Demographics

In Japan, the total fertility rate (the estimated average number of children a woman has in her lifetime) fell below 2 in 1975, and in 2005 had plunged to 1.26. It has since rebounded, to 1.42 in 2014, but the annual number of births continues to dwindle. As a result the population peaked in 2008 at 128.08 million and began declining, and is projected to fall to 116.62 million in 2030.

Age demographics have seen a significant shift as well. In 1990 the percentage of the population aged 14 or younger was 18.2%, the working-age population percentage (aged 15-64) was 69.7%, and the percentage aged 65 and above was 12.1%, but in 2010 these figures stood at 13.2%, 63.8%, and 23.0% respectively. This reverse pyramidal structure is expected to grow more pronounced over time, with the above figures projected at 10.3%, 58.1%, and 31.6% in 2030.

A shrinking population, declining birth rate, and aging society have the effect of diminishing the labor force, and as a trend for the future, increased labor demand accompanying economic recovery is expected to be met with supply constraints, driving an increase in perceived understaffing at Japanese enterprises.

## Labor Policy in the Context of “Abenomics”

The second Abe administration, launched in December 2012, set forth an integrated economic policy (nicknamed “Abenomics”) comprising the “three arrows” of aggressive monetary easing, flexible fiscal stimulus, and structural reforms aimed at boosting private-sector investment. In this growth strategy, labor policy includes comprehensive measures to boost the birth rate over the long term, while to address labor supply constraints in the short term, there is a perceived need to improve productivity and heighten earning potential. To do so, curtailing excessively long working hours and transforming working styles so as to maximize the potential of each individual worker are seen as crucial

first steps. Decreasing quantity (of working hours) and diversifying working styles will raise the quality of labor and boost earnings, while enabling workers to balance jobs with childcare or nursing care, further advancing women’s participation in the labor force. These measures are thus viewed as effective means of propelling economic growth, through improvements in both quality and quantity of labor supply.

The amended Japan Revitalization Strategy formulated on June 30, 2015 announced the start of the second phase of Abenomics, which will revolve around measures to overcome labor supply constraints as the population shrinks. In terms of labor policy, this entails strategies to bring forth the latent potential of individual employees to the fullest extent, by 1) curbing overlong working hours to improve the quality of work performed, 2) promoting increased participation by women, senior citizens, and other underrepresented groups, and 3) integrated reform of education and employment practices to strengthen human resources for an era of change and innovation.

## Countermeasures for Fields with Insufficient Human Resources

Insufficient labor supply as the population shrinks is a concern for the future, but in more immediate terms, while hiring has been steadily increasing, companies are finding themselves understaffed. In terms of industrial sectors, this is particularly pronounced in the categories of Construction, Transport and Postal Activities, and Medical, Health Care and Welfare, among others. While market mechanisms ought to correct the balance of supply and demand in the labor market, in sectors like these there is a need for proactive government intervention.

In the fields of long-term care for the aged and persons with disabilities, child care, and nursing, demand for human resources is expected to continue growing as society ages and more women work, but labor conditions in these fields are often severe, and there is a need for government action to improve employment management and workers’ treatment and compensation.

In the construction sector, investment amounts are declining, while structural problems are becoming entrenched as skilled laborers age and competent

personnel are in increasingly short supply. There is a need for effective measures to secure human resources, not only for the temporary surge in demand in the run-up to the 2020 Tokyo Olympics and Paralympics, but over the long term.

In transport (road freight transport), personnel needs are growing with the recent surge in online shopping, but the labor force is largely middle-aged or older, and when current workers retire there is a risk of endemic understaffing setting in, pointing to an urgent need for measures to secure human resources for the future.

### **Regional Employment Strategy**

The Abe administration is calling for government-wide policies to promote the growth of regional economies and reverse population declines in rural areas under the banner of “vitalizing towns, people, and jobs”.

A critical mass of people is indispensable for stable growth in local communities, which means ensuring that people live there and stay there, which in turn requires creating stable, high-quality jobs.

To ensure sufficient populations in rural areas, it is essential to alleviate the overconcentration of people in Japan’s three major conurbations, particularly the greater Tokyo area. Migration is most prevalent among young people aged 15 to 24, who are moving to cities to attend school or start jobs, and to stem the outflow of this demographic from regional communities, there is a need to boost attendance at universities and hiring at enterprises in these communities, and to encourage young people to return to their regions of origin to work after completing university in Tokyo or other urban areas.

To stabilize populations in local communities requires jobs, but the reason young people most commonly give for not seeking jobs outside major urban areas (including among young people who would be returning to their regions of origin) is a lack of desirable employers there. However, it seems likely that appealing small and mid-sized enterprises exist but are not reaching potential recruits, and one key task is to create new, high-quality jobs in regional communities by publicizing these enterprises and encouraging them to hire more workers.

### **Promoting Labor Force Participation by Women and Older People**

Women’s presence in the workforce has been growing, and many years have passed since the number of households where both husband and wife work surpassed the number of single-income families in the mid-1990s, with the trend expected to continue in the future. Meanwhile, as the population ages, there is sustained growth in the number of older people certified as requiring long-term care. Under these circumstances, there is a significant segment of the population balancing work with childcare or care for elderly family members, and a need for flexibility and diversity in working styles.

Promotion of women’s increased participation in the labor force not only benefits women, it is also crucial for the sustainability of Japanese society, the growth of businesses, and the economic security of individual households. Today, there is a need for both men and women to work, and thus for both sexes to participate in housework, childcare and other household responsibilities as well. To achieve this requires an environment where women can continue working after marrying and having children, or can return to the work even after resigning for these reasons.

Older people’s participation in the labor force will also be increasingly essential for Japan’s sustained growth as the low birth rate and aging of society lead to a decline in the working-age population. With the April 2013 amendment of the Act on Stabilization of Employment of Elderly Persons, it is already mandatory for companies to offer employment to workers up to the age of 65, and going forward it will be necessary to promote further participation by people over 65 as well. In particular, as the baby boom generation (estimated at 6.54 million people) passes the age of 65, Japan must accommodate a wide range of work formats and provide diverse opportunities to older people who wish to continue working, so as to capitalize on the skills and experience these workers have amassed over their careers, and realize a society that literally enables “lifetime employment”.

## **Lifetime Competency Development: Maximizing the Potential of Human Capital**

The wellsprings of economic growth can be placed in three categories: in addition to rising capital input and labor input, there is increased “total factor productivity” (TFP), which encompasses all that cannot be explained by either of those.

In a country with shrinking population like Japan, even if steps are taken toward achieving a “full-participation society”, labor input can only be expected to have a negative impact from now on. To achieve stable growth and improve the physical and mental wellbeing of Japan’s people, in terms of improved standards of living and so forth, despite the constraints of declining labor quantity, it is crucial to improve individual labor quality to the greatest possible extent.

To boost the quality of labor, it is vital that each individual worker continue developing and heightening his or her professional skills over a lifetime. “Development of professional skills” is often perceived as something that takes place soon after hiring, but in fact it is something that ought to continue over the entire course of a career. It begins before someone is hired, while they are still at school, and never ends as long as they are in the workforce.

Considering that competencies required on the job are subject to change and workers’ professional lives are steadily growing longer and longer, members of the workforce today must play proactive roles in forming their own careers. Also, taking into account people’s longer working lives and the increasing number of opportunities to change employers, there is a need for measures to promote clarification and appropriate evaluation of workers’ professional skills, including certification programs.

## **Increase in Non-regular Employees and Fair and Equal Treatment of Employees**

Japan has thus far adhered to a dualistic approach in which regular employees receive seniority-based wage increases and are subject to seniority-based human resource management as part of the traditional Japanese lifetime employment system, whereas part-time, fixed-term contract, dispatched, and other non-regular employees are not part of this system and

there is a substantial gap in treatment and compensation. Meanwhile, non-regular employees have made up an ever-increasing percentage of the workforce, as enterprises sought to curb personnel costs amid increasingly ferocious global competition during the more than 20-year economic slump after the collapse of the economic bubble. In 1990, non-regular employees accounted for 20% of the workforce, but in 2014 the figure stands at 37.4%. In the past, the typical non-regular employee was a homemaker working part-time, a student working for a short period of time, etc., earning money “on the side” while engaged in some other activity, but recently there have been more and more people working as non-regular employees out of necessity, unable to secure regular employment after graduation. Among young people the percentage of both male and female non-regular employees has been rising, and their classifications have been diversifying—contract employees, temporary employees, dispatched employees, and so forth. Until the early 2000s in Japan, the rise in non-regular employment was viewed as inevitable diversification of the employment structure, but from the late 2000s onward it has emerged as a significant social problem. The most pressing issue is correction of the imbalance in treatment and compensation of regular and non-regular employees.

Under these circumstances, laws have been revised in order to narrow the gap between regular and non-regular employees. For instance, there has been clarification of rules prohibiting irrational disparities in labor conditions based on whether workers are on fixed-term or unlimited contracts, under the Labor Contract Act. Meanwhile, the Part-Time Employment Act is in the process of being amended to broaden the scope of workers protected against discriminatory treatment based on employment status. Regulations have also been implemented under the Worker Dispatch Act to facilitate equal treatment of dispatched workers and employees of the companies to which they are dispatched.

Despite these countermeasures, however, it has been pointed out that the actual disparity remains as wide as ever, and in addition to steps aimed at



narrowing the gap, there need to be further measures such as converting non-regular employees into regular employees or “limited regular employees” (with limitations on the content of their duties or region of placement).

### **Alleviation of Excessive Working Hours and Prevention of Death by Overwork**

In Japan, the average annual hours actually worked by full-time employees have stayed consistently above 2,000 hours. The percentage of employees working 60 or more hours per week has been declining and currently stands a little under 10%, but it remains significant, and the statistic for male workers in their 30s is 17.0%. International comparisons show that Japan has a notably high percentage of people working 48 or more hours per week. Meanwhile, the percentage of paid vacation days actually taken per year has stayed consistently below 50%.

Excessively long working hours have the effect of limiting participation in the labor force, particularly among workers who also have childcare or long-term care obligations, but also among older workers who have considerable skill and experience but want to avoid overly long working hours for health reasons. This presents a disadvantage to employers, as well, who are unable to secure these human resources even as they face a decline in the absolute number of younger employees due to the low birthrate. There is a need to curtail overlong work hours and promote work-life balance so that experienced employees have enough time to cultivate the juniors who will replace them, and so that female workers, young people, and older employees can fulfill their full potential as members of the labor force.

Above all, curtailing overwork is crucial for the mental and physical health of workers. In June 2014 the Death from Overwork Prevention Act was passed, but the nation is still struggling to prevent tragic situations in which excessively long working hours result in loss of mental health and even the deaths of employees.

### **Wage Increases**

For improvement in the quality of human capital

to lead to increased productivity, and for this to be appropriately reflected in wage increases that in turn drive consumption, is an essential process for stable economic growth.

In the annual springtime labor-management negotiations in 2014 and 2015, both sides reached a consensus on connecting the economic recovery’s improvement of corporate profits to higher wages, and a similar consensus was reached at the Government-Labor-Management Conference on Realizing a Positive Cycle of the Economy, resulting in the largest wage hike in 15 years in 2014 and a more substantial one in 2015. Moving forward, there must be continued efforts to ensure that improvements in corporate profits due to increased productivity are appropriately reflected in workers’ wages.

To ensure that workers’ wages go up across the board, there is also a need for adjustments of the business environment aimed at achieving a minimum wage increase. In particular, various kinds of support must be provided to boost productivity, etc. at small and mid-sized enterprises and small businesses especially prone to impact from minimum wage hikes.

### **Establishment of a Collective Labor-management Relations System**

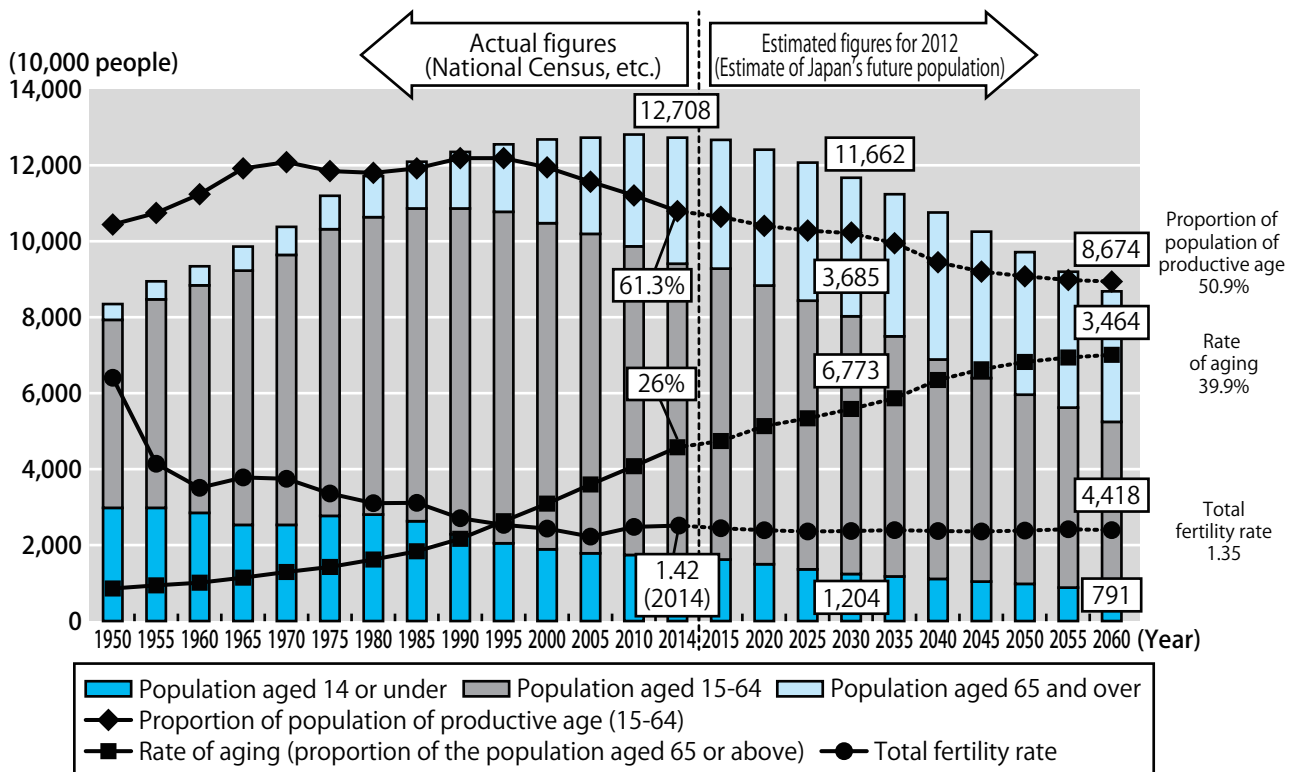
The labor union membership rate fell below 20% in 2003, and in 2014 was down to 17.5%. In Japan, enterprise unions (labor unions organized within specific companies) are dominant, and the overwhelming majority limit membership to regular employees. As a result efforts to organize non-regular employees are stalled despite the dramatic increase in the number of these employees. In the 2000s the national trade union center led a campaign to organize non-regular employees at unions throughout Japan, but although there have been signs of improvement, the union membership rate among part-time workers is still only 6.5%.

Enterprise labor unions face these and a range of other issues related to changing labor-management relations: declining union membership rates, rising percentages of non-regular employees in diverse formats, an increasing number of individual labor

disputes, and expansion of the role and authority of majority representatives. Particularly in labor-management relations at the company or workplace level, where enterprise labor unions have functioned effectively in the past, the opinions and needs of a

diverse range of non-regular employees are not being adequately reflected, and there is a pressing need to consider new channels for the collective voices of all employees.

**Figure I-6 Trends in Japan's Population**



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

## 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 2014 (national census), Japan's population increased by a factor of about 1.76, from a reported 72.15 million to 127.08 million. Naturally, this continued increase has not been at a uniform pace over this 69 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. In fact, in the twelve months from 2013 to 2014, the population actually fell by 1.7%.

### **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**

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. 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.

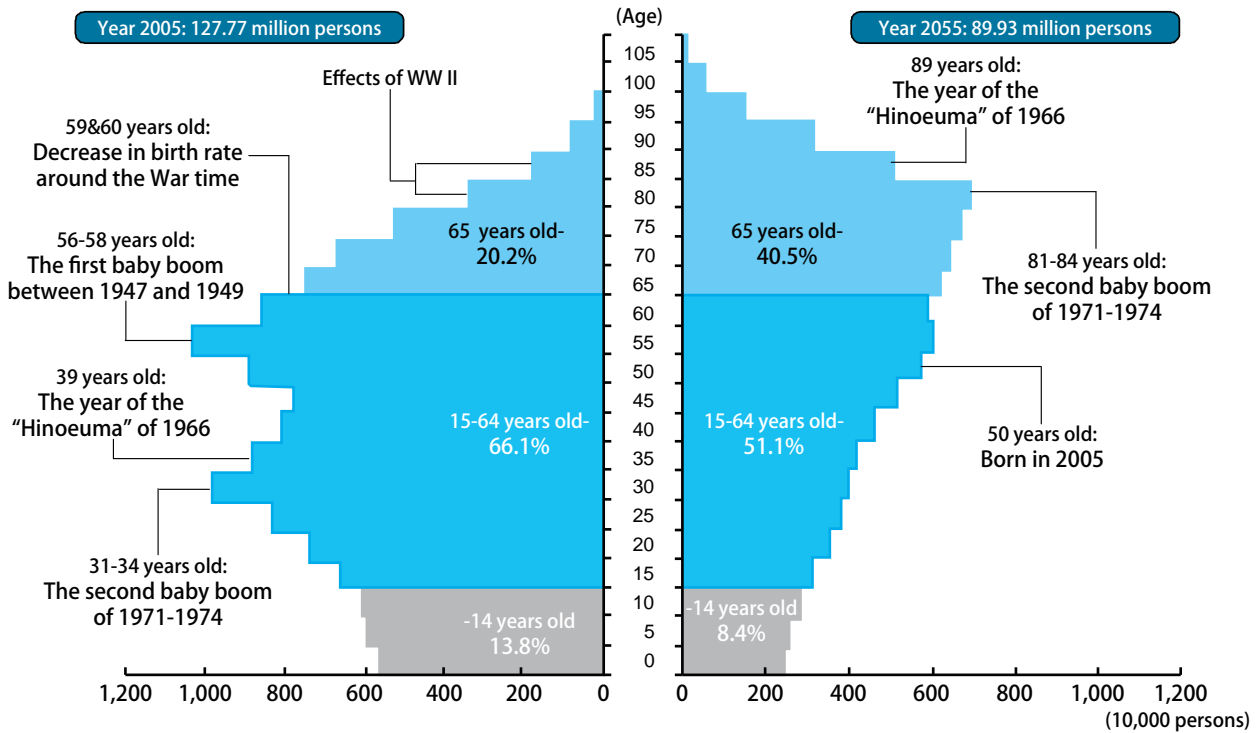
### **Foreign National Population Reverses Decline and Begins Increasing**

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. Thereafter, it began increasing again, and in 2014 stood at 2.122 million, close to its highest-ever level. This corresponds to 1.67% 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).

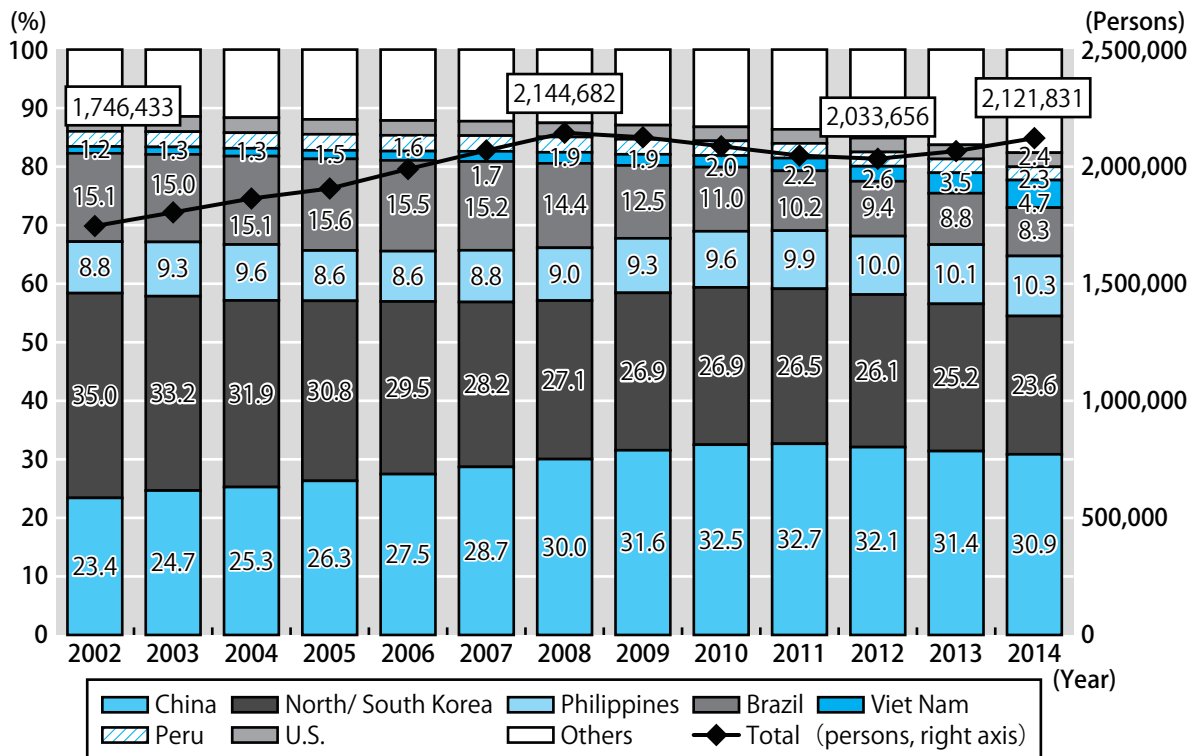
With regard to the breakdown of this, in the past, North and South Koreans accounted for the vast majority of Japan’s resident aliens. Their share has been decreasing, however, and as of the end of 2014, they accounted for 23.6% of the foreign population, a record low (see Figure II-2). On the other 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. Chinese nationals as a percentage of the total non-Japanese population peaked in 2011, and although this percentage has since been declining, it still stands at 30.9%. Also, although they still constitute a small percentage of the total, there has been an increasing influx of Vietnamese nationals in recent years.

**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 Mar. 31, 2014*

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

Japan's total population stands at 127.08 million. Of this total, 16,233,000 are aged 0-14, 77,850,000 are in the 15-64 bracket, and 32,780,000 are 65 or above (as of October 1st, 2014; Population Estimate by the Statistics Bureau, Ministry of Internal Affairs and Communications).

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 2014 this had swollen to an average of 65.87 million (males 37.63 million, females 28.24 million) (Ministry of Internal Affairs and Communications, 2014 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 59.4% in 2014 (male: 70.4%, female: 49.2%) (Ministry of Internal Affairs and Communications, 2014 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 2014, and points out the following characteristics as long-term trends of Japan's labor force ratio:

1. The male labor force has not changed significantly

overall, but the number aged 60 and over has grown.

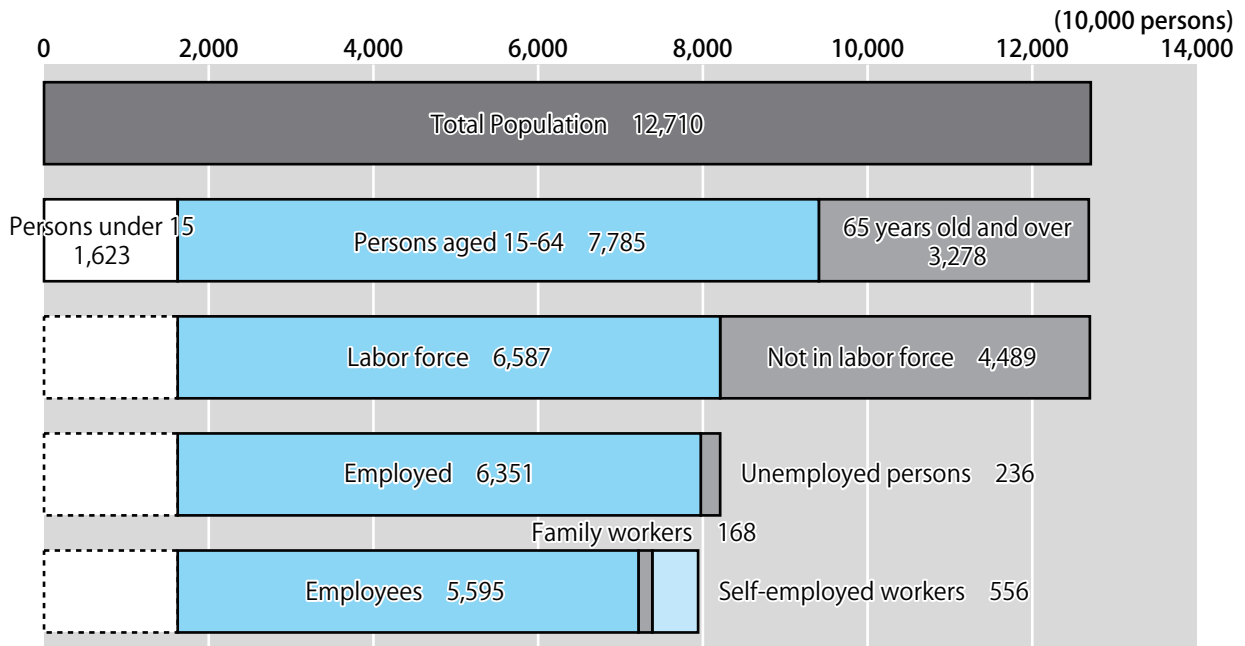
2. The female labor force ratio develops in the M-shaped curve: the labor force ratio of female workers declines for workers in their late 20s through their 30s, and increases again after that. However, the labor force participation rate for all age groups rose over the period surveyed, and the valley part of the M-shape moves upward and to the right over time.

## Factors behind the Labor Force Ratio

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

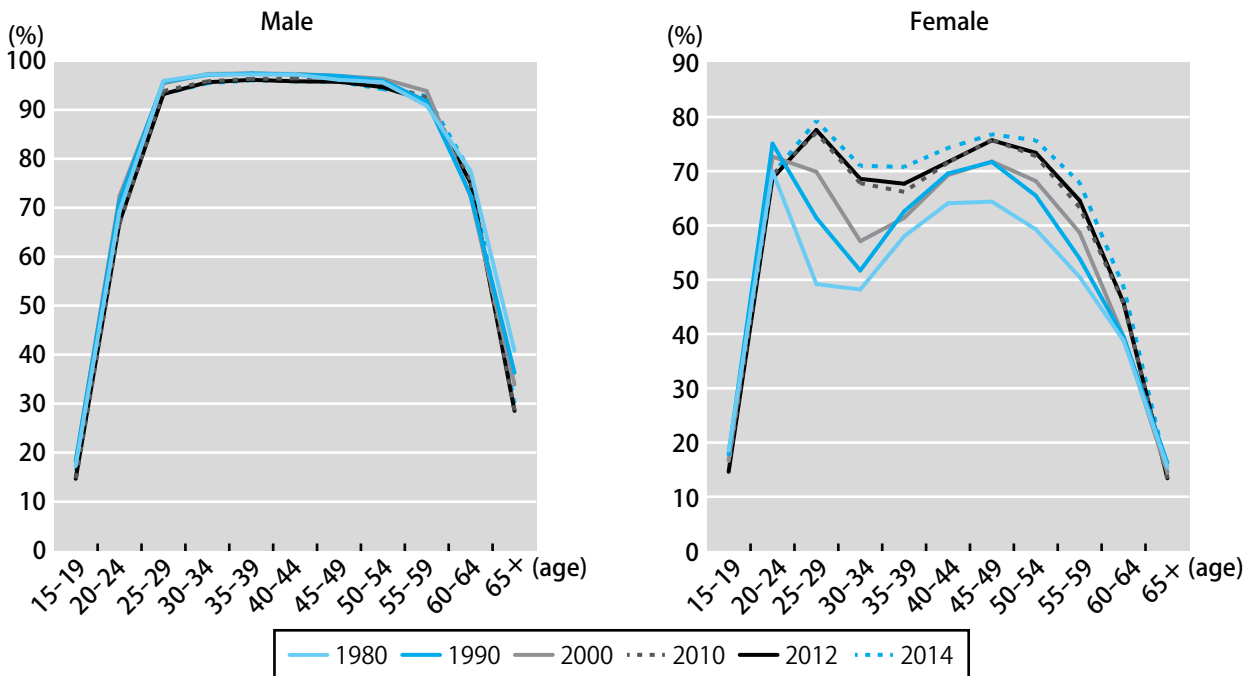
1. There is a rising number of older workers in the labor force, and companies are utilizing these workers more.
2. For women, the labor force ratio used to decrease from the late 20s through the 30s, because many would quit their jobs and leave the labor force to get married and have children during 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.
3. Among women, labor force participation is increasing, and they account for a larger proportion of regular employees in all age groups. The number of female short-term employees is also rising, particularly part-time workers and those doing side jobs in the 40-44, 45-49, and 50-54 age groups. (Ministry of Health, Labour and Welfare, 2014 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

An examination of employment in Japan over the medium term reveals an increase in the number of female and elderly workers, and gives an overall impression of growing diversity. 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.

Among non-regular employees, part-time workers made up the highest percentage of the entire non-executive workforce at 18.0% as of 2014, while *Arbeit* (temporary workers) accounted for 7.7%. Along with these, contract employees and temporary employees (7.8%) and dispatched workers (2.3%) have also come to account for a certain proportion.

From the 2013 survey onward, contract employees and entrusted employees are also counted separately, and the former constitute 5.6% of the workforce while the latter make up 2.3%.

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

In recent years, notable trends in the ratios of employment formats include: (1) Amid the drastic downsizing of economic activity following the global financial crisis of 2008-2009, the percentage of dispatched employees declined significantly, especially in the manufacturing sector, and continued falling gradually thereafter, but began rising again in 2013. (2) As members of the baby boom generation reach retirement age and a considerable percentage of them are rehired in other formats such as entrusted employees, the ratio of contract and entrusted employees has been rising significantly. (3) The percentage of part-time workers, which had stopped rising for a time, has been growing again recently.

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, 50.5% in other service industries that cannot be categorized, 50.0% in the wholesale and retail industries, 39.2% in real estate and leasing, 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. However, there was a decreased in the utilization of dispatched employees from 2009 onward, one reason for which was the debate over legal reform to strengthen regulations governing labor dispatch agencies, which continued for a long time without moving in any well-defined direction. In 2012 this debate came to a conclusion as legal reforms were implemented, and this appears to have contributed to a rise in the number of dispatched workers since then. Although employment types have diversified rapidly in recent years, some problems have been pointed out. One is that some employees find it different 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.

### **From Rising Unemployment to a Cyclical Phase**

A general overview of Japanese employment trends reveals a second characteristic, namely that after trending higher for some time, the unemployment rate has appeared to fall into a medium-term cyclical trend. 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. During the recession triggered by the global financial crisis of

2008, the total unemployment rate began rising and topped 5% in 2009, but economic recovery thereafter brought it down again, and it stands at 3.6% as of 2014.

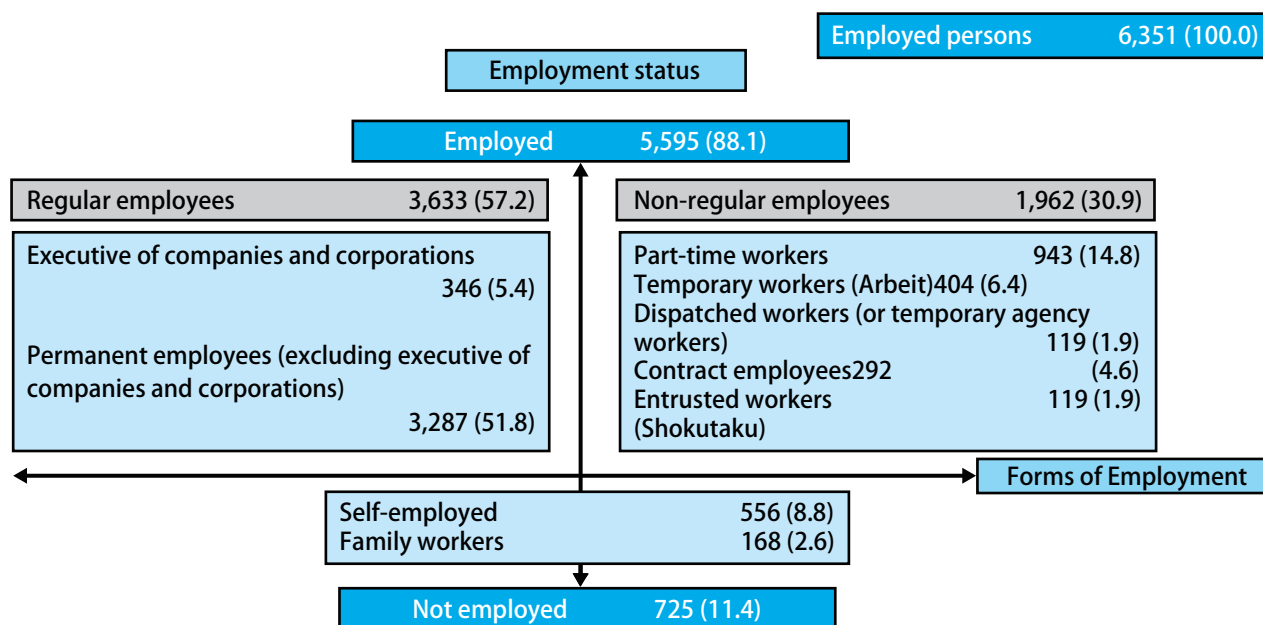
Viewed over the long term, Japan's unemployment rate was around 2% during the 1980s and rose during the ensuing two "lost decades" of economic stagnation following the collapse of the economic bubble. Since then it has moved up and down between 3.5% and 5% or so, largely staying between 4% and 5%. Estimated 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.

These broad trends 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. Moving forward, it will be necessary to curtail rising unemployment to the greatest possible extent by increasing productivity not through quantitative expansion of work-hours, but through technological advances leading to more efficient work procedures, in other words through qualitative improvements that contribute to reduced working hours.

One structural problem concerning unemployment is the particularly high rate among younger age groups. As of 2014 the total unemployment rate for all age groups stood at 3.6%, but among 15- to 19-year-olds it was 6.2%, among 20- to 24-year-olds 6.3%, and among 25- to 29-year-olds 5.2%. Like the overall rate, the unemployment rate among young people has been declining in recent years, but it remains high compared to other age groups. The stage of life in which young people graduate from school and start working is also a stage when many search for an occupation appropriate for them, and the unemployment rate for this age group has long been high relative to the overall average. In addition, the labor market for new graduates is characterized by reduced hiring of regular employees, and it must be

noted that as a result, an increasing number of young people begin their working lives as non-regular employees.

**Figure II-5 Breakdown of Employed Persons (2014 Averages)**

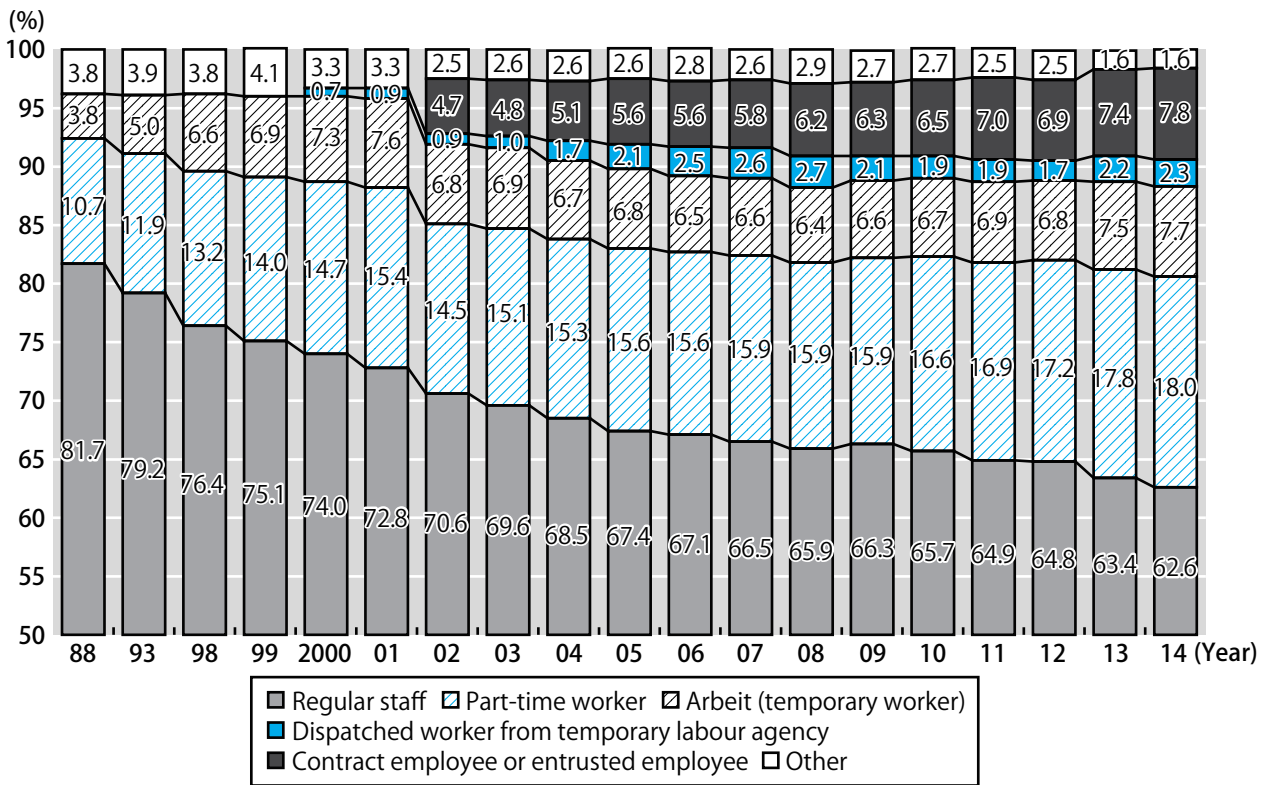


Source: Statistic Bureau, Ministry of Internal Affairs and Communications, *Labour Force Survey* (Basic Tabulation)

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 Survey* (survey in February each year) in the case of data for 2001 and earlier, and from the *Labour Force Survey Detailed Tabulation* (id. Basic Tabulation for 2013 and later) (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, the Labour Force Survey Detailed Tabulation, and id. Basic Tabulation, caution is required in comparing time series data.

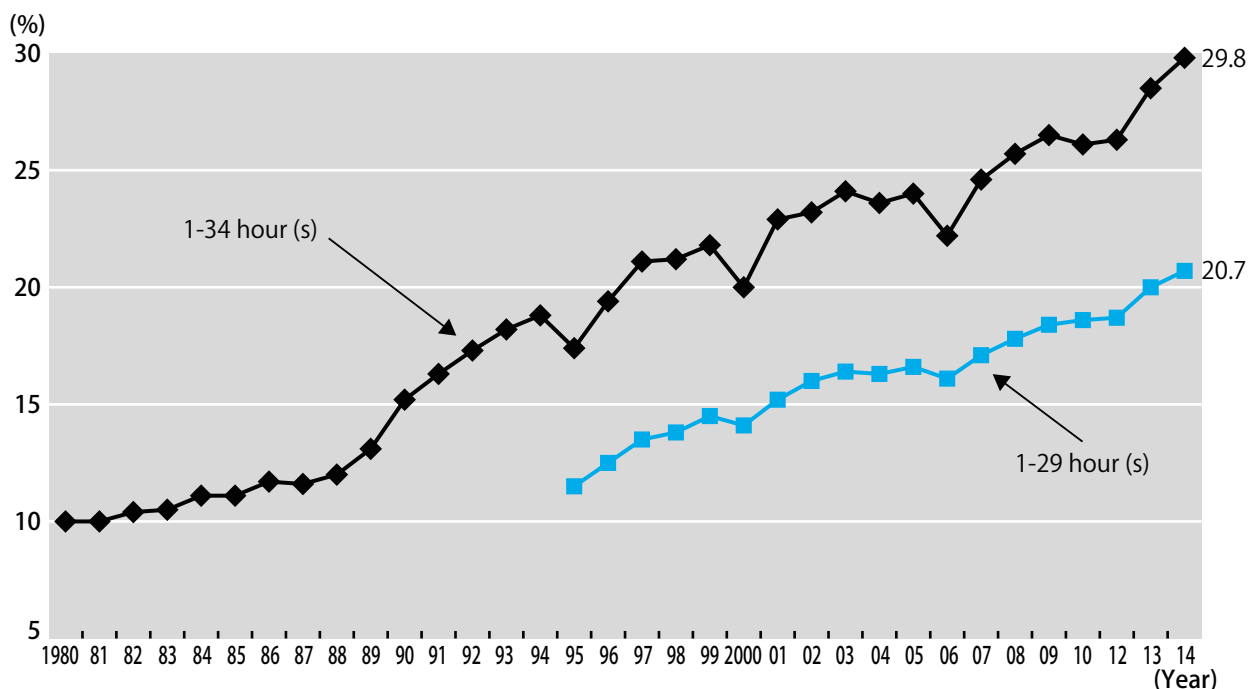
Notes: 1) From 2000, "Dispatched workers" was added as an independent category, while from 2002, "Contract employees and temporary employees" was added.

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.

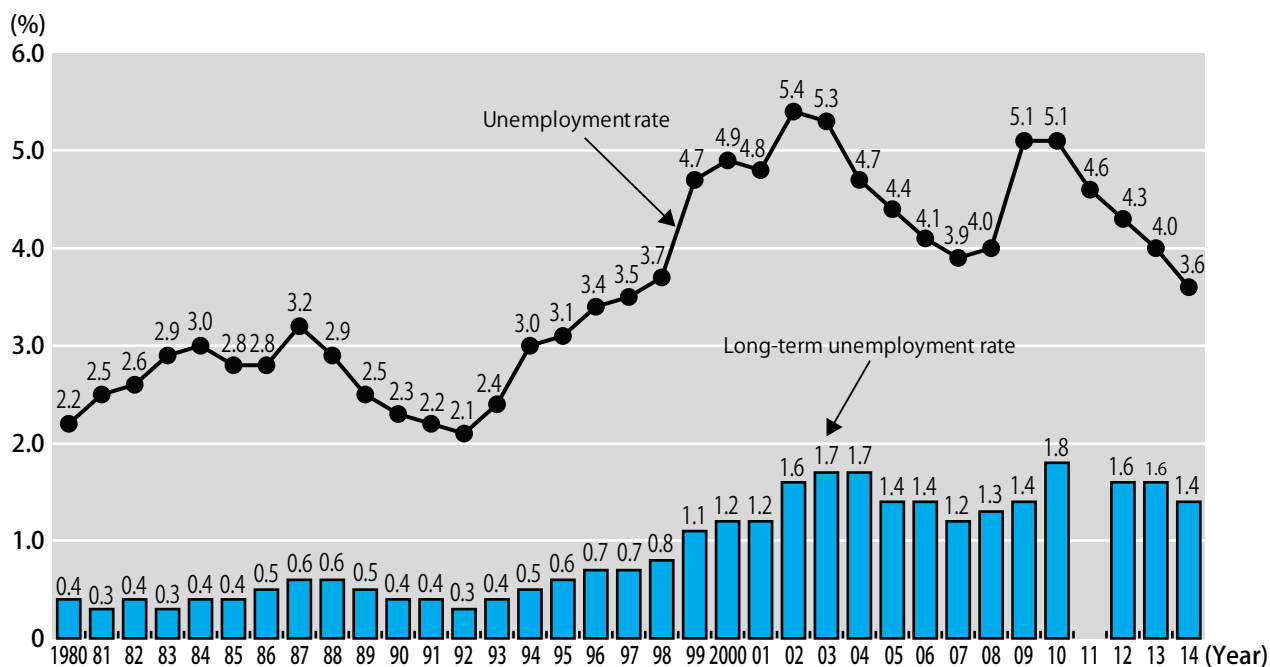
**Figure II-7 Breakdown of Non-agricultural/ Forestry Industry Employees by Weekly Working Hours**



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**



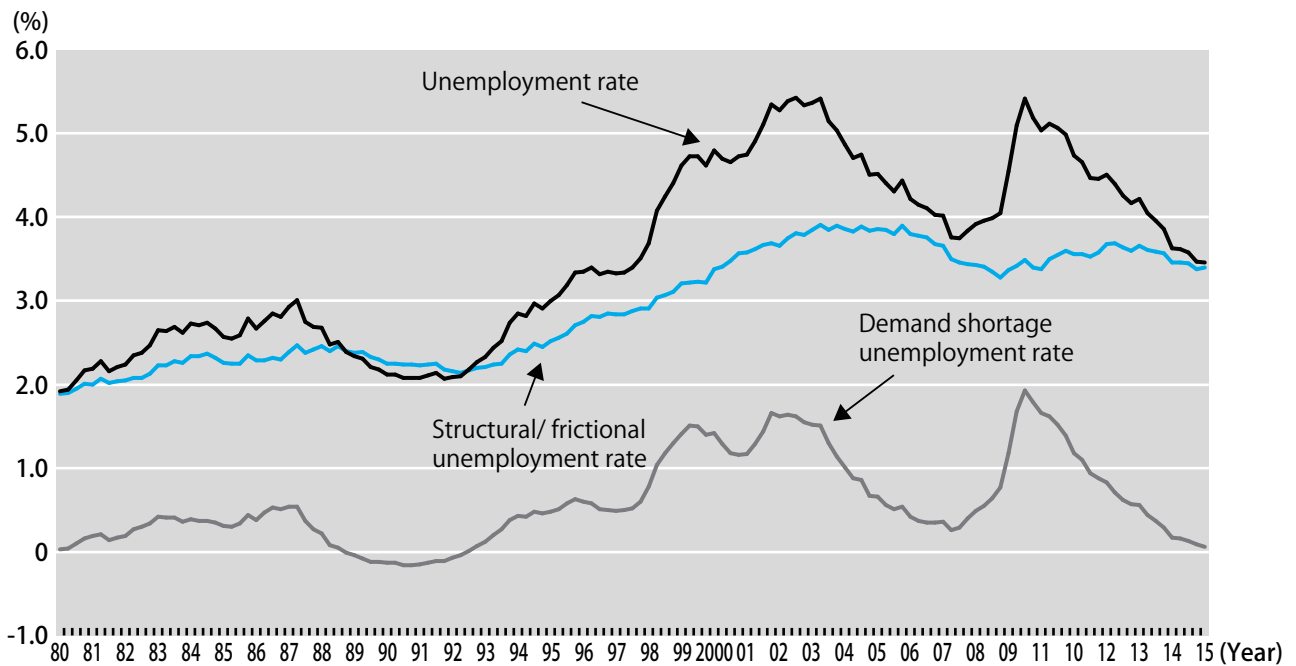
Sources: Statistic Bureau, Ministry of Internal Affairs and Communications, *Labour Force Survey*, *Special Survey of Labour Force Survey* (1977-2001), *Labour Force Survey (Detailed Tabulation)* (2002-2014)

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 2014.

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 (1980 I-2015 I)**



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 Regional Employment Trends

### Regional Disparities in the Employment Situation

Japan as a whole is unmistakably in the midst of an economic recovery, but there remain regional disparities in the extent of recovery. For example, as shown in Fig. 1, the effective ratio of job offers to applicants is low in the Tohoku (northeastern Honshu) region, Hokkaido, Shikoku, Kyushu, and Okinawa compared to the central areas of the country, one example of disparities among regions in terms of the employment situation. Gaps in the total unemployment rate and wage levels exist as well.

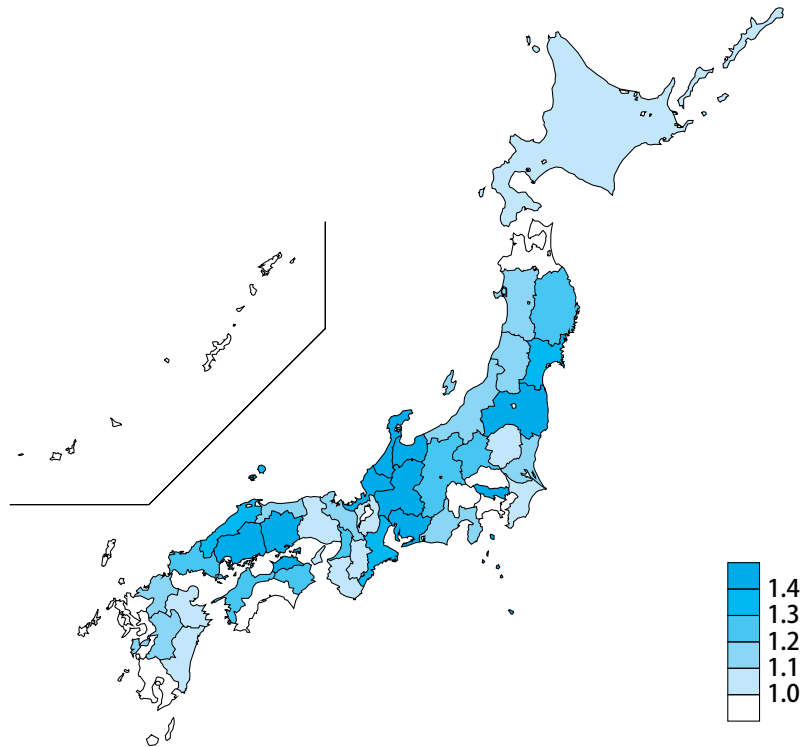
Regional disparities in the employment situation have existed for a long time, and during recession periods in particular, government demand, such as for public works projects, has propped up employment in parts of Japan outside major urban areas. During the 1990s, following the collapse of the economic bubble, the government's expansion of public works projects appears to have prevented the recession's impact on these areas from being too severe.

In the first half of the 2000s, export-oriented industry drove an economic recovery in major urban areas, but during the same period the Koizumi administration's policies of cutting public works projects and reducing overall government spending led to economic stagnation in regions dependent on these projects for employment, and the disparities

between major urban areas and other regions became more pronounced. The 2008 global financial crisis also caused serious damage to employment in areas outside major cities, and amid yen appreciation and increasingly fierce cost competition with other countries in Asia, an increasing number of companies in the manufacturing sector closed factories and ceased operations in provincial areas of Japan. While many companies ensured continued employment by transferring workers to other plants, a significant number of workers were forced to quit due to circumstances such as inability to move to distant locations. This trend toward closures, cessation of operations, and downsizing struck a heavy blow to employment in less urbanized regions, which depend heavily on manufacturing, and there were calls for emergency employment measures in various regions of Japan.

In addition, the Great East Japan Earthquake of March 2011 not only devastated the three Tohoku-region prefectures (Iwate, Miyagi, Fukushima) undergoing direct, heavy damage from the quake and tsunami, it also caused electricity shortages that forced suspensions of manufacturing operations throughout Japan, worsening the employment situation. Although the economic climate has improved since then, regional disparities in employment opportunities remain.

**Figure II-10 Effective Ratio of Job Offers to Applicants, by Prefecture (Aug. 2015)**



(Excluding new graduates, including part-time workers. National average = 1.23X)  
 Source: Ministry of Health, Labour and Welfare, *Report on Employment Services*

### Factors Underlying Regional Disparities

A major factor underlying regional disparities in the employment situation is the uneven geographic distribution of industries with significant employment absorption capacity. According to an analysis of the industrial structure from a macroeconomic perspective by Ito et al. (2008), in regions with few employment opportunities, accumulation of manufacturing enterprises is sparse, while on the other hand there is a high proportion of tertiary industry such as wholesale and retail, dining and accommodations, and the service sector, as well as government-driven industries such as construction reliant on public investment and healthcare and welfare reliant on health and nursing care insurance. By contrast, heavy weighting toward the manufacturing sector is a characteristic of regions with abundant job opportunities.

The accumulation of manufacturing-sector businesses in areas outside major cities has a significant impact in terms of job creation. For this reason, local governments take active steps to attract

these businesses by developing infrastructure and offering incentives such as tax breaks. However, this strategy also entails the risk of plants being built in the region only to close or move operations elsewhere, which can have a tremendous negative impact on communities. Indeed, there have been many reports of exactly this phenomenon in recent years, providing evidence of the perilousness of a regional job creation strategy that is heavily dependent on attracting manufacturing enterprises to the region. For this reason, it is vital that regions avoid excessive reliance on such a strategy, and instead utilize local resources to vitalize industry and generate employment.

In official Japanese parlance, the regions outside the major urban centers are referred to collectively as *chihoken* (“regional areas”), but this is a broad term encompassing both provincial cities and agricultural or rural areas, and circumstances are somewhat different in these different areas. In recent years there have been notable labor shortages even in the *chihoken*, and the generalization that areas outside

major cities suffer from a lack of employment opportunities is not sufficient to get an accurate picture of the situation. For example, in provincial cities where a certain amount of industry has accumulated, it is not that the absolute volume of job opportunities is insufficient, but rather that there is a pronounced disconnect between the jobs companies are offering and the types of jobs people are looking for. On the employers' side, an increasing number of industrial and occupational categories are experiencing labor shortages. This is not limited to long-understaffed industries like construction and nursing care, but in some regions extends to a wide range of sales and service categories. However, while there is a lack of human resources in these industries and occupations, a large number of job seekers are pursuing office jobs, of which there are an insufficient number. Underlying the widespread hunger for office jobs is the strong desire for daytime, weekday work with Saturdays and Sundays off. This sort of profound mismatch of what employers are offering and what the labor force is seeking, rather than a lack of job opportunities in absolute terms, is the key cause of the employment issues facing provincial cities.

Meanwhile, there is a different situation in rural and agricultural regions where primary industry dominates. In these regions there is indeed a job shortage, with few opportunities outside primary industries and public institutions, and a strong need for more jobs in purely quantitative terms. However, disadvantageous locations make it impossible to attract many corporations, and instead efforts are underway to market local agricultural products effectively, and to vitalize industry and generate employment in the fields of product processing, sales, and so forth.

### **Young Long-term Residents and the Regional Employment Situation**

Regional disparities in the employment situation, and quantitative and qualitative problems affecting employment opportunities in parts of Japan outside major urban centers, are issues that need to be addressed in and of themselves. In addition, the disparity in employment opportunities is causing an outflow of the labor force from less urban areas to

more urban ones, which has the potential to weaken local communities and develop into a full-blown crisis. This makes the regional employment situation an even more crucial policy issue for the broad swath of Japan that lies outside its major cities.

In recent years the excessive concentration of young people in the Tokyo region, and the flip side of this problem – the exodus of young people from provincial areas – have been the focus of growing concern, and measures to encourage youth to remain in, or relocate to, less urbanized areas of Japan pose a nationwide policy challenge. Broadly speaking, the migration of the nation's youth from rural to urban areas has repeatedly emerged as an issue ever since the postwar period of rapid economic growth from the mid-1950s through the mid-1960s. Recently, the birth rate has been very low throughout Japan, and the population of working-age adults capable of upholding local communities is in free-fall, prompting concern about the very continued existence of these communities and thrusting the rural-to-urban migration issue back into the spotlight.

It has been pointed out that both uneven regional distribution of educational opportunities (universities, etc.), and regional disparities in employment opportunities, underlie the outflow of youth from non-urban areas. In terms of initiatives to combat this phenomenon, job creation in Japan's less populated areas is a central concern. How to generate attractive employment opportunities in these areas and motivate young people to remain or relocate there will continue to be a crucial matter for discussion and policy formation.

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## 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 (see Table II-11). In terms of percentage, these workers made up 3.6% of the entire labor force.

A more detailed examination of long-term longitudinal statistics for agriculture and forestry, which is the main category of primary industry, shows that 14.87 people were employed in this category in 1953 when the labor force survey was first conducted in its present form. However the migration of labor from rural to urban areas during post war recovery of the Japanese economy and 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 (9.7million) in 1967. As a percentage of the total labor force, it fell below 10% to 9.6% (5.32 million workers) in 1980 and to 4.2% (2.68million) in 2002. A year-on-year comparison of number of persons employed in agriculture and forestry also shows number to be in a declining trend (see Figure II-14).

### **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 in 2010. These workers made up 24.5% of the entire labor force that year. (see Table II-11).

A more detailed analysis of situation in manufacturing, which represents the largest category of second industry, shows that the number, which

stood at 7.20 million in 1953, surged during the 15-year period of manufacturing-driven high economic growth from 1953, and had doubled to 14.43 million compared with 1953. As a percentage of the total labor force, it rose from 18.4% in 1953 to 27.4% in 1973.

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. However, the economy fell into a prolonged slump following the collapse of the so-called bubble economy in the early 1990s, and the number of workers in the manufacturing sector began falling. The decline continued unabated, to 12.22 million people in 2002, or as a percentage of the labor force virtually back where it was in 1953, at 19.3%. Although a simple comparison is not possible due to reclassification of industrial categories, the percentage stood at 16.3% as of 2014.

Incidentally, when the rise and fall of manufacturing-sector worker population is examined through the Labour Force Survey, it appears to have been on an upward trend in 2013 and 2014 (see Figure II-12). Nonetheless, there is no corresponding rise in manufacturing's share of industry as a whole, and this figure continues to decline.

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-13).

### **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. In 1953, these industries accounted for 35.8% of the workforce (14.02 million workers), but by 1974 it had grown to more than half the working population at 50.5% (26.46 million people), and by 1994 to 60.3% (38.93 million), topping 60%.

Although straightforward comparison of figures from 2003 onward with earlier figures is not possible because of the revision of standard classification of Japanese industries in 2002, the share in 2004 stands at 70.4% (44.74 million workers).

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. The standards for classification of Japanese industries were revised in 2002, and direct comparison with figures up to 2002 is not possible, but 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.

According to year on year comparison between 2011 and 2014, the number of wholesale and retail rose in 2013 and 2014. However, wholesale and retail are shrinking as a percentage of all tertiary industries. From this point, it can be gleaned that the wholesale and retail trade is in generally downward trend.

Conversely, the healthcare and welfare labor force is on a significant upward trend, surging from 4.74 million workers in 2002 to 7.57 million in 2014. As a percentage of all tertiary industries these fields rose from 11.4% to 16.9% over the same period. There is

a consistent year-on-year growth trend in terms of number of workers (see Table II-12).

### **Professional and Technical Occupations Experience Continued Increases**

Finally, let us look at the employment structure in terms of occupations. Table II-14 summarizes changes between 2000 and 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-14).

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-14).

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-14). The most recent figures in the Labour Force Survey show that the number of these workers, 10.10 million in 2012, fell in 2013 but then rose again in 2014 to 10.24 million, and continued growth is projected for the foreseeable future.

<sup>1</sup> In 1953, "Construction workers, machine operators, manufacturing and production workers" included the figures for "Laborers", but in 1973, 2000 and 2010 these were not included.

**Table II-11 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	-2.0	-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	6,389	272	1,726	4,320	33	-10	13	36	0.5	-3.5	0.8	0.8	100.0	4.3	27.0	67.6
2007	6,427	273	1,728	4,352	38	1	2	32	0.6	0.4	0.1	0.7	100.0	4.2	26.9	67.7
2008	6,409	270	1,695	4,370	-18	-3	-33	18	-0.3	-1.1	-1.9	0.4	100.0	4.2	26.4	68.2
2009	6,314	264	1,607	4,380	-95	-6	-91	10	-1.5	-2.2	-5.2	0.2	100.0	4.2	25.5	69.4
2010	6,298	255	1,567	4,411	-16	-9	-44	31	-0.3	-3.4	-2.5	0.7	100.0	4.0	24.9	70.0
2011	6,289	249	1,554	4,431	-9	-6	-44	20	-0.1	-2.4	-0.8	0.5	100.0	4.0	24.7	70.5
2012	6,270	240	1,538	4,430	-19	-9	-44	-1	-0.3	-3.6	-1.0	0.0	100.0	3.8	24.5	70.7
2013	6,311	233	1,541	4,445	41	-7	-44	15	0.7	-2.9	0.2	0.3	100.0	3.7	24.4	70.4
2014	6,351	230	1,548	4,474	40	-3	-44	29	0.6	-1.3	0.5	0.7	100.0	3.6	24.4	70.4

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).

4) The Labour Force Survey could not be conducted in Iwate, Miyagi, and Fukushima prefectures for a period of time following the Great East Japan Earthquake of March 11, 2011. Figures for 2011 in <> brackets are supplementary estimates (based on the 2010 national population census) to make up for this missing data.

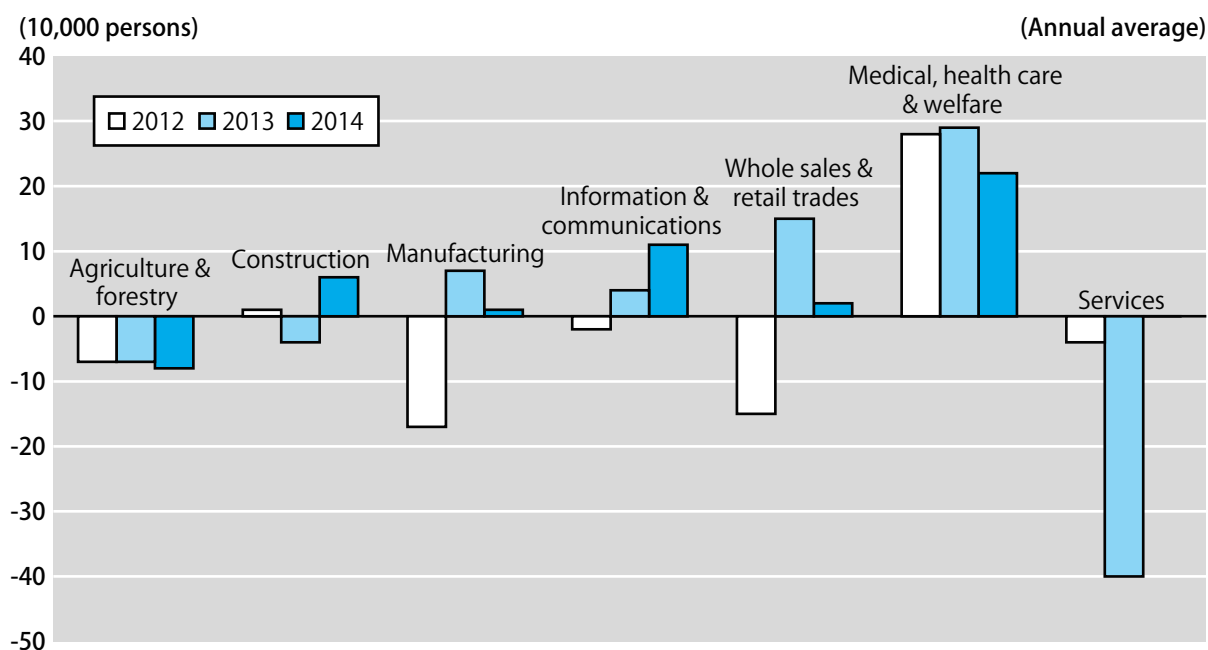
5) "Tertiary industries" are industries other than those listed above (not including unclassifiable industries, meaning that the totals for primary, secondary, and tertiary industries do not actually add up to 100% of the labor force).

6) Until December 2012, workers dispatched by staffing agencies were classified as "Services not elsewhere classified" based on the categorization of staffing agencies, regardless of what sector they were dispatched to. However, since January 2013 they have been classified according to the type of company where they are dispatched. When comparing industrial sectors chronologically, this change in classification (from "Services not elsewhere classified" to the industry where the workers are dispatched) must be taken into account.

7) With the privatization and segmentation of Japan Post on October 1, 2007, some workers' classifications changed from "Compound services" to "Transportation and postal services", "Finance and insurance", or "Services not elsewhere classified". When comparing industrial sectors chronologically, this change in classification must be taken into account.

8) With the integration of Japan Post Service and Japan Post Network on October 1, 2012, some workers' classifications changed (primarily from "Transportation and postal services" to "Compound services"). When comparing industrial sectors chronologically, this change in classification must be taken into account.

**Figure II-12 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, *Labor Force Survey*

Note: 1) "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)".

2) Until December 2012, workers dispatched by staffing agencies were classified as "Services not elsewhere classified" based on the categorization of staffing agencies, regardless of what sector they were dispatched to. However, since January 2013 they have been classified according to the type of company where they are dispatched. When comparing industrial sectors chronologically, this change in classification (from "Services not elsewhere classified" to the industry where the workers are dispatched) must be taken into account.

3) With the integration of Japan Post Service and Japan Post Network on October 1, 2012, some workers' classifications changed, primarily from "Transportation and postal services" to "Compound services" to "Finance and insurance", or "Services not elsewhere classified". When comparing industrial sectors chronologically, this change in classification must be taken into account.

**Table II-13 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
Transportation and postal services	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, food and beverage 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 healthcare 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 (not elsewhere classified) <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-14 Number of Employed Person by Major Occupation and Year-on-year Difference (Total of Male and Female)**

		Total	Professional & technical	Manager & official	Clerical	Sales	Protective service & service	Agriculture, forestry & fishery	Transport & communication	Mining worker	Craftman, Manufacturing & construction worker	Labourer
Real count (10,000 persons)	2000	6,446	856	206	1,285	911	677	321	221	3	1,580	347
	2001	6,412	873	202	1,249	968	693	309	214	3	1,506	353
	2002	6,330	890	187	1,228	934	717	291	211	4	1,468	349
	2003	6,316	906	185	1,230	917	729	289	210	4	1,437	353
	2004	6,329	920	189	1,244	901	748	284	201	3	1,415	360
	2005	6,356	937	189	1,247	892	757	279	204	3	1,416	363
	2006	6,382	937	185	1,260	881	772	269	206	3	1,432	370
	2007	6,412	938	173	1,262	888	787	269	205	3	1,441	376
	2008	6,385	950	172	1,292	870	789	264	199	3	1,401	377
	2009	6,282	968	168	1,295	857	804	257	198	2	1,305	371
2010	6,256	986	161	1,284	856	817	247	199	2	1,277	371	
Year-on-year difference (10,000 persons)	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*

Note: The population forming the basis for calculation from the January 2007 results has been switched to the latest population projection (new benchmark) based on official estimates in the 2005 Census. In line with this, the figure includes an increase of around 60,000 in the population aged 15 and over compared to the old benchmark (published figures for 2006) due to switching. In the same way, the benchmark population has been switched every five years from 1982 to 2002, causing variation each time.

## 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-15). 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, topping 30% in 2003 and currently approaching 40% (at 37.4%) (See Table II-16).

As for the change in numbers of specific types of non-regular employees, the numbers are consistently on the rise in all categories. Dispatched workers peaked in 2008 at 1.4 million and then began dwindling in 2009 after the global financial crisis, but began increasing again in 2013 and are back up to 1.19 million as of 2014. Contract employees and entrusted workers have increased in number every year except 2008 and 2012. Contract employees and entrusted workers are also growing as a percentage of all workers (See Table II-17).

Finally, examining changes by gender and age group chronologically, non-regular employees are on the increase across all demographics. This growth is particularly pronounced among young workers aged 15-24 and 25-34 (see Table II-18).

### 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-15 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-19). 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-20).

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

Lastly, dispatched workers are defined by the Manpower Dispatching Business Act, enacted in 1986, as “workers under contract to a dispatching agency, who are entrusted with specific duties by the companies to which they are assigned”. At first, dispatched workers could only be used to perform 26 duties that required a high degree of specialization. However, a revision made to the law in 1999 allows dispatched workers to perform any type of work except longshoring, construction work, security services, medical care-related work and manufacturing. A revision was also made in 2003 which lifted the ban on dispatched workers from performing work related to manufacturing and the limit on the period of dispatch (from one year to three years). In this way, legal revisions have been promoted with the aim of easing regulation, but the 2012 revision specified the protection of dispatched workers among its 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-19).

### 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.

In addition to enhancing systems of employment management, there is also a strong need to establish institutions for collecting the opinions of employees and acting on this input. In specific terms, first of all the rate of union density ought to be raised. Considering that recent statistics show only 17% of workers organized in labor unions, efforts must be made not only to include non-regular employees but also to promote membership among regular employees. Second, going forward, there need to be discussions on establishment and maintenance of channels besides labor unions that enable employees to make their voices heard.

<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.



### **“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 employees with no limitation on tasks and work locations (unlimited regular employees) and non-regular employees. Unlike conventional regular employees, who enter into employment contracts that do not specify their range of duties and work locations, these employees will have these matters clearly stipulated in their contracts.

Through establishing an intermediate layer, it aims to stabilize the employment of non-regular employees by encouraging their appointment as restricted regular employees. Also, by clarifying tasks and work locations for this group, it aims to foster work-life

balance among regular employees (see Figure II-21). It is hoped that this will serve as an effective prescription for resolution of the polarity between regular and non-regular employees.

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. Of course, it should be noted that 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.

The above-described measures indicate moves toward diversification of working styles under non-fixed term employment contracts. This trend could be said to differ from previous moves toward diversification of working styles through diversification of employment forms (specifically, by offering a wider range of options for non-regular employment).

Table III-15 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]	[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: Ministry of Health, Labour of Welfare, *The Report of Survey of the Diversification of Employment Status, 2011*

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-16 Trend of the Number of Non-regular Employees**

Year	Number of non-regular employees (10,000 persons)	Proportion to employees excluding executives (%)
1990	881	20.2
1991	897	19.8
1992	958	20.5
1993	986	20.8
1994	971	20.3
1995	1001	20.9
1996	1043	21.5
1997	1152	23.2
1998	1173	23.6
1999	1225	24.9
2000	1273	26.0
2001	1360	27.2
2002	1451	29.4
2003	1504	30.4
2004	1564	31.4
2005	1633	32.6
2006	1677	33.0
2007	1732	33.5
2008	1760	34.1
2009	1721	33.7
2010	1755	34.3
2011	1811	35.1
2012	1813	35.2
2013	1906	36.7
2014	1962	37.4

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

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 700,000 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-17 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%
2013	1320	116	388	82	69.3%	6.1%	20.4%	4.3%
2014	1347	119	411	86	68.7%	6.1%	20.9%	4.4%

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

Notes: 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 690,000 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-18 Trends in Proportions of Non-regular Employees by Age and Sex**

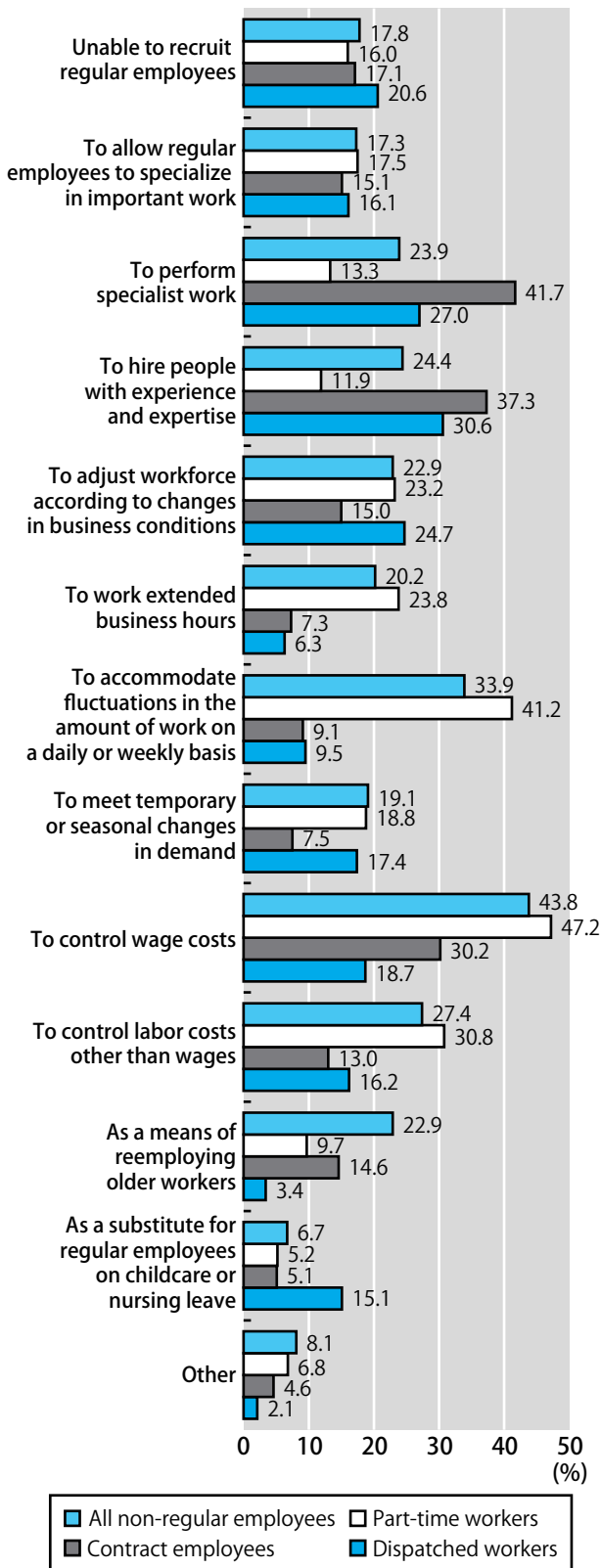
(%)

	1990	1995	2000	2005	2010	2014
<b>Male</b>						
15-24	7.1	9.2	19.7	28.7	25.1	25.3
25-34	3.2	2.9	5.6	12.7	14.0	16.9
35-44	3.3	2.3	3.8	7.0	8.1	9.7
45-54	4.2	2.9	4.0	8.4	8.1	9.4
55-64	22.7	17.4	17.9	27.1	28.9	32.9
<b>Female</b>						
15-24	11.5	16.3	26.4	40.0	35.4	36.2
25-34	28.0	26.6	31.8	40.6	41.4	42.1
35-44	49.5	48.9	53.1	54.4	53.7	55.4
45-54	44.7	46.8	51.6	57.4	57.7	59.8
55-64	44.8	43.6	55.3	60.8	64.0	68.1

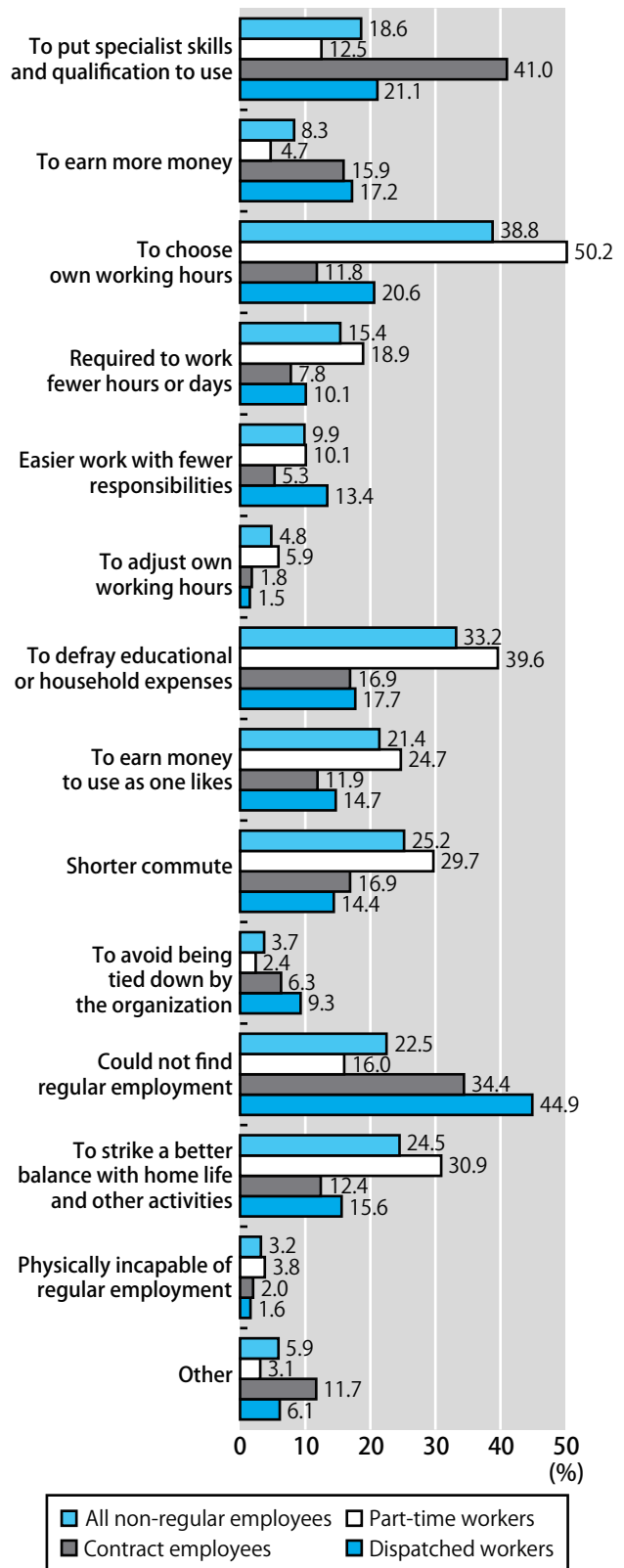
Sources: Ministry of Internal Affairs and Communications, *Special Survey of the Labour Force Survey* (February survey; 1990, 1995, 2000) and *Labour Force Survey (Detailed Tabulation)* (annual averages; 2005, 2010, 2014)

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-19 Reasons for Employment of Non-regular Employees**



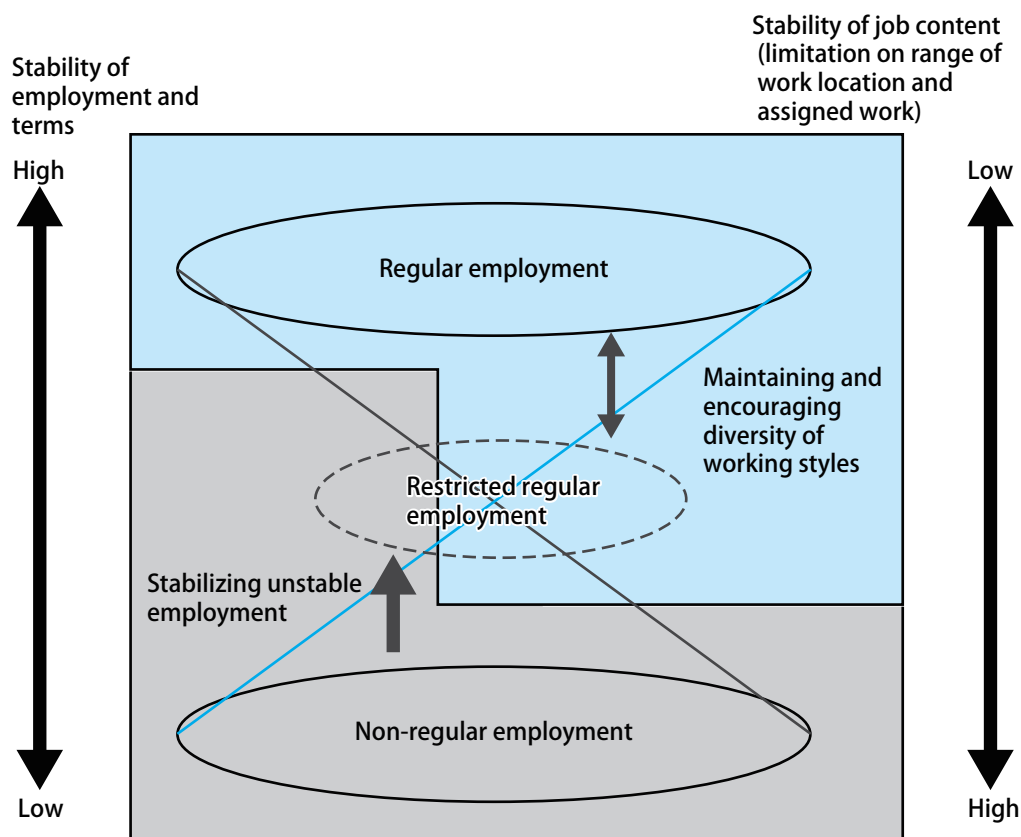
**Figure II-20 Reasons for Non-regular Employees' Choice of Present Form of Employment**



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

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

**Figure II-21 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.

## 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. For over 10 years starting in the mid-1990s, the labor market for young people continued to decline, as did the ratio of young people becoming permanent employees upon graduation (Figure II-22).

For male high school graduates, 82.6% of those finishing high school in 1986-90 became permanent employees, but this ratio progressively declined, to 61.8% among the youngest group surveyed. The situation is worse for women, with 72.7% of those finishing high school in 1986-90 being hired as permanent employees, but only about half doing so today. The change is not as pronounced among university graduates, but 90.5% of men leaving university in 1990-94 were hired as permanent employees, falling to around 70% today. The least substantial drop was among women completing university, with 78.9% becoming permanent employees in 1990-94 compared to around 70% today. This information implies that the status of female university graduates in the Japanese labor market has risen in relative terms.

The demand for younger workers fell after the financial crisis of 2008, but since 2013 there is an ongoing trend toward recovery of demand for new graduates.

### Movements in Youth Unemployment Rates

The Japanese youth unemployment rate was low in the 1980s, but surged in the late 1990s, and has been rising and falling in line with economic cycles (Figure II-23).

### Polarization of the Labor Market

Let us examine career patterns among younger workers based on the results of the JILPT's quadrat analysis of the Employment Status Survey conducted by the Ministry of Internal Affairs and Communications (MIC) in October 2012 (Table II-24). 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 34.5% of high school graduates and 61.7% 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 15.0% of high school graduates and 11.2% 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 8.6% of high school graduates and 3.6% 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 15.2% of high

school graduates and 9.8% of university graduates; and 5.7% of high school graduates and 3.2% of university graduates followed the pattern of “from permanent employee to atypical” (those who were hired as permanent employees upon leaving school, but later went into atypical employment).

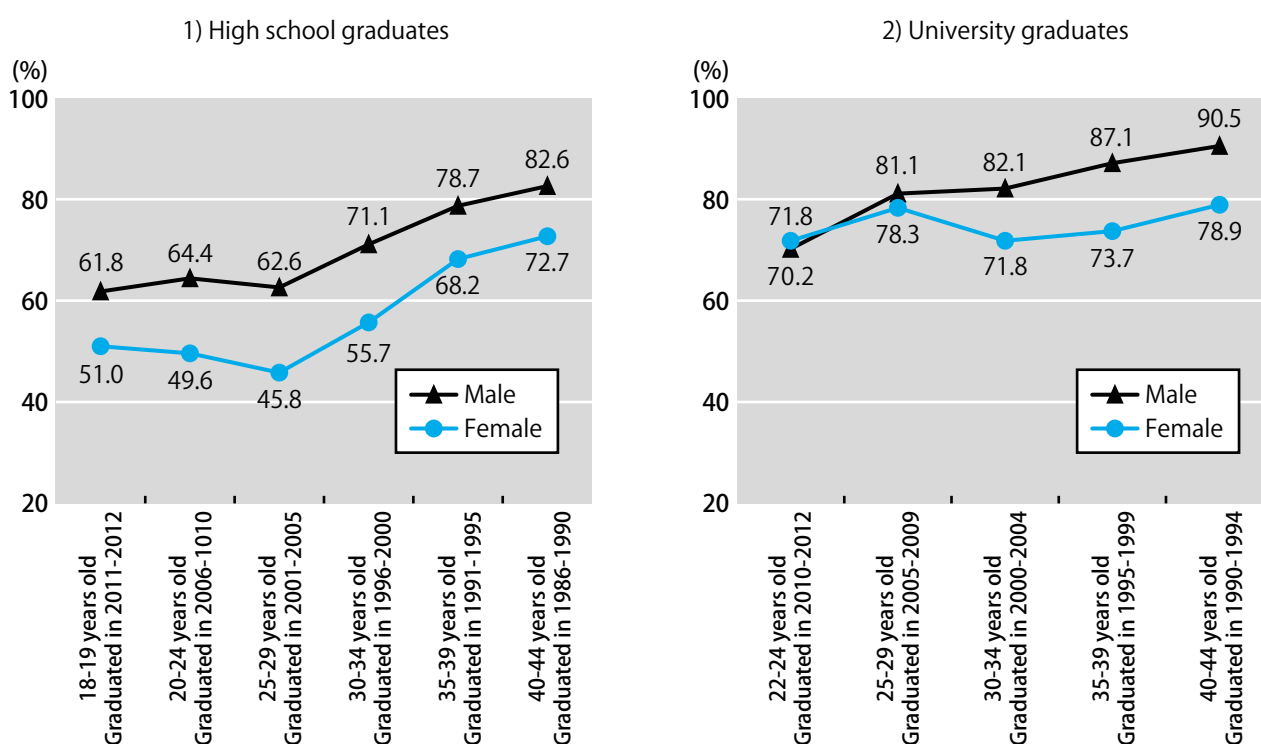
With large corporations in Japan maintaining the customary practice of hiring new graduates en masse once a year, it is generally believed that young people who fail to be hired as permanent employees immediately after graduation have few chances to become permanent employees thereafter. During periods of economic recovery, there is an overall increase in workers transitioning from atypical to permanent employment, but according to the Third Survey on the Working Style of Young People, which the JILPT administered to approximately 2,000 young

people in Tokyo in 2011, working conditions were poor for those who later became permanent employees, relative to those who had originally been hired as permanent employees.

### 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 numbers fell to 560,000 in 2012 from a peak of 650,000 in 2002 when the economy was stagnant. However, they rose to 3.0% as a percentage of the young population (aged 15-34).

**Figure II-22 Change in Percentage of First-time Workers Hired as Permanent Employees**

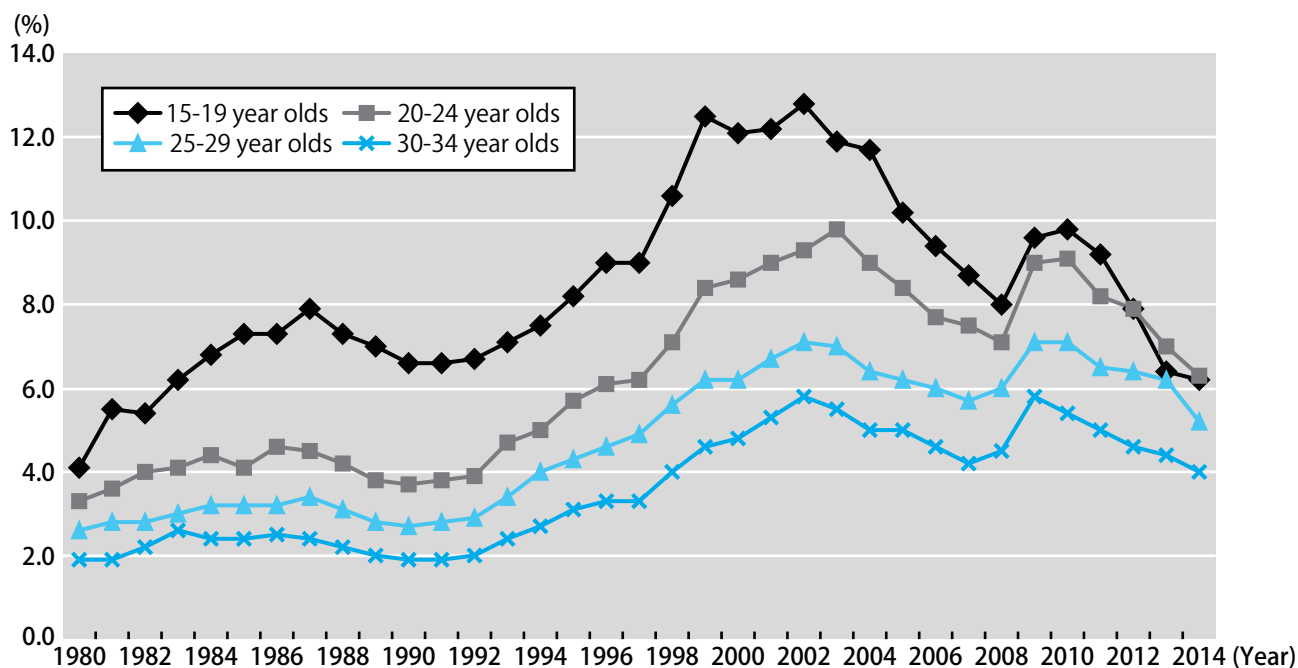


Source: Japan Institute for Labour Policy and Training, Research Material Series No.144, Youth Employment Status and Current Situation of Careers and Vocational Ability Development (2): From the 2012 *Employment Status Survey*

Note: Excluding students enrolled in school or for whom “attending school is main activity”



**Figure II-23 Status of Employment of 15-to 24-year-olds**



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

**Table II-24 Status of Employment of 25-to 29-year-old Male**

	High school graduates	University graduates
Regular employees fixation	34.5	61.7
Regular employees turnover	15.0	11.2
Regular (temporary atypical)	3.2	1.1
Other to regular	8.6	3.6
Continuously atypical	15.2	9.8
Regular to atypical	5.7	3.2
Self-employed, family business	3.2	1.2
Without occupation	12.2	6.8
No response/ unknown	2.3	1.3
Total	100.0	100.0

Source: Japan Institute for Labour Policy and Training, Current Status of Youth Employment, Careers and Occupational Skills Development 2- from *Employment Status Survey FY2012*, Data Series No.144

## Employment of Older Persons

### Relatively Stable Trends of Employment of Older Persons

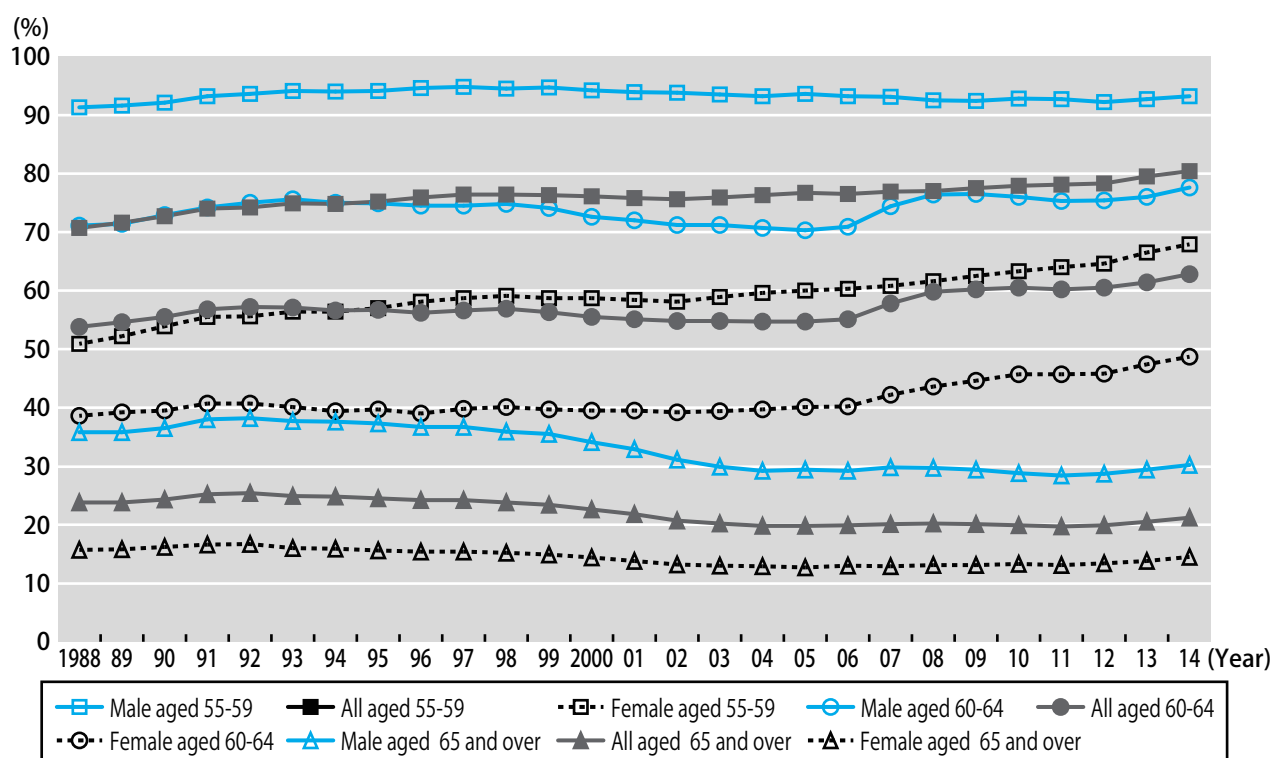
In line with the Act on Stabilization of Employment of Older Persons, “older persons” are defined in Japan as persons aged 55 or above, and we use the same definition in this section to outline the employment situation of older people divided into three age groups: 55- to 59-year olds, 60- to 64-year-olds, 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 upper half of the 60% range in recent years. Among persons aged 60-64, figures for men had been declining but reversed themselves and climbed between 2007 and 2009, staying more or less flat since then. The numbers for women had been virtually flat at around 40%, but have been on an upward trend since 2007. 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-25 Labor Force Participation Rates among Older Age Groups, 1988-2008**



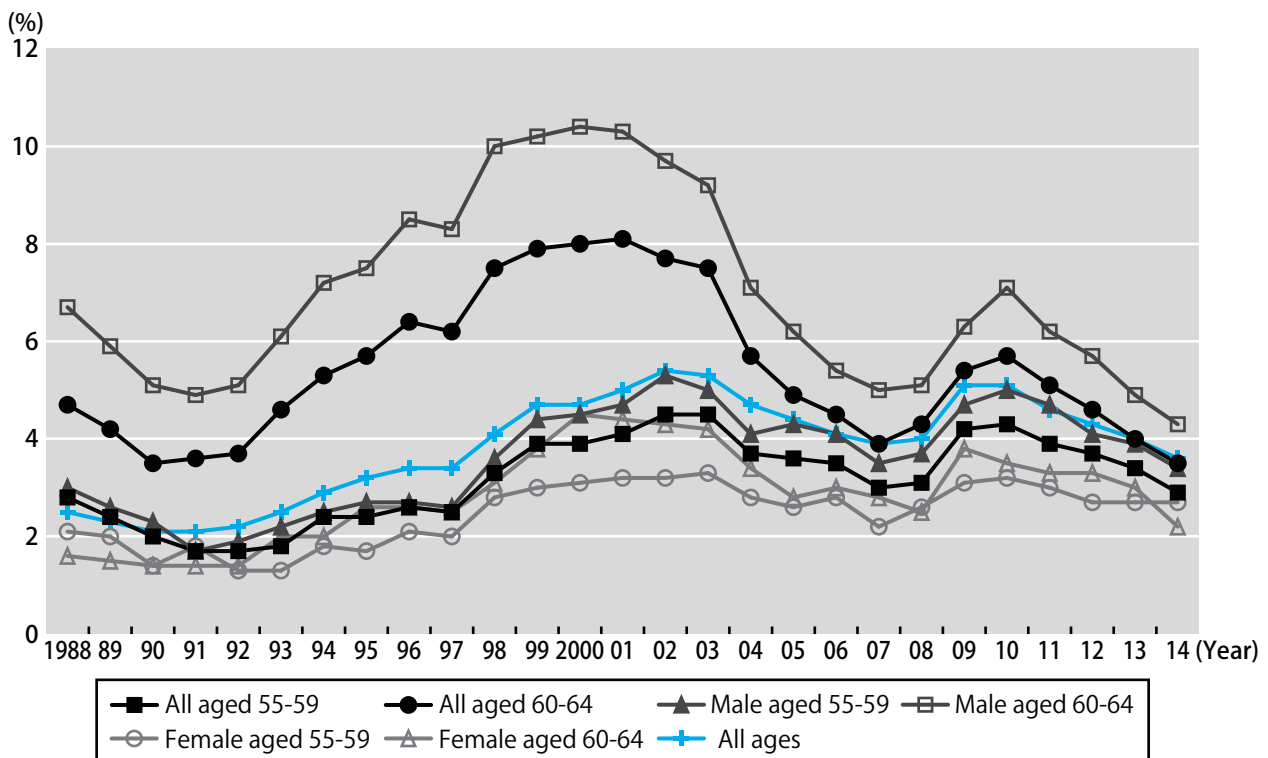
Source: Statistics Bureau of Ministry of Internal Affairs and Communications, *Labour Force Survey*

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. Compared to the overall average for all age groups (3.6% in 2014), only figures for men aged 60-64 are significantly higher, (4.3% in 2014) while for the other segments of the older demographic, unemployment percentages were lower than the overall average. The average for both men and women aged 60-64, which had stayed above the overall average, fell below it at 3.5% in 2014.

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-26 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

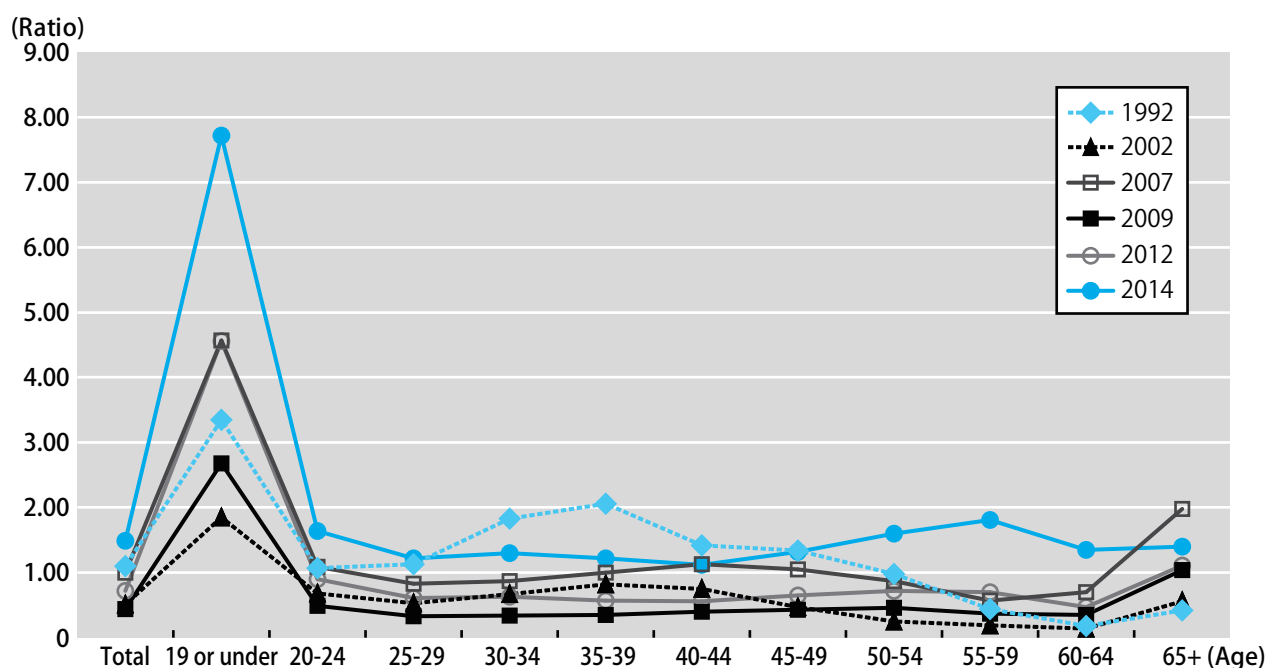
mandatory retirement is set. For a considerable period following World War II it was set at 55, at which age workers encountered major changes in the employment environment. The mandatory retirement age was subsequently gradually raised from the 1970s to the early 1980s, and the revision of the Act on 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. With additional legal reforms, exceptions to the obligation to permit continued employment, which

had been allowed in certain cases, were abolished, strengthening employers' obligation to ensure stable employment through the age of 65.

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.

As described above, generally speaking, policy measures aimed at stabilization of employment for older persons (especially those aged 60-64) can be said to be functioning effectively.

**Figure II-27 Profile of Active Job Opening Ratios by Age Group**



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

## **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 2012 (Employment Status Survey) is 17.5% points higher than among 55- to 59-year-olds. While this percentage has fallen from where it stood in 2002 (23.4% points higher) thanks to implementation of the above-described measures to stabilize

employment for older persons, it has scarcely changed since 2007 (when it was 17.4% points higher). Nearly 20% of Japan's population is without employment, and it should be assumed that not all of them are simply enjoying a happy retirement.

## **The Baby Boom Generation Hits 60, and Then 65**

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 (entrusted employees)" on short-term contracts, and there was no large exodus of older workers from the workforce in 2007 or 2008. However, from 2012 the baby boomers progressively entered their late sixties, and from now on it will be necessary to monitor employment trends for those aged 65 and over.

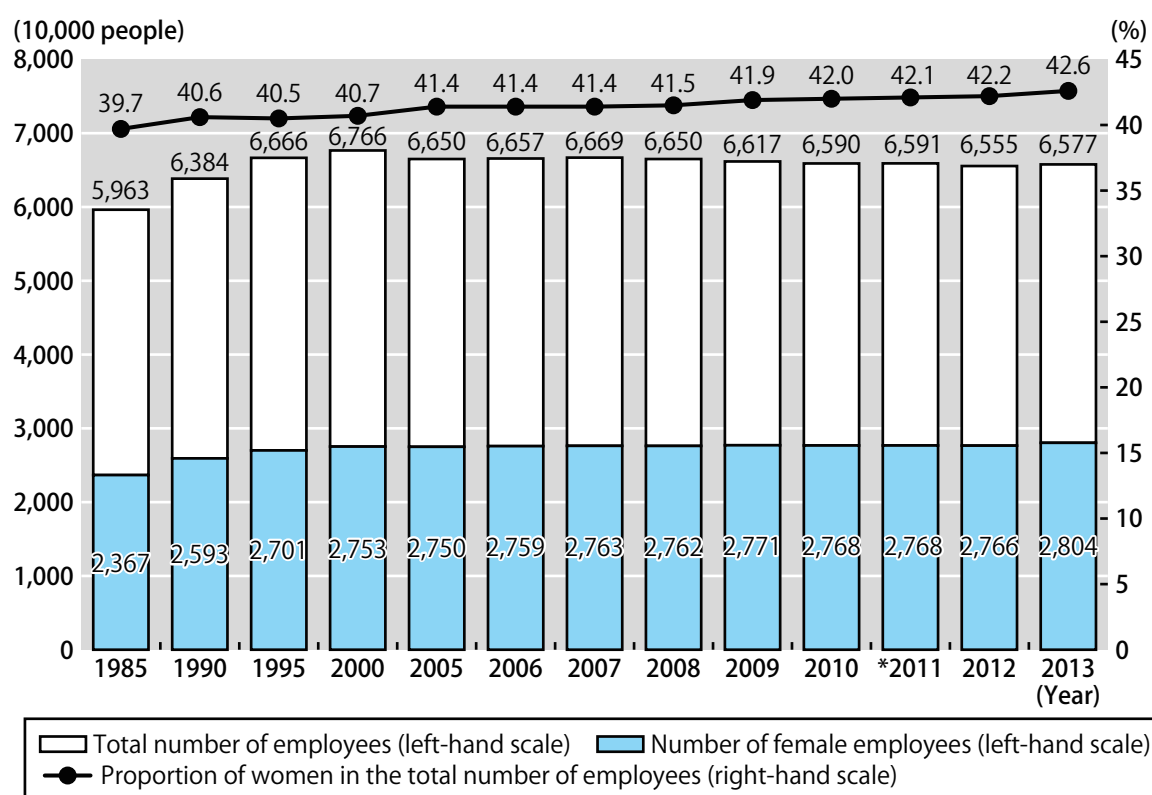
## Employment of Women

### Women Trending at around 40% of the Workforce

Even as Japan's workforce has begun shrinking in recent years, the number of women employed has been growing, and over the past few years women have consistently made up approximately 40% of the labor force. The total working population declined

from 67.66 million in 2000 to 65.77 million in 2013, but in 2013 the number of women in the workforce was the highest ever at 23.29 million (See Figure II-28). 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-29).

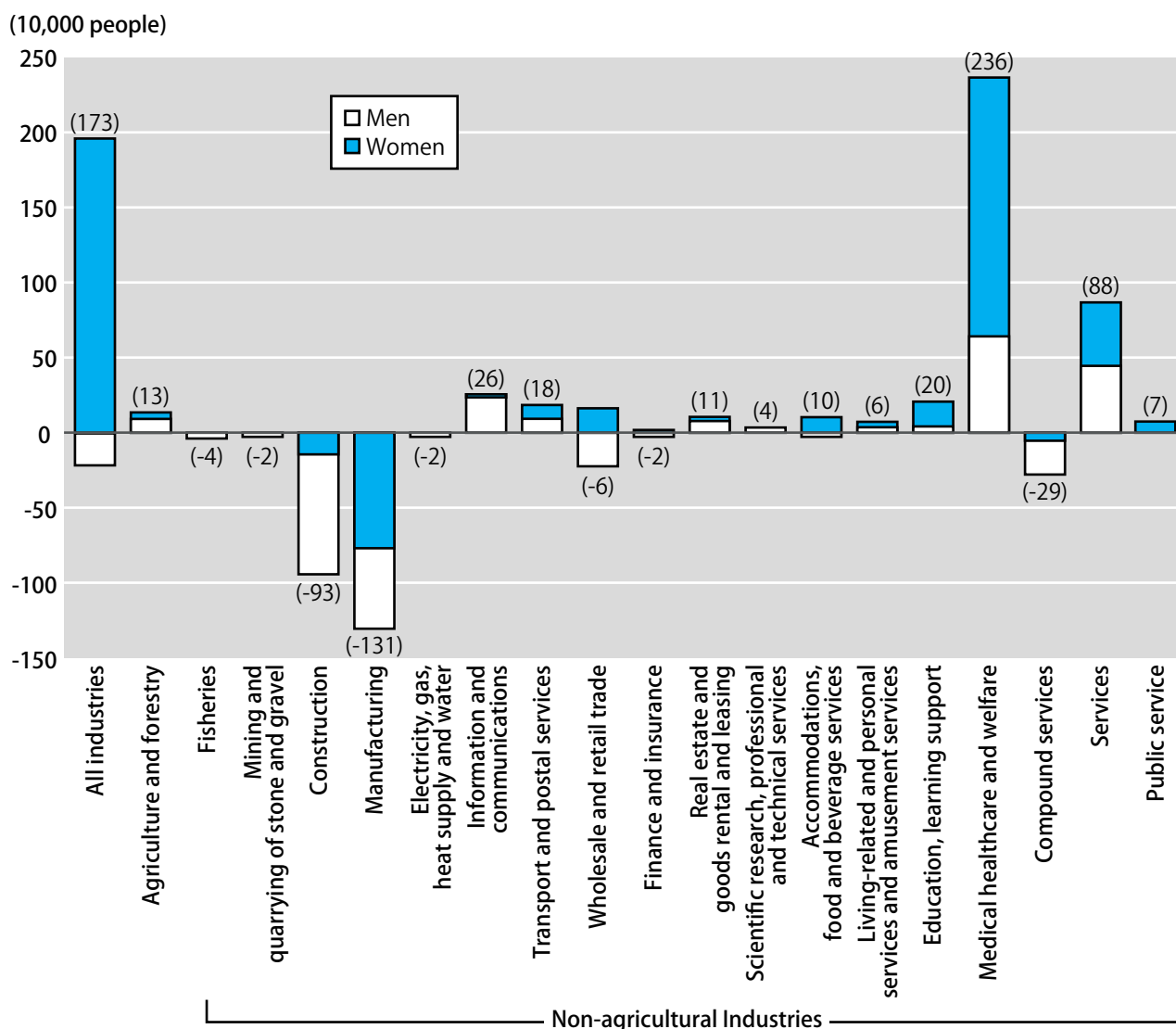
**Figure II-28 Trends in Numbers in Employment and the Ratio of Women in the Total Workforce**



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

Note: Figures for 2011 include supplementary estimates (based on the 2010 national population census) to make up for data missing as a result of the Great East Japan Earthquake.

**Figure II-29 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.

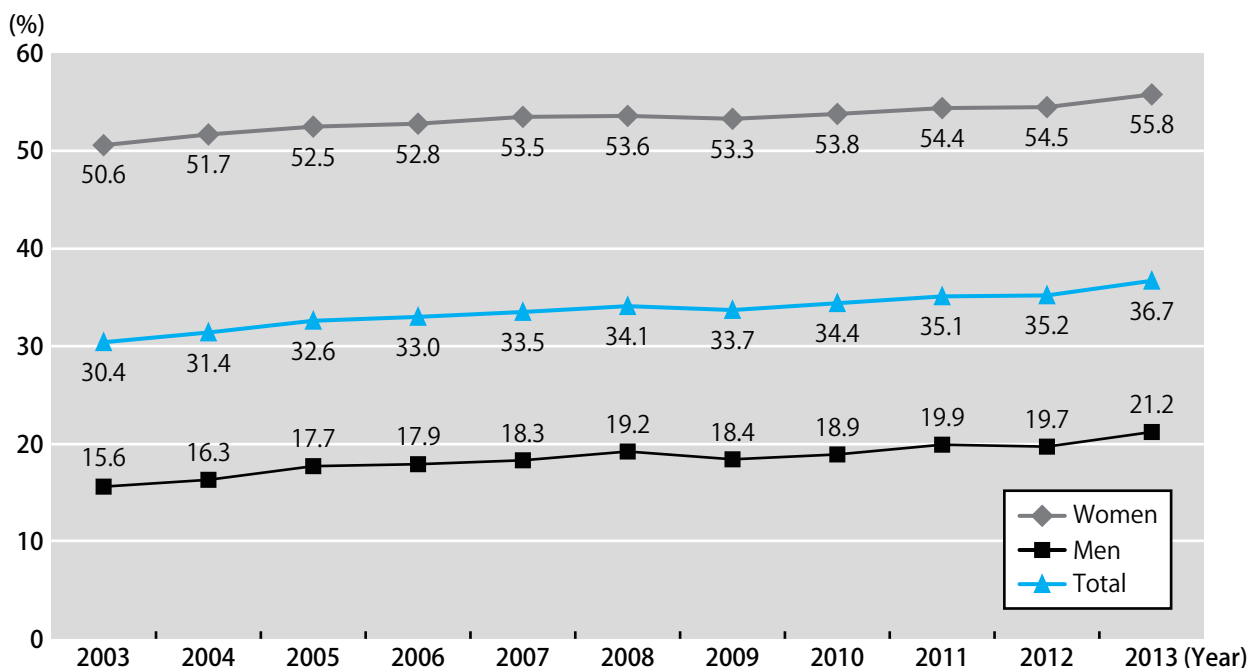
### Significant Gender Gap in the Non-regular Ratio

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.

Examining the non-regular employee demographic by gender and age group, we find that among men the largest percentage is among the 15-24 age group at

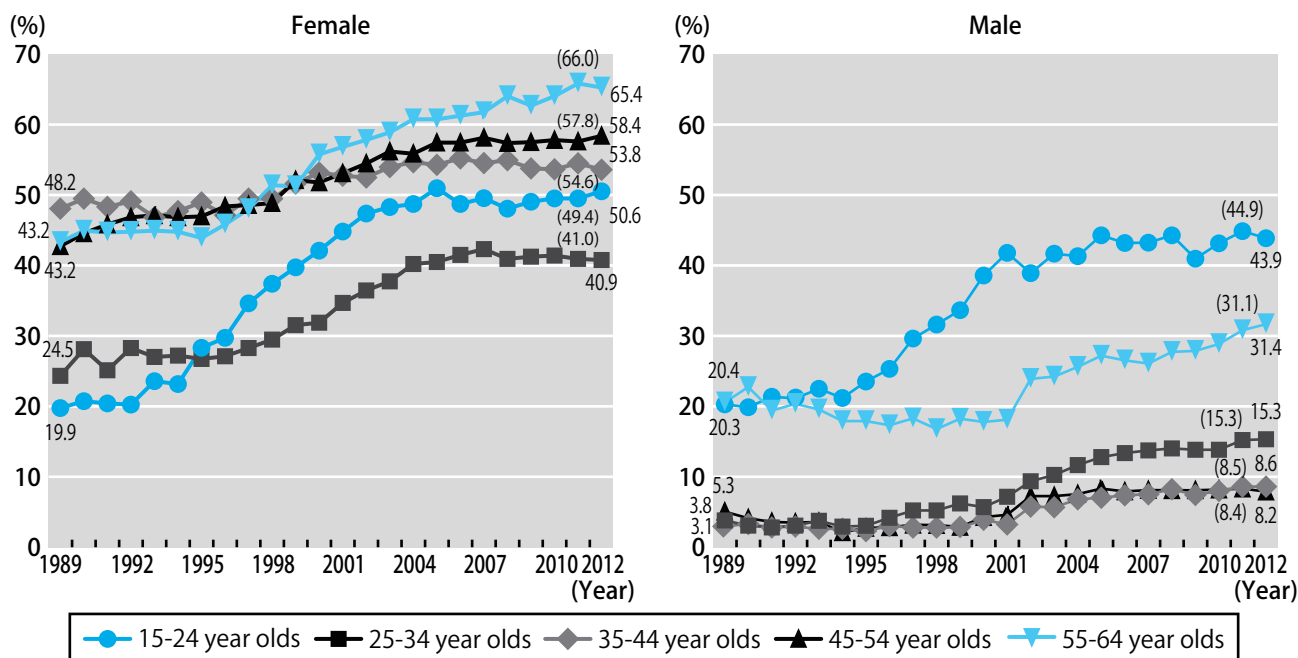
43.9%, with the 55- to 64-year-old group at 31.4%. Meanwhile, the smallest percentage is among 35- to 44-year-olds at 8.2%, followed by 45-54 at 8.6%. Among the 25-34 age group, 15.3% are non-regular employees. Among women aged 55 to 64, the percentage was 65.4%, and among those aged 45 to 54 it was 58.4%. The lowest percentage was 40.9%, for the 25-34 age group, followed by 15-24 at 50.6% and 35-44 at 53.8%.

**Figure II-30 Trends in Ratios of Non-regular Employees**



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

**Figure II-31 Change in Non-regular Workers as a Percentage of All Workers, by Age Group and Gender**



Source: Prepared on the basis of the Ministry of Internal Affairs and Communications (MIC) *Labour Force Survey (Detailed Tabulation)*.

Notes: 1) In the case of non-regular employees = (non-regular employees or civil servants ÷ [regular + non-regular employees or civil servants] × 100)

2) Prepared on the basis of data from the Labour Force Survey Special Survey conducted every February up until 2001, and on the basis of the Labour Force Survey (Detailed Tabulation) from 2002 onward.

There is a need for caution when comparing figures chronologically, as the Labour Force Survey Special Survey and the Labour Force Survey (Detailed Tabulation) differ in terms of survey methods and month of implementation.

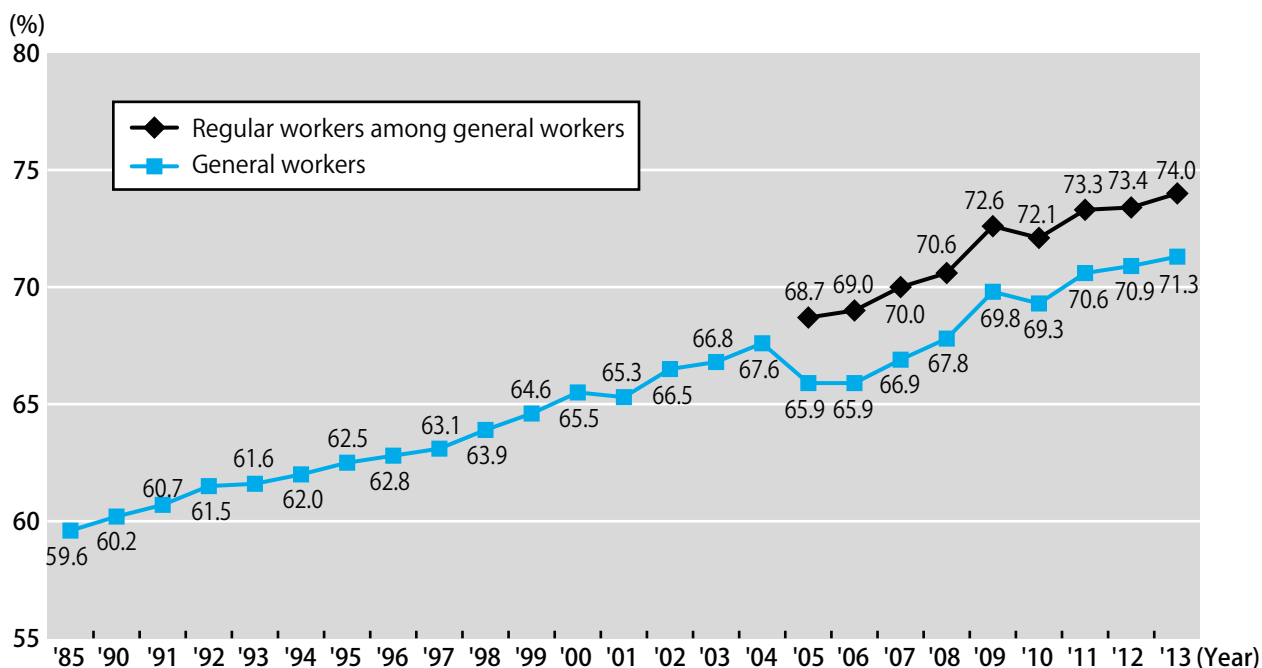
3) Figures for 2011 in parentheses are supplementary estimates by the MIC to make up for missing data from Iwate, Miyagi, and Fukushima prefectures.



## 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-32 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".

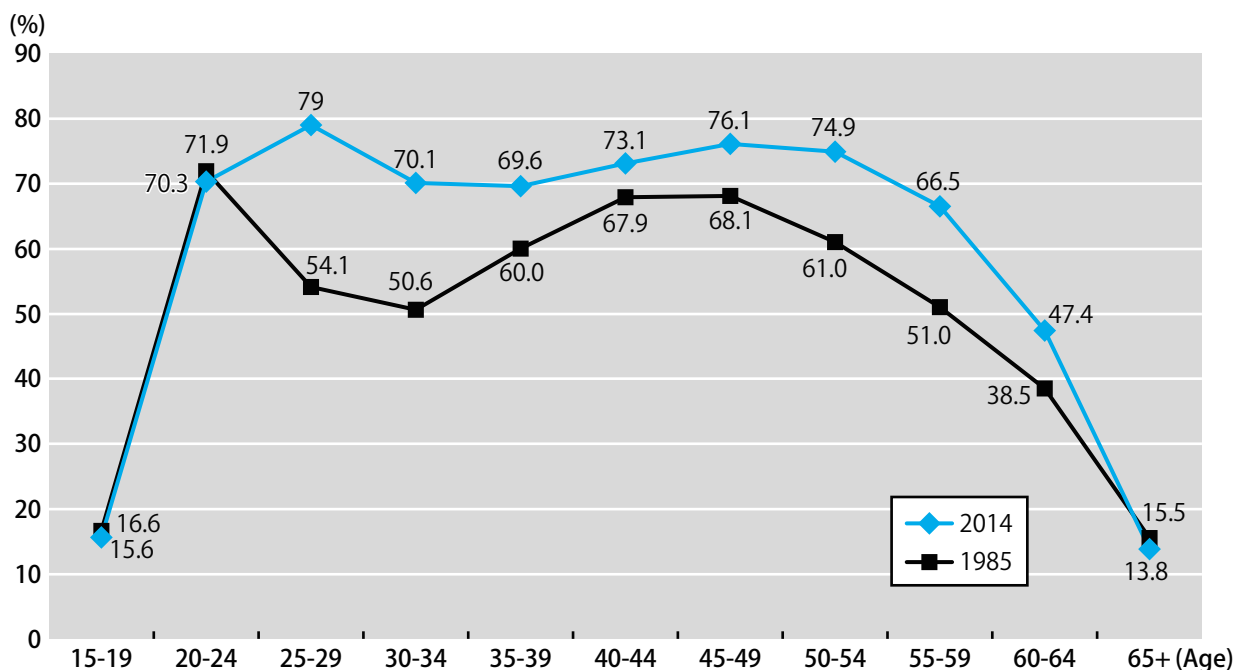
2) "Full employee" and "Full-time staff" are descriptions applied by different businesses.

## 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 2014, the M-shaped curve is

shallower and the bottom of the curve has moved to the right in 2014 (Figure II-33). 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-34).

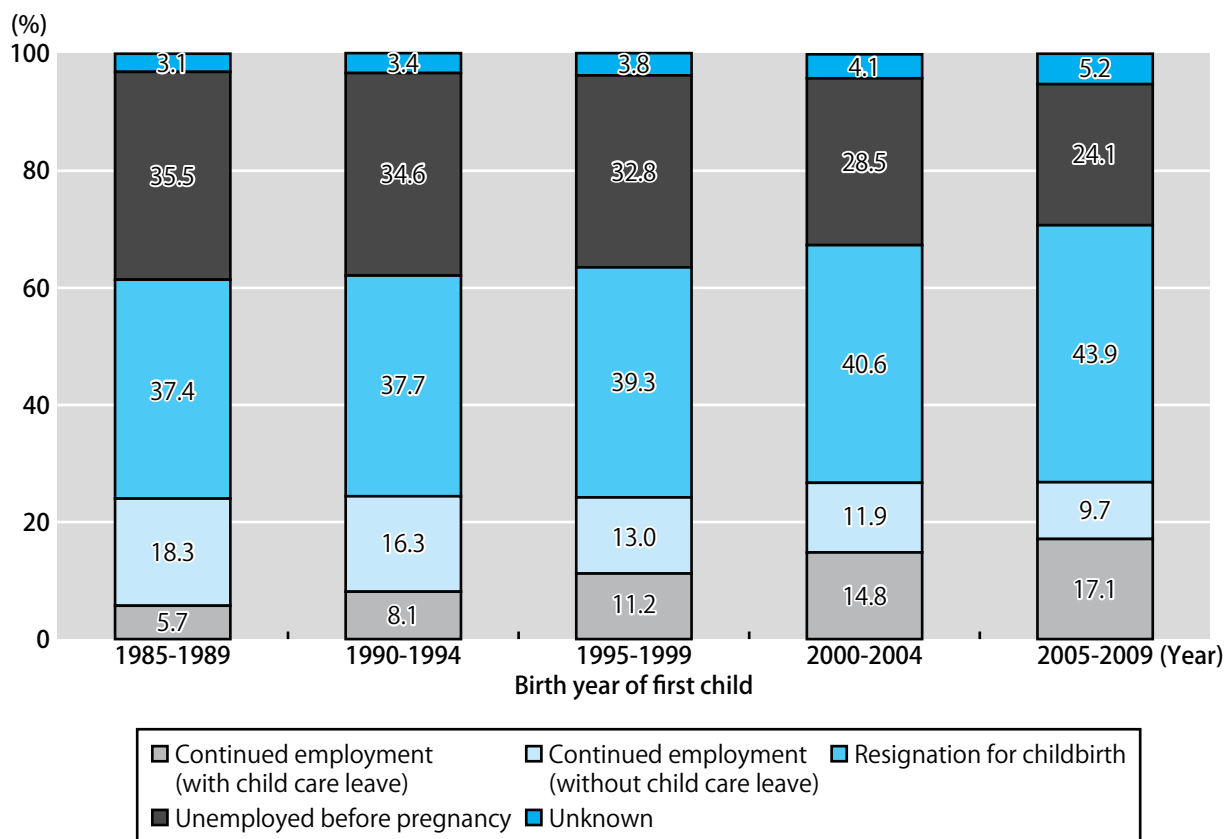
**Figure II-33 Trends in the Labor Force Ratio of Women by Age Group**



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

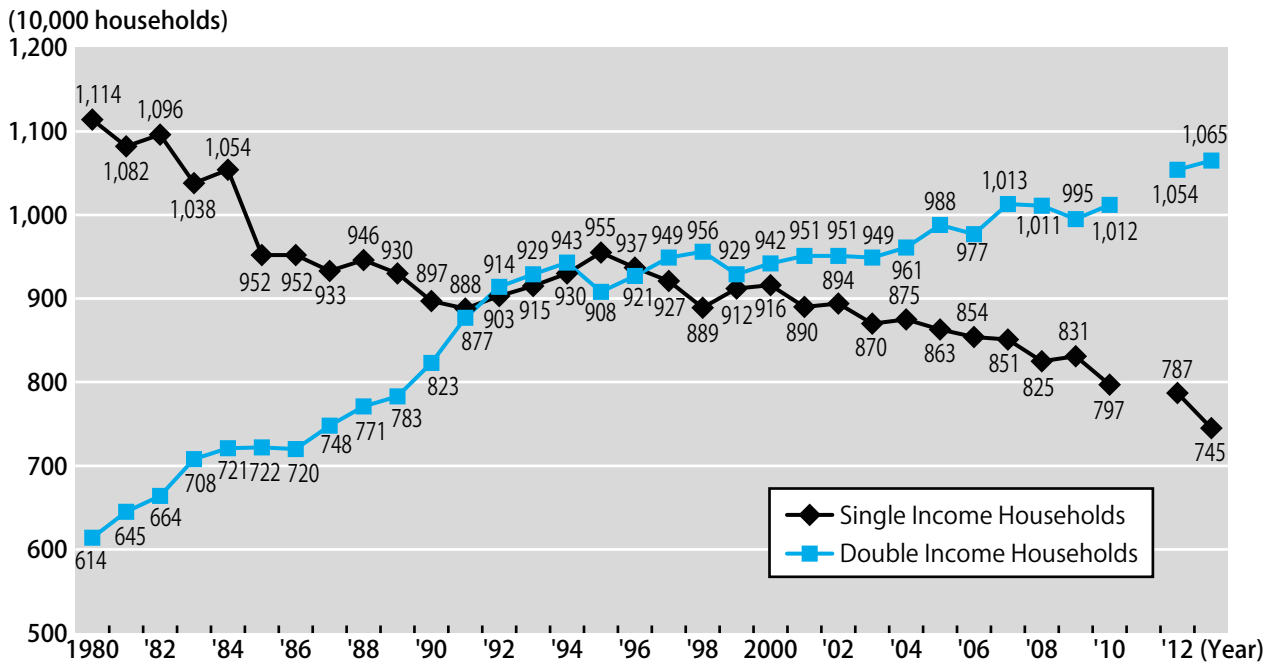
Note: Labor force ratio: The ratio of the working population (persons in employment + fully unemployed) to the general population

**Figure II-34 Continued Employment Rate around Birth of First Child**



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

**Figure II-35 Trends in Number of Dual-income & Other Households**



Sources: 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).

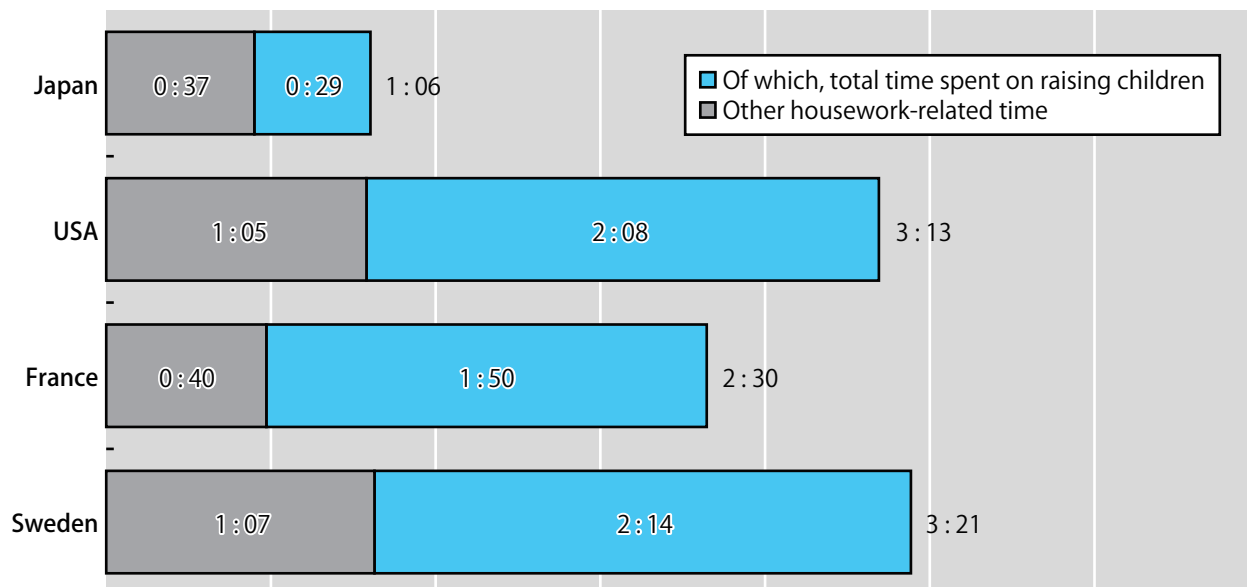
2) "Dual income households of persons in employment" are households in which both husband and wife are employed in non-agricultural industries.

### 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-35). 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-36).

**Figure II-36 Housework and Childcare Time by Husbands in Couples with Preschool Children (per Day)**

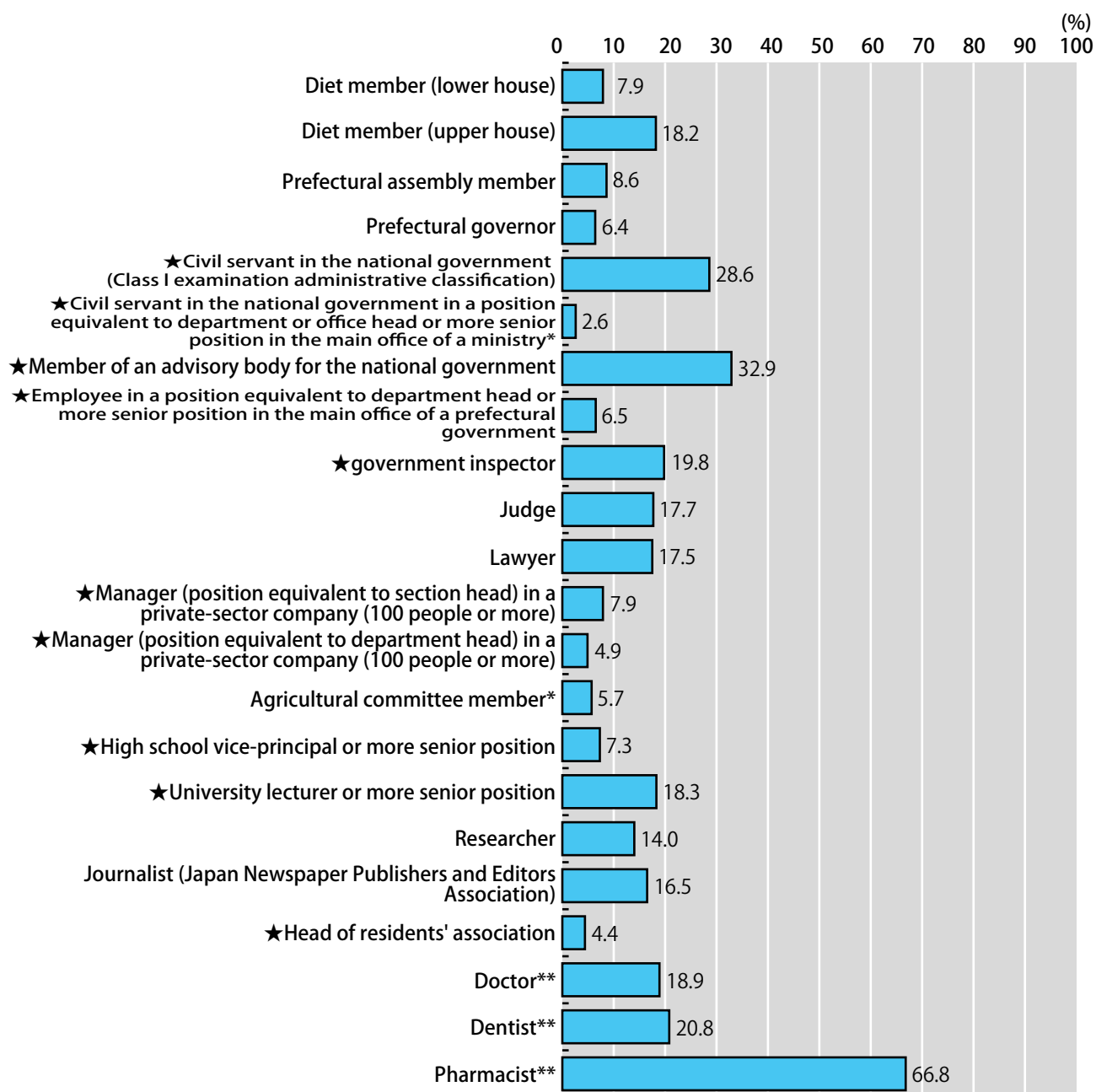


Sources: Eurostat "How Europeans Spend Their Time Every Life of Women and Men" (2004)

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)

**Figure II-37 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-37). 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.

## Hiring and Employment of Foreign Nationals

### 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. Some of

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 2014 Japan Revitalization Strategy calls for utilization of highly skilled foreign professionals, utilization of foreign human resources in the construction and shipbuilding sectors, revision of the Technical Intern Training Program, acceptance into Japan of non-Japanese employees of overseas subsidiaries in the manufacturing industry, job-seeking support for international students who have obtained national nursing care certifications, and employment of foreign nationals to assist with housework. Care is to be taken to prevent confusion of policies on acceptance of foreign personnel with immigration policies, and the related issues to be weighed comprehensively while ensuring formation of consensus among Japanese citizens.

The 2015 Industrial Competitiveness Enhancement Action Plan calls for further development of a framework for acceptance of highly skilled foreign professionals, a thorough overhaul of the Technical Intern Training Program, and examination of new employment programs in fields where there are urgent human resource needs, as well as accelerated promotion of National Strategic Economic Growth Areas.

## **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, 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, student, trainee, dependent, designated activities, and highly skilled professional. 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 given as figures from 2012, based on Ministry of

Justice statistics.

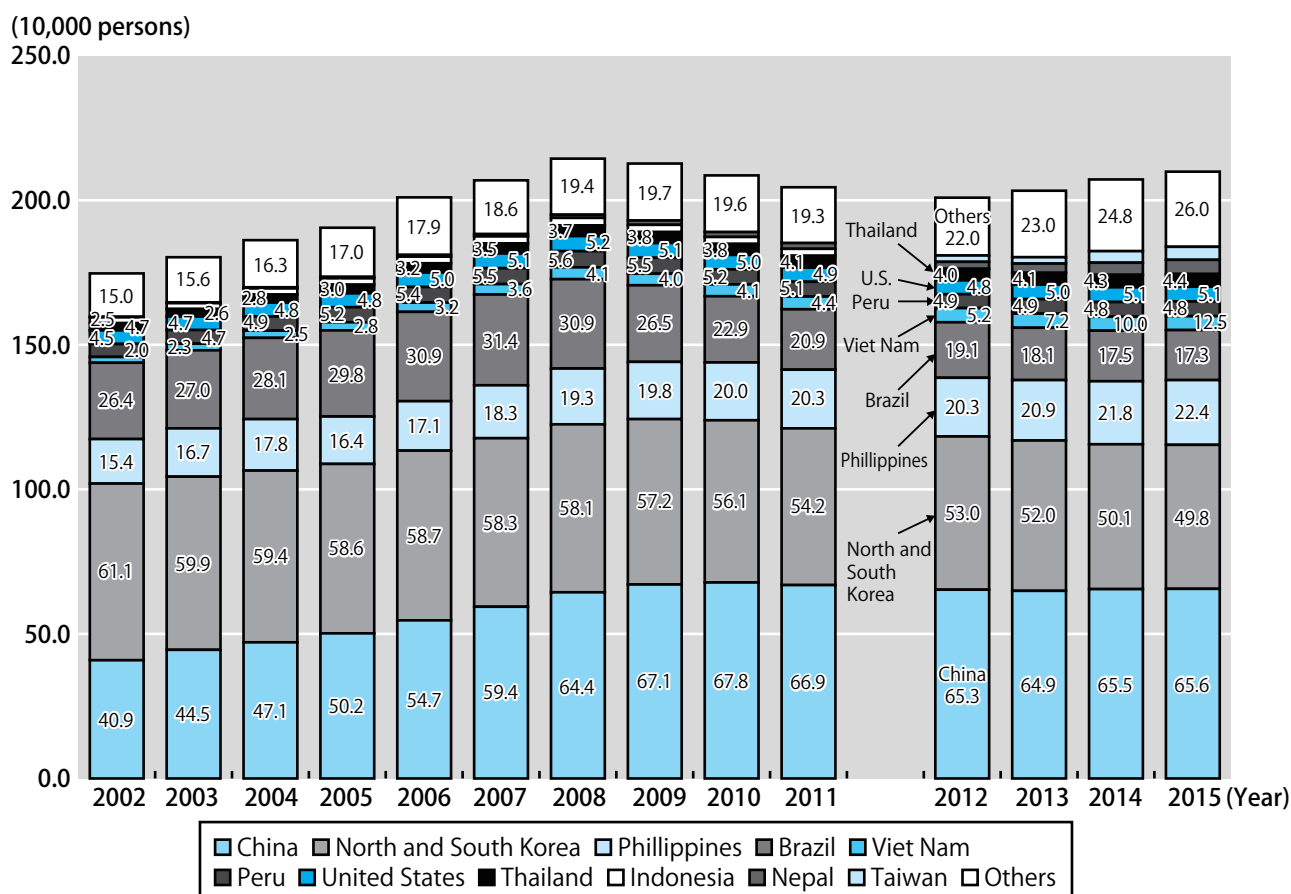
In terms of foreign residents' national or regional affiliation (see Figure II-38, the total number of resident foreign nationals stands at 2,172,892. Of these Chinese nationals account for 30.2% of the total at 656,403, followed in order of population by the Koreans, the Philippines, Brazil, Vietnam, and the United States. Compared to figures from the end of 2014, there have been slight declines in number of residents from the Koreans (down 0.7%), Brazil (down 1.4%), and Peru (0.4%), but significant increases in number of residents from Vietnam (up 25.0%), Nepal

(14.3%), and Taiwan (12.5%).

As for the change in numbers of mid-to long-term residents by status of residence (Figure II-39), there were 1,818,601 mid-to long-term residents and 354,291 special permanent residents, up 2.6% compared to the end of 2014.

In terms of category of visa, compared to the end of 2014 there was an increase in the number of residents engaged in medical services, designated activities, technical intern training, entertainers, and college students.

**Figure II-38 Change in Numbers of Foreign Residents by Nation or Region**



Source: Compiled from Immigration Bureau, Ministry of Justice, *Numbers of Foreign Residents as of June 30, 2015*

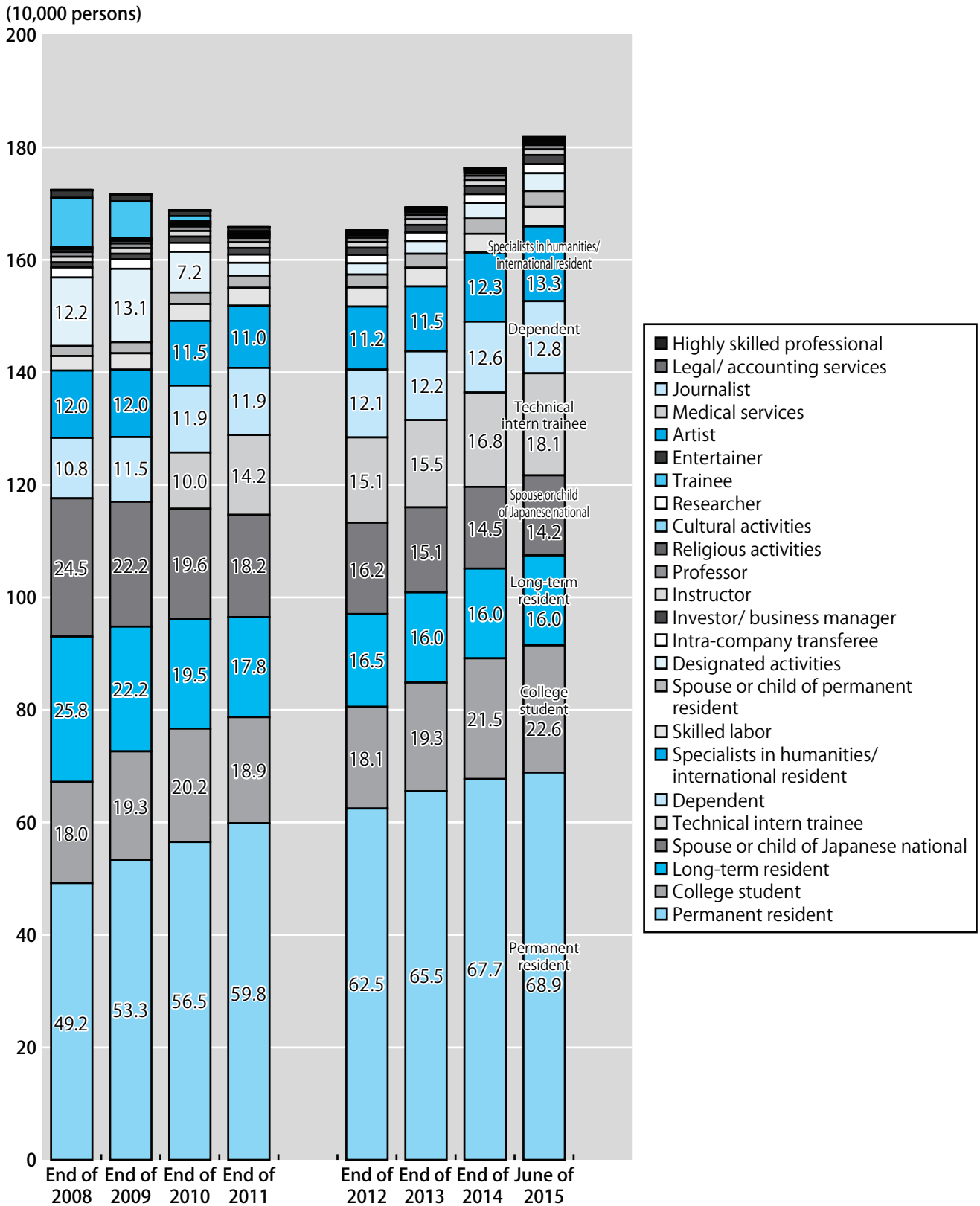
<sup>1</sup> "Mid-to long-term residents" are foreign nationals residing in Japan for the mid- to long-term with a residence status under the Immigration Control Act, who do not correspond to any of (1) to (6) below.

- (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)



**Figure II-39 Trends in Numbers of Mid- to Long-term Foreign Residents by Status of Residence**



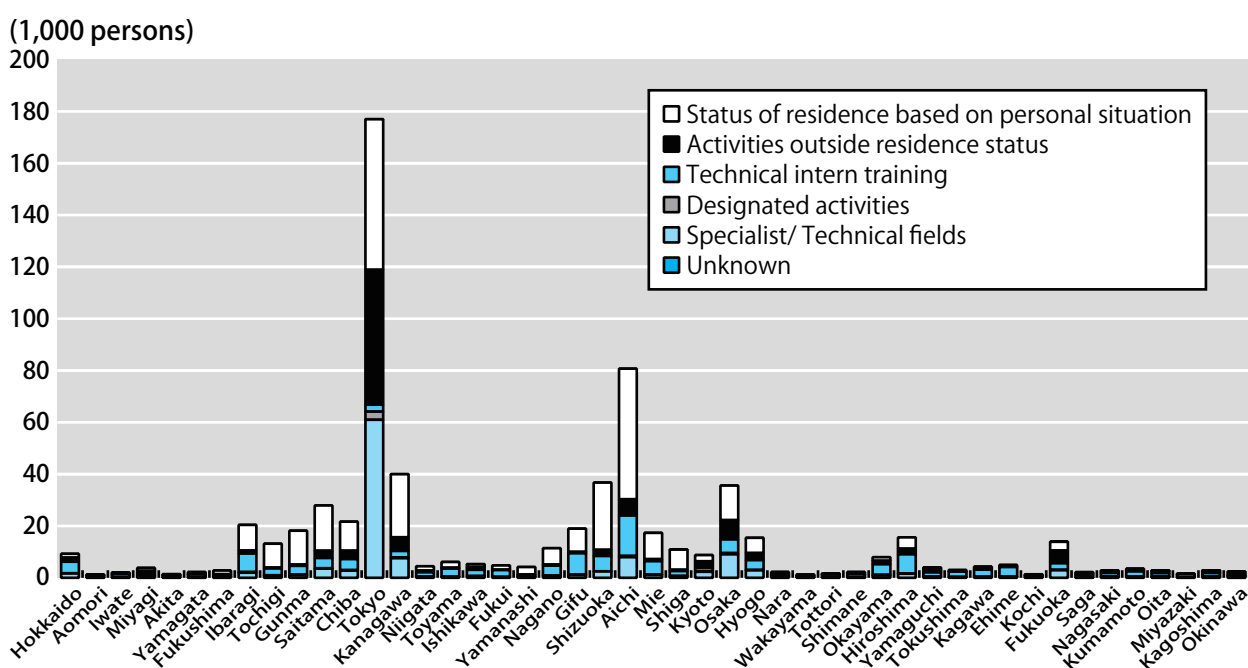
Source: Compiled from Immigration Bureau, Ministry of Justice, *Numbers of Foreign Residents as of June 30, 2015*

## 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) when we examine the distribution of foreign nationals 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-40 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, 2014)*

## Companies' Employment Management of Foreign Workers

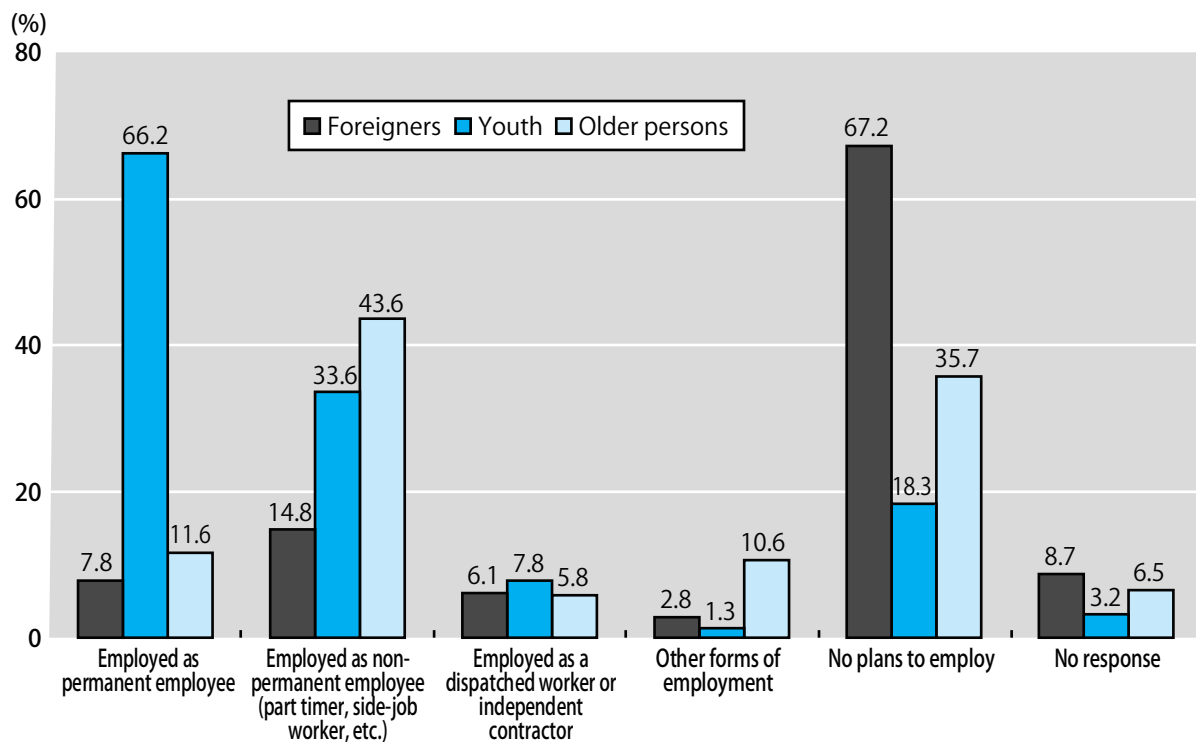
### Hiring Policies and Reasons for Employing Foreign Workers

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-41,

Figure II-42).

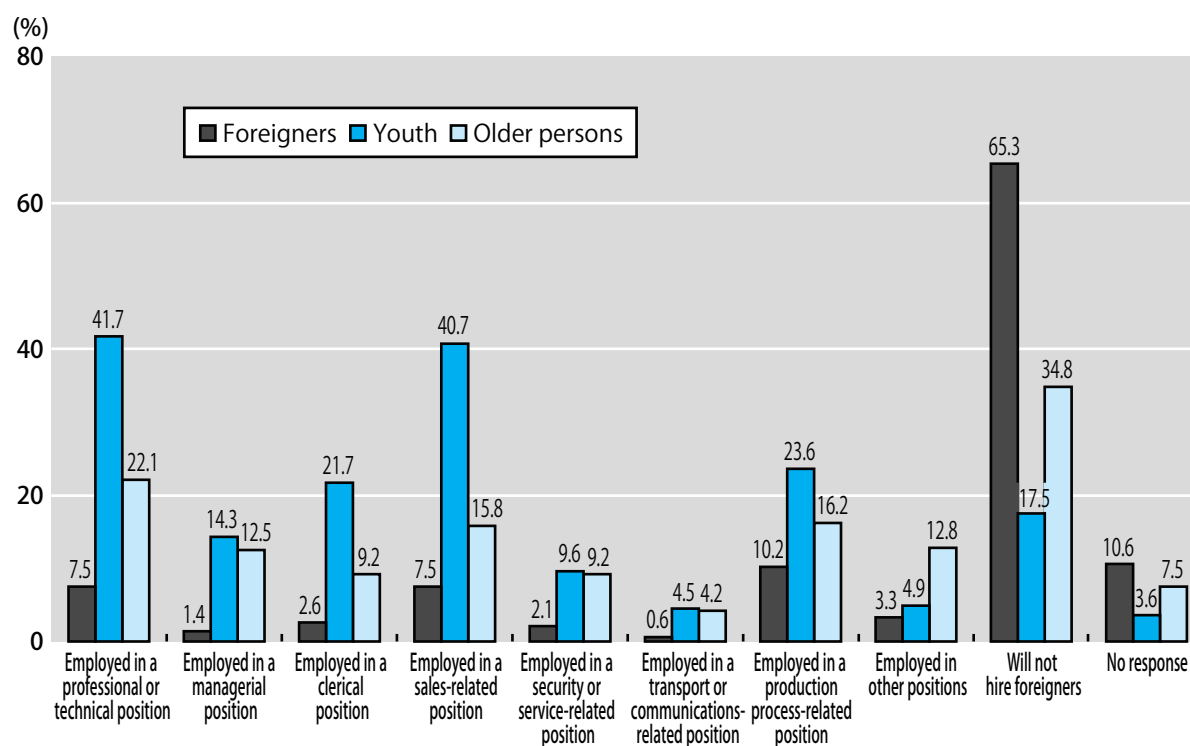
Meanwhile, in business establishments with experience of hiring foreign nationals, Japanese language ability is given greater priority than specialist knowledge or skills and previous professional record when hiring foreign nationals, regardless of the type of employment (Figure II-43). Work-related instructions and orders are given in Japanese, so having some level of Japanese ability is a precondition for employing foreigners.

**Figure II-41 Foreign Worker Employment Policy by Employment Type (n=2252, Multiple Answers)**



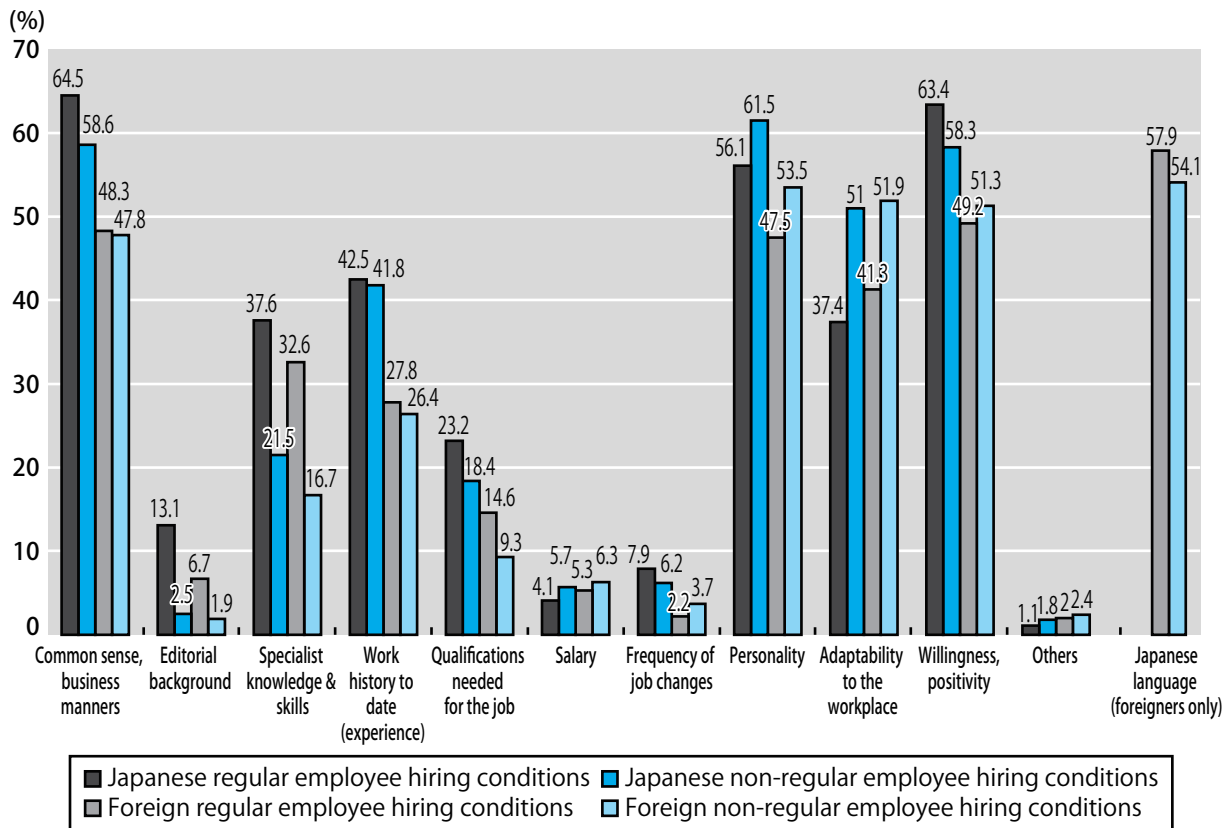
Source: Japan Institute for Labour Policy and Training, *Survey Concerning Industry and Personnel Utilization After the Simultaneous Worldwide Recession (2010)*

**Figure II-42 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-43 Hiring Conditions by Employment Type (n=2252, Multiple Answers)**



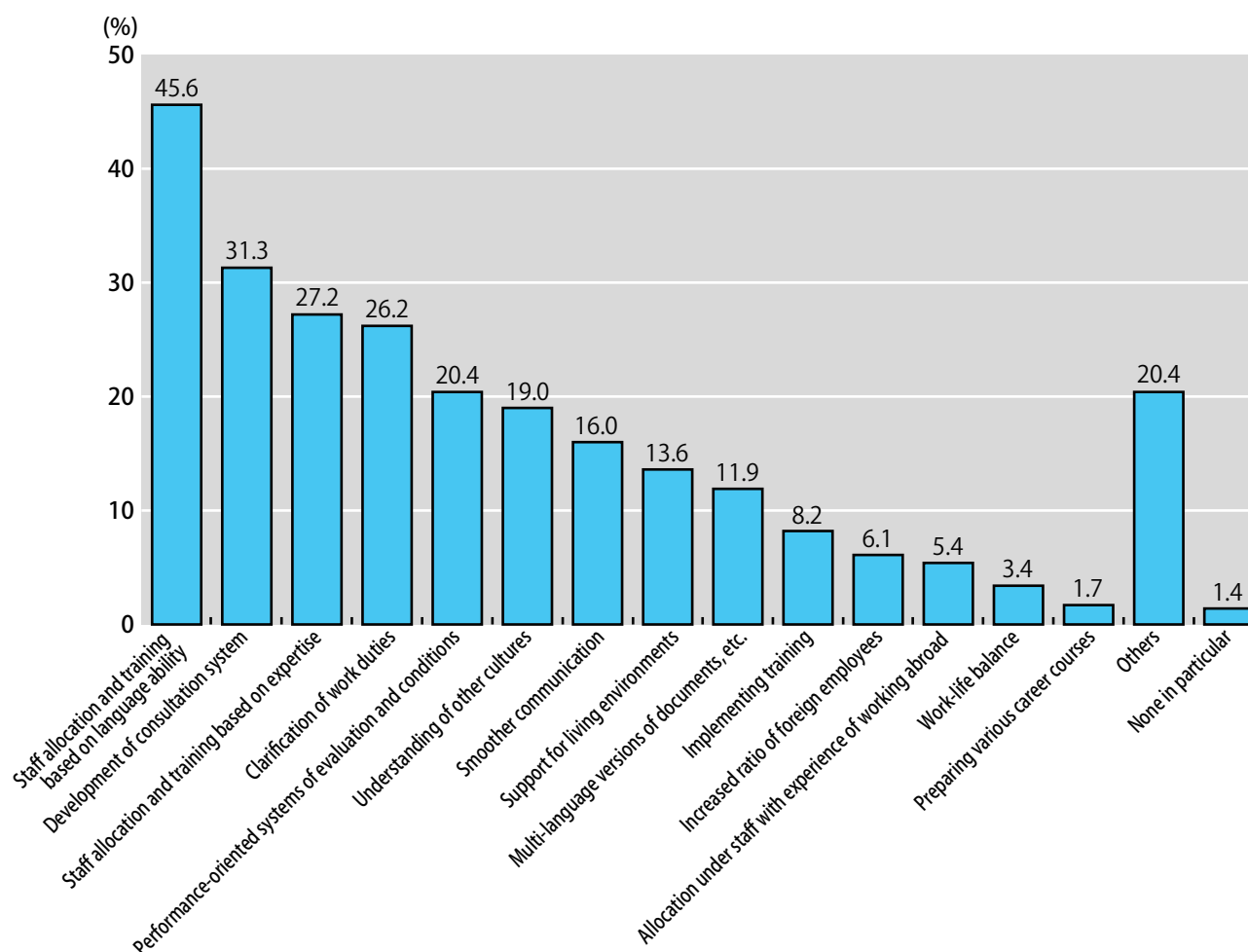
Source: Japan Institute for Labour Policy and Training, *Survey Concerning Industry and Personnel Utilization After the Simultaneous Worldwide Recession (2010)*

### 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-44). 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-44 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. Here, we will focus on Nikkei workers and the technical intern training program.

[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. However, in recent years contractors have increasingly recruited and employed Nikkei workers already in Japan. This recruiting is often carried out through help-wanted ads in Portuguese- or Spanish-language newspapers published in Japan, on the Internet, or through word of mouth or person-to-person 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.

Employment support is being offered so that Nikkei workers can find work not only in manufacturing, but also in long-term nursing care or other healthcare and welfare professions. However, there are challenges in that Nikkei workers' Japanese language proficiency is often not at the level sought by employers.

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]

Japan seeks to make international contributions by accepting foreign nationals, often from developing countries, for a limited period of time to undergo OJT and learn technical skills that can be transferred to their home countries. This program was launched in 1993, and has existed in its current format since 2010. Currently, technical interns work under an employment contract with an enterprise and are protected by the same labor laws and regulations as ordinary workers, except for during a training period immediately following arrival in Japan.

Today, there are about 180,000 technical interns in Japan. By country and region of origin, approximately 60% of them are from China, although the number from Vietnam has been on the rise in recent years. Fields where technical interns are often placed include textiles and apparel, machining and

metalworking, and food manufacture, but an increasing number are engaged in construction or agriculture as well. Over 50% of the enterprises accepting interns are very small companies with less than 10 employees.

The training provided 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, the Technical Intern Training Program has suffered from problems including:

1. The program has the stated objective of transferring skills and technology from Japan to other countries. In reality, however, it has become a source of inexpensive labor for small and mid-sized companies unable to secure enough personnel.
2. Training is often not conducted according to plan, or wages not paid as required.
3. Brokers intervene in the process and demand payment of deposits, or interns include fugitives.

To address such problems, steps were taken to strengthen the protection of 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.

As of October 31, 2015, the technical internship program is currently being overhauled with the prerequisite that management and oversight will be strengthened. Key points of the overhaul are: 1) Arrangements are to be formulated between governments (or authorities), which are to cooperate on weeding out rogue organizations, to prevent cases of circumvention of intergovernmental arrangements and participation by illegitimate dispatching agencies who demand security deposits, etc. 2) Supervisory bodies are to be licensed, trainers registered, and

training implementation programs authorized so as to ensure accountability among supervisory bodies and training organizations and sufficient implementation of the training promised, 3) To address the fact that JITCO (the Japan International Training Cooperation Organization) is inspecting and instructing participating enterprises without legal authority, a new overseas technical internship agency is to be established to process reports from supervisory bodies and conduct inspections, etc. 4) An office accepting reports, etc. from trainees, including whistleblowers, is to be opened and human rights violators, etc. penalized, so as to reinforce the inadequate system of protections for interns, and 5) To address the inadequacy of oversight, enforcement, and cooperation among presiding ministries, prefectural governments, etc., these bodies are to request cooperation from one another based on the applicable laws, and set up regional bureaus to carry out auditing and enforcement and strengthen partnerships among various parties to the training program.

In addition, incentives for outstanding supervisory bodies are being considered, including extension of the internship period or repeated implementation of internship programs, increase in the number of interns admitted, and expansion of the scope of eligible occupations for interns.

### **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; in such cases, workers received little or not support from enterprises in finding other employment. Moreover, the social safety net did not function adequately for foreign workers.

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



## 1 Long-term Employment System

### Employee Tenure in Japan

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

According to the 2014 Basic Survey on Wage Structure, average employee tenure in Japan is 12.1 years. However, this varies according to the attributes of employees and the corporate organizations to which they belong. Male workers' average tenure is longer than that of their female counterparts, and large company size tends to be correlated with longer tenure (Table III-2). By international comparison, long-term employment in Japan is thus a particular feature of employment of male workers at large companies.

**Table III-1 Composition of Employees by Length of Service**

Country	< 1	1 to < 3	3 to < 5	5 to < 10	10 to < 15	15 to < 20	20+ (years)
Japan <sup>1)</sup>	7.4	14.4	13.3	20.2	12.5	10.0	22.2
United States <sup>2)</sup>	21.1	11.2	16.6	21.8	12.5	6.1	10.6
	< 1	1 to < 6	6 to < 12 (months)	1 to < 3	3 to < 5	5 to < 10	10+ (years)
Canada <sup>3)</sup>	—	11.3	8.4	21.0	13.5	17.1	28.7
United Kingdom	2.1	4.7	7.9	14.1	16.3	23.9	31.0
Germany	3.1	5.1	7.5	12.6	12.2	16.3	43.2
France	4.5	4.8	4.7	8.8	12.6	19.2	45.3
Italy	2.6	4.2	4.3	9.6	12.3	20.3	46.6
Netherlands	3.0	5.8	7.2	13.2	15.4	18.5	36.9
Belgium	2.8	4.6	6.2	12.0	12.2	18.5	43.6
Denmark	4.8	8.1	8.9	16.8	16.7	17.1	27.6
Sweden	7.8	6.0	7.2	11.1	12.8	18.0	37.1
Finland	7.9	6.6	7.7	10.9	12.7	16.7	37.4
Norway	2.8	5.1	8.4	14.5	16.7	18.6	34.0
Austria	3.0	6.5	6.8	10.4	14.2	19.5	39.7
South Korea	7.2	17.1	11.2	21.6	11.0	13.8	18.1
Australia <sup>3)</sup>	4.1	8.3	10.2	22.9	16.5	17.5	20.5

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

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

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

Notes: 1) As of June 30, 2011

2) As of January 2012

3) Figures for 2010

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

	All workers	Male workers	Female workers
All companies	12.1	13.5	9.3
1,000+ employees	14.2	15.9	10.2
100-999 employees	11.5	12.9	8.9
10-99 employees	10.5	11.3	8.9

Source: Ministry of Health, Labour and Welfare, *Basic Survey on Wage Structure 2014*

### Background to Long Employee Tenure: Long-term Employment Systems

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

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

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

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

### Transformation of Long-term Employment Systems

However, the long-term employment systems in effect at many Japanese companies, with a wage structure in which workers employed for longer are paid higher wages, runs the inherent risk of paying wages incommensurate with actual productivity to employees whose professional competency development has already reached its limit. This risk was not immediately apparent during the 1950s through the 1970s, when Japanese enterprises were enjoying rapid growth, but as the growth of the Japanese economy began losing its high rate of growth from the late 1970s onward, an increasing number of companies began viewing the high cost of middle-aged and older workers' wages as problematic. As a result, the practice spread among large companies in particular of temporarily or permanently transferring middle-aged and older workers to affiliates or business partners. During the prolonged recession of the 1990s, a wave of companies experienced serious business difficulties, with the consequence that many asked their employees of above a certain age (usually those in their late forties to fifties) to accept voluntary early retirement in exchange for a topping up of their retirement benefits. As human resources practices aimed at expelling older workers from the company, such as temporary or permanent transfer or encouraging voluntary retirement, become

entrenched, it is possible that the trend toward long tenure among Japanese workers will progressively weaken.

With the revision of the Act Concerning Stabilization of Employment of Older Persons, since April 2006 it has been mandatory for companies to guarantee employment opportunities to workers from age 60 until they start receiving state pensions. From April 2013, moreover, companies will have to employ all workers until age 65 if they wish to remain in

employment. This legal reform has the potential to reinforce the tendency toward long tenure. However, it is also possible that making it obligatory for companies to offer employment opportunities to workers past the age of 60 will accelerate the trend toward expelling workers before they turn 60. There is no room for unbridled optimism, and we must continue paying close attention to ongoing changes in Japan's long-term employment system.

## 2 Recruitment and Hiring

In the Japanese labor market, there are dramatic contrasts between full-time workers who generally remain at companies for long periods of time, and part-time workers generally hired for short periods of time; between new graduates and mid-career hires; and between hiring practices at large companies and at small and mid-sized companies. Firstly, then, we will examine the overall picture of recruitment and hiring by referring to the “Survey on Employment Trends”. The Ministry of Labour (now the Ministry of Health, Labour and Welfare) has conducted this survey twice a year since 1964, and it covers the state of accession, separation, and unfilled job vacancy of business establishments, and the individual attributes and conditions of people entering and leaving employment, with the purpose of clarifying the status of different industries, corporate scales, occupations, and movement between regions. The survey is based on a sample of approximately 10,000 establishments, 40,000 hired workers, and 40,000 separated workers, but from the results, figures for the entirety of Japan are extrapolated and publicly released. Here we will examine annual figures from the most recent survey for which data has been released. Note that the statistical tables shown here are derived from Excel spreadsheets posted on e-Stat, the Portal Site of Official Statistics of Japan.

### Overall Situation of Recruitment and Hiring

According to the Survey on Employment Trends (2013) (Table III-3), the total number of workers hired in 2013 was 7.49 million (rounded off to the nearest thousand). Of these, full-time workers accounted for 4.26 million and part-time workers for 3.23 million. When these 7.49 million workers are broken down by career stage, the results are 1.09 million new graduates, 1.56 million people without previous employment who are not new graduates (these are defined in the survey as employees who

had no work experience during the one year immediately prior to hiring, and are classified separately from other newly hired employees), and 4.84 million already employed workers who are changing employers.

As for status of employment, approximately three-quarters of new graduates were hired as full-time workers, and the remaining one-quarter as part-time workers. However, among “people without previous employment who are not new graduates” about two-thirds were hired part-time, and only one in three was a full-time worker. In the Survey on Employment Trends, “full-time workers” are defined as “regular employees” who are not “part-time workers”.

Meanwhile, of the 4.84 million people hired after changing employers (previously employed workers) approximately 60% were full-time, and the remaining 40% or so part-time. Broken down by age group, the largest group is those aged 20-24 with 1.45 million people. It is also the largest group among new graduates, followed by “19 and younger”, but among people hired after changing employers the largest is the 25-29 age group, followed by 20-24.

As for company size, the most common response was “1,000 or more employees”, with 460,000 new graduates and 560,000 people without previous employment who are not new graduates in this category. Among workers who were changing jobs, “1,000 or more” was also the most common with 1.43 million people, but it was followed by “5-29 employees”, with 1.07 million.

Table III-4 shows the breakdown by educational background of 1.09 million new graduates. The most common responses were “University/Graduate school” (480,000) and “High school” (430,000). Among those completing university or graduate school, approximately 60% were liberal arts majors, and the other 40% sciences majors. By corporate scale, “1,000 or more employees” was the most common among university or graduate school

graduates with 220,000 and among high school graduates with 190,000.

**Table III-3 Number of Persons Entering Employment by New Graduate or Mid-career, Corporate Scale and Age Group  
(Survey on Employment Trends 2013, Unit: 1,000 Persons)**

Scale, age group	Total			Persons without previous employment								
				New graduates			Persons except new graduates			Persons already in employment (persons changing from a previous job)		
	Total	General worker	Part-time worker	Total	General worker	Part-time worker	Total	General worker	Part-time worker	Total	General worker	Part-time worker
Age / Corporate scale totals	7,493.1	4,258.3	3,234.8	1,089.6	807.9	281.7	1,561.7	512.8	1,049.0	4,841.7	2,937.6	1,904.1
Age up to 19	918.4	315.0	603.4	464.2	231.3	232.9	262.8	32.9	229.9	191.4	50.8	140.6
Age 20-24	1,446.9	959.9	487.0	560.0	519.7	40.3	276.5	114.9	161.6	610.4	325.3	285.1
Age 25-29	961.2	665.6	295.7	59.1	52.3	6.7	155.2	79.9	75.3	746.9	533.3	213.6
Age 30-34	741.2	495.3	245.9	4.5	2.8	1.7	149.9	60.7	89.2	586.8	431.8	155.0
Age 35-39	684.2	412.6	271.7	1.2	1.2	0.0	151.9	48.3	103.6	531.1	363.1	168.1
Age 40-44	713.0	399.5	313.6	0.4	0.3	0.1	147.7	46.0	101.7	564.9	353.1	211.8
Age 45-49	551.7	286.5	265.2	0.1	0.1	—	122.3	39.4	82.8	429.3	247.0	182.3
Age 50-54	463.2	252.0	211.2	0.1	0.1	0.0	82.8	28.8	54.0	380.3	223.1	157.2
Age 55-59	370.0	197.6	172.3	0.0	0.0	—	80.2	25.9	54.3	289.8	171.7	118.0
Age 60-64	451.3	223.3	228.0	—	—	—	75.8	22.0	53.8	375.5	201.3	174.2
Age 65 or more	191.9	51.0	141.0	—	—	—	56.7	13.9	42.8	135.2	37.1	98.2
1,000 or more employees	2,447.7	1,207.4	1,240.3	460.0	310.5	149.5	559.5	167.3	392.2	1,428.2	729.7	698.6
300-999 employees	1,080.8	684.6	396.3	175.0	150.0	25.0	196.9	68.4	128.5	708.9	466.2	242.7
100-299 employees	932.7	522.5	410.2	143.6	125.4	18.2	189.4	42.0	147.4	599.7	355.1	244.6
30-99 employees	1,177.5	748.4	429.1	117.2	89.9	27.4	248.4	92.7	155.8	811.8	565.8	246.0
5-29 employees	1,534.6	899.1	635.5	151.4	93.6	57.8	317.6	116.4	201.2	1,065.6	689.1	376.4

**Table III-4 Number of New Graduates Entering Employment by Educational Background and Corporate Scale  
(Survey on Employment Trends 2013, Unit: 1,000 Persons)**

	New graduates total	Junior high school	Senior high school	Vocational school (specialized course)	Technical college, junior college	University, graduate school	Specialized fields	
							Arts	Sciences
Total	1,089.6	35.7	428.4	102.2	47.5	475.7	289.1	186.6
1,000 or more employees	460.0	10.3	192.4	21.9	16.2	219.2	130.0	89.3
300-999 employees	175.0	0.1	61.7	27.2	3.6	82.3	46.1	36.1
100-299 employees	143.6	0.6	43.6	16.0	10.9	72.6	46.1	26.5
30-99 employees	117.2	7.4	59.6	14.8	5.3	30.0	21.3	8.7
5-29 employees	151.4	17.3	69.4	16.4	7.7	40.6	25.9	14.7

## Methods of Recruitment and Hiring

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

Table III-6 shows the results of a survey question about Internet use during the recruitment process (i.e. job hunting), which is growing increasingly common. Almost half of respondents used the Internet, with the most common destination being private-sector job listing sites at 1.61 million users, followed by the

Employment Security Bureau website at 1.51 million.

A different survey from the one we have examined thus far, the Employment Structure Survey (Surveys on Employment Structure: Survey on Hiring Management at Enterprises) (Ministry of Health, Labour and Welfare, 2007) inquires about effective methods for mid-career hiring, with multiple responses possible. The results are shown in Figure III-7. The survey is from nearly a decade ago, but there are no other examples of similar large-scale, unbiased surveys, and it appears likely that the situation has not changed substantially since that time. According to this survey, the most common responses were “Resumes and work histories submitted” (73.6%) and “Checking during job interview” (73.5%).

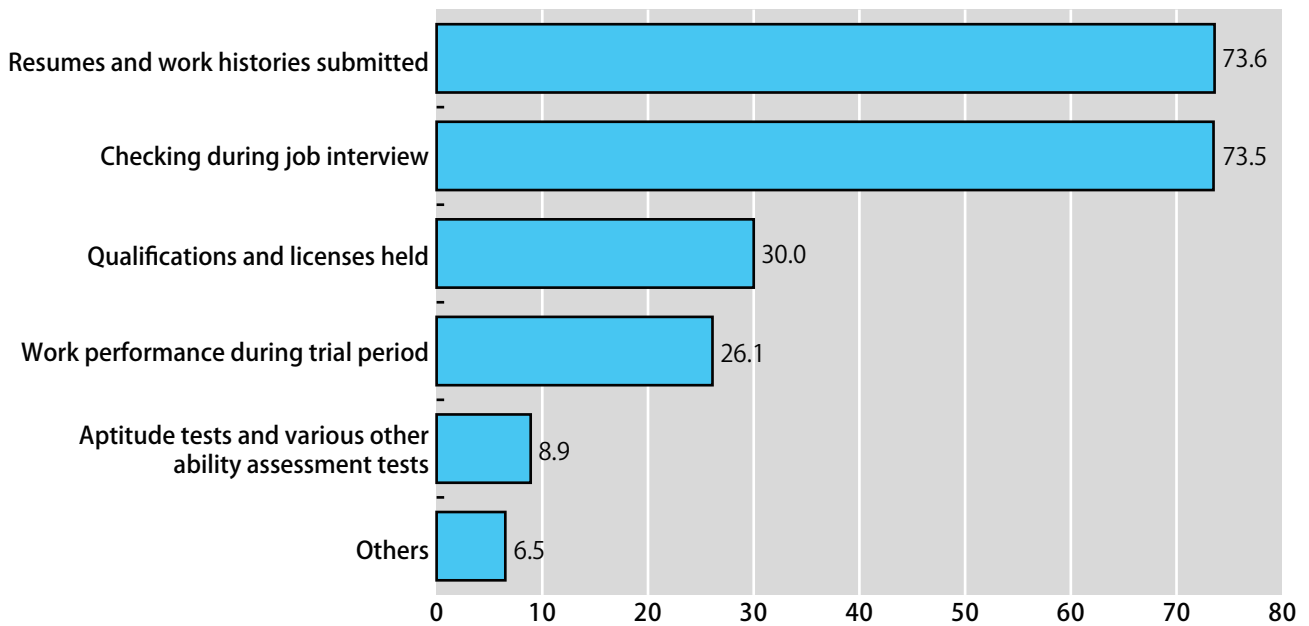
**Table III-5 Routes to Employment  
(Survey on Employment Trends 2013, Unit: 1,000 Persons)**

	Total	Job introduction agencies, etc.						Personal connection, secondment, etc.			
		Employment security agencies	Hello Work Internet Service	Private employment placement agencies	Schools	Advertisement	Others	Through a personal connection	Of which, previous company	Secondment	Reinstated after completion of the secondment
Total	7,493.1	1,505.3	330.2	203.5	450.9	2,679.3	445.8	1,633.7	363.7	179.7	64.7
1,000 or more employees	2,447.7	284.1	112.2	68.0	171.1	1,159.8	140.4	426.0	101.2	53.2	32.8
300-999 employees	1,080.8	214.2	48.7	51.6	85.4	370.8	42.7	216.0	75.8	37.4	14.1
100-299 employees	932.7	203.9	42.3	30.9	67.1	335.0	43.8	186.5	48.6	17.7	5.6
30-99 employees	1,177.5	344.3	44.0	23.3	42.5	302.6	49.8	308.8	49.6	54.7	7.4
5-29 employees	1,534.6	413.8	75.8	27.7	57.5	445.3	89.3	411.6	63.6	9.4	4.2

**Table III-6 Use of Internet in Job-hunting  
(Survey on Employment Trends 2013, Unit: 1,000 Persons)**

	I used the internet (multiple answer)									Did not use the internet
	Total	Total	Used the internet to collect information about job vacancies						Used to make an appointment with, and to send inquiries to, enterprises	
			Total	Websites operated directly by recruiting enterprises	Websites operated by private recruitment advertisement companies	Job search websites	Hello Work Internet Service	Other websites		
Total	7,493.1	3,536.7	3,472.2	1,352.8	1,608.9	373.8	1,507.9	420.1	353.3	3,956.4
1,000 or more employees	2,447.7	1,350.1	1,318.3	614.6	654.4	148.2	397.8	186.0	147.0	1,097.6
300-999 employees	1,080.8	556.5	547.2	247.8	279.9	53.5	241.3	69.2	74.6	524.3
100-299 employees	932.7	463.7	458.5	158.8	243.0	52.8	200.1	47.9	51.6	468.9
30-99 employees	1,177.5	470.9	461.1	116.9	175.5	51.7	305.3	37.1	37.8	706.6
5-29 employees	1,534.6	580.1	576.7	161.1	226.7	58.9	314.3	60.0	30.1	954.5

**Figure III-7 Effective Methods in Mid-career Hiring  
(Survey on Employment Structure 2007, Multiple Answers, %)**

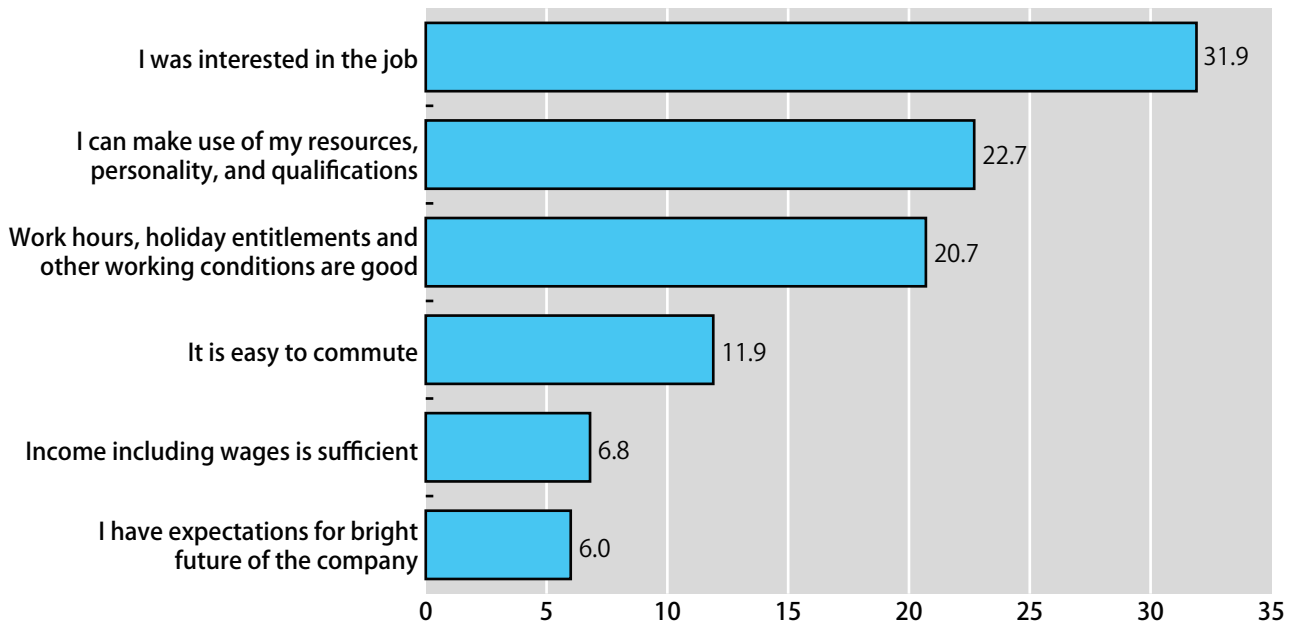


### Priorities of Job Seekers and Employers

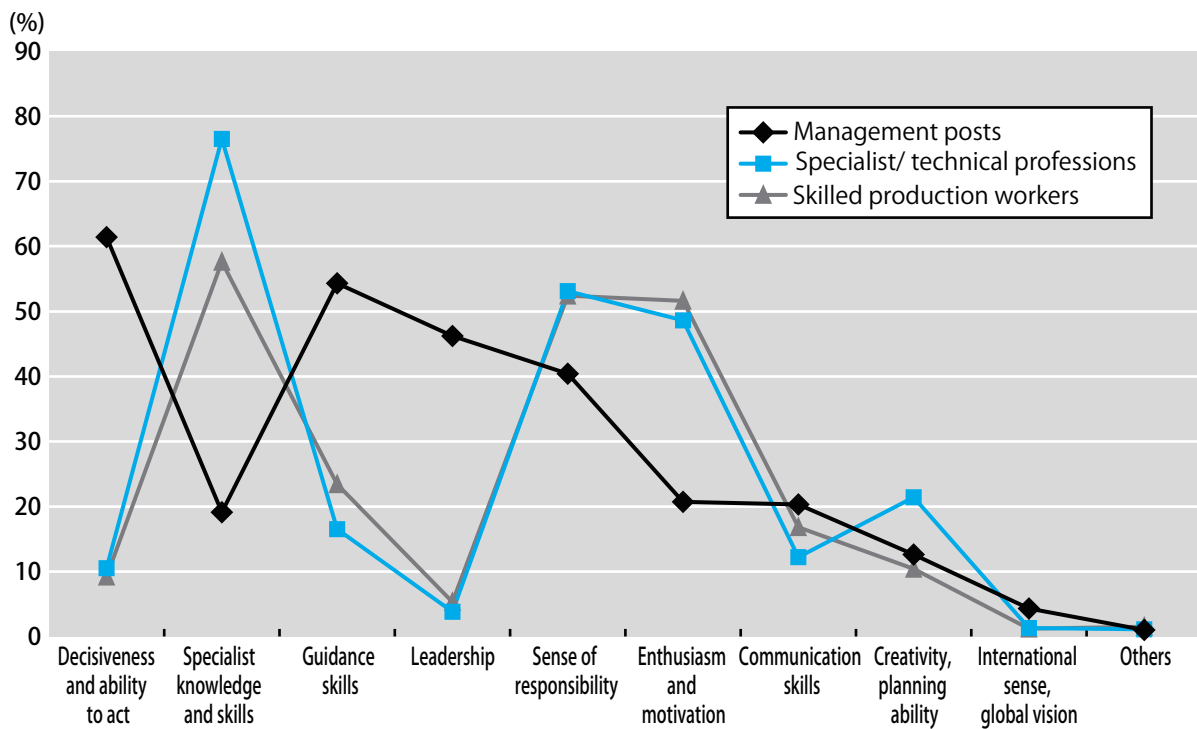
So what do job seekers look for in prospective employers when making career decisions? Figure III-8 shows how appears in the Survey on Employment Trends, where respondents were asked to specify the reason for choosing their employer in a single-answer question. Responses of “I wanted to get any job” and “Any other reasons (including secondment)” are excluded, as they are not reasons for choices; ratios are calculated by taking the remaining options as 100%. According to this survey, common responses were “I was interested in the job” (31.9%) and “I can make use of my resources, personality, and qualifications” (22.7%), while “Income including wages is sufficient” (6.8%) and “I have expectations for bright future of the company” (6.0%) were selected by few respondents.

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

**Figure III-8 Reasons for Choosing Employer**  
 (Survey on Employment Trends 2013, Single Answer, excluding Responses Citing No Specific Reason, Calculated as %)



**Figure III-9 Companies' Expectations of Core Personnel**  
 (Survey on Employment Structure 2007, Up to Three Responses, %)





## Recent Trends

With regard to hiring of new university graduates, there had been concerns about the process beginning earlier and taking longer, but recently there is a movement toward postponing it again. The Japan Business Federation (Keidanren) makes stipulations in its revised Charter of Corporate Ethics for Recruitment and Employment, and new Guidelines for Recruitment and Employment (September 13, 2013). From the Class of 2016 onward, publicity activities with regard to corporate hiring (acceptance of entry sheets, briefing sessions held by companies, etc.) are not to start before March 1 of students' third year of university, and actual recruitment processes such as interviews are not to start before August 1 of the fourth year. Official (albeit informal) job offers are not to be extended prior to October 1 of the same year, as previously. This means that when the Class of 2015 is compared to the Class of 2016, recruitment-related publicity activities are starting three months later (on March 1 rather than December 1), and selection activities four months later (on August 1 rather than April 1). The selection process has gotten significantly shorter, going from six months to two months. To address the problem of earlier and longer-lasting recruitment processes, the process has been delayed and shortened. However, while the

approximately 1,300 companies belonging to Keidanren are asked to adhere rigorously to these guidelines, they do not apply to companies that do not belong to Keidanren, or to foreign corporations, and these are continuing to carry out recruitment activities earlier. In addition, with the selection period having grown shorter, companies are increasingly taking steps like offering internships to third-year university students (although stating that these are completely unrelated to recruitment and selection) and reviving programs in which employees (recruiters) are dispatched to campuses to court outstanding students.

Although the economy showed signs of stagnation resulting from the consumption tax hike, the overall trend is toward economic recovery and more jobs than there are people to fill them. Companies are recruiting more aggressively, and for the past few years it has been a "seller's market" for new university graduates. According to the fiscal 2014 Survey on the Employment Status of University, etc. Graduates, by the Ministry of Health, Labour and Welfare and the Ministry of Education, Culture, Sports, Science and Technology, as of April 1, 2015, the employment rate for university graduates stands at 96.7%, its highest level since the graduating class of March 2008 seven years ago.

## 3 Allocation and Transfer of Human Resources

### Allocation and Transfer of Human Resources at Japanese Companies

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

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

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

### New Developments in Allocation and Transfer of Human Resources

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

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

(%)

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

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

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

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

### Features of Promotions

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

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

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

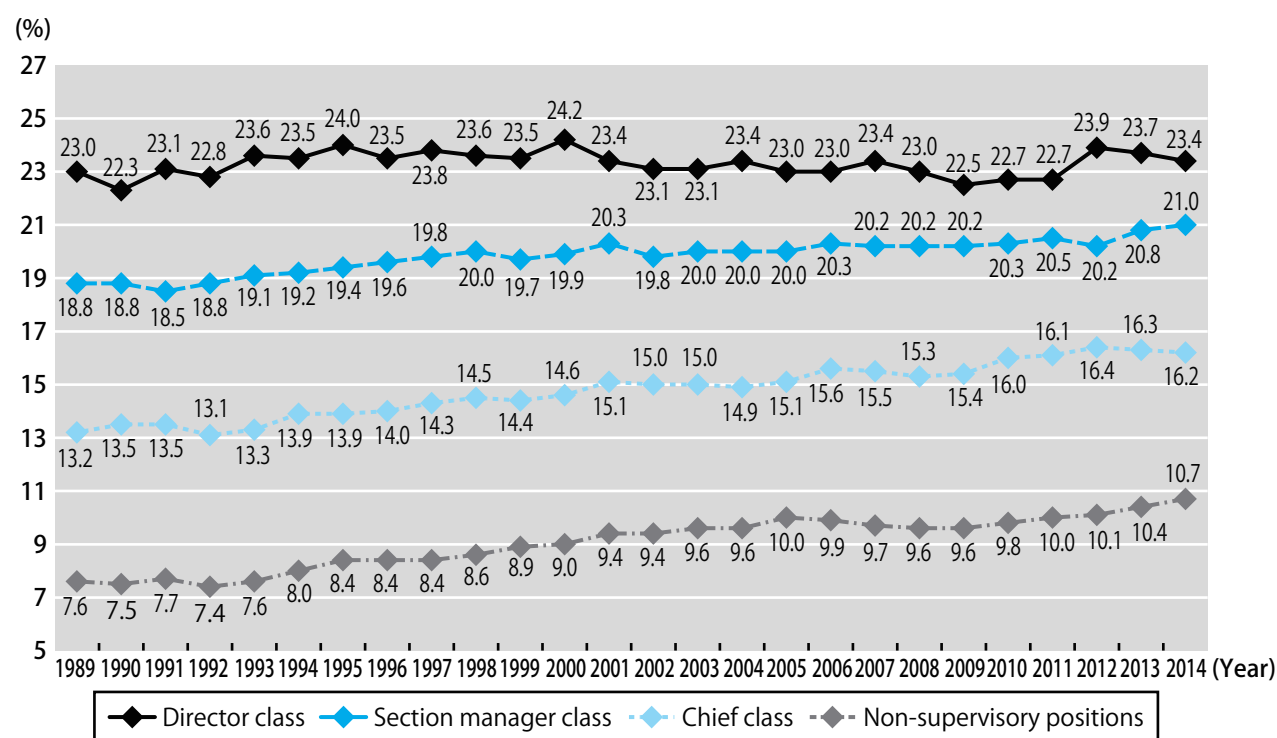
In fact, if we look at the actual situation with regard to promotions in Japanese companies, we can see that promotions in Japan are “late promotions” (the timing of the selection for promotion is late). According to the Japan Institute of Labour (1998), the average timing of the first selection (the time when a promotion gap first appears) for university graduate white collar workers is 7.85 years in Japan but 3.42 years in the USA and 3.71 years in Germany. The average timing of the career plateau phenomenon (the time when candidates for promotion within the same year are narrowed down, and about half can have no further prospects of promotion) is 22.30 years in Japan but 9.10 years in the USA and 11.48 years in

Germany<sup>1</sup>. According to data from the Ministry of Health, Labour and Welfare (Figure III-11), during the period (1996) covered by a survey conducted by The Japan Institute of Labour (1998), the timing of first selection more or less corresponded to years of continued service of non-managerial employees, and the timing of the career plateau phenomenon to years of continued service at section chief level. A recent trend, however, is for years of continued service at section chief level, chief clerk level and non-managerial level to increase and the timing of promotion to be gradually delayed.

Thus, promotions at Japanese companies have two characteristics, namely “internal promotions” and

“late promotions”, but changes can be seen in the conditions that bring about the existence of “late promotions”. With the flattening of organizations and reduction in number of executive posts, etc. making it difficult to maintain a high rate of probability of promotion, and with the sluggish growth of companies, it has become difficult to provide equal educational and training opportunities to all employees, and there has been a decline in the drive to obtain promotions to managerial positions, especially among male regular employees. All of this undermines the rationale behind “late promotions”, and it is possible that the timing of selection for promotion to managerial positions will move earlier.

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



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

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

## References

JIL (1998), *International Comparison: Systems of Human Resource Development and Employment of University Graduate White Collar Workers* –

*Large Corporations in Japan, the USA and Germany, (2) Questionnaire Survey*, JIL Research Report No.101

## 4 Resignation, Mandatory Retirement and Dismissals, etc.

### Resignation and Retirement

This section provides an overview of the main reasons for termination of employment in Japan, particularly from a legal perspective.

#### 1. Resignation

There are several categories of resignation: resignation for personal reasons, in which the worker unilaterally dissolves the contractual relationship with the employer; severance agreement, voluntary retirement, and retirement by worker request, involving mutual agreement between the worker and the employer; and mandatory retirement as dictated by employment contracts, company regulations, or labor agreements.

Legal issues concerning resignation arise when employees are encouraged to retire due to businesses' reorganization or downsizing, or with regard to incentives for early retirement.

When encouragement to retire crosses the line into persistent demands, or even to intimidation or physical violence, it constitutes criminal behavior, and not only the direct perpetrator but also the employer may be held responsible and required to pay damages. According to statistics from the individual labor dispute resolution system, approximately 29% of disputes arising in the workplace relate to "encouragement to retire" (7.5%) or to "bullying or harassment" (21.4%) closely tied to encouragement to retire. (For more details on labor dispute resolution, see Chapter 4, Section 4, "Labor Disputes and Resolution Systems").

When companies offer incentives to employees who retire early, depending on the timing of retirement, the employee may be placed at a disadvantage in terms of the application of financial incentives, or there may be inequality among people retiring, leading to litigation seeking payment of the differential. As there are no legal statutes governing these incentives, the enterprise is free to decide when,

how, and to whom they are applied. As a result, while disadvantageous or unequal treatment of employees with regard to incentives may occur, as a general rule, retiring employees' claims for compensation are not recognized.

Also, in recent years poor yields on investment due to worsening economic conditions have afflicted the company pension programs independently set up and operated by enterprises, and there have been numerous cases of lawsuits concerning payments lower than those originally stipulated, lowering of payout rates, or legal problems related to the wholesale abolition of the program (for more details on company pension programs, see Chapter 6, Section 3, "The Pension System and Public Assistance").

#### 2. Retirement

In Japan, the retirement-age system is entrenched as a corporate program that helps underpin the practice of long-term employment. On the other hand, it also plays the role of helping to curtail the high personnel cost of older workers, as seniority-based wage increases have been the norm in Japan.

According to the overview of findings of the 2014 General Survey on Labor Conditions (Ministry of Health, Labour and Welfare [MHLW], released November 13, 2014), among private-sector enterprises with 30 or more full-time employees, 93.8% have a designated retirement age, and of these, 98.9% designate the same retirement age for all employees. Of these, 81.8% set a retirement age of 60, while 15.5% set an age of 65 or above.

Article 8 of the Act on Employment Stability for Older Persons stipulates that employers cannot designate a retirement age lower than 60, while Article 9 makes it mandatory for employers to take measures to ensure stable employment for workers until the age of 65. These measures were stipulated in a 2004 revision of the Act, which specifically states that employers must either 1) raise the retirement age,

2) introduce a program for continued employment, or 3) abolish a mandatory retirement age altogether (For details, see Chapter 5, Section 3, “Policies Designed to Secure Employment for Older and Disabled Workers”). Under the 2004 revised Act, if a continued employment program for older workers is prepared and implemented according to standards agreed upon by a majority of either labor union members or company representatives, option 2) above is considered to be fulfilled. However, the Act was revised again in 2012 to state that as a basic rule, the continued employment program should be applied to all employees who wish to participate. Also, for employers that have affiliated companies, continued employment at an affiliated company is considered to be included in option 2). These measures are aimed at ensuring stable employment for older persons as the aging of Japanese society progresses, and at facilitating progressive raising of the age when public pension payments start.

As for the status of implementation of measures for ensuring employment *until* the age of 65, as seen in the tabulated results of a 2014 “Status of Employment of Elderly Persons” (released October 31, 2014), as of June 1, 2014, out of approximately 140,000 companies with 31 or more employees 98.1% had introduced measures to ensure continued employment, while the corresponding figure for small and mid-sized companies (with 31-300 employees, accounting for 130,812 companies) was 98.0%. As for the breakdown of type of measures taken, 81.7% had introduced a continued employment program, 15.6% had raised the retirement age, and 2.7% had done away with a designated retirement age altogether. Of those that had introduced a continued employment program, the most common option, 66.2% had introduced a program that applied to all persons aged 65 *or above* who wish to participate, while 33.8% had a program for all persons aged 65 *or above* who meet certain standards (programs that set standards limiting eligibility are legally recognized as a transitional measure). 93.1% of companies enabled employees to continue working only at the company itself, while the remaining 6.9% facilitated continued employment elsewhere than at the company itself. All persons aged 65 *or above* who wish to continue

working can do so at 71.0% of companies, and all those aged 70 *or above* at 19.0%.

According to one viewpoint, the retirement age system, in which employment is terminated for the reason that the employee has reached a certain age, lacks rationality from a legal standpoint, and runs counter to the principle of employment security. However, the general view is that under Japan’s long-term employment system, which revolves around seniority-based wage increases, the retirement age system is rational in that it fulfills the function of ensuring employment for workers up until a certain age, and of maintaining a fresh and vital labor force. In addition, courts of law have not found the retirement age system to be a legal violation (of public policy doctrine, specifically Article 90 of the Civil Code).

With the adoption in recent years of Article 9 of the aforementioned Act on Employment Stability for Older Persons making it mandatory for employers to take measures to ensure employment until the age of 65, there have also been disputes over the legally binding status of this article (whether it has binding force under private law). As Article 8 of the Act is interpreted as a mandatory provision under private law (i.e. setting a retirement age under 60 is illegal and invalid), one interpretation holds that based on legal theory Article 9 is also binding under private law and may be the source of claims for damages and verification of status under employment contracts. However, another argument holds that Article 9 only stipulates employers’ obligations under public law, and denies its binding status in the private sphere.

### 3. Dismissals

#### A. General

The Labor Standards Act only prohibits the dismissal of a employee during a period of absence from work due to injuries or illnesses suffered in the course of employment, and the dismissal of a female employee during a period of absence from work before and after childbirth, or within 30 days after either type of absence, but it does not prohibit dismissal itself (Article 19). On the other hand, discriminatory or retaliatory dismissal on grounds such as gender or labor union activity is prohibited by

law (by such legislation as Article 3 and Article 104, paragraph (2) of the Labor Standards Act, Article 6, item (iv) and Article 9 of the Equal Employment Opportunity Act, Articles 10 and 16 of the Child Care and Family Care Leave Act, and Article 7 of the Labor Union Act).

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

The Supreme Court formulated the content of this principle, stating that, "the exercise of the right of dismissal by an employer shall be deemed an abuse of rights and become invalid, in the event that it lacks objectively reasonable grounds and therefore cannot be considered to be appropriate in general societal terms" (1975 decision). Furthermore, the Court set forth the specific elements and methods of decisions on the principle, stating that, "even when there is a reason for general dismissal, the employer may not always be able to dismiss the employee. If the grounds for dismissal in the specific situation concerned are singularly unreasonable, or if they cannot be considered to be appropriate in general societal terms, the expression of intention to dismiss in question shall be deemed an abuse of rights and become invalid" (1977 decision).

This legal principle is an unequivocal mandatory civil provision stipulated in the 2003 amendment of Labor Standards Act (Article 18-2, former Labor Standards Act). Underlying this was a recognition of two things: that these legal principles should be clearly stated because, despite having played an important role (job security = long-term continued employment) in regulating dismissals in Japan, their

lack of statutory form made them unclear to the public; and that employers should be prevented from resorting to dismissals without careful consideration during the recession at time that the act was revised. This provision has now been transferred to the Labor Contract Act enacted in 2007 and stipulates that, "A dismissal shall, if it lacks objectively reasonable grounds and is not considered to be appropriate in general societal terms, be treated as an abuse of right and be invalid" (Article 16).

As of 2015, the current administration is considering creation of a system of dispute resolution with more foreseeable outcomes and introduction of a more effective system for resolving financial disputes over dismissal, due to the difficulty in foreseeing dispute resolution outcomes under the Employment Dismissal Regulations of Japan. These moves by the administration indicate that the societal role played by Employment Dismissal Regulations thus far may be subject to change in the future.

## B. Collective Dismissals

### (Dismissals for Economic Reasons)

In Japan, employment adjustment primarily involves reduction of overtime hours and is carried out in a manner not detrimental to employees (i.e. not resulting in dismissal), with regular employees not removed from a company's ranks unless its business situation is truly severe. This is because of Japanese corporations' emphasis on continuous long-term employment, and also because of the genuine difficulty of dismissing employees due to the Employment Dismissal Regulations that underpin the long-term employment structure.

The legal framework surrounding collective dismissals for economic reasons (euphemistically known as "restructuring") derives from the Employment Dismissal Regulations, and is considered illegal and invalid unless it meets the following four conditions.

On the employer's side, 1) that there is a need to reduce personnel, 2) that the obligation to make efforts to avoid dismissal have been discharged (examples: reducing overtime hours, re-assigning or seconding staff, halting new recruitment, temporarily suspending employment, offering voluntary



retirement, reducing numbers of non-regular employees), 3) that the standards for selecting staff for dismissal are reasonable (examples: frequency of lateness or absence, existence of a history of breaking rules, low level of economic impact due to absence of dependents), and 4) that full discussions have been held with workers or labor unions (i.e. the background leading to collective dismissal, the timing and method to be used, and other matters have been fully explained, opinions have been heard, and efforts have been made to gain understanding).

Courts' judgments based on Japanese corporations' methods of employment adjustment, taking these four conditions into account, constitute the legal principles of "collective dismissal." These legal principles, unlike those surrounding dismissal traceable to employees (lack of competency, etc.), call for multiple specific circumstances, because the reasons for collective dismissal lie solely with employers' economic situations.

In legal precedents and legal discourse, arguments have arisen over whether the four conditions outlined above constitute "prerequisites" or merely "factors" for legal judgments on dismissals. However, the difference between prerequisites and factors does not make a difference to specific decisions, as in practice, the four conditions are used by courts as a basis for overall judgments.

### C. Disciplinary Dismissal

Work rules generally provide that workers who violate work orders should be subject to disciplinary measures in the form of private penalties or punishments. Disciplinary measures are private penalties or punishments imposed by employers on employees for such reasons as violating a legitimate work order, disrupting the order of the company or workplace, or engaging in illegal acts. In ascending order of severity, the measures are admonitory warning, official warning, reprimand, reduction of salary, suspension of work, official suggestion to resign, disciplinary dismissal.

Dismissal could cause a worker to suffer significant disadvantages, but this is particularly true in cases of disciplinary dismissal. Here, the worker is branded as a disruptive element, resulting in an

extremely large disadvantage when seeking re-employment. On the other hand, allowing a disruptive element to remain within a company could hinder the productivity and daily work of other workers.

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

In that disciplinary dismissal is also a form of dismissal, it was once possible to the principle of abusive dismissal in the amended Labor Standards Act, but today, this issue can be governed by the principle of abusive dismissal carried over to Article 16 of the Labor Contract Act. However, since disciplinary dismissal is a kind of disciplinary measure, it is essentially governed by the principle of abusive disciplinary action as provided in the Labor Contract Act (Article 15). The content and interpretation of provisions on the principle of abusive disciplinary action are the same as with the principle of precedents stated above. According to the wording of the clause itself, "In cases where an employer may take disciplinary action against a worker, if such disciplinary action lacks objectively reasonable grounds and is not found to be appropriate in general societal terms in light of the characteristics and mode of the act committed by the worker pertaining to such disciplinary action and any other circumstances, such disciplinary order shall be treated as an abuse of right and be invalid".

#### D. Termination of Employment

A contract with a fixed term is of course terminated when that term comes to an end. In the case of a labor contract, however, the contractual relationship sometimes continues beyond the period in question even if a fixed term is specified. In other words, even employees working under a labor contract relationship with a fixed term may sometimes 1) provide the same labor and be under the same employment management as employees under a labor contract relationship with no fixed term, and not be subject to proper renewal procedures on completion of the contract period. Moreover, 2) even when the contract period is clearly specified and renewal procedures are properly carried out, there are sometimes circumstances on the worker's side in which continued employment is expected, and in legal terms it is judged that the contractual relationship continues (when fixed-term contracts are renewed).

In such cases, thus far, the courts have analogously applied the principle of abusive dismissal discussed in 1. above, construed "termination of employment" based on completion of the contract period as illegal and invalid, and have ruled that the contractual relationship continues (the "termination of employment principle"; as a case corresponding to 1) above, the 1974 Supreme Court Judgment on the Toshiba Yanagi-machi Factory Case, and as a case corresponding to 2) above, the 1986 Supreme Court Judgment on the Hitachi Medical Corporation Case). This "termination of employment principle" has been legalized in Article 19 of the 2012 amendment to the Labor Contract Act (and therefore, under existing law, the "termination of employment principle" is no

longer based on analogous application of the principle of abusive dismissal).

Also, the Act was revised in 2012 to include a provision where, in cases where fixed-term contracts are repeatedly renewed and the overall length of the contract exceeds five years, and one of the parties to the contract (the worker) applies to the employer for an unlimited contract (i.e. exercises the right to request conversion to an unlimited contract), the employer is deemed to have approved the request, thus facilitating the conversion from fixed-term to an unlimited contract. This provision is aimed at resolving the issue of insecure and unstable employment affecting fixed-term contract workers. Whereas the legal principles surrounding termination of fixed-term employment merely had the effect of facilitating renewal of contracts, the new provision is open to broader legal interpretation, and amounts to an important policy measure that significantly impacts the status of non-regular employees. This is tantamount to an acknowledgment of the expansion of non-regular employment in Japan and the scope of its negative impact on society.

Moreover, cancellation of a labor contract during the contract period is not legally recognized unless there are "unavoidable grounds" on the part of the employer (Labor Contract Act, Article 17 para.1). These "unavoidable grounds" are construed more narrowly than the "objectively reasonable grounds" and "appropriateness in general societal terms" applied in the principle of abusive dismissal. Therefore, even if the existence or lack of "unavoidable grounds" is left to individual specific judgments, it is generally construed as being quite narrow and is not easily recognized.

## 5 Corporate In-house Education and Training and Career Formation

### Corporate In-house Education and Training Initiatives

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

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

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

among individuals can also be described as one aspect of education and training through OJT.

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

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

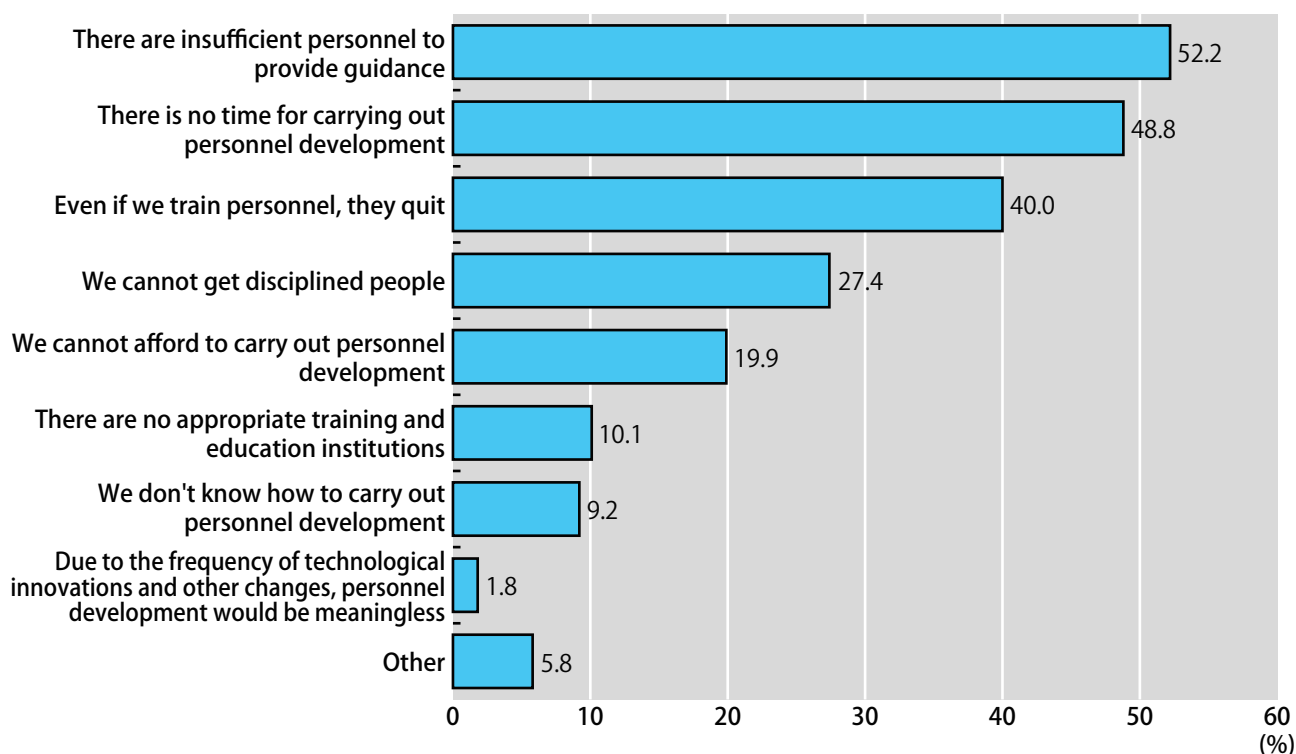
At present, various issues and limitations are becoming clear in regard to the education and training within Japanese companies that has been implemented in the forms outlined above.

The first thing that can be cited as an issue is the decreased function of the workplace, which is the venue for OJT. According to the Basic Survey of Human Resources Development conducted by the Ministry of Health, Labour and Welfare in FY2014, as many as 75.9% of the responding businesses recognized problems in their own development of human resources. As specific problems, about half of the responding businesses cited issues of time and

personnel needed for internal human resource development, including a shortage of personnel for instruction and a lack of time for human resource development. These were more numerous than

businesses citing external problems, such as the underdevelopment of education or training institutions (Figure III-12).

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



Source: Ministry of Health, Labour and Welfare, *Basic Survey of Human Resources Development, FY2014*

Furthermore, there is the problem of the motivation of employees receiving education and training within the company. Hitherto, under the stable long-term employment situation in Japanese companies, employees were guaranteed to have opportunities for advancement and the pay increases that would accompany any promotion, and this fact sustained the motivation of employees undergoing corporate in-house education and training. However, as a result of intensifying international competition, the aging of Japanese society, and a decrease in the overall population, it has become difficult for companies to depict a vision for their growth, and it is becoming harder to maintain an organizational system that can guarantee most employees a career that will enable them to reach a certain post. In fact, of the

employees who graduated from university or graduate school, the proportion who had reached section chief level by their early 40s declined from 32.3% in 1990 to 22.1% in 2008.

Moreover, the proportion of those who are able to be promoted into a managerial role within the organization has declined, and if it becomes more difficult to achieve a career of the type that involves promotion after continued long-term service, moves aimed at exploring skills development and career formation that do not rely on corporate in-house education and training will emerge. According to the aforementioned Basic Survey of Human Resources Development, when asked about their working lives, the proportion responding that "I want to plan my career myself" was 67.0% among regular employees

and 46.2% among non-regular employees, which was considerably higher than the proportion responding “I want the company to suggest a career plan” (15.7% of regular employees and 14.6% among non-regular employees). However, the development of education and training opportunities outside companies that will supplement, and sometimes replace, corporate in-house education and training, and which will lead to effective career formation, at last started to be recognized as a policy goal in Japan from 2000 onwards, but it still cannot be said that it is being adequately implemented.

With regard to problems relating to corporate in-house education and training in Japan, one can point to the fact that there is a considerable disparity between regular and non-regular employees in terms of opportunities to access this. According to the Basic Survey of Human Resources Development, whereas the proportion of companies implementing planned

OJT for regular employees was 62.2%, the proportion implementing it for non-regular employees was 31.1%; as far as Off-JT is concerned, the proportion of companies implementing it for regular employees was 72.4%, while the proportion implementing it for non-regular employees was 34.0%. Thus, in both cases, the proportion implementing training for non-regular employees is less than half the figure for those implementing it for regular employees. Amidst a situation in which the proportion of workers accounted for by non-regular employees is almost 40%, it has become increasingly important to consider how to enhance opportunities for corporate in-house education and training for workers other than regular employees, and what sort of new approach society should build to replace the education, training and career formation that is currently taking place within companies.

## 6 Wage Systems

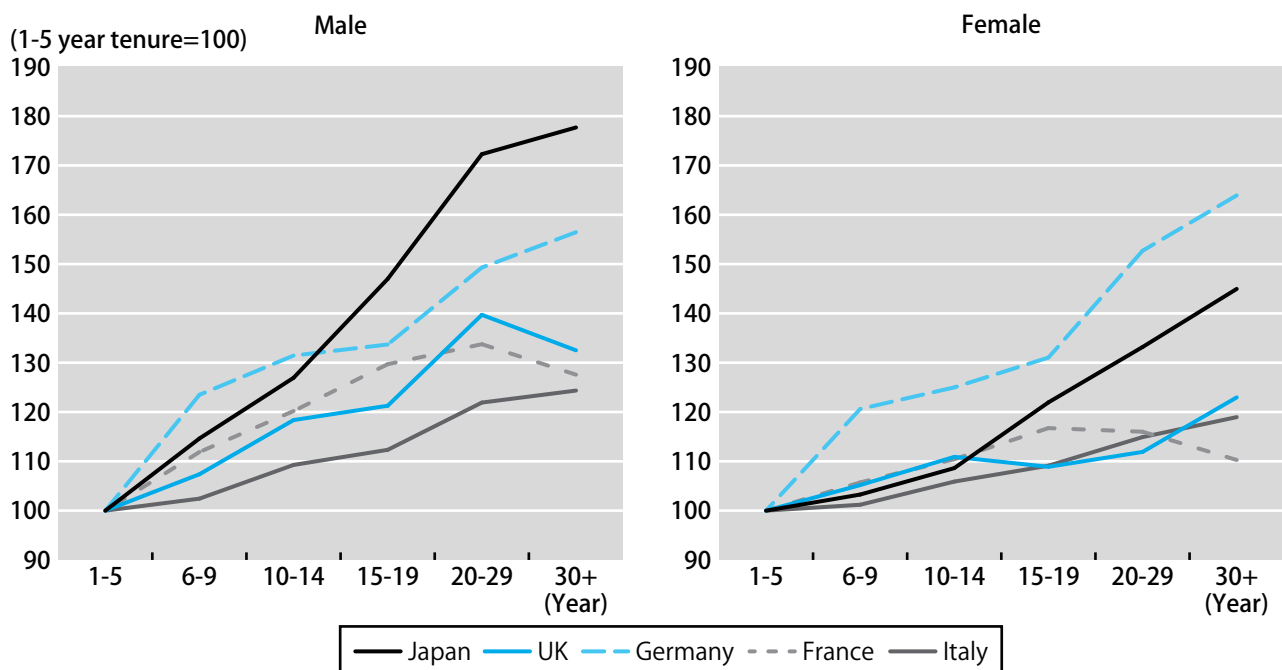
### Strong “Seniority” Element

Figure III-13 shows that the wage levels of manufacturing workers in several countries differ according to employee tenure. In all the countries, length of employment is correlated with rising wage levels, but this tendency is particularly pronounced among male workers in Japan. Wages among workers who have been employed continuously at the same enterprise for 30 or more years are between 1.2 and 1.4 times higher than those employed for one to five years in the UK, France, and Italy, but in Japan they are nearly 1.8 times higher on average.

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

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

**Figure III-13 Wage Differences in Manufacturing according to Employee Tenure (2010)**



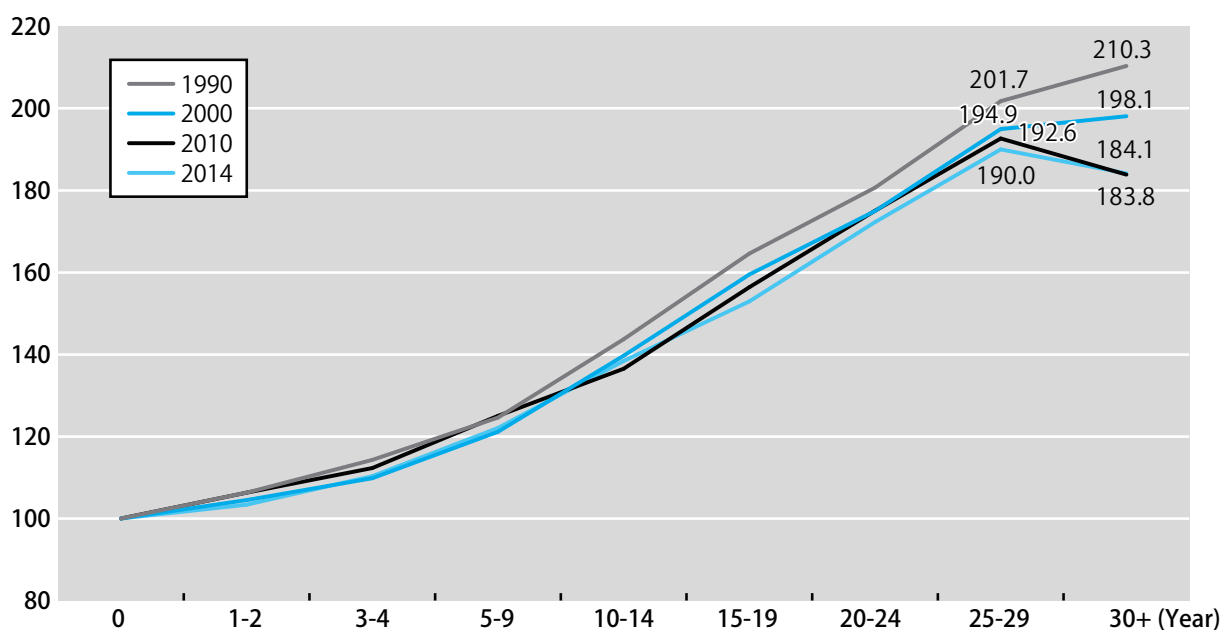
Sources: Japan - Ministry of Health, Labour and Welfare, *Basic Survey on Wage Structure (2010.6)*  
Other countries - Eurostat (<http://ec.europa.eu/eurostat>)

## Trends in revisions to the wage system

However, as can be seen in Figure III-14, the relationship between length of tenure and wage levels is weakening in Japanese companies. More specifically, with regard to the wages of male workers, if we take the level for workers with no years of continued service at 100, then in 1990, the

level was 201.7 for workers with 25-29 years of continued service and 210.3 for those with at least 30 years of continued service, whereas the figures were 194.9 and 198.1 respectively in 2000, 192.6 and 183.8 in 2010, and 190.0 and 184.1 respectively in 2014.

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



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

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

The reason why such changes can be seen is that many Japanese companies are revising the wage system that has been in place hitherto, and are exploring new mechanisms. The *General Survey of Working Conditions* conducted in 2014 by the Ministry of Health, Labour and Welfare shows that 28.6% of companies had modified their wage systems in some way over the preceding three years. The proportion to have taken such action is greater among larger companies, with 30.3% of companies with 1,000 or more employees having done so. In terms of specific changes, at all company sizes there was a relatively high rate of expansion of portion of wage linked to work content (job or occupational category, etc.), expansion of portion of wage linked to performance/results, and expansion of portion of

wage corresponding to job-performance skills. Although the movement towards the reform of the wage system is weakening in comparison to past surveys, we can see that there is no change in the basic trend (Table III-15).

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

“positions”, so when setting wages at a level consistent with the content of the work, rather than basing them on the work itself, in many cases a mechanism is introduced that determines wages according to the level of “responsibility” or “function”

fulfilled by employees in the course of carrying out their work. This kind of mechanism is called a “responsibility-based wage system” or a “function-based wage system”.

**Table III-15 Percentages of Companies Making Changes to Wage Systems in Preceding 3 Years and Types of Change**

(%)

	Percentage of companies to have made changes	Type of change (multiple responses allowed)									
		Expansion of portion of wage linked to work content (job or occupational category, etc.)	Expansion of portion of wage corresponding to job-performance skills	Expansion of portion of wage linked to performance/results	Reduction of allowances and inclusion in base pay	Reduction of retirement benefits and inclusion in base pay	Restriction of base pay and relative expansion of bonuses	Introduction of pay scale	Modification/introduction of ability-based grade system	Modification/introduction of annual salary system	Discontinuation of regular pay increases
2014 All companies	28.6	15.0	14.1	13.1	4.5	0.2	1.1	3.9	6.2	0.9	1.6
1000 and over	30.3	14.1	11.2	11.2	5.6	0.1	1.3	3.9	9.8	3.3	1.0
300-999	27.7	11.9	10.9	10.9	4.3	0.4	1.2	3.2	9.2	2.4	1.5
100-299	26.5	13.3	13.1	12.3	4.6	0.1	1.1	4.1	7.1	1.2	0.9
30-99	29.2	15.8	14.7	13.5	4.4	0.2	1.1	3.9	5.6	0.6	1.8
Mining and quarrying of stone and gravel	18.3	8.7	10.7	4.8	2.0	—	4.8	2.0	9.6	0.8	—
Construction	30.7	15.8	17.0	12.2	2.5	—	0.4	5.4	8.6	0.9	0.8
Manufacturing	24.4	12.8	12.4	10.5	5.5	0.3	0.6	3.0	5.5	0.6	0.9
Electricity, gas, heat supply and water	19.8	7.6	7.9	6.3	3.7	—	1.9	4.2	6.8	2.1	1.1
Information and communications	32.8	12.1	17.2	14.9	3.9	—	2.8	5.3	8.1	2.4	3.0
Transportation and postal services	26.7	10.1	12.2	9.1	8.9	—	2.2	2.3	2.7	0.9	0.9
Wholesale and retail trade	29.9	15.2	12.5	14.6	3.8	—	0.4	4.3	5.5	0.7	1.8
Finance and insurance	29.9	13.1	12.8	15.4	4.0	1.0	1.4	6.3	7.0	1.1	0.6
Real estate and goods rental and leasing	30.5	11.3	9.1	14.3	4.9	0.2	2.7	4.3	6.6	2.8	2.7
Scientific research, professional and technical services	31.2	15.6	14.5	13.8	6.1	—	0.6	7.0	6.8	1.9	1.6
Accommodations, food and beverage services	27.0	18.3	13.6	15.1	3.9	1.2	2.1	5.6	7.6	0.7	3.5
Living-related and personal services and amusement services	35.5	20.8	15.0	16.2	1.1	0.4	2.9	2.3	8.1	2.1	2.1
Education, learning support	32.7	15.7	16.1	19.4	2.7	—	1.7	3.8	4.0	3.1	2.7
Medical, Healthcare and welfare	41.6	27.7	29.3	22.3	4.0	1.0	0.4	6.6	15.2	1.5	1.3
Services (not elsewhere classified)	28.7	19.1	17.9	13.9	2.8	—	0.9	2.7	6.3	0.2	1.5
2007 All companies	46.3	23.3	22.1	23.7	9.1	1.1	6.0	7.7	11.0	4.0	7.1
2010 All companies	34.6	17.5	16.9	15.0	5.5	0.4	3.1	5.2	6.9	3.0	4.6
2014 All companies	28.6	15.0	14.1	13.1	4.5	0.2	1.1	3.9	6.2	0.9	1.6

Source: Ministry of Health, Labour and Welfare, *General Survey on Working Conditions 2007, 2010, 2014*

Note: Up to 2007 the survey target was “private enterprises whose main office has 30 or more regular employees,” whereas from 2010 onward it is “private enterprises that have 30 or more regular employees”.



## Issues encountered in revision of wage systems

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

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

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

## 7 Working Hours

### Japan's Working Hours Legislation - 40 Hours per Week

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

### Flexible Working Hours System

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

provides for advance changes (made by the end of the previous week) in the scheduled working hours for a particular day or days, keeping the weekly scheduled hours at a fixed constant.

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

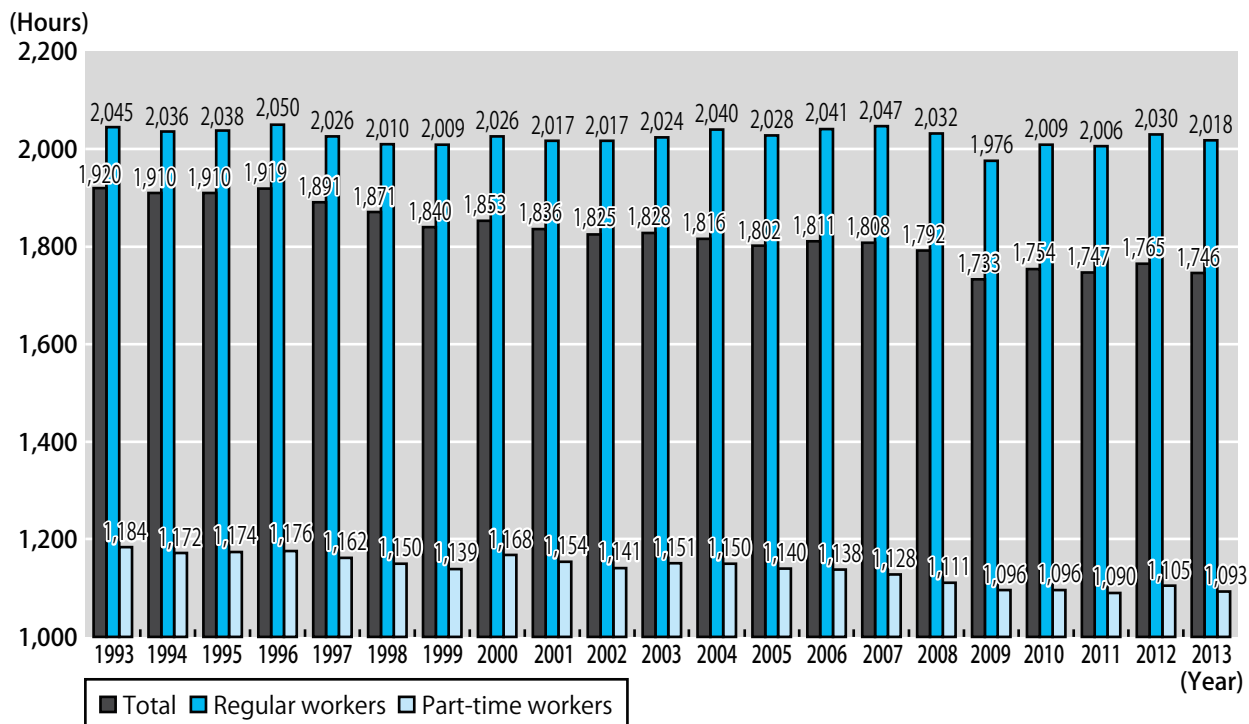
### Annual Total of Hours Actually Worked

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

we look only at regular workers, who have long working hours, we can see that they have hardly decreased at all for 20 years, and even in 2013 the figure was in excess of 2,000 hours. In other words,

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

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



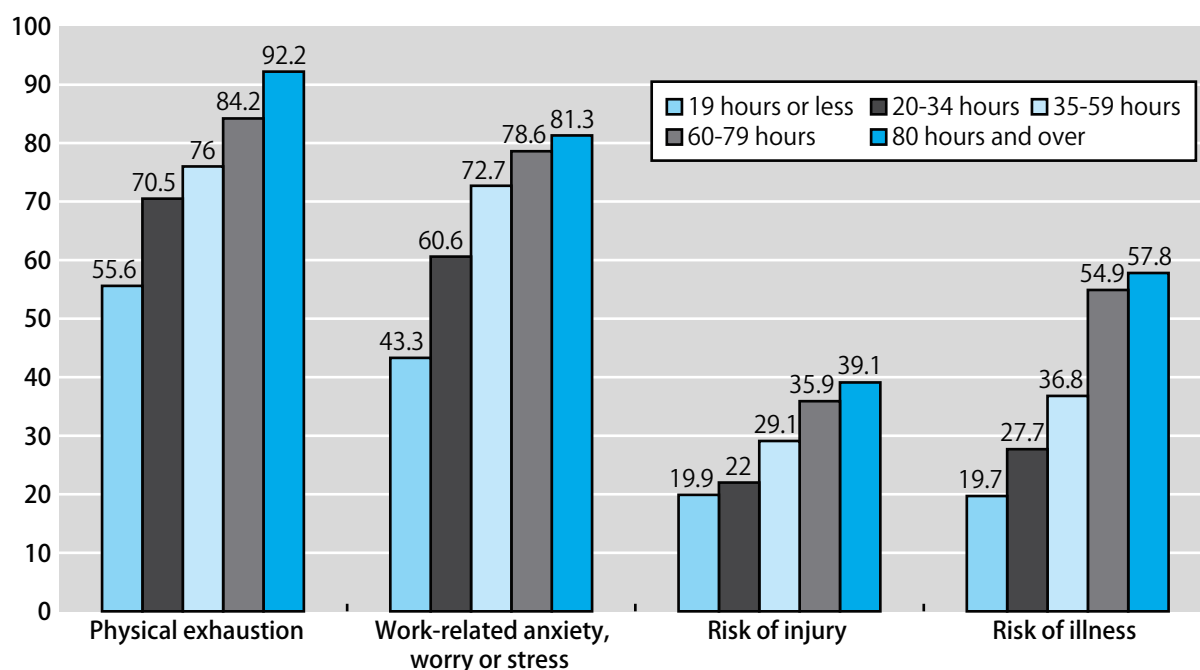
Source: Compiled from Ministry of Health, Labour and Welfare, *Monthly Labour Survey* (establishments with five or more workers)

### The Reality of Working Long Hours

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

limited to male workers aged 30-39, the proportion rises to 18.1% (Ministry of Internal Affairs and Communications, Employment Status Survey, 2012).

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

**Figure III-17 Stress and Health Risks by Weekly Working Hours (%)**

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

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

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

## Annual Paid Leave

What is effective in reducing working hours is taking annual paid leave. Table III-18 looks at the number of days of annual paid leave granted, the number of days taken, and the acquisition rate with these as the denominator and numerator. The Labor Standards Act prescribes that 10 days of annual paid leave shall be granted to those with a work attendance rate of at least 80% after six months of continued service, with 20 days being granted to those who have reached six and a half years of continued service. But unfortunately the average number of holidays taken throughout Japan in 2014 was 9.0. So, in actuality, many paid leave days are not used up. There is a variety of factors behind this such as that company

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

Various measures need to be devised in order to increase the take-up rate of annual paid leave. One of these is a system of scheduled annual paid leave. A scheduled annual paid leave system is a mechanism that involves annual paid leave being used up simultaneously or in turn in the workplace, based on an agreement between management and labor. Even looking at Table III-18, we can see that in companies that have introduced a scheduled annual paid leave system, the annual paid leave take-up rate is around 8% higher in comparison to companies that have not introduced this system.

**Table III-18 Days of Annual Leave Given and Taken and Percentage Consumed (2014)**

	Total			With a scheduled annual leave system			No scheduled annual leave system		
	Days given	Days taken	Percentage consumed	Days given	Days taken	Percentage consumed	Days given	Days taken	Percentage consumed
	(days)	(days)	(%)	(days)	(days)	(%)	(days)	(days)	(%)
All sizes	18.5	9.0	48.8	19.3	10.4	53.9	18.1	8.3	45.8
1,000 employees or more	19.4	10.8	55.6	20.1	11.8	58.7	18.9	10.0	52.8
300-999 employees	18.5	8.7	47.0	19.1	9.5	49.9	18.1	8.1	45.0
100-299 employees	18.1	8.1	44.9	18.6	9.1	49.1	17.9	7.7	43.1
30-99 employees	17.4	7.4	42.2	17.7	8.5	48.2	17.4	7.0	40.4
Mining and quarrying of stone and gravel	18.6	11.2	60.1	17.8	9.2	52.0	18.6	11.3	60.8
Construction	18.3	7.4	40.3	18.8	7.9	42.3	18.0	7.0	38.9
Manufacturing	19.1	10.3	54.0	19.7	11.5	58.2	18.5	9.2	50.0
Electricity, gas, heat supply and water	19.8	14.0	70.6	20.0	12.0	59.7	19.8	14.5	73.1
Information and communications	19.0	11.0	57.7	19.8	12.2	61.8	18.8	10.6	56.4
Transportation and postal services	18.1	9.2	50.5	18.1	10.0	55.4	18.1	8.9	49.3
Wholesale and retail trade	18.0	6.5	36.4	18.9	8.2	43.2	17.6	5.8	33.3
Finance and insurance	19.9	10.5	52.8	20.0	11.0	54.9	19.7	9.7	49.2
Real estate and goods rental and leasing	18.2	7.6	41.6	19.0	8.7	45.9	17.8	7.0	39.5
Scientific research, professional and technical services	18.5	9.4	50.9	18.7	9.9	53.2	18.5	9.3	50.1
Accommodations, food and beverage services	16.7	6.7	40.1	16.7	7.7	46.1	16.7	6.5	38.9
Living-related and personal services and amusement services	16.9	6.3	37.1	16.0	7.0	43.7	17.2	6.0	35.0
Education learning support	18.0	6.9	38.2	21.7	9.0	41.3	16.9	6.3	37.0
Medical healthcare and welfare	14.5	6.6	45.4	16.7	7.9	47.3	14.1	6.4	45.0
Services (not elsewhere classified)	17.8	8.2	46.5	18.1	9.2	50.7	17.6	7.9	45.0
2004	18.0	8.5	47.4						
2005	18.0	8.4	46.6						
2006	17.9	8.4	47.1						
2007	17.7	8.3	46.6						
2008	17.6	8.2	46.7						
2009	18.0	8.5	47.4						
2010	17.9	8.5	47.1						
2011	17.9	8.6	48.1						
2012	18.3	9.0	49.3						
2013	18.3	8.6	47.1						
2014	18.5	9.0	48.8						

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

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

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

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

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

### **Karoshi (Death from Overwork)**

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

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

There is no doubting the fact that the principal factor behind the occurrence of “death from overwork” is exceptionally long working hours. Consequently, when determining the application of workers’ compensation, firstly, the question of whether the duties from immediately before the date of occurrence up to the previous day were excessive is looked at, and then consideration is given to the situation regarding duties up to a week before the date of occurrence. Furthermore, from 2001, consideration began to be given to whether or not there were excessive duties for a long period of time (whether more than 45 hours of work were done per month outside normal working hours for a period of 1-6 months before the date of occurrence, or whether more than 100 hours of work were done outside normal working hours for the month before the date of occurrence, with more than 80 hours of work being done outside normal working hours per month for a period of 2-6 months before the date of occurrence).

According to figures released by the Ministry of Health, Labour and Welfare in June 2015, claims related to *karoshi* between FY2010 and FY2014 remain high at around 300 cases per year, while those for *karojisatsu* are trending at around 150 to 200 cases.

### **Burakku Kigyo (Sweatshops)**

The other Japanese term, “*burakku kigyo*” (literally “black companies”), has gained currency in recent years, particularly among younger workers. Analysis of the frequency of use in the Asahi Shimbun (one of Japan’s leading national dailies) shows that this term was used 4 times up to 2010, 7 times in 2011, 22 times in 2012, 237 times in 2013, and 279 times in 2014 (from the newspaper’s article search database).

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

### **Amendment of the Labor Standards Act and related countermeasures**

To counteract the above-described problems, the Cabinet Office enacted the Ordinance Concerning the Promotion of the Prevention of Death from Overwork in 2014, and based on this, decided on a basic policy framework for prevention of death from overwork in 2015. The goals of this policy framework are: First, to bring the percentage of people working 60 or more hours per week below 5% by 2020; second, for workers to take 70% or more of their allotted vacation days by 2020; and third, for 80% or more of employers to implement mental health promotion measures by 2017.

Also, to combat the problem of “black companies” described above, the Ministry of Health, Labour and Welfare has launched a Youth-Supporting Companies initiative. This initiative accredits and publicizes small and medium-sized enterprises with personnel management systems meeting certain standards, and which recruit permanent employees under the age of 35, as Youth-Supporting Companies. Accreditation is dependent on disclosure of information about the most recent fiscal year, such as average number of hours of overtime worked and average number of paid vacation or childcare leave days taken.

## 8 Company Benefits

### Long-terms Trends in Company Benefit Costs

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

benefits combined in 2013 accounted for 19.3% of the total value of cash earnings (Table III-19). This ratio has gradually increased since the first half of the 1990s, when it was 15-16%.

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

Survey	Fiscal year	Category	Total value of cash earnings (yen)	Benefit costs (yen)			Proportion of benefit costs to total value of cash earnings (%)	Retirement benefits (yen)
				Total	Compulsory	Non-compulsory		
35th	90		482,592	74,482	48,600	25,822	15.4	36,466
36th	91		492,587	77,091	49,865	27,226	15.7	42,786
37th	92		501,188	79,130	50,782	28,348	15.8	36,866
38th	93		500,983	79,543	50,998	28,545	15.9	38,171
39th	94		513,412	82,169	53,291	28,878	16.0	42,908
40th	95		525,651	88,174	58,679	29,495	16.8	45,341
41st	96		542,368	90,989	61,233	29,756	16.8	48,288
42nd	97		541,209	91,828	62,896	28,932	17.0	56,745
43rd	98		546,116	91,575	63,162	28,413	16.8	63,341
44th	99		548,191	92,188	63,763	28,425	16.8	72,775
45th	2000		550,802	93,203	65,423	27,780	16.9	69,256
46th	01		562,098	95,883	68,482	27,401	17.1	80,495
47th	02		558,494	96,755	68,552	28,203	17.3	87,283
48th	03		565,935	100,811	72,853	27,958	17.8	92,037
49th	04		578,054	102,372	74,106	28,266	17.7	80,499
50th	05		583,386	103,722	75,436	28,286	17.8	81,685
51st	06		587,658	104,787	76,437	28,350	17.8	76,605
52nd	07		586,008	103,934	75,936	27,998	17.7	71,551
53rd	08		572,781	103,311	75,621	27,690	18.0	65,839
54th	09		533,379	97,440	71,480	25,960	18.3	67,006
55th	10		541,866	100,076	74,493	25,583	18.5	70,183
56th	11		546,246	103,298	77,744	25,554	18.9	65,000
57th	12		549,308	104,243	78,948	25,296	19.0	63,335
58th	13		551,441	106,265	81,258	25,007	19.3	58,377

Source: Nippon Keidanren, *Results of the FY2013 Survey of Company Benefit Costs*

### Breakdown of Benefit Costs

Compulsory benefit costs refer to costs such as social insurance premiums that are borne by companies. Consequently, the area where companies differ considerably is in that of non-compulsory benefit costs, which companies take on voluntarily. Table III-20 shows a breakdown of benefit costs in FY2013.

First, the bulk of compulsory benefit costs consists of the portion of employees' pension insurance, health insurance, and long-term care insurance borne by the employer, which accounts for approximately 91% of compulsory benefit costs, 70% of total benefit costs, and 13% of the total value of cash earnings. A breakdown of non-compulsory benefit costs reveals a relatively high proportion to be accounted for by housing-related expenses, which account for

approximately 49% of non-compulsory benefit costs and 12% of total benefit costs. However, the amount spent on many categories of non-compulsory benefit costs is decreasing. Categories in which the amount has fallen over the past three years are "Supplied meals", "Family support", "Asset accumulation", "Provision and operation of cultural, sporting and recreational facilities", and "Employee welfare agency service costs".

By the way, non-compulsory benefit costs account for approximately 31% of total benefit costs, but only 4.5% of the total value of cash earnings. In contrast, retirement packages at Japanese companies are substantial and, as shown in the table, expenditure on retirement payments account for approximately 11% of the total value of cash earnings.



**Table III-20 Breakdown of Welfare Expenses in FY2013  
(All-industry Monthly Average per Employee)**

Category	Amount (yen)	Change from 2010-2011 (%)	Change from 2011-2012 (%)	Change from 2012-2013 (%)
Total value of cash earnings	551,441	0.8	0.6	0.4
Benefit costs	106,265	3.2	0.9	1.9
Compulsory	81,258	4.4	1.5	2.9
Health and long-term care insurance	29,708	5.6	4.1	5.5
Employees' pension insurance	44,213	4.0	1.6	1.9
Employment and workers' accident insurance	6,535	2.5	-9.2	-1.0
Child allowance contributions	775	1.8	13.9	0.5
Other	28	-25.9	-5.0	-26.3
Non-compulsory	25,007	-0.1	-1.0	-1.1
(Main category)(Sub-category)				
Housing related	12,225	1.0	-2.3	-0.4
Housing	11,640	0.9	-2.7	-0.1
Home ownership support	585	3.5	4.0	-5.9
Health and medical care	2,962	4.6	1.5	-3.2
Operation of medical and health care facilities	2,056	5.6	-1.4	-2.8
Healthcare support	906	2.1	8.7	-4.1
Living assistance	5,799	0.9	-0.1	-1.6
Meals	1,951	-1.2	-3.5	-0.6
Purchases and shopping	374	-6.8	36.1	0.3
Clothing	448	-1.5	14.9	0.4
Insurance	1,011	4.9	-2.1	0.3
Nursing care	22	-4.0	-16.7	10.0
Childcare	348	12.7	-1.7	48.1
Family support	247	-3.7	10.9	-28.4
Asset accumulation	808	3.8	-12.1	-11.5
Commuter buses and parking	480	2.0	9.6	-4.0
Other	109	-8.1	-9.8	18.5
Congratulatory and condolences	704	8.4	-10.9	-2.6
Allowance for congratulatory and condolences	645	9.0	-9.7	-3.3
Fringe benefits in excess of legal minimum	59	4.3	-22.2	5.4
Culture, sport, and recreation	2,002	-2.0	1.5	-4.3
Facilities and operation	892	-6.4	0.6	-10.2
Subsidization of activities	1,110	2.3	2.3	1.1
Mutual aid money	270	-7.3	1.3	17.4
Benefit agency services	273	-0.3	3.4	-9.9
Other	771	-32.9	5.7	6.5
Commuting allowance and commutation costs	9,810	0.6	0.5	-1.1
Retirement benefits	58,377	-7.4	-2.6	-7.8
Lump-sum retirement allowance	24,382	-16.9	0.9	-10.2
Retirement annuity	33,995	0.7	-5.0	-6.1

Source: Nippon Keidanren, *Results of the FY2013 Survey of Company Benefit Costs*

## Retirement Benefits System

In Japan, the monetary allowance in the event of retirement can be divided into the two categories of lump sum retirement allowances and retirement pensions. A look at Table III-21 shows that enterprises that paid retirement benefits accounted for 75.5% of the total in 2013. Among these, only lump sum retirement allowances and only retirement pensions constitute 65.8% and 11.6% respectively, while the figure for cases where these categories are combined is 22.6%. If we look at the relationship to the scale of the company, the smaller the company, the more likely it is that a worker will receive only a lump-sum payment on retirement, while the larger the company, the more likely it is that a worker will receive either a retirement pension or both a lump sum and a pension.

It is generally seen that both lump sum retirement allowances and retirement pensions are paid in proportion to the number of years of continuous service at a specific business. However there is a demarcation done on the basis of the reason for leaving the company. The ratio of payment is low for

those workers who have left on their own convenience while the ratio is raised for long-term workers who have retired at the mandatory age after long-term employment and for those who had to resign at a company's request as those seen in recession etc. It is for this reason that the lump sum retirement allowances and retirement pension have become a factor that promotes the long-term work tenures of workers in Japan.

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

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

(%)

Enterprise size, industry, and year	All enterprises	Enterprises with retirement benefit (lump sum/annuity) scheme					Enterprises with no retirement benefit (lump sum/annuity)	(Re-grouped) With retirement benefits	
		Lump sum only	Annuity only	Lump sum and annuity	Lump-sum scheme (inc. enterprises with both)	Annuity scheme (inc. enterprises with both)			
All sizes	100.0	75.5	(100.0)	(65.8)	(11.6)	(22.6)	24.5	(88.4)	(34.2)
1,000 employees or more	100.0	93.6	(100.0)	(23.0)	(28.9)	(48.1)	6.4	(71.1)	(77.0)
300-999 employees	100.0	89.4	(100.0)	(31.5)	(27.2)	(41.3)	10.6	(72.8)	(68.5)
100-299 employees	100.0	82.0	(100.0)	(56.0)	(14.0)	(30.0)	18.0	(86.0)	(44.0)
30-99 employees	100.0	72.0	(100.0)	(74.1)	(8.6)	(17.3)	28.0	(91.4)	(25.9)
Mining and quarrying of stone and gravel	100.0	91.0	(100.0)	(73.6)	(11.1)	(15.3)	9.0	(88.9)	(26.4)
Construction	100.0	91.5	(100.0)	(59.9)	(12.1)	(28.0)	8.5	(87.9)	(40.1)
Manufacturing	100.0	86.6	(100.0)	(67.7)	(10.8)	(21.5)	13.4	(89.2)	(32.3)
Electricity, gas, heat supply and water	100.0	96.3	(100.0)	(50.0)	(12.3)	(37.8)	3.7	(87.7)	(50.0)
Information and communications	100.0	76.9	(100.0)	(47.6)	(16.7)	(35.7)	23.1	(83.3)	(52.4)
Transportation and postal services	100.0	60.0	(100.0)	(61.3)	(11.6)	(27.1)	40.0	(88.4)	(38.7)
Wholesale and retail trade	100.0	82.3	(100.0)	(62.2)	(14.3)	(23.5)	17.7	(85.7)	(37.8)
Finance and insurance	100.0	89.2	(100.0)	(43.4)	(17.3)	(39.3)	10.8	(82.7)	(56.6)
Real estate and goods rental and leasing	100.0	76.9	(100.0)	(68.5)	(9.1)	(22.3)	23.1	(90.9)	(31.5)
Scientific research, professional and technical services	100.0	83.3	(100.0)	(62.7)	(12.9)	(24.3)	16.7	(87.1)	(37.3)
Accommodations, food and beverage services	100.0	52.6	(100.0)	(80.6)	(7.4)	(12.0)	47.4	(92.6)	(19.4)
Living-related and personal services and amusement services	100.0	53.0	(100.0)	(67.7)	(10.1)	(22.3)	47.0	(89.9)	(32.3)
Education, learning support	100.0	74.4	(100.0)	(85.6)	(11.3)	(3.1)	25.6	(88.7)	(14.4)
Medical healthcare and welfare	100.0	50.1	(100.0)	(89.4)	(6.5)	(4.1)	49.9	(93.5)	(10.6)
Services (not elsewhere classified)	100.0	62.0	(100.0)	(77.3)	(6.7)	(15.9)	38.0	(93.3)	(22.7)
1989	100.0	88.9	(100.0)	(49.3)	(11.3)	(39.3)	11.1	(88.7)	(50.7)
1993	100.0	92.0	(100.0)	(47.0)	(18.6)	(34.5)	8.0	(81.4)	(53.0)
1997	100.0	88.9	(100.0)	(47.5)	(20.3)	(32.2)	11.1	(79.7)	(52.5)
2003	100.0	86.7	(100.0)	(46.5)	(19.6)	(33.9)	13.3	(80.4)	(53.5)
2008*	100.0	85.3	(100.0)	(53.1)	(13.2)	(33.7)	14.7	(86.8)	(46.9)
2013**	100.0	75.5	(100.0)	(65.8)	(11.6)	(22.6)	24.5	(88.4)	(34.2)

Source: Ministry of Health, Labour and Welfare, *General Survey of Working Conditions (2013)*

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

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

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

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

Figures with a \* mark are tabulated on the basis of "private enterprises whose main office has 30 or more regular employees".

Figures with a \*\* mark are tabulated on the basis of "private enterprises that have 30 or more regular employees" (i.e. regardless of employee location). Caution is required when comparing figures from 2008 onward with those from 2007 and before.

## 1 Labor-management Relations in Japan

### **In-House Labor-management Relations Play a Key Role**

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

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

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

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

### **Labor-management Relations at Industry and National Levels**

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

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

submitted to the central government.

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

### **Shortcoming of the Conventional Modality**

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

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

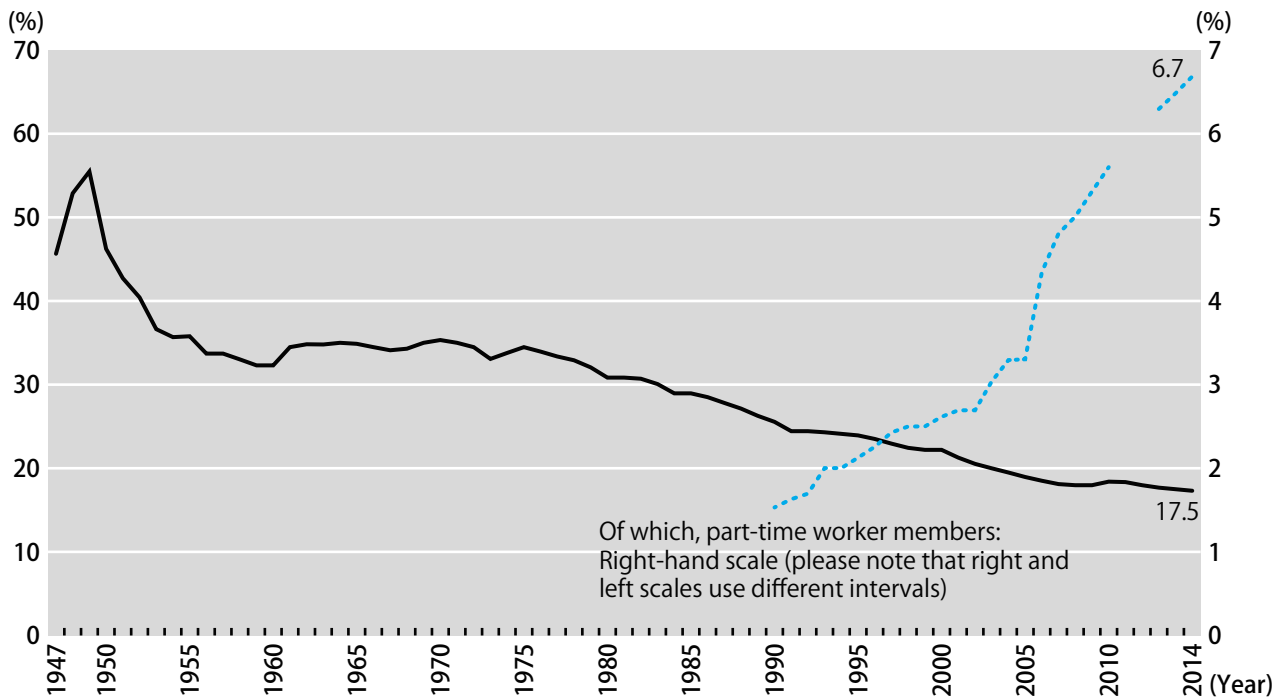
The unionization rate fell below 20% in 2003 and has remained unstable since then, falling to 17.5% in 2014. If we look at the situation in the private sector alone, the figure is 16.3%. Labor unions focused on regular employees are definitely lagging behind the unionization of atypical workers, but the unionization rate among part-time workers is rising gradually, from 2.7% in 2001 to 6.7% in 2014 (see Figure IV-1). In addition, looking at the situation by scale of

corporation reveals stark differences in organization of labor unions. In other words, in 2014, the unionization rate among corporations with more than 1,000 employees was 45.3%, but among corporations with between 100 and 999 employees this figure was 12.4%, and for corporations with less than 99 employees, the figure was 1.0%. This demonstrates that labor unions in small, medium and micro enterprises have diminished even further in presence.

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

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

**Figure IV-1 Trends in Estimated Unionization Rates of Labor Unions  
(As of June 30 in Each Case, 1947- 2014)**



Source: Ministry of Health, Labour and Welfare, *Survey of Labour Unions*  
 Note: Before 1951, number of unit labor union members

## 2 State of Unionization and Labor Union Structure

### Unionization Rate of 17.5%

According to the “Survey of Labor Unions” issued by the Ministry of Health, Labour and Welfare, as of June 30, 2014, there were 53,528 unit labor unions in Japan. The estimated unionization rate is 17.5%, with about 9.849 million out of a total of around 56.17 million employed workers belonging to unions.

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

### Unionization Rate Peaked in 1949 and Has Been Declining Ever Since

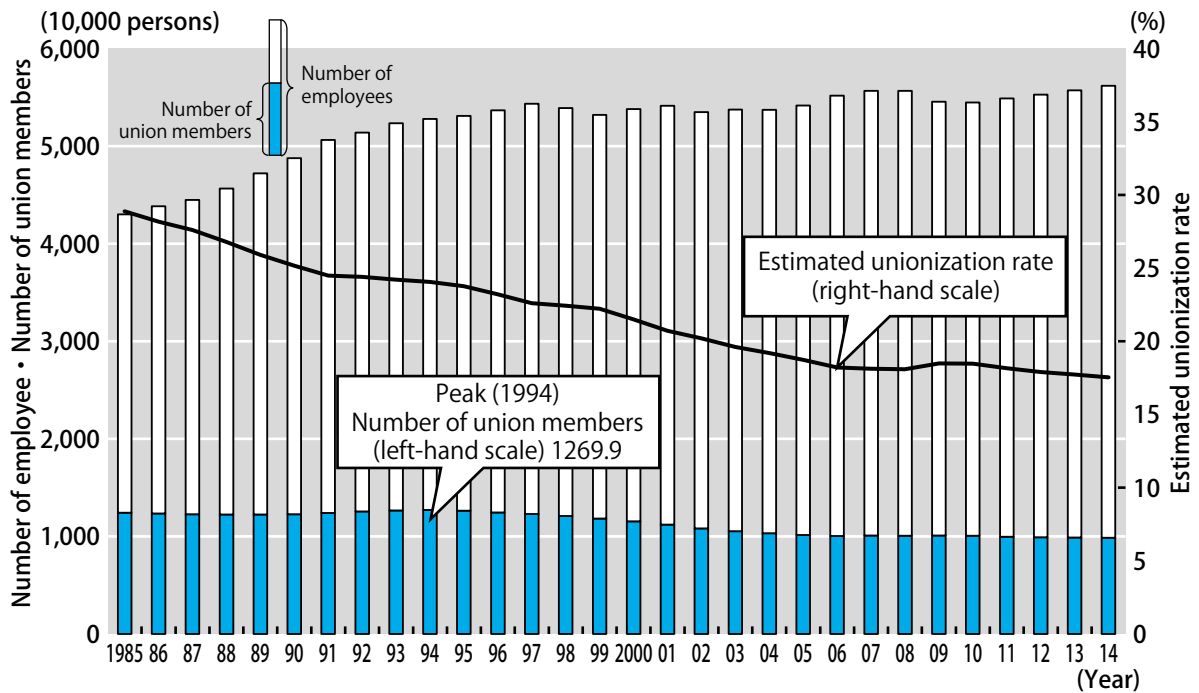
Since its peak in 1949, the estimated unionization rate has continuously declined because the growth in the number of union members has not kept up with the growth in numbers of employees. Not only that, but the number of labor union members has fallen

more or less consistently since peaking at around 12.62 million in 1994 (see Figure IV-2).

By industry, the unionization rate is highest in Electricity, gas, heat supply and water with 66.5%, followed by Finance and insurance with 48.7%, Compound services with 47.7%, and Government with 36.7%. By contrast, unionization rates are low in Agriculture, forestry and fishery with 2.2%, Real estate and goods rental and leasing with 2.9%, Services, N.E.C. with 5.1%, Accommodations, eating and drinking services with 5.4%, and Living-related and personal services and amusement services with 5.7%, among others. In Manufacturing, the industry with the largest number of labor union members, it is 26.7% (see Table IV-4).

Table IV-3 shows the unionization rates of private enterprises by company size, revealing a tendency for the rate to be lower as the company size decreases. The unionization rate is 45.3% in large corporations with 1,000 or more employees, but a mere 1.0% in companies with less than 100 employees.

**Figure IV-2 Changes in the Number of Employees and Union Members, and the Estimated Unionization Rate**



Source: Ministry of Health, Labour and Welfare, *Basic Survey on Labour Unions (2014)*

**Table IV-3 Unionization Rate by Size of Enterprise**

(10,000 persons, %)

Size of enterprise	The number of union members	The number of employees	Estimated unionization rate
Total	830.5	5,100	16.3
More than 1,000 workers	533.7	1,178	45.3
300-999 workers	116.3	1,444	12.4
100-299 workers	62.9		
30-99 workers	20.4		
Fewer than 29 workers	3.0	2,416	1.0
Others	94.2	—	—

Source: Ministry of Health, Labour and Welfare, *Basic Survey on Labour Unions (2014)*

Notes: 1) "Others" includes members of unions that embrace more than one industry (excluding group enterprises) and unions whose enterprise size is not known.

2) "Number of employees" represents workers employed by private enterprises in Labour Force Survey, and "Total" includes "enterprise size is not known".



**Table IV-4 Unionization by Industry**

Industry	Number of union members (1,000 persons)		Number of employees (10,000 persons)	Estimated unionization rate (%)
		(%)		
All industries	9,777 [3,046]	100.0	5,617	—
Agriculture, forestry, and fisheries	12 [1]	0.1	56	2.2
Mining and quarrying of stone and gravel	5 [1]	0.1	2	25.7
Construction	813 [59]	8.3	406	20.0
Manufacturing	2,628 [427]	26.9	986	26.7
Electricity, gas, heat supply and water	186 [25]	1.9	28	66.5
Information and communications	387 [82]	4.0	196	19.8
Transportation and postal services	861 [88]	8.8	332	25.9
Wholesale and retail trade	1,282 [660]	13.1	954	13.4
Finance and insurance	721 [349]	7.4	148	48.7
Real estate and goods rental and leasing	29 [9]	0.3	101	2.9
Scientific research, professional and technical services	151 [29]	1.5	168	9.0
Accommodations, food and beverage services	177 [88]	1.8	326	5.4
Living-related and personal services and amusement services	108 [51]	1.1	190	5.7
Education and learning support	515 [281]	5.3	286	18.0
Medical healthcare and welfare	495 [382]	5.1	719	6.9
Combined services	267 [75]	2.7	56	47.7
Services (not elsewhere classified)	182 [43]	1.9	355	5.1
Public service (not elsewhere classified)	889 [374]	9.1	242	36.7
Other industries	69 [21]	0.7	64	—

Source: Ministry of Health, Labour and Welfare, *Basic Survey on Labour Unions (2014)*

Notes: 1) The “other industries” category covers members of unions that embrace more than one industry (excluding group enterprises) or whose industrial classification is unclear.

2) Figures in brackets represent female union members.

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

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

### Labor Union Structure

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

### Enterprise Labor Unions: Asserting Labor’s Basic Rights

Enterprise labor unions are Japan’s dominant form of labor organization because each enterprise union exercises labor’s three primary rights: the rights to organize, bargain collectively, and strike. Each enterprise union has most of the staff, funding, and

other materials necessary to exercise labor's three primary rights. Labor unions play the role of maintaining and improving workers' quality of life and working conditions. In order to do so, they engage in three primary activities: activities with management, activities within the unions, and activities outside the organization. First of all, as individual unions, enterprise unions maintain and improve working conditions as in Figure IV-5 and participate in management through collective bargaining and consultation with the management. Next, as for activities within the unions, enterprise unions not only deal with organizational operations but also provide their members with services through various kinds of mutual aid activities.

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

Incidentally, the enterprise unions are only intended for regular staff employed at the concerned companies, and non-regular staffs are generally not included. The enterprise union is a mixed union organized as a single trade union for all regular staffs, without distinction between white-collar and blue-collar. Recently, there has been progressive unionization of non-regular workers (mainly part-timers). The unionization rate of part-timers increased from 5.3% in 2009 to 6.7% in 2014.

Meanwhile, individual membership unions also exist as an organizational format besides enterprise unions. Though their membership is not large, these have been formed since the second half of the 1980s. When workers are dismissed or otherwise receive unfair treatment from their employers but are unable to solve the problem internally, they have the option of joining an individual membership union. The union will then take steps to solve the problem through collective bargaining with the employer. Some unions actively engage in forming labor unions within

enterprises, positioning them as union branches.

### **Industrial Trade Unions: The Mechanism and Roles**

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

### **National Centers: The Mechanism and Roles**

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

### **Acts of Labor Dispute Take Place at the Company Level**

Although Japan's industrial relations are harmonious, that is not to say that labor disputes never arise. Over the three years up to 2012, the ratio

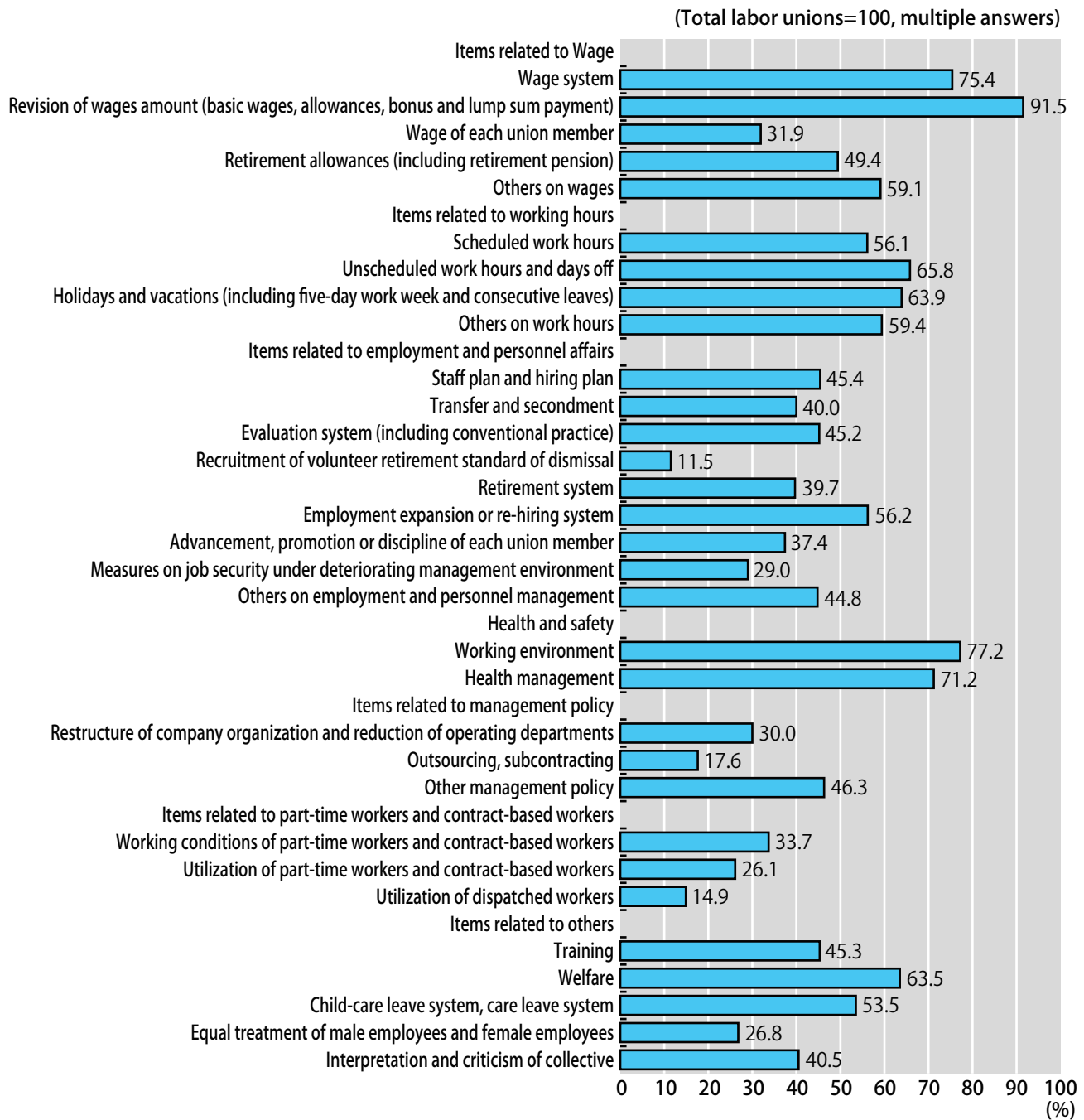
of labor unions that “Had labor disputes” with employers was 3.7%, lower than in the previous survey (2009, 5.4%). Labor disputes mostly occur on an individual company basis.

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

form of dispatches and financial contributions, and then flow further from industrial unions to national centers.

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

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



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

## 3 Shunto: Spring Wage Offensive

### What Is Shunto?

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

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

### An End to Rapid Growth and a Shift in Shunto Policy

The period of rapid growth came to an end with the first oil shock in 1973. Commodity prices jumped 20% bringing confusion to the market and in

following 1974, for the first time in the post-war period real GDP recorded negative figures. It was in 1975 that the "theory of economic conformance" first appeared in the Shunto, which was essentially a self-imposed limit on wage increase demands with the aim of achieving price stability. Ever since, Shunto has come to be dominated by this concept. As a result, the initial direction of Shunto's achievement, "large scale wage increases" to realize wage that is equivalent to Europe and the US, was abandoned and an end was brought to the era of two-digit annual wage increases.

After rapid growth ground to a halt, the "theory of economic conformance" espoused by IMF-JC, which took the lead in negotiations resulted in inflation being controlled and made a significant contribution to the macro-economy and the achievement of moderate growth in the 4-5% range. This theory of economic conformance functioned as a kind of "social income distribution mechanism" built in to the Japanese economy. However, the trend for wage demands based on this "theory of economic conformance" also ran aground in the prolonged recession and deflationary economy known as the "two lost decades" after the collapse of the bubble economy in 1991. This brought the Shunto to its second major turning point.

### Shunto in the Post-bubble Era

The justification for wage rise demands by the labor side seeking "annual pay increases + consumer price indexation + improved living standard indexation", premised upon continuously upward economic growth, lost effectiveness as a result of the prolonged deflationary economy. The wage increase rate accordingly slumped (see Figure IV-6).

Since the beginning of the 21st century, it has been difficult for the Shunto even to maintain wage rises equivalent to the so-called annual pay increase (around 2%). Besides deflation, this has been

impacted by a loss of international competitiveness resulting from catch-up growth by emerging Asian economies, a progressive shift to overseas manufacturing due to the appreciation of the yen, and the spread of performance-based principles in enterprises, among other factors. From 2002 the IMF-JC ceased to make a unified request for hikes in base pay, and the phenomenon of Shunto ceasing to seek wage hikes continued. Therefore, management has thus declared that “Shunto is dead” in that industry-wide settlements for hikes in base pay have come to an end.

Since being written off for a second time, however, a new role is being sought for Shunto as a means of correcting disparities. One new initiative for remedying disparities between enterprises is the determination of wages based on occupational rates. IMF-JC is seeking a shift to a method of determining wage levels in line with “occupation-based wages”, while the affiliated Japanese Electrical, Electronic and Information Union (JEIU) actually shifted to an “occupation-based wage demand method” from the 2007 Shunto. Under this method, wage demands are commensurate with the value of work for specific occupations. Moreover, in light of the widening wage gap between different sizes of enterprise, i.e. between large corporations and SMEs, and between regular and non-regular employment formats, Rengo launched an “SME joint offensive” in 2004 and a “part-timers joint offensive” in 2006, respectively. Both joint offensives aim to redress the gap by raising the overall level of wages and working conditions.

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

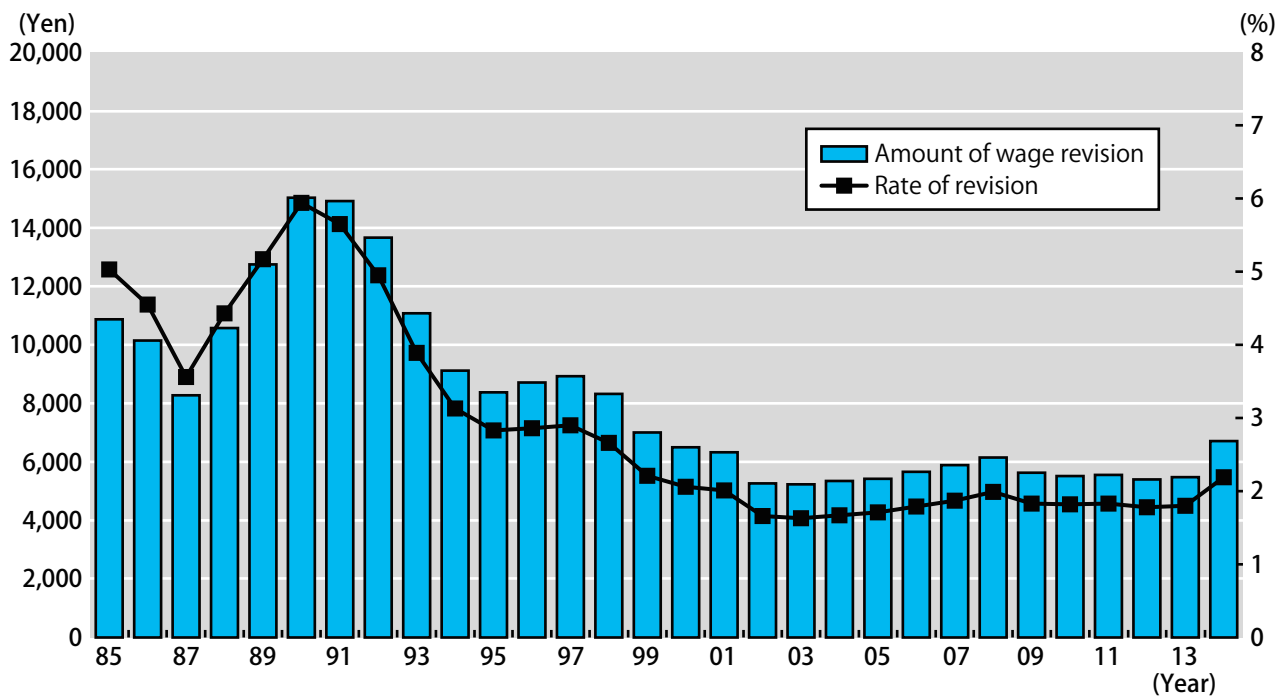
Wage levels in Japan as a whole peaked in 1997, and have been in a downward trend ever since. To make matters worse, under the impact of the global economic crisis of autumn 2008, the following year saw the largest fall in wages since the Second World War. In light of this, the unions embarked on a

strategy of negotiation targeting a return to wage levels at their peak, starting with the 2011 Shunto. But just as the Shunto was reaching its climax, the Great East Japan Earthquake struck. The disaster was followed by the Fukushima nuclear power accident, and this in turn by flooding in Thailand that autumn, causing a sudden fall in corporate performance. The impact of this extended to the 2012 Shunto, when bonuses fell sharply.

Not only the government but also labor and management felt that deflation was to blame for the prolonged stagnation of the Japanese economy, and recognized attempts to break out of deflation as a shared policy challenge. Just then, the Democratic Party suffered a heavy defeat in elections at the end of 2012, and the LDP-Komeito coalition was restored to power. With this, the 2nd Abe administration was formed and the policy known as “Abenomics” was set in motion. First, with a view to breaking out of deflation, the new administration started asking businesses to increase pay during the Shunto bargaining season. Then, in autumn 2013, the government set up a “Tripartite Conference to Achieve a Virtuous Economic Cycle” with a view to creating an environment in a form that involved the labor side. It then compiled a document confirming that all three parties (government, labor and management) would strive to raise wages, from their respective positions. As a result, the rate of wage increases by large private corporations in the 2014 Shunto returned to the 2% level for the first time in 13 years. The framework of this Tripartite Conference was then continued into the 2015 Shunto, when the rate of wage increases rose from the previous year to 2.38%, the highest level since 1998.

It remains to be seen whether this trend toward pay rises will be extended to SMEs and non-regular workers in future, and moreover to provincial regions that have so far been denied the benefits of economic recovery, and whether moves to break out of deflation can be achieved.

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



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

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

## 4 Labor Disputes and Resolution Systems

### Decline in Collective Disputes and Increase in Individual Disputes

Due to the impact of the diversification of forms of employment resulting from changes in Japan's socioeconomic structure, the unionization rate is demonstrating a downward trend (standing at an estimated 17.5% as of the end of June 2014, according to the summarized findings of the 2014 Basic Survey on Labor Unions published by the Ministry of Health, Labour and Welfare on December 17, 2014), and the dispute settlement and collective industrial dispute resolution functions of unions (measured in terms of the number of unfair labor practice relief and dispute adjustment cases) are weakening. On the other hand, the number of individual labor disputes is increasing due to the diversification of employment formats and the associated personalization of employment management, together with the economic recession and other social changes in recent years.

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

### Collective Labor Disputes

#### 1. Resolution systems

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

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

disputes (Article 3).

#### (1) Unfair labor practice relief system

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

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

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

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

Parties disagreeing with a judgment by a prefectural labour relations commission after the first examination may further contest the case, either by appealing to the Central Labour Relations Commission for a reexamination (TUL Article 27–15) or by filing an action with a court of law seeking



rescission of the order issued by the labour relations commission (TUL Article 27–19).

Labour relations commissions may recommend settlement to the parties when an opportunity arises for negotiated settlement between the parties during the course of investigation and hearings (TUL Article 27-14 para.1). If a settlement is successfully reached, the case is concluded (para. 2 of the same).

## (2) Labor disputes adjustment system

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

**[Conciliation]** Conciliation (Article 10 onwards) commences following an application by one or both parties concerned. Conciliators appointed by the labour relations commission chairperson from among a register of conciliators (often consisting of a mix of representatives of the public interest, employees, and employers) ascertain the assertions of each party and produce a conciliation proposal. However, the decision on whether to accept this proposal or not is left up to the parties themselves.

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

commission chairperson and on which employees and employers are equally represented. Both parties present their opinions, and the mediation committee drafts a mediation proposal that it advises them to accept. The decision on whether to accept this proposal or not is left up to the parties themselves.

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

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

## 2. Operational status and trends relating to cases

### (1) Unfair labor practice cases

The number of unfair labor practice cases handled over the past twelve years is shown in Table IV-7 and Table IV-8.

Although pending cases are in a decreasing trend overall for both first examinations and reexaminations, the number has remained more or less level after a repeated succession of slight increases and decreases over the last few years.

Compared to pending cases, concluded cases are

evidently not in a decreasing trend, whether for first examinations or for reexaminations; the total concluded has maintained a steady level despite a repeated succession of fairly large increases and decreases depending on the year. Meanwhile, in first examinations (see Table IV-7), cases concluded by withdrawal and settlement far outnumber those concluded by orders and decisions. In reexaminations (see Table IV-8), there are differences from year to year, but the general trend is that more or less the same number of cases are concluded by withdrawal and settlement as by orders and decisions.

Incidentally, on the system of relief against unfair labor practices, the Trade Union Law was amended in 2004 to increase the speed and accuracy of examination by improving the procedures and system of examinations. The main points of the amendment were (1) planned examination (establishing examination plans, setting a target duration for conclusion), (2) swift and accurate fact-finding (ordering witnesses to appear, submission of articles, etc.; restriction on the submission of evidence in lawsuits for rescission of article submission orders), (3) improvement of the Central Labour Relations Commission's examination system (orders are issued following deliberation by a panel consisting of five public interest members; the Central Labour Relations Commission is to give training and other assistance to prefectural labour relations commissions), and (4) promotion of settlement (commissions may recommend settlement to the parties; execution of a written settlement is regarded as a debt).

Of these system-related trends, the initial target duration for examinations in (1) above was that "newly filed cases shall be concluded as quickly as possible within 18 months". As of December 2013, the target for the three years from 2014 to 2016 is that cases brought to the Central Labour Relations Commission for reexamination shall be concluded as quickly as possible within 15 months.

The conclusion status of 170 cases that were pending in 2014 (i.e. the total of cases carried over from the previous year and newly filed cases) can be found in the "Examination Duration Target Attainment Status (Dec.31, 2014)" published by the Central Labour Relations Commission on its website.

A total of 52 cases were concluded and the average time taken to process them was 468 days. Of the total, 31 cases were concluded within the target duration of 15 months, giving a target attainment rate of 59.6%. Conversely, 21 cases exceeded the target of 15 months.

The Central Labour Relations Commission has proposed a realistic policy for resolving disputes, stating that "When a considerable number of cases between the same parties are pending and it is deemed difficult to proceed with procedures immediately after the cases are filed, and when cases that have been pending since before the effectuation of the 2004 amendment to the Labor Union Act are extremely difficult to process, these cases shall be regarded as outside the target, and individual efforts shall be made according to the circumstances of each respective case".

## **(2) Labor dispute adjustment cases**

Numbers of labor dispute adjustment cases and their conclusion status are shown in Table IV-9.

Pending cases carried over from the previous year have been alternately increasing and decreasing in number. New pending cases and the total of all cases were trending more or less on a par, with the exception of 2009, but have decreased in the last two years.

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

Cases concluded are in a decreasing trend overall, in every category. As a result, the resolution rate is also in a declining trend (see Table IV-10).

Regarding the grievances leading to labor dispute adjustment, we can see that, in general, financial grievances have accounted for approximately 35% and non-financial grievances for approximately 65% in all years (see Table IV-11). A breakdown of the financial grievances shows that the proportion accounted for by "lump-sum payments" is somewhat higher than all other categories except "other". The most common non-financial grievance is "pursuit of

collective bargaining”, with just under 30%, followed by “management/personnel”, at around 22%.

Overall, the resolution rate is in a declining trend (see Table IV-12). Until 2008, the figures for the number of cases concluded and the number of cases resolved were both mostly holding steady, but there was a rise in 2009 compared with the previous year, in cases handled by prefectural labour relations commissions, with the number of cases concluded increasing by 200 and the number of cases listed as resolved increasing by 100. It is thought that this might be one of the reasons for the decline in the resolution rate. Since then, however, the resolution rate has remained on a downward trend even though the number of cases has also decreased, suggesting that a deterioration of industrial relations due to the economic downturn may be partly responsible for the decline.

If we look at the average time required for adjustment, we can see that there is considerable variation according to the form of adjustment and the year (see Table IV-13). To pinpoint a specific trend in recent years, although cases concluded through conciliation by all labour relations commissions increased by more than 100 from the previous year to 560 in 2009, the number fell to the 300 level in 2013. However, probably due to the complex nature of cases, the average length of labor dispute adjustment cases has not decreased. The number of cases does not seem proportional to the length of labor dispute adjustment.

Incidentally, according to data published by the Central Labour Relations Commission, joint labor union cases and last-minute cases among cases of collective labor dispute adjustment (excluding Specified Independent Administrative Institutions, etc.) were in an upward trend in the 2000s. In particular, the ratio of these to all cases increased (see Table IV-14).

In 2011, the number of joint union cases was 380, approximately 70% of all cases; among these, 184 were last-minute cases, accounting for approximately 48.4% of the total number of joint union cases, and even as a proportion of all cases, these cases account for approximately 33.9%. The main reasons for this are thought to be the decline in the unionization rate,

the rise in the number of irregular employees, and the increase in the number of non-unionized staff in managerial positions. Since then, the number of cases in itself has decreased, but the ratio of joint labor union cases and last-minute cases to all cases remains at a high level.

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

## Individual Labor Disputes

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

### 1. Administrative system

#### (1) Resolution system

The government’s individual labor dispute resolution system is operated in line with the Act on Promoting the Resolution of Individual Labor-Related Disputes. To summarize, the system for resolution based on this Act revolves around voluntary resolution of disputes between the parties (Article 2), and consists of three stages: firstly, the provision of information and counseling to parties in consultation rooms (Article 3); next, advice and guidance from the Director of the Prefectural Labor Bureau when voluntary resolution between the parties cannot be achieved (Article 4); and finally, conciliation by a Dispute Coordinating Committee (Article 5) (see Figure IV-15).

Disputes subject to resolution cover a broad range of situations from the start of employment to extension and termination. They include problems when recruiting staff, withdrawal of provisional job offers, reassignments, secondment, transfers, changes in working conditions, discrimination including sexual harassment in the workplace, and dismissal (including layoffs and termination of employment of fixed-term contract workers) (Article 1 and Concerning the Enforcement of the Act on Promoting

the Resolution of Individual Labor-Related Disputes, September 19, 2001, Ministry of Health, Labour and Welfare Notification No.129, (2) Individual Labor-Related Disputes, 1. Purpose).

## **(2) Operational status and trends relating to cases**

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

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

In the main breakdown of consultation cases related to civil individual labor disputes, bullying and harassment were most numerous with 62,191 cases (21.4% of all cases; same applies below), followed by dismissal with 38,966 cases (13.4%), voluntary termination with 34,626 cases (11.9%), and worsened working conditions with 28,015 cases (9.6%) (see Table IV-17).

In the ratios of workers seeking consultation by employment format, regular employees accounted for 38.2% (91,111 workers), part-timers and *arubaito* workers for 16.2% (38,583), fixed-term contract workers for 10.9% (26,128), and dispatched workers for 4.4% (26,128). This trend among workers seeking consultation is the same for advice and guidance, and for conciliation. To pinpoint a specific feature, the ratio of consultation, applications and requests from fixed-term contract workers has been gradually increasing year by year.

**[Advice and guidance]** Trends in requests for advice and guidance and applications for conciliation are shown in Figure IV-18. Overall, advice and guidance are in an increasing trend, but conciliation is in a decreasing trend.

There were 9,471 requests for advice and guidance in FY2014, bullying and harassment being the most numerous cause with 1,955 cases (18.9%), followed by dismissal with 1,303 cases (12.6%), voluntary

termination with 947 cases (9.2%), and worsened working conditions with 941 cases (9.1%) (see Table IV-19).

Of these requests for advice and guidance, 9,452 were processed in FY2014, and 9,193 of these (97.3%) were processed within one month (see Table IV-20). Of the total, advice and guidance were actually implemented in 9,104 cases (96.3%), the request was withdrawn in 241 cases (2.5%), and processing was aborted in 81 cases (0.9%).

**[Conciliation]** There were 5,010 applications for conciliation in FY2014, bullying and harassment being the most numerous cause with 1,473 cases (26.7%), followed by dismissal with 1,392 cases (25.2%), termination of employment with 480 cases (8.7%), and encouragement to retire with 422 cases (7.7%) (see Table IV-21).

In FY2014, 5,045 cases of conciliation were processed (including cases carried over from the previous year). Of these, agreement between the disputing parties was reached in 1,895 cases (37.6%), the request was withdrawn at the applicant's convenience in 277 cases (5.5%), and conciliation was aborted for other reasons (such as non-participation by one of the parties in the procedure) in 1,934 cases (38.3%).

The time taken for processing by conciliation was within one month in 2,458 cases (48.7%), and more than one month but within two months in 2,181 cases (43.2%), meaning that 4,639 cases or 92.0% of all requests were processed within two months (see Table IV-22).

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

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

According to data published by the Central Labour Relations Commission on its website, in conciliation of individual labor disputes undertaken by 44 prefectures in FY2013, 409 cases were pending and 338 were concluded. Of the latter, 147 cases are thought to have been substantially resolved and 31 were withdrawn.

Meanwhile, cases of consultation and advice undertaken by 28 prefectural commissions are generally in an increasing trend year by year, with 3,242 cases registered in FY2013.

## 2. Judicial system

### (1) Resolution system

Systems of individual labor dispute resolution based on judiciary intervention consist of civil litigation and the labor tribunal system, which has been in operation since April 2006. The former follows the same civil litigation procedure as other civil cases. The labor tribunal system, meanwhile, involves a series of processes targeting individual disputes concerning rights and obligations in labor contract relationships (civil disputes arising from individual labor relations; Labor Tribunal Act, Article 1). Unlike normal civil litigation, dispute resolution procedures are promoted swiftly in district courts through a panel consisting of judges (labor tribunal judges) and labor relations personnel with specialist knowledge and experience of labor relations (labor tribunal members) (Articles 7, 9, 15). If possible during this process, mediation is attempted (Labor Tribunal Regulations, Article 22), and if the mediation is unsuccessful, a decision is made (Article 20; in principle, cases should be concluded by the end of the third session: Article 15 paragraph 2 of the Act). Parties who object to the decision may file a challenge (Article 21 of the Act). In this case, litigation shall be deemed to have been raised from the date when the original petition for labor tribunal proceedings was filed (Article 22 paragraph 1 of the Act), and the process is then transferred to normal litigation procedure (see Figure IV-23). The following first of all provides an overview of civil litigation relating to labor relations and then looks at the labor tribunal system.

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

New cases of ordinary civil litigation concerning labor relations received by district courts were in a decreasing trend until FY2006, but have generally turned to an increase in the last few years. The

number grew sharply to around 3,200 cases in FY2009 and reached a record high of 3,358 cases in 2012 (see Figure IV-24). As a result, the numbers of disposed and pending cases are also in an increasing trend. In FY2013, pending cases reached a record high of 3,662.

In FY2013, district courts received 3,341 new cases of ordinary civil litigation concerning labor relations (see Table IV-25). Of these, "Plaintiff: Employee Defendant: Employer" cases numbered 3,207, breaking down into 1,918 cases involving wage and other claims (a record high), followed by 926 cases of claims involving confirmation of existence of employment contract, etc., in connection with resignation or dismissal, and 363 other cases, including damages claims.

In all, 3,119 disposed cases were processed by district courts in FY2013 (see Table IV-26). Of these, 1,080 cases were processed by judicial decision, whereas 1,599 were processed by settlement, showing that the latter are more numerous. This trend remains unchanged from past data.

The average time taken for disposed cases in FY2013 was 13.1 months, longer than in the past (see Table IV-27). In the breakdown for FY2013, processing of 736 cases (23.6%) took no more than six months, 878 cases (28.2%) were processed within a year, and 1,161 cases (37.2%) within two years, thus around 90% of all cases were processed within two years. This trend is also virtually unchanged compared to past data.

### (3) Operational status of the labor tribunal system and trends in case numbers

For labor tribunals, 3,678 new cases were filed with district courts in FY2013, amid a rising trend in case numbers since the system started operation (see Table IV-28).

Cases filed in FY2013 consisted of 1,720 non-pecuniary and 1,958 pecuniary cases. More specifically, the majority of the former were cases of status confirmation related to labor contracts accompanying resignation, dismissal and personnel reassignment (1,670 cases), and cases involving wages and benefits, etc., were most frequent in the latter (1,456 cases). It should be noted that cases

related to wages and benefits, etc., could include claims pertaining to overtime pay or dismissal notice allowance. Of pecuniary cases, meanwhile, "Others" accounted for 388 cases, but in many cases these are thought to have been damages claims supported by a variety of reasons.

There were 3,612 disposed cases in FY2013, of which 2,528 cases (70.0%) were concluded by successful mediation (see Table IV-29). Trends in reasons for conclusion (including mediation) have remained the same since the system started operation. The second most common reason after mediation is labor tribunal judgments, accounting for 650 cases (18.0%). However, objections were filed in 380 of the cases concluded by labor tribunal judgments (58.5% of the 18.0%).

The average time taken to deliberate on 3,612 disposed cases in FY2013 was 2.6 months (see Table

IV-30). This trend has also changed little since the system started operation, and reveals that cases are resolved far more speedily than the average time taken to deliberate on ordinary civil litigation cases. Around 70% of cases were concluded within 3 months, or more specifically, 2.6% (95 cases) within one month, 29.5% (1,067 cases) within two months, 37.2% (1,342 cases) within three months, and 29.2% (1,056 cases) within six months, among others.

In a breakdown of cases by the number of deliberation sessions in FY2013, around 97% of the 3,612 disposed cases were concluded in three or fewer sessions (see Table IV-31). Specifically, no session accounted for 4.3% (157 cases), 1 session for 24.8% (896 cases), 2 sessions for 39.5% (1,425 cases), and 3 sessions for 28.9% (1,045 cases), among others, showing that the system is being operated in line with the basic principle set down in legislation.

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

Year	Cases pending			Cases concluded		
	Carried over from previous year	New cases	Total pending	Withdrawals/settlements	Orders/ decisions	Total concluded
2003	856 (1)	363	1,219 (1)	280	116	396
2004	823 (1)	311	1,134 (1)	240	135	375
2005	759 (1)	294	1,053 (1)	273	135 (1)	408 (1)
2006	645	331 (2)	976 (2)	247	108	357 (2)
2007	619	330 (1)	949 (1)	314 (1)	147	461 (1)
2008	488	355	843	210	98	308
2009	535	395 (1)	930 (1)	273	103	377 (1)
2010	553	381	934	240	111	351
2011	583	376	959	258	134	392
2012	567	354	921	236	117	353
2013	568	365	933	237	121	358
2014	575	371	946	259	111	370

Sources: Central Labour Relations Commission website and Secretariat of the Central Labour Relations Commission, eds. *Annual Report on Labour Relations Commissions* (each year)

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

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

Year	Cases pending			Cases concluded		
	Carried over from previous year	New cases	Total pending	Withdrawals/settlements	Orders/ decisions	Total concluded
2004	270	83	353	47	25	72
2005	281	90	371	57	65	122
2006	249	77	326	79	69	148
2007	178	76	254	37	59	96
2008	158	51	209	38	57	95
2009	114	54	168	19	34	53
2010	115	68	183	26	48	74
2011	109	89	198	35	36	71
2012	127	75	202	56	46	102
2013	100	94	194	40	24	64
2014	130	60	190	24	28	52

Sources: Central Labour Relations Commission website and Secretariat of the Central Labour Relations Commission, eds. *Annual Report on Labour Relations Commissions* (each year)

**Table IV-9 Number of Pending and Concluded Adjustment Cases**

Year	Cases pending						Cases concluded				Carrying over to next year
	Carried over from previous year	New cases pending				Total	Withdrawal	Settlement	Abandoned	Total	
		Conciliations	Mediations	Arbitrations	Total						
2004	130 (10)	526 (8)	4	1	531 (8)	661 (18)	147	279 (4)	133 (2)	559 ( 6)	102 (12)
2005	102 (12)	560 (5)	4	0	564 (5)	666 (17)	139	270 (4)	130 (1)	539 ( 5)	127 (12)
2006	127 (12)	515 (2)	5 (1)	1	521 (3)	648 (15)	108	289 (3)	173 (2)	570 ( 5)	78 (10)
2007	78 (10)	467 (3)	5 (1)	0	472 (4)	550 (14)	103 (12)	219 (2)	149	471 (14)	79
2008	79	546 (4)	6 (2)	0	552 (6)	631 ( 6)	85	264 (4)	181 (2)	530 ( 6)	101
2009	101	707 (1)	26 (2)	0	733 (3)	834 ( 3)	121	343 (3)	237	701 ( 3)	133
2010	133	556 (1)	10 (2)	0	566 (3)	699 ( 3)	110	293 (2)	204 (1)	608 ( 3)	91
2011	91	535	8	0	543	634	80	240	200	520	114
2012	114	459	4	0	463	577	73	254	176	503	74
2013	74	416	25 (1)	1	442 (1)	516 ( 1)	85 ( 1)	188	141	416 ( 1)	100

Source: Central Labour Relations Commission website and Secretariat of the Central Labour Relations Commission, eds. *68th Annual Report on Labour Relations Commissions 2013* (2014) p.135, Table 18

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

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

**Table IV-10 Adjustment Case Resolution Rate**

Year	Number of cases concluded (a)	Number of cases withdrawn (b)	Number of cases resolved (c)	Resolution rate
2004	559 ( 6)	147	279 (4)	67.70%
2005	539 ( 5)	139	270 (4)	67.50%
2006	570 ( 5)	108	289 (3)	62.60%
2007	471(14)	103 (12)	219 (2)	59.50%
2008	530 ( 6)	85	264	59.30%
2009	701 ( 3)	121	343 (3)	59.10%
2010	607 ( 3)	110	293 (2)	58.80%
2011	520	80	240	54.50%
2012	503	73	254	59.10%
2013	416 ( 1)	85 ( 1)	188	56.80%

Source: Reorganized by the author based on data from the Central Labour Relations Commission website.

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

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

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



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

(Number of cases and percentage of total)

	2009		2010		2011		2012		2013	
Total	1324(8)	100	1007(13)	100	973(9)	100	796(2)	100	712(19)	100
Financial	451(7)	34.1	390(1)	38.7	347(5)	35.7	253	31.8	258(15)	36.2
Wage increases	41(7)	3.1	21(2)	2.1	20	2.1	19	2.4	18	2.5
Lump-sum payments	76	5.7	56(4)	5.6	47(5)	4.8	33	4.1	35(4)	4.9
Working hours and holiday leave	44	3.3	36	3.6	31	3.2	14	1.8	24	3.4
Other	290	21.9	277(5)	27.5	249	25.6	187	23.5	181(11)	25.4
Non-financial	855	64.6	607(2)	60.3	610(4)	62.7	531	66.7	439(3)	61.7
Management/Personnel	313	23.6	225	22.3	189(2)	19.4	190	23.9	154(1)	21.6
Pursuit of collective bargaining	380(4)	28.7	276(2)	27.4	290(2)	29.8	242(1)	30.4	195(2)	27.4
Union approval/Activities	68	5.1	33	3.3	31	3.2	17(1)	2.1	32	4.5
Other	94	7.1	73	7.2	100	10.3	82	10.3	58	8.1
Conclusion or complete revision of agreement	18	1.4	10	1	16	1.6	12	1.5	15(1)	2.1
Total number of cases	733		566		543		463		442	
Average number of grievances (per case)	1.81		1.78		1.79		1.72		1.61	

Source: Secretariat of the Central Labour Relations Commission, eds. *68th Annual Report on Labour Relations Commissions 2013* (2014) p.148, Table 29-2  
 Note: Totals do not match the total number of cases due to the inclusion of multiple grievances per case. Figures in parentheses indicate the number of cases handled by the CLRC, and are included in the totals to their left.

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

(Number of cases and percentage of total)

Labour Relations Commission	Case	Year									
		2005	2006	2007	2008	2009	2010	2011	2012	2013	
Prefectural Labour Relations Commission	No. of cases concluded excluding withdrawals and transfers	350	368	316	377	571	388	363	332	269	
	No. of resolutions	237	226	187	222	335	212	191	183	152	
	Resolution rate	67.7	61.4	59.2	58.9	58.7	54.6	52.6	55.1	56.5	
Central Labour Relations Commission	No. of cases concluded excluding withdrawals and transfers	3	2	2	6	6	6	6	1	7	
	No. of resolutions	2	0	2	6	5	5	6	1	6	
	Resolution rate	66.7	0	100	100	83.3	83.3	100	100	85.7	
All Labour Relations Commission	No. of cases concluded excluding withdrawals and transfers	353	370	318	383	577	394	369	333	276	
	No. of resolutions	239	226	189	228	341	217	197	184	158	
	Resolution rate	67.7	61.1	59.4	59.5	59.1	55.1	53.4	55.3	57.2	

Sources: Secretariat of the Central Labour Relations Commission, *64th Annual Report on Labour Relations Commissions 2009*, (2010) p.146, *66th Annual Report on Labour Relations Commissions 2011*, (2012) p.161 Table 34-2, and *68th Annual Report on Labour Relations Commissions 2013*, (2014) p.156 Table 34-2

Note: Resolution rate = number of resolutions / number of cases concluded excluding withdrawals and transfers

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

(Number of cases and days)

Year	Conciliations				Mediations				Total			
	All Labour Relations Commission		Central Labour Relations Commission		All Labour Relations Commission		Central Labour Relations Commission		All Labour Relations Commission		Central Labour Relations Commission	
	Cases concluded excluding withdrawals and transfers	Days	Cases concluded excluding withdrawals	Days	Cases concluded excluding withdrawals	Days	Cases concluded excluding withdrawals	Days	Cases concluded excluding withdrawals and transfers	Days	Cases concluded excluding withdrawals and transfers	Days
2005	393	47.9 (34.3)	8	39.8 (32.5)	3	48.0 (30.7)	—	— (—)	396	47.9 (34.3)	8	39.8 (32.5)
2006	452	47.1 (34.2)	7	34.4 (28.0)	4	27.5 (27.5)	1	8.0 (8.0)	456	47.0 (34.2)	8	31.1 (25.5)
2007	361	42.8 (36.6)	4	56.3 (43.5)	4	52.8 (32.5)	—	— (—)	365	42.9 (36.6)	4	56.3 (43.5)
2008	442	43.7 (33.6)	10	28.1 (20.1)	3	19.3 (19.3)	2	9.5 (9.5)	445	43.6 (33.5)	12	25.0 (18.3)
2009	560	51.5 (36.8)	2	117.5 (61.0)	24	12.2 (12.2)	7	33.4 (33.4)	584	49.9 (40.2)	9	52.4 (39.6)
2010	488	55.3 (37.5)	7	13.1 (13.1)	10	34.7 (34.7)	2	9.5 (9.5)	498	54.9 (37.4)	9	12.0 (12.0)
2011	431	50.7 (35.1)	1	19.0 (19.0)	9	46.0 (39.1)	5	28.0 (28.0)	440	50.6 (35.2)	6	26.5 (26.5)
2012	422	54.5 (38.9)	1	23.0 (23.0)	4	20.5 (20.5)	—	— (—)	426	54.2 (38.7)	1	23.0 (23.0)
2013	317	55.4 (39.4)	2	87.0 (61.0)	10	47.4 (34.5)	5	21.0 (20.2)	327	55.2 (39.2)	7	39.9 (31.9)

Sources: Secretariat of the Central Labour Relations Commission, *64th Annual Report on Labour Relations Commissions 2009*, (2010) p.147, *66th Annual Report on Labour Relations Commissions 2011*, (2012) p.162 Table 36-2, and *68th Annual Report on Labour Relations Commissions 2013*, (2014) p.157 Table 36-2

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

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

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

Year	Cases	All cases	Joint labor union cases	Last-minute cases	
2004		523	300 (57.4%)	134	<44.7%> (25.6%)
2005		559	333 (59.6%)	165	<49.5%> (29.5%)
2006		518	305 (58.9%)	131	<43.0%> (25.3%)
2007		468	305 (65.2%)	143	<46.9%> (30.6%)
2008		546	375 (68.7%)	181	<48.3%> (33.2%)
2009		730	487 (66.7%)	269	<55.2%> (36.8%)
2010		563	393 (69.8%)	207	<52.7%> (36.8%)
2011		543	380 (70.0%)	184	<48.4%> (33.9%)
2012		463	335 (72.4%)	173	<51.6%> (37.4%)
2013		441	301 (68.3%)	157	<52.2%> (35.6%)

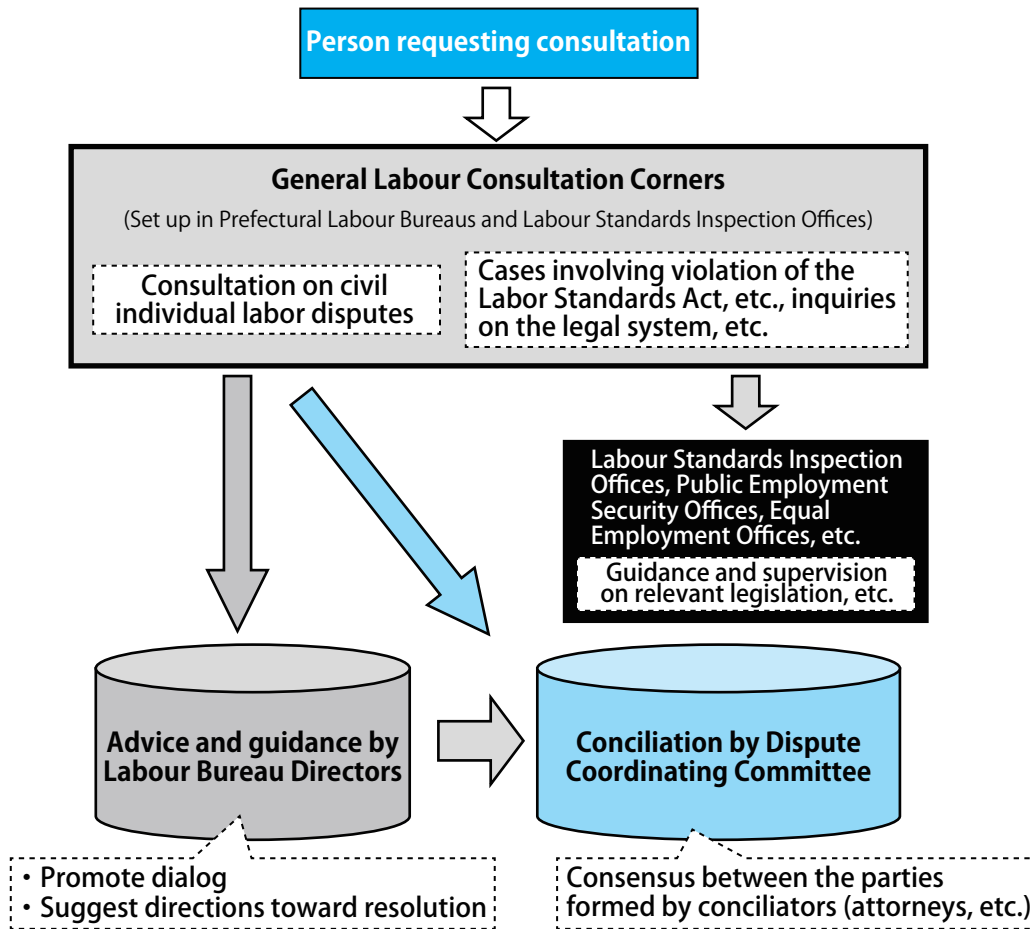
Sources: Central Labour Relations Commission, *2010 Summary of the Total Number of Labor Disputes Handled Nationwide* (released on May 20, 2011), Table 3, and Secretariat of the Central Labour Relations Commission, *66th Annual Report on Labour Relations Commissions 2011*, (2012) p.150 Table 26, and *68th Annual Report on Labour Relations Commissions 2013*, (2014) p.142 Table 26

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

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

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

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



\* Examples of disputes

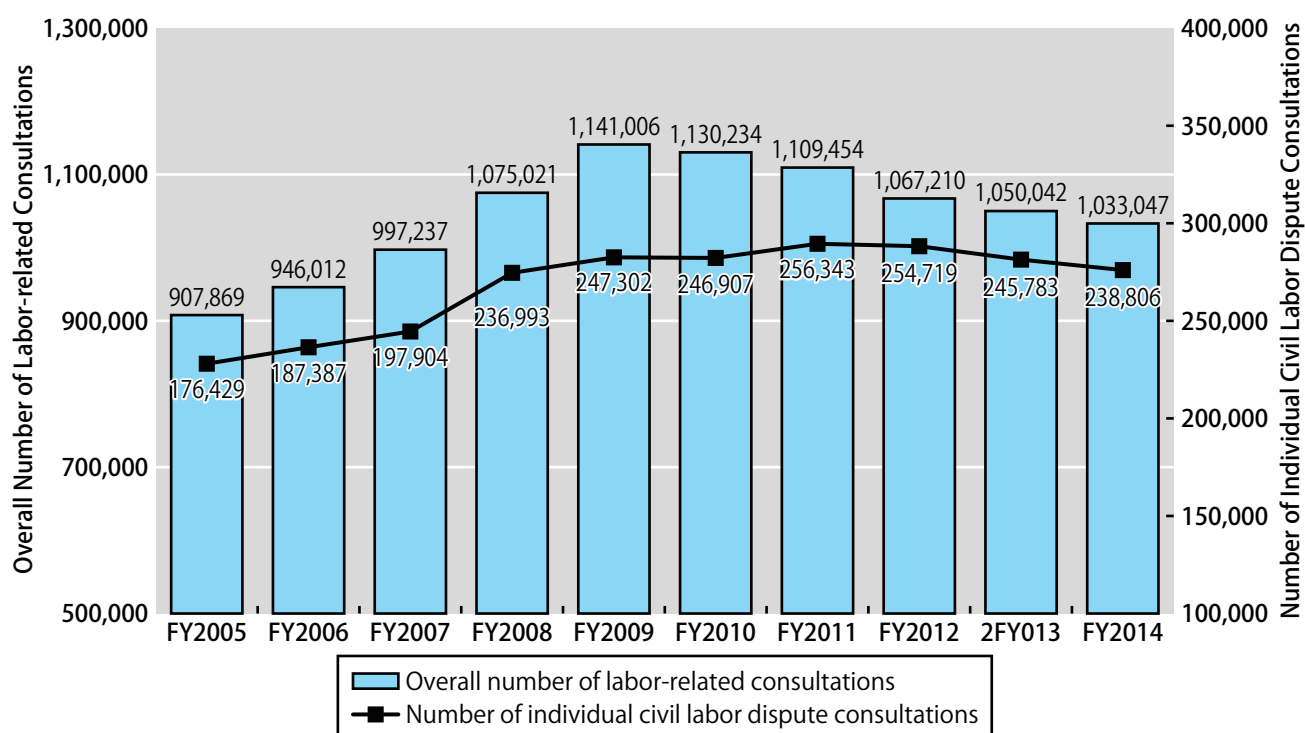
(i) Disputes concerning dismissal or termination of fixed-term employment, reassignment or secondment, promotion or status elevation, disadvantageous change to working conditions, etc. (except when constituting violation of labor law)

(ii) Disputes concerning bullying, harassment and other aspects of the workplace environment

(iii) Disputes concerning recruitment and hiring (\*not eligible for conciliation)

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

**Figure IV-16 Trends in the Number of Cases of General Labor Consultations (FY2002-2012)**



Source: Ministry of Health, Labour and Welfare, *Status on the Implementation of Individual Labour Dispute Resolution in FY2014* (released on June 12, 2015), Fig. 1

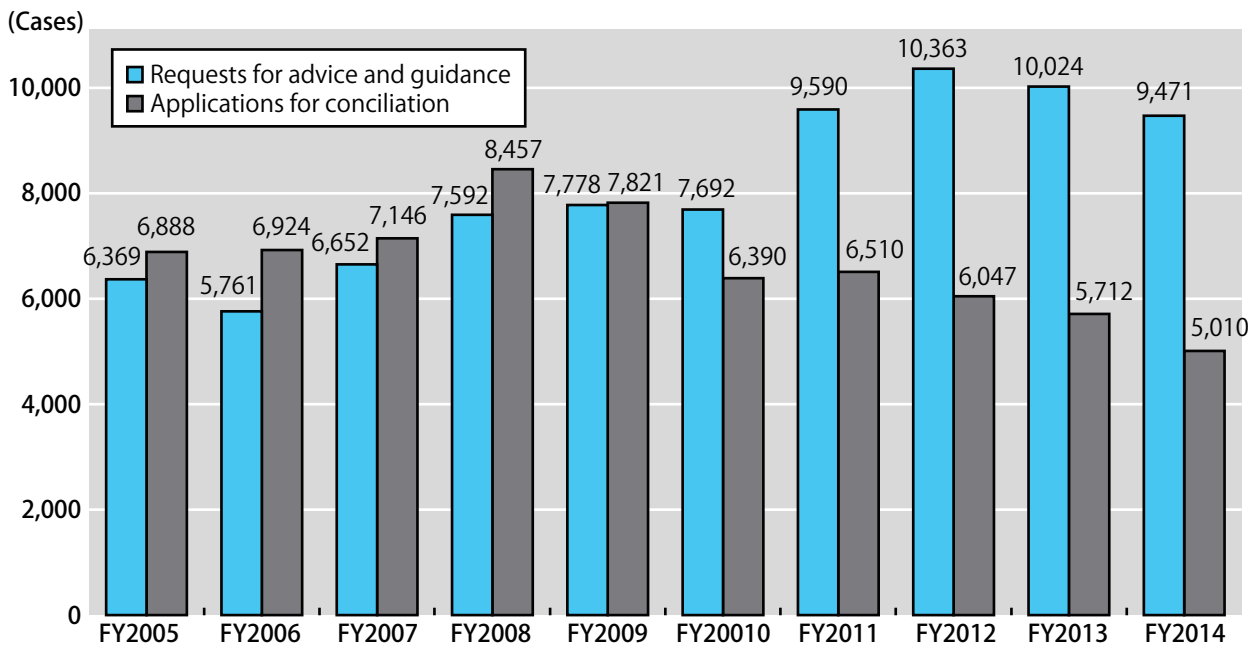
**Table IV-17 Trends in Main Disputes over the Last 3 Fiscal Years (Cases of Consultation concerning Civil Individual Labor Disputes)**

	2012	2013	2014
Bullying / harassment	51,670 (+12.5%)	59,197 (+14.6%)	62,191 (+5.1%)
Dismissal	51,515 (-10.9%)	43,956 (-14.7%)	38,966 (-11.4%)
Voluntary termination	29,763 (+14.6%)	33,049 (+11.0%)	34,626 (+4.8%)
Worsened working conditions	33,955 (-7.9%)	30,067 (-11.5%)	28,015 (-6.8%)

Source: Ministry of Health, Labour and Welfare, *Status on the Implementation of Individual Labour Dispute Resolution in FY2014* (released on June 12, 2015), Table 1

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

**Figure IV-18 Trends in Requests for Advice & Guidance and Applications for Conciliation (FY2005-2014)**



Source: Ministry of Health, Labour and Welfare, *Status on the Implementation of Individual Labour Dispute Resolution in FY2014* (released on June 12, 2015) Fig.2

**Table IV-19 Trends in Main Disputes over the Last 3 Fiscal Years (Applications for Advice and Guidance)**

	2012	2013	2014
Bullying / harassment	1,735 (+18.3%)	2,046 (+17.9%)	1,955 (-4.4%)
Dismissal	1,811 (-9.7%)	1,547 (-14.6%)	1,303 (-15.8%)
Voluntary termination	843 (+19.2%)	911 (+8.1%)	947 (+4.0%)
Worsened working conditions	1,084 (+9.7%)	960 (-11.4%)	941 (-2.0%)

Source: Ministry of Health, Labour and Welfare, *Status on the Implementation of Individual Labour Dispute Resolution in FY2014* (released on June 12, 2015) Table 4

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

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

	2003	2004	2005	2006	2007	2008	2009	2010
Cases	3,909	4,957	6,063	5,372	6,295	7,250	7,405	7,490
Ratio to total	(90.1%)	(93.9%)	(95.6%)	(93.4%)	(95.5%)	(96.1%)	(95.6%)	(97.6%)
	2011	2012	2013	2014				
Cases	9,270	10,019	9,677	9,193				
Ratio to total	(96.8%)	(97.4%)	(96.4%)	(97.3%)				

Sources: Ministry of Health, Labour and Welfare, *Status on the Implementation of Individual Labour Dispute Resolution in FY2012* (released on May 31, 2013), *Status on the Implementation of Individual Labour Dispute Resolution in FY2014* (released on June 12, 2015) Table 10

**Table IV-21 Trends in Main Disputes over the Last 3 Fiscal Years (Requests for Conciliation)**

	2010	2011	2012
Bullying / harassment	1,297 (+15.7%)	1,474 (+13.6%)	1,473 (-0.1%)
Dismissal	1,904 (-21.2%)	1,614 (-15.2%)	1,392 (-13.8%)
Termination of employment	515 (-15.4%)	548 (+6.4%)	480 (-12.4%)
Encouragement to retire	574 (+9.8%)	470 (-18.1%)	422 (-10.2%)
Voluntary termination	174 (-4.4%)	109 (-37.4%)	149 (+36.7%)

Source: Ministry of Health, Labour and Welfare, *Status on the Implementation of Individual Labour Dispute Resolution in FY2014* (released on June 12, 2015) Table 7

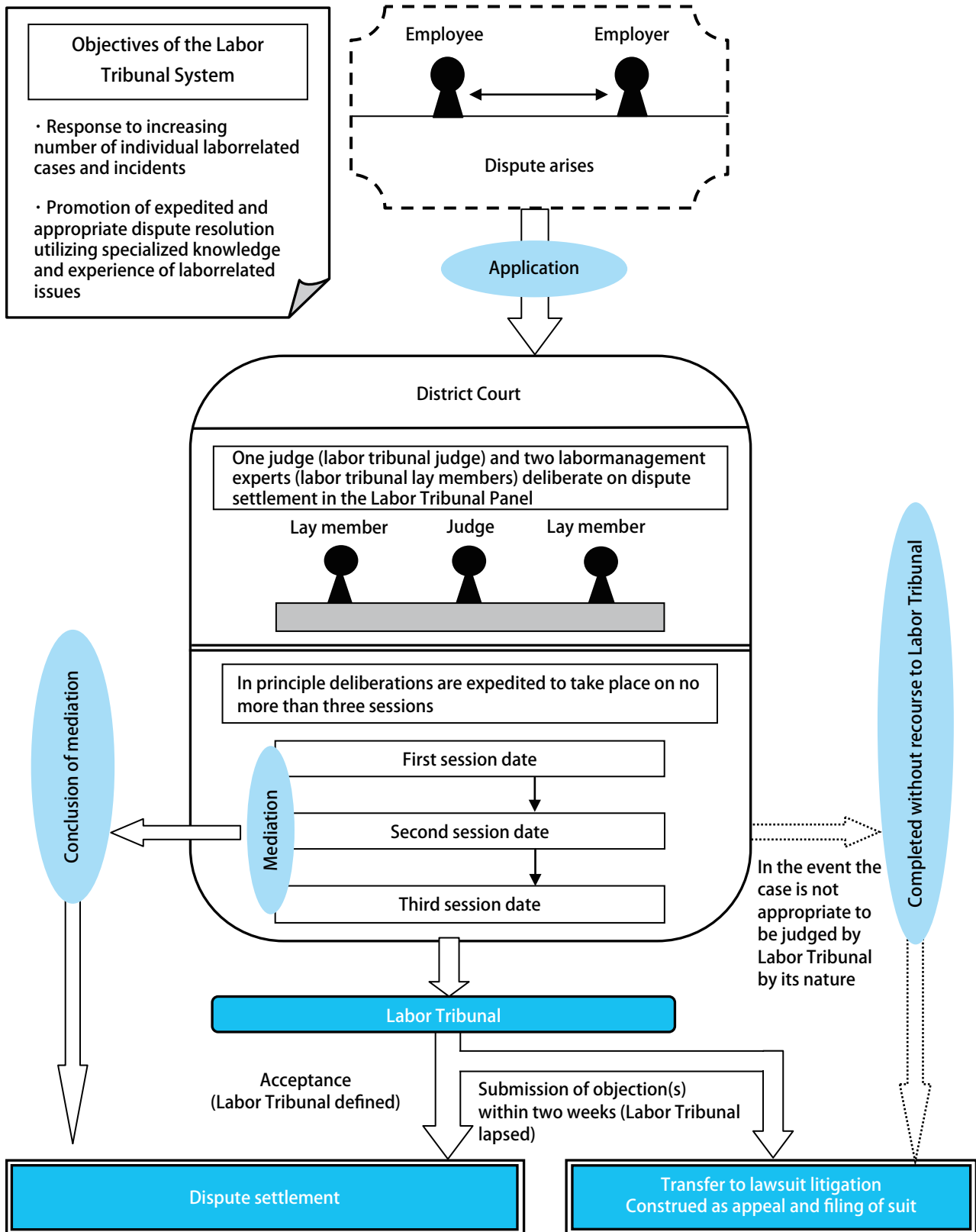
Note: Figures in parentheses denote the year-on-year change.

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

	2003	2004	2005	2006	2007	2008	2009	2010
Cases	4,706	5,462	6,270	6,396	6,484	7,299	7,325	6,005
Ratio to total	(92.3%)	(92.9%)	(91.4%)	(94.2%)	(92.2%)	(92.2%)	(90.5%)	(93.6%)
	2011	2012	2013	2014				
Cases	6,014	5,683	5,229	4,639				
Ratio to total	(94.5%)	(93.8%)	(92.0%)	(94.0%)				

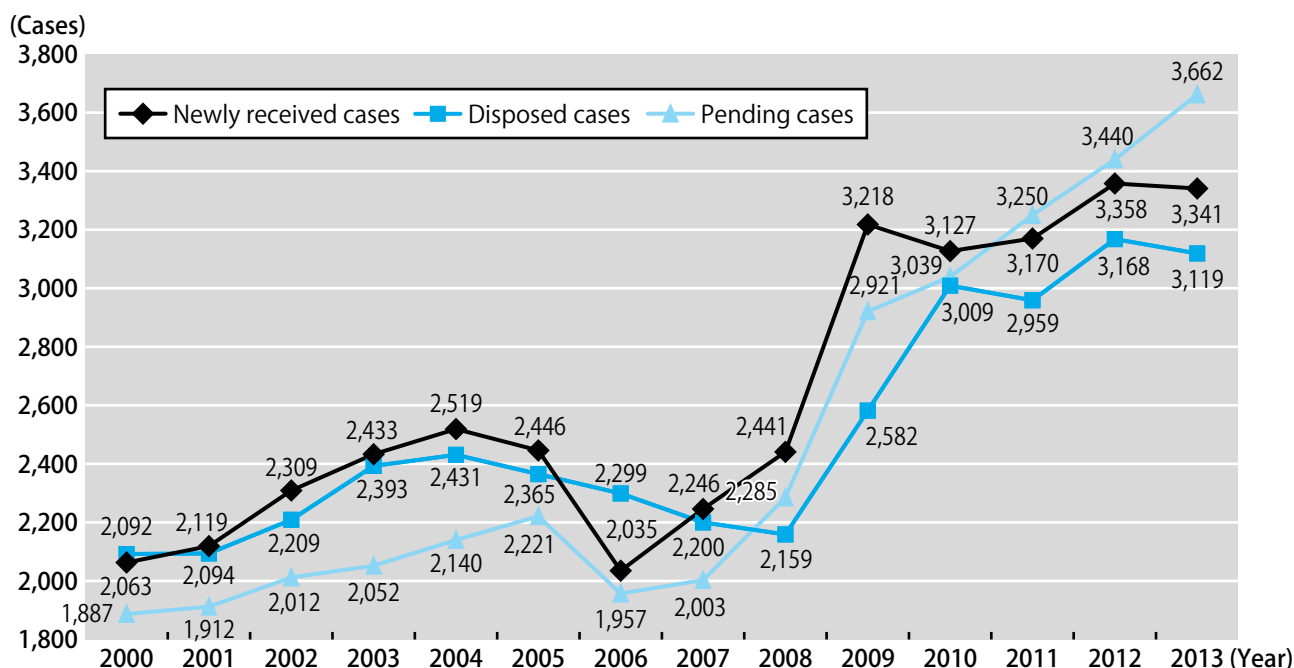
Sources: Ministry of Health, Labour and Welfare, *Status on the Implementation of Individual Labour Dispute Resolution in FY2012* (released on May 31, 2013), *Status on the Implementation of Individual Labour Dispute Resolution in FY2014* (released on June 12, 2015) Table 13

**Figure IV-23 Overview of the Labor Tribunal System**





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



Sources: Compiled by the author from General Secretariat of the Supreme Court, *2009 Overview of Civil and Administrative Labor Relations Cases*, Hosojihō (Lawyers Association Journal), Vol.62, No.8, p.43 (2010), *2011 Overview of Civil and Administrative Labor Relations Cases*, Hosojihō (Lawyers Association Journal), Vol.64, No.8, p.47 (2012), and *2013 Overview of Civil and Administrative Labor Relations Cases*, Hosojihō (Lawyers Association Journal), Vol.66, No.8, p.155 (2014)

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

Year	Newly received	Total	Plaintiff: Employee Defendant: Employer			Plaintiff: Employee Defendant: Employer		Other
			Confirmation of existence of employment contract, etc.	Wage, etc.	Other	Confirmation of absence of employment contract, compensation, etc.	Confirmation of invalidation of resolution of exclusion etc.	
2003	2,433	2,319	530	1,473	316	103	11	
2004	2,519	2,309	573	1,427	309	186	24	
2005	2,446	2,303	507	1,437	359	135	8	
2006	2,035	1,900	456	1,130	314	124	11	
2007	2,246	2,105	537	1,246	322	121	20	
2008	2,441	2,300	638	1,249	413	126	15	
2009	3,218	3,068	956	1,633	479	138	12	
2010	3,127	2,951	951	1,650	350	145	31	
2011	3,170	3,028	893	1,718	417	133	9	
2012	3,358	3,185	937	1,829	419	158	15	
2013	3,341	3,207	926	1,918	363	122	12	

Sources: Compiled by the author from General Secretariat of the Supreme Court, *2007 Overview of Civil and Administrative Labor Relations Cases*, Hosojihō (Lawyers Association Journal) Vol.60 No.8 p.50 (2008), id. *2009 Overview of Civil and Administrative Labor Relations Cases*, Hosojihō (Lawyers Association Journal) Vol.62 No.8 p.49 (2010), id. *2011 Overview of Civil and Administrative Labor Relations Cases*, Hosojihō (Lawyers Association Journal) Vol.64 No.8 p.54 (2012), and id. *2013 Overview of Civil and Administrative Labor Relations Cases*, Hosojihō (Lawyers Association Journal) Vol.66 No.8 p.162 (2014)

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

Year	Plaintiff	Total	Disposed Cases						Outstanding
			Total	Judicial decision		Decision/ order	Settlement	Withdrawal/ other	
				Petition accepted (including partial acceptance)	Petition dismissed with prejudice, petition dismissed without prejudice				
2005	Total	2,365	884	539	345	26	1,185	270	2,221
	Employee	2,170	819	498	321	22	1,090	239	2,104
	Employer	186	59	38	21	4	94	29	96
	Other	9	6	3	3	0	1	2	21
2006	Total	2,299	844	518	326	28	1,139	288	1,957
	Employee	2,168	792	487	305	26	1,089	261	1,836
	Employer	117	44	27	17	2	44	27	103
	Other	14	8	4	4	0	6	0	18
2007	Total	2,200	767	475	292	24	1,092	317	2,003
	Employee	2,044	698	437	261	19	1,043	284	1,897
	Employer	135	57	31	26	5	47	26	89
	Other	21	12	7	5	0	2	7	17
2008	Total	2,159	750	443	307	26	1,115	268	2,285
	Employee	2,025	710	420	290	24	1,061	230	2,172
	Employer	116	32	19	13	2	47	35	99
	Other	18	8	4	4	0	7	3	14
2009	Total	2,582	914	554	360	23	1,314	331	2,921
	Employee	2,430	856	522	334	22	1,248	304	2,810
	Employer	136	46	24	22	1	63	26	101
	Other	16	12	8	4	0	3	1	10
2010	Total	3,009	916	580	336	33	1,668	392	3,039
	Employee	2,856	865	545	320	32	1,602	357	2,905
	Employer	137	45	31	14	1	60	31	109
	Other	16	6	4	2	0	6	4	25
2011	Total	2,959	933	594	339	24	1,599	403	3,250
	Employee	2,823	887	565	322	22	1,542	372	3,110
	Employer	119	37	23	14	2	52	28	123
	Other	17	9	6	3	0	5	3	17
2012	Total	3,168	1,008	619	389	41	1,718	401	3,440
	Employee	3,025	953	590	363	39	1,661	372	3,270
	Employer	131	46	22	24	2	57	26	150
	Other	12	9	7	2	0	0	3	20
2013	Total	3,119	1,080	682	398	47	1,599	393	3,662
	Employee	2,960	1,012	647	365	46	1,552	350	3,517
	Employer	147	58	30	28	1	45	43	125
	Other	12	10	5	5	0	2	0	20

Sources: General Secretariat of the Supreme Court, *2009 Overview of Civil and Administrative Labor Relations Cases*, Hosono Jiho (Lawyers Association Journal) Vol.62 No.8 p.50 (2010), id. *2011 Overview of Civil and Administrative Labor Relations Cases*, Hosono Jiho (Lawyers Association Journal) Vol.64 No.8 p.55 (2012), and id. *2013 Overview of Civil and Administrative Labor Relations Cases*, Hosono Jiho (Lawyers Association Journal) Vol.66 No.8 p.163 (2014)

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

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

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

Year	Number of cases disposed of	Within 6 months	Within a year	Within 2 years	Within 3 years	Within 5 years	More than 5 years	Average deliberation period (months)
2005	2,365	786 (33.2)	699 (29.6)	708 (29.9)	113 (4.8)	52 (2.2)	7 (0.3)	11.2
2006	2,299	709 (30.8)	685 (29.8)	680 (29.6)	157 (6.8)	55 (2.4)	13 (0.6)	12.0
2007	2,200	701 (31.9)	639 (29.0)	649 (29.5)	156 (7.1)	52 (2.4)	3 (0.1)	11.7
2008	2,159	671 (31.1)	633 (29.3)	673 (31.2)	135 (6.3)	41 (1.9)	6 (0.3)	11.6
2009	2,582	886 (34.3)	763 (29.6)	754 (29.2)	144 (5.6)	33 (1.3)	2 (0.1)	10.8
2008	2,159	671 (31.1)	633 (29.3)	673 (31.2)	135 (6.3)	41 (1.9)	6 (0.3)	11.6
2009	2,582	886 (34.3)	763 (29.6)	754 (29.2)	144 (5.6)	33 (1.3)	2 (0.1)	10.8
2010	3,009	908 (30.2)	918 (30.5)	944 (31.4)	189 (6.3)	46 (1.5)	4 (0.1)	11.5
2011	2,959	831 (28.1)	875 (29.6)	1,016 (34.3)	195 (6.6)	37 (1.3)	5 (0.2)	11.9
2012	3,168	901 (28.4)	882 (27.8)	1,048 (33.1)	274 (8.6)	57 (1.8)	6 (0.2)	12.3
2013	3,119	736 (23.6)	878 (28.2)	1,161 (37.2)	266 (8.5)	77 (2.5)	1 (0.0)	13.1

Sources: General Secretariat of the Supreme Court, *2009 Overview of Civil and Administrative Labor Relations Cases*, Hosono Jiho (Lawyers Association Journal) Vol.62 No.8 p.51 (2010), id. *2011 Overview of Civil and Administrative Labor Relations Cases*, Hosono Jiho Vol.64 No.8 p.56 (2012), and id. *2013 Overview of Civil and Administrative Labor Relations Cases*, Hosono Jiho Vol.66 No.8 p.164 (2014)

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

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

Year	Newly received	Non-pecuniary			Pecuniary			
			Confirmation of status	Other		Wages and benefits	Retirement allowances	Other
2006	877	463	418	45	414	266	66	82
2007	1,494	780	719	61	714	441	126	147
2008	2,052	1,078	1,022	56	974	620	114	240
2009	3,468	1,793	1,701	92	1,675	1,059	205	411
2010	3,375	1,693	1,633	60	1,682	1,100	161	421
2011	3,586	1,814	1,747	67	1,772	1,179	162	431
2012	3,719	1,818	1,735	83	1,901	1,255	170	476
2013	3,678	1,720	1,670	50	1,958	1,456	114	388

Sources: Compiled by the author from General Secretariat of the Supreme Court, *2007 Overview of Civil and Administrative Labor Relations Cases*, Hosono Jiho (Lawyers Association Journal) Vol.60 No.8 p.56 (2008), and id. *2009 Overview of Civil and Administrative Labor Relations Cases*, Hosono Jiho Vol.62 No.8 p.55 (2010), id. *2011 Overview of Civil and Administrative Labor Relations Cases*, Hosono Jiho (Lawyers Association Journal) Vol.64 No.8 p.60 (2012), and id. *2013 Overview of Civil and Administrative Labor Relations Cases*, Hosono Jiho Vol.66 No.8 p.168 (2014)

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

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

(Cases, figures in brackets are %)

Year	Number of cases disposed of	Labor tribunal judgment		Successful mediation	Article 24 conclusion	Withdrawn	Rejected or transferred, etc.
			Objection filed				
2006	606	107 (17.7)	74 [69.2]	427 (70.5)	19 (3.1)	50 (8.3)	3 (0.5)
2007	1,450	306 (21.1)	178 [58.2]	997 (68.8)	47 (3.2)	93 (6.4)	7 (0.5)
2008	1,911	347 (18.2)	228 [65.7]	1,327 (69.4)	59 (3.1)	169 (8.8)	9 (0.5)
2009	3,226	600 (18.6)	388 [64.7]	2,200 (68.2)	107 (3.3)	294 (9.1)	25 (0.8)
2010	3,436	612 (17.8)	364 [59.5]	2,433 (70.8)	121 (3.5)	240 (7.0)	30 (0.9)
2011	3,513	641 (18.2)	391 [61.0]	2,502 (71.2)	119 (3.4)	227 (6.5)	24 (0.7)
2012	3,697	644 (17.4)	382 [59.3]	2,609 (70.6)	163 (4.4)	256 (6.9)	25 (0.7)
2013	3,612	650 (18.0)	380 [58.5]	2,528 (70.0)	159 (4.4)	260 (7.2)	15 (0.4)

Sources: Compiled by the author from General Secretariat of the Supreme Court, *2007 Overview of Civil and Administrative Labor Relations Cases*, Hosono Jiho (Lawyers Association Journal) Vol.60 No.8 p.56 (2008), id. *2009 Overview of Civil and Administrative Labor Relations Cases*, Hosono Jiho Vol.62 No.8 p.55 (2010), id. *2011 Overview of Civil and Administrative Labor Relations Cases*, Hosono Jiho Vol.64 No.8 p.60 (2012), and id. *2013 Overview of Civil and Administrative Labor Relations Cases*, Hosono Jiho Vol.66 No.8 p.168 (2014)

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

Author's note: "Article 24 Conclusion" refers to the closure of a case when a labor tribunal "finds that conducting labor tribunal proceedings is unsuitable to the prompt and proper resolution of the dispute due to the nature of the case" (Labor Tribunal Act, Article 24).

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

(Cases, figures in brackets are %)

Year	Number of cases disposed of	Within a month	Within 2 months	Within 3 months	Within 6 months	Within 1 year	Average deliberation period (months)
2006	606	36 (5.9)	192 (31.7)	207 (34.2)	171 (28.2)	0	2.4
2007	1,450	59 (4.1)	428 (29.5)	545 (37.6)	408 (28.1)	10 (0.7)	2.5
2008	1,911	64 (3.3)	598 (31.3)	718 (37.6)	517 (27.1)	14 (0.7)	2.5
2009	3,226	119 (3.7)	1,096 (34.0)	1,170 (36.3)	827 (25.6)	14 (0.4)	2.5
2010	3,436	141 (4.1)	1,240 (36.1)	1,237 (36.0)	799 (23.3)	19 (0.6)	2.4
2011	3,513	120 (3.4)	1,325 (37.3)	1,270 (36.2)	772 (22.0)	26 (0.7)	2.4
2012	3,697	107 (2.9)	1,350 (36.5)	1,363 (36.9)	865 (23.4)	12 (0.3)	2.4
2013	3,612	95 (2.6)	1,067 (29.5)	1,342 (37.2)	1,056 (29.2)	52 (1.4)	2.6

Sources: General Secretariat of the Supreme Court, *2009 Overview of Civil and Administrative Labor Relations Cases*, Hosono Jiho (Lawyers Association Journal) Vol.62 No.8 p.56 (2010), id. *2011 Overview of Civil and Administrative Labor Relations Cases*, Hosono Jiho Vol.64 No.8 p.61 (2012), and id. *2013 Overview of Civil and Administrative Labor Relations Cases*, Hosono Jiho Vol.66 No.8 p.169 (2014)

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

(Cases, figures in brackets are %)

Year	Number of cases disposed of	No session	1 session	2 sessions	3 sessions	4 sessions	More than 5 sessions
2006	606	32 (5.3)	101 (16.7)	215 (35.5)	245 (40.4)	13 (2.1)	0
2007	1,450	67 (4.6)	235 (16.2)	542 (37.4)	563 (38.8)	42 (2.9)	1 (0.1)
2008	1,911	101 (5.3)	370 (19.4)	717 (37.5)	671 (35.1)	49 (2.6)	3 (0.2)
2009	3,226	199 (6.2)	687 (21.3)	1,168 (36.2)	1,079 (33.4)	87 (2.7)	6 (0.2)
2010	3,436	171 (5.0)	910 (26.5)	1,289 (37.5)	996 (29.0)	67 (1.9)	3 (0.1)
2011	3,513	161 (4.6)	917 (26.1)	1,400 (39.9)	933 (26.6)	94 (2.7)	8 (0.2)
2012	3,697	158 (4.3)	987 (26.7)	1,457 (39.4)	1,020 (27.6)	72 (1.9)	3 (0.1)
2013	3,612	157 (4.3)	896 (24.8)	1,425 (39.5)	1,045 (28.9)	79 (2.2)	10 (0.3)

Sources: General Secretariat of the Supreme Court, *2009 Overview of Civil and Administrative Labor Relations Cases*, Hosono Jiho (Lawyers Association Journal) Vol.62 No.8 p.56 (2010), id. *2011 Overview of Civil and Administrative Labor Relations Cases*, Hosono Jiho Vol.64 No.8 p.61 (2012), and id. *2013 Overview of Civil and Administrative Labor Relations Cases*, Hosono Jiho Vol.66 No.8 p.169 (2014)

## 1 Overview of Employment Measures

In 2013, with an improvement in business and householder mentality backed by rising share prices due to expectations of economic policies, the Japanese economy turned toward a recovery in a form led by consumer spending and other domestic demand. The economy was subject to temporary downward pressure under the impact of a rebound from rush demand associated with the consumption tax hike in April 2014, but at present there is an ongoing keynote of gradual recovery.

Given this scenario, the employment situation is steadily improving. The ratio of job offers to jobseekers in August 2015 was 1.23, the highest in 23 years and 5 months. For regular employees, the ratio was 0.76, the highest since such statistics were first aggregated in November 2004. The overall unemployment rate was 3.4%, the lowest in 18 years, and there is a growing sense of labor power shortage in companies. By region, too, both the ratio of job offers to jobseekers and the overall unemployment rate are in an improving trend in every part of the country.

Again, the provisional job offer rate for high school students graduating in March 2015 was 98.2%, the highest in 23 years, and the rate for university graduates in the same period was 96.7%, the best for 7 years. As a result of these and other trends, the overall unemployment rate for younger age groups has also improved.

### **Employment and Labor Policies Aimed at Strengthening Employment System Reforms and Human Resource Capabilities**

Amid these developments, an emergency economic stimulus package was drawn up on

December 27 last year, with priority focus on three points: (1) Stimulating consumption while taking account of regional circumstances, (2) Promoting regional revitalization through effective efforts toward job creation and other structural issues facing the regions, and (3) Accelerating emergency response and reconstruction, such as disaster relief. In response to this, a supplementary budget of more than 3 trillion yen for FY2014 was decided on February 3 this year. Then, on April 9, the government approved the FY2015 budget, which is supposed to be a sharply focused budget with the dual aim of achieving economic growth led by the private sector demand and attaining the target of fiscal consolidation. The FY2015 budget incorporates a number of measures such as promoting the active participation of women, addressing the declining birth rate, promoting the active participation of young, elderly, disabled and others, reforming ways of working, securing or creating good employment opportunities to suit each locality, and so on.

A key element in maintaining a positive economic cycle and continuing sustainable growth in the future will be whether a “productivity revolution” can be accomplished to bring the latent ability of individuals and regions to the fore.

The environment surrounding companies and individuals is undergoing dramatic changes due to factors such as the quickening pace of technical innovation, the increasing ferocity of global competition and changes in Japan’s demographic makeup. Given this environment, the “2015 Revision of the Japan Revitalization Strategy” incorporates the following measures designed to ensure that the people benefit from high-quality employment and stable

incomes, at the same time as achieving an improvement in corporate productivity.

1) Implementing and achieving reforms of working styles

While robustly promoting efforts to prevent overwork, steps will be taken to ensure the early establishment of a bill for partial amendment of the Labor Standards Act and other legislation, and a “globally top-level employment environment and ways of working” will be achieved.

2) Enhancing the capabilities of human resources that will sustain Japan in the future

A “Self Career Dock (tentative name)” will be established to create an environment in which working individuals can acquire the habit of thinking subjectively about their own careers.

3) Creating a highly transparent dispute resolution system, etc.

A medium for discussion aimed at defining the nature of a highly transparent dispute resolution system will be launched immediately and studies will be promoted. Then, having reached a conclusion, the requisite institutional measures will be devised via deliberation by the Labor Policy Council.

4) Promoting active participation by the elderly

In order to develop a social environment where older persons with motivation to work can harness their abilities and experience and continue to be actively employed for the whole of their lives regardless of their age, steps will be taken to dramatically improve and strengthen job matching functions as well as diverse employment opportunities for the elderly.

5) Promoting active participation by women

As well as promoting efforts to improve companies’ employment management with a view to correcting prolonged working hours, efforts aimed at introducing diverse regular employment, telework, short-hour regular employment and other flexible employment formats will be promoted.

6) Utilizing foreign human resources

Efforts will continue to be enhanced so that highly skilled foreign human resources and international students will positively choose to come and work

in Japan.

## Employment Insurance System

The employment insurance system is intended to stabilize workers’ living circumstances during times of unemployment and to encourage the unemployed to quickly find reemployment. It functions as an important employment safety net, and the number of insured persons and persons receiving benefits respectively averaged 39,970,000 and 480,000 in FY2014.

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

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

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

## Support System for Job Seekers

The Support System for Job Seekers was introduced in October 2011 as a new safety net for

job seekers who are not eligible for unemployment benefits (specific job seekers), due to the growing need to support these people. Under the system, specific job seekers are given opportunities to attend publicly provided vocational training (job seeker support training or public vocational training). They may also receive vocational training benefits to support their lives during the training period, provided they meet certain conditions on income, assets, etc. Of the above training types, job seeker support training consists of a “Basic Course” for learning the basic skills common to many professions, and a “Practical Course” for learning all the practical skills needed to perform a specific profession.

Hello Work offices provide career consultation for jobseekers and give introductions to appropriate

training. They also offer finely detailed employment support including a system of personal support managers wherever necessary. This continues throughout the training period as well as after completion of the training, based on employment support plans tuned to the situation of each individual jobseeker.

Training institutions offer career advice based on Job Cards as well as employment support in collaboration with Hello Work, such as using information on vacancies and employment interviews received from Hello Work.

As of May 31st, 2015, some 287,000 persons had undergone training since the system was introduced in October 2011.



## 2 Employment Measures for Young People

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

### Major Employment Measures Aimed at Young People in FY2015

#### 1. Employment support for new and recent graduates

##### 1) Comprehensive support from job placement to establishment in the workplace

“New Graduates Support Hello Work” offices (in 57 locations as of FY2015), specializing in both new and recent graduates, use a national network of job vacancy information to offer vocational counseling and job introductions, as well as holding job placement support seminars and interview sessions.

“Job supporters” are counselors who specialize in supporting students and recent graduates. They are allocated to consultation counters for students at New Graduates Support Hello Work and Hello Work, where they give individual counseling based on a personal employment manager system, provide comprehensive support up to introducing job vacancies and other job placement, and also go out to schools for counseling sessions in collaboration with universities and others.

Besides these, since FY2014, consultation counters offering support for workplace establishment after job placement (among others) have been set up, providing comprehensive support from job placement activities until establishment in the workplace.

##### 2) The “Young Worker Support Declaration” Project

PR and other efforts are positively undertaken for “Young Worker Support Declaration Companies” – small and medium-sized enterprises that actively hire and train young people (under 35 years old) and publish corporate and hiring information in greater detail than ordinary job vacancy information.

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

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

a. For “freeters” and others who wish to take up regular employment, comprehensive support from vocational counseling and job introductions to establishment in the workplace is provided using a personal employment support manager system.

b. Since FY2012, “Young Hello Work” (28 locations as of FY2015), “Young Support Corners” and others have been set up as support centers in many areas with particularly high populations of freeters (212 locations as of FY2015). Among other services, these provide pre-consultation upon initial use, preparation of employment plans aimed at hiring as regular employees, vocational guidance and introductions, and employment support seminars for freeters.

##### 2) Implementing meticulous employment support at Job Cafes

“Job Cafes” operated by prefectural authorities are centers that provide one-stop employment-related services for young people. They offer aptitude assessment, counseling, seminars and other services in accordance with local circumstances. (110 locations in 46 prefectures as

of FY2015)

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

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

3. **Enhancement of vocational independence support for NEETs and other young people**  
“Regional Youth Support Station” project

Regional Youth Support Stations will be set up all over the country as bases for employment support of NEETs and other young people. Among other services, these will provide expert advice and workplace experience designed to build vocational independence, and support for

workplace establishment and upgrading after taking up employment.

#### 4. Preparation of legislation

“Draft Act for the Promotion of Youth Employment”

To create an environment in which the young people who will shoulder the next generation can improve their vocational ability while gathering experience in stable employment situations and tackle their work with motivation, Act for the Promotion of Youth Employment was submitted to the Diet in September 2015. Going under the full title of the “Act for Partial Amendment of the Youth Labor Welfare Act, etc.”, this legislation will comprehensively establish measures and others to assist young people in choosing suitable occupations and in developing and improving their vocational ability.

## 3 Policies Designed to Secure Employment for Older and Disabled Workers

### Measures for Older Workers

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

The “Japan Revitalization Strategy” (Cabinet Decision of June 24, 2014) sets out the policy of promoting the active social participation of older persons with a view to achieving an ageless society. Moreover, it sets forth the target of achieving a labor force participation rate of 65% among those aged 60-64 by 2020.

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

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

comprehensively promoted, with a particular focus on the following measures.

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

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

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

## Figure V-1 Outline of the “Act to Partially Amend the Act on Stabilization of Employment of Elderly Persons”

Approved by the Diet on August 29th, 2012

Given Japan’s rapidly aging population and low birth rate, it is necessary to promote the employment of everyone who is capable of working—including the young, women, the elderly and persons with disabilities—and to materialize a society in which everyone who supports that society can participate. As a measure to promote employment of the elderly, this Act implements some necessary amendments such as removing the provision regarding criteria set by employers on eligibility for the continued employment system and enhancing measures to secure elderly employment.

### 1. Abolition of schemes excluding some employees from coverage under continued employment systems

- The Act abolishes schemes that allow employers to exclude some of their employees from coverage under continued employment systems based on criteria established through labor-management agreements. This ensures that all employees who wish to remain employed after retirement age are covered by continued employment systems.

### 2. Expansion of the scope of companies employing persons covered by continued employment systems

- The Act establishes a scheme that expands the scope of companies employing persons covered by continued employment systems to include group companies.

### 3. Introduction of a provision to announce the name of companies in breach of obligation

- The Act establishes a provision whereby the names of companies are announced if they do not comply with recommendations regarding the obligation for measures to secure elderly employment.

### 4. Formulation of guidelines on the implementation and operation of measures to secure elderly employment (as amended by the Lower House)

- The Act establishes grounds for guidelines on the implementation and operation of measures by employers to secure elderly employment.

### 5. Others

- The Act establishes a 12-year transitional measure allowing employers to continue applying criteria set for employees who have reached the age of eligibility for employee pensions (earnings-related component), and arranges other necessary provisions.

Date of effectuation: April 1, 2013

## Figure V-2 Abolition of Schemes excluding Some Employees from Continued Employment Systems

- The current system of elderly employment under the Act on Stabilization of Employment of Elderly Persons prohibits the setting of a mandatory retirement age lower than 60 (Article 8 of the Act).
- An amendment to the Act in 2004 already obliges employers that have set a mandatory retirement age lower than 65 to introduce one of the following measures (measures to secure elderly employment) in order to secure employment until the age of 65 (Article 9 of the Act).

- (i) Raise the mandatory retirement age.
- (ii) Introduce a continued employment system. (Some workers who wish to remain in employment may be excluded if criteria have been established under a labor-management agreement.)
- (i) Abolish the mandatory retirement age.

**Underlined part abolished from April 2013 (2012 Amendment)**

**Implementation of one of these measures is already obligatory.**

\* Companies are obliged to adopt one of these measures as their system; they are not obliged to employ each individual worker.

\* Raising the mandatory retirement age is not obligatory

- Percentage of companies that have introduced measures to secure elderly employment: 97.3%
- Percentage of all employees who, having reached the mandatory retirement age in the last year (approx. 430,000 employees), quit their jobs as they did not meet the criteria: 1.6% (approx. 6,800 employees)  
(In both cases, figures were aggregated from companies with 31 or more employees. As of June 1, 2012)

## Support and Promotion of Reemployment of Middle-aged and Older Workers

Guidance is available for employers when preparing job cards for elderly job-seekers, while trial employment incentives are paid to businesses employing middle-aged, older and other workers on a fixed-term trial basis. Measures are also available to assist employers in accepting elderly and other workers who would otherwise have difficulty in finding work, through introductions from Public Employment Security Offices, etc. Meanwhile, to prepare an employment environment for promoting the active participation of older persons, support is available for employers who undertake measures such as creating workplaces or jobs for older persons by moving into new business sectors, etc., introducing or improving machinery and equipment, working methods or environments, and developing systems of employment management. The conditions and content of support from employers operating in specific sectors where there are labor power shortages have been expanded from FY2015.

Meanwhile, the main Public Employment Security Offices also offer employment support and other services through support teams for older persons looking for work, including vocational counseling, job introductions and support for re-design of

vocational lives.

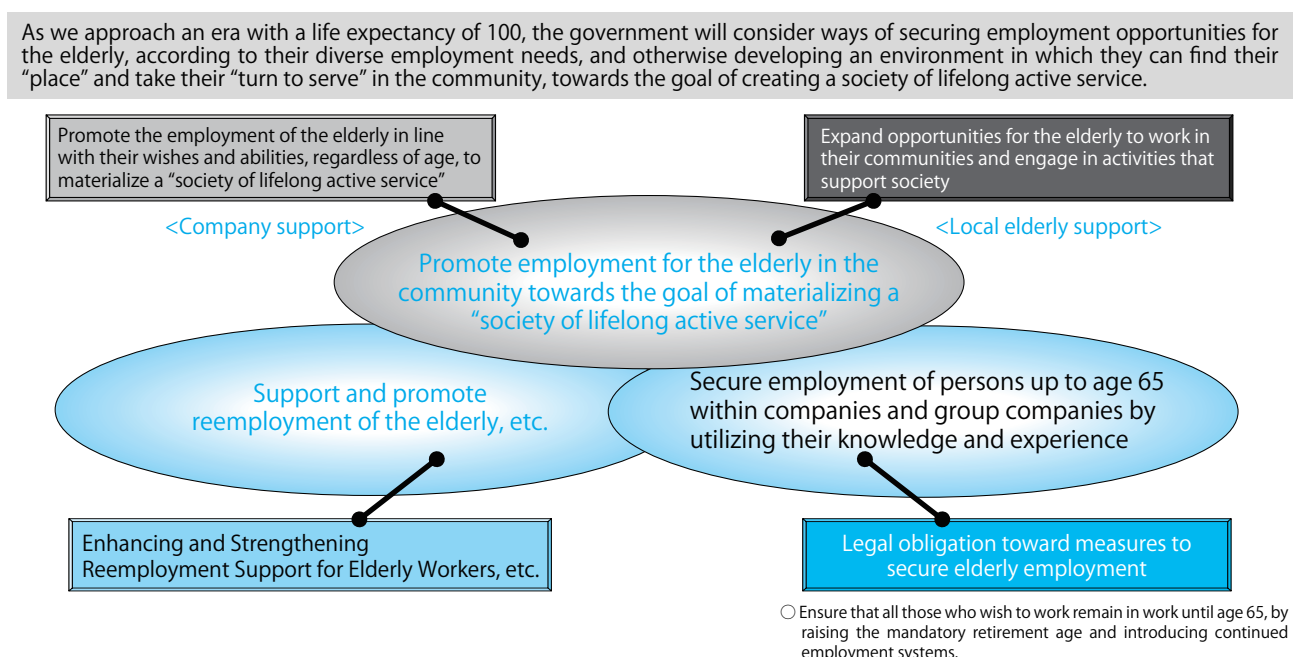
Besides the above, the Senior Work Program project is implemented in cooperation with employers' organizations and public employment security organizations to support the employment of older persons. This involves an integrated package including skill training, interview sessions, and follow-up based on the premise of employment.

## Promotion of Diverse Employment and Social Involvement of Older People

The Silver Human Resource Center Program is being promoted to provide convenient community-based temporary and short-term job opportunities to suit older people's needs (As of March 31, 2015, there were 1,272 centers with approximately 720,000 members).

As well as supporting projects undertaken by Silver Human Resource Centers in cooperation with local government authorities, support is also available for efforts such as ensuring the provision of safe and appropriate employment, expanding employment opportunities and expanding occupational fields, so that members of the various Silver Human Resource Centers may work with reassurance in nearby local communities.

**Figure V-3 Structure of Measures for Elderly Employment**



## Figure V-4 FY2015 Scheme of Measures for Employment of Elderly Workers (Draft)

### (1) Obligation to secure employment for elderly workers (securing employment opportunities up to age 65)

- Based on the Act on Stabilization of Employment of Elderly Persons, Hello Work and others will give public information and guidance on measures for securing employment until age 65 for all workers who wish to do so.

### (2) Enhancing and strengthening re-employment support for elderly workers (including those aged 65 and over)

- To enable elderly workers to receive re-employment support with reassurance regardless of their age, principal Hello Work offices throughout Japan will offer support for redesigning vocational lives and employment support through employment support teams, while re-employment support will be enhanced and strengthened by holding skill training courses in their local areas.
- **Implement the Comprehensive Employment Support Project for Elderly Persons**  
(Set up employment consultation sections for elderly workers in principal Hello Work offices throughout Japan, provide support for redesigning vocational lives and employment support through employment support teams, etc.)
- **Implement Senior Work Program projects**  
(Hold skill training courses, interview sessions and others in an integrated manner, in cooperation with employer organizations and public employment security organizations, etc.)
- **Pay various subsidies, including the Subsidy for Employment Development of Designated Job Seekers**  
(Subsidies for employers who employ elderly workers, among others; may also be applied to workers aged 65 and over.)

### (3) Promote employment of elderly workers to achieve an “ageless society” (efforts aimed at securing employment opportunities for the over-65s)

#### **Company support:** Promote the employment of elderly workers with a view to materializing an “ageless society” in which people can work in accordance with their motivation and abilities regardless of age

- Steps will be taken to enhance support aimed at increasing the number of companies where people can work regardless of age, and to foster social momentum toward the materialization of an ageless society.
- **Implement the Ageless Society Materialization Project (project to build lifelong active employment systems by industry) (Expanded project)**  
(Take steps to foster local momentum by creating manuals on introducing lifelong active employment systems in industrial organizations, etc.)
- **Pay the subsidy for employment security of elderly workers (Expanded project)**  
(A subsidy for employers who develop employment environments for elderly workers; for employers in the construction industry and other sectors where there are manpower shortages, the amount paid per person will be expanded.)
- **Consultation and assistance for employers to materialize the creation of workplaces where people can work regardless of age** (e.g. Elderly worker employment advisers of the Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers (JEED) provide priority support aimed at materializing an ageless society.)
- **Enforcement of the Special Measures Act on Fixed-Term Workers Who Have Specialist Knowledge, etc. (New project)**  
(Creation of special exceptions to the rule on conversion to open-ended contracts in the Labor Contract Act for elderly persons who continue to be employed after statutory retirement age)

#### **Support for elderly workers in the community:** Expand opportunities for elderly workers to work in their communities and engage in activities that support society

- With a view to materializing an ageless society in which elderly workers will be active as supporters of society, opportunities for active participation in line with diverse needs will be secured by expanding employment opportunities utilizing Silver Human Resource Centers, and developing systems of matching elderly workers in the community with opportunities for employment and social participation, etc.
- **Promote the Silver Human Resource Center project (Expanded project)**  
(Expand the activity range of Silver Human Resource Centers, with focus on sectors where active working generations are supported, such as childcare support and housework support, and sectors where there is a shortage of labor power.)
- **Implement the Ageless Society Materialization Project (project to develop the environment for materializing the ageless society)**  
(Hold occupational life design seminars for elderly workers)

## The Current Status of the Employment of Persons with Disabilities

With regard to the employment of persons with disabilities, one can see that there has been further progress, with the actual employment rate amongst private-sector companies recording a record high for the eleventh year in succession, reaching 1.82% (up from 1.76% in the previous year) as of June 1, 2014. There has been particularly remarkable progress in the employment of persons with disabilities at large companies (those with at least 1,000 employees), at which the actual employment rate is 2.05%, higher than the statutory employment rate (2.0%). Moreover, the number of cases of employment gained through Hello Work employment offices in FY2014 grew significantly from the FY2013 level of 77,883 cases, reaching an all-time high of 84,602 cases.

## Employment Measures for Persons with Disabilities

Employment measures for persons with disabilities have been developed to enable them to work in places of employment as far as possible, in accordance with their aptitudes and abilities, and to participate in society through their workplaces. These measures are based on the “(Third) Basic Plan for the Disabled” (FY2013-FY2017) provided under the Basic Act for Persons with Disabilities as well as the “Act on Employment Promotion, etc. of Persons with Disabilities” and the “Fundamental Policy for Employment Measures for Persons with Disabilities” (FY2014-FY2017) based on the Act, among others.

In future, employment support for persons with mental disabilities, etc., will need to be strengthened in line with the nature of their disability. Support measures with emphasis on small and medium enterprises will need to be promoted, as well as a shift to “employment” from “welfare”, “education” and “medical treatment” by relevant local organizations and others.

## Employment Quota System for Disabled Persons and Levy and Grant System for Employing Persons with Disabilities

The Act for Employment Promotion, etc. of the Disabled stipulates that quotas be established for the

hiring of the physically and or intellectually disabled, specifying the percentage of a company’s workforce to be occupied by persons with disabilities. Business owners are required to hire persons with disabilities in numbers equivalent to or greater than the legally mandated quota. From April 2006, moreover, persons with mental disabilities (those holding a Health Welfare Handbook for Persons with Mental Disabilities) are included in the employment quotas of companies. In addition, under the amended Act on the Promotion of the Employment of Disabled Persons promulgated in June 2013, persons with mental illness are to be added to the basis for calculating statutory employment rates from FY2018 onwards.

The current statutory employment rate is 2.0% among private-sector companies (with government-affiliated corporations having a rate of 2.3%), and 2.3% among the national government and local government bodies (with boards of education having a rate of 2.2%).

Public Employment Security Offices promote the employment of persons with disabilities by directing the following to submit a hiring plan: (1) business owners whose hiring practices fall significantly below the quota, (2) business owners who need to meet the quota by hiring a large number of persons with disabilities, and (3) business owners in the private sector who plan to hire a large number of workers in the future. A warning is issued to any business owner who does not implement a submitted plan.

The Levy and Grant System for Employing Persons with Disabilities was established to ease the economic burden on business owners who hire persons with disabilities, and to increase job opportunities for the disabled. Levies (50,000 yen) are collected from companies that fail to fulfill the employment quota, and distributed as compensatory payments (27,000 yen) and bonuses (21,000 yen) to companies that employ more physically or intellectually disabled persons than the quota. A number of grants are also awarded to encourage the hiring of the disabled. By informing business owners of these requirements and dispensing grants, we seek to stabilize employment of persons with disabilities and maximize their employment opportunities.

## **Response to the Convention on the Rights of Persons with Disabilities**

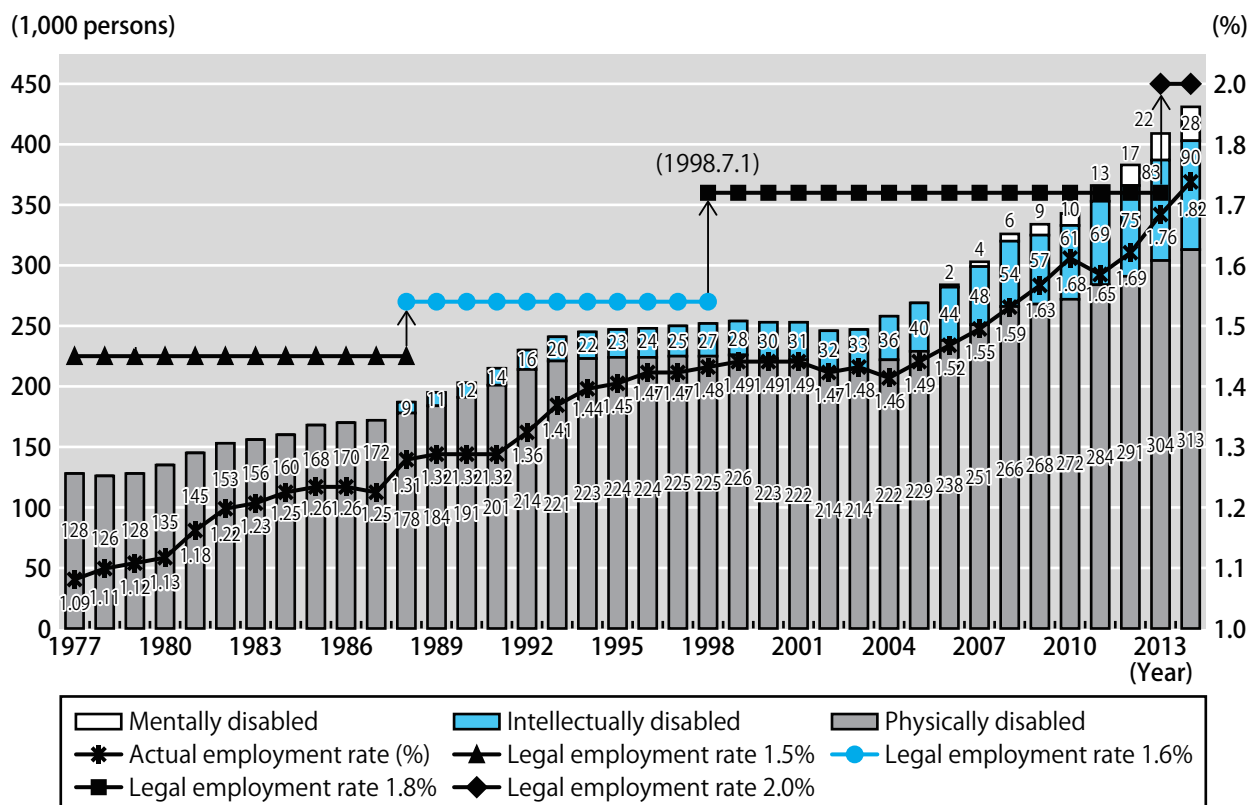
The government has conducted reviews aimed at promoting integrated reforms of Japan's system for persons with disabilities, starting with the development of domestic legislation needed to ratify the Convention on the Rights of Persons with Disabilities. In this regard, the Act on the Promotion of the Employment of Disabled Persons was amended in June 2013, enabling the Ministry of Health, Labour and Welfare to address issues such as prohibiting discrimination against persons with disabilities and ensuring the provision of reasonable accommodation in the sectors of employment and labor. Specifically, the amendment includes provisions prohibiting discrimination against persons with disabilities and obliging employers to provide reasonable

accommodation in the employment sector.

The specific content of provisions prohibiting discrimination against persons with disabilities, etc., was studied by the Subcommittee on Disabled Employment from September 2014. As a result, reports were delivered on two related inquiries ("Guidelines for employers to cope appropriately with matters prescribed in provisions on prohibiting discrimination against persons with disabilities (draft)" and "Guidelines on measures to be taken by employers to guarantee equal opportunities and treatment for persons with and without disabilities in the field of employment, and to improve situations that hinder the effective exercise of abilities by workers with disabilities (draft)) on March 2, 2015, and these were published on the March 25.



**Figure V-5 Employment Situation for Disabled Persons at Private Enterprise**  
Trends in employment rate and number of disabled workers



Source: Reports on Employment Situation for Disabled Persons, Ministry of Health, Labour and Welfare

Notes:

- 1) Figures show total numbers in companies obliged to employ (until FY2012: companies with 56 or more employees; from FY2013 onwards: companies with 50 or more employees).
- 2) Persons with disabilities are the total of those listed below.
  - -1987 Physically disabled (those with severe physical disabilities counted twice)
  - 1988-1992 Physically disabled (those with severe physical disabilities counted twice)  
Intellectual disabled
  - 1993- Physically disabled (those with severe physical disabilities counted twice)  
Intellectual disabled (those with severe intellectual disabilities counted twice)  
Part-time workers with severe physical disabilities  
Part-time workers with severe intellectual disabilities
  - 2006- Mentally disabled (part-time workers with mental disabilities counted half)
  - 2011- Part-time workers with physical disabilities (counted half)  
Part-time workers with intellectual disabilities (counted half)  
Part-time workers with mental disabilities (counted half)

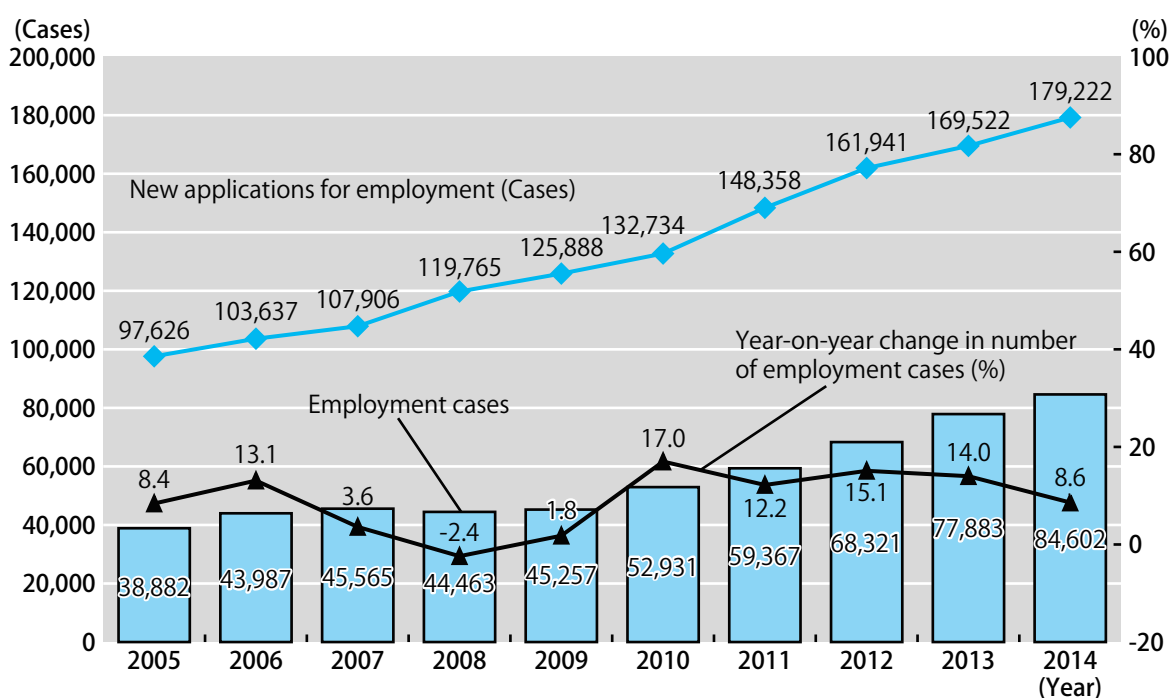
**Table V-6 Situation of Employment Placement of Persons with Disabilities at Public Employment Security Offices**

(Cases, persons, %, % points)

Year	1) Number of new applications for employment		2) Number of valid applicants for employment		3) Number of employment cases		4) Employment rate <3)/1)>	
		Year-on-year change		Year-on-year change		Year-on-year change		Year-on-year change
2005	97,626	4.8	146,679	- 4.7	38,882	8.4	39.8	1.3
2006	103,637	6.2	151,897	3.6	43,987	13.1	42.4	2.6
2007	107,906	4.1	140,791	- 7.3	45,565	3.6	42.2	- 0.2
2008	119,765	11.0	143,533	1.9	44,463	- 2.4	37.1	- 5.1
2009	125,888	5.1	157,892	10.0	45,257	1.8	36.0	- 1.1
2010	132,734	5.4	169,116	7.1	52,931	17.0	39.9	3.9
2011	148,358	11.8	182,535	7.9	59,367	24.9	40.0	0.1
2012	161,941	9.2	198,755	8.9	68,321	34.6	42.2	2.2
2013	169,522	4.7	207,956	4.6	77,883	14.0	45.9	3.7
2014	179,222	5.7	218,913	5.3	84,602	8.6	47.2	1.3

Source: Employment Security Services Statistics, Ministry of Health, Labour and Welfare

**Figure V-7 Changes in the Number of Employment Cases and of New Applications for Employment**



Source: Employment Security Services Statistics, Ministry of Health, Labour and Welfare

## 4 Policy on Equal Employment Opportunity between Men and Women

More than 30 years have now passed since the enactment of the Act on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment (hereinafter referred to as the “Equal Opportunity Act”) in 1985, and the intervening period has seen major advances in the development of related legislation. In 2006, the act was revised to expand the scope of prohibition of sexual discrimination (to prohibit, for example, certain forms of indirect discrimination), prohibit prejudicial treatment on the grounds of pregnancy or childbirth, etc., and require the introduction of measures to prevent sexual discrimination, and so forth. Again, in 2013, the Equal Opportunity Act Enforcement Regulations were amended to expand the scope of measures prohibited as indirect discrimination, among other changes. Guidelines on sexual harassment were also revised to reinforce the prevention of sexual harassment and action taken when it occurs, and guidelines on employment management based on courses of work, etc., were enacted for the proper and smooth operation of course-based employment management.

The proportion of women in the total labor force population has risen from 39.7% in 1985 to 42.9% in 2014, and women’s share of managerial positions (section manager level or above) has also risen from 1.4% in 1985 to 8.3% in 2014.

On the other hand, many women still leave their jobs for reasons of childbirth, child rearing, and so on, making it difficult for them to build sustainable professional careers. Moreover, a working style premised partly upon long working hours is seen mainly among male core workers, and a similar working style would be difficult for many women to achieve. In view of these facts, steps are being taken to secure substantial equality of opportunities. One way of doing so is to ensure the rigorous enforcement of the Equal Opportunity Act, which provides for the prohibition of discriminatory treatment at all stages of

employment management, among other issues. Another is to keep promoting positive action (i.e. autonomous and positive efforts by companies aiming to eliminate the disparity inevitably arising between male and female workers), as well as promoting measures to support a balance between work and home in the childrearing and nursing phases, and active involvement in vocational life by women who wish to work.

The “Japan Revitalization Strategy Revised in 2014” decided by the Cabinet in June 2014, maximizing the use of women’s abilities was taken as the core of the growth strategy. A new legal framework was to be created so that steady progress could be made toward achieving the target of “women occupying 30% of leadership positions by 2020”, thus ensuring that efforts to promote the active participation of women were not merely a transitory phenomenon.

In line with this, the Act of Promotion of Women’s Participation and Advancement in the Workplace was passed into law in August 2015. Among others, the Act specifically provides that the national government and local authorities are to make it mandatory for private businesses with 301 or more employees to

- 1) Ascertain the situation of active participation by women in their own businesses and analyze issues arising
- 2) Formulate, officially notify and publish action plans including numerical targets and details of initiatives based on the outcome of the above, and
- 3) Regularly publish information on the current status of active participation by women.

Meanwhile, private businesses with 300 or fewer employees are obliged to make efforts to this end. Toward the enforcement of the Act in April 2016, initiatives by businesses aimed at promoting women’s active participation are to be steadily accelerated.

In order to ensure compliance with the Equal

Opportunity Act, the equal employment offices in the prefectural labor bureaus established in each prefecture as local agencies of the Ministry of Health, Labour and Welfare engage in the following activities:

- 1) Active dissemination of information about the Equal Opportunity Act and provision of consultation services regarding discriminatory treatment due to sex in recruitment/hiring, assignments, promotions/demotions, education and training, uniform welfare packages, changes in job category and form of employment, encouragement to retire, mandatory retirement, dismissal, renewal of labor contracts, unfair treatment on the grounds of marriage, pregnancy or childbirth, and sexual harassment in the workplace.
- 2) Advice, guidance, and recommendations by the heads of prefectural labor bureaus and mediation by the Equal Opportunity Mediation Commission to promote the swift resolution of disputes between workers and employers regarding equal treatment, etc.
- 3) Proactive guidance based on the Equal Opportunity Act to ensure equal treatment of the sexes and monitoring of the actual state of employment management by enterprises.

Concerning unfair treatment on grounds of pregnancy or childbirth, etc., in particular, a Notice of

Interpretation clarifying the legal interpretation of unfair treatment on grounds of pregnancy or childbirth, etc., was issued in January 2015, in light of the fact that the number of consultations remains at a high level and that a related Supreme Court judgment was made in October 2014. The Notice points out that unfair treatment on grounds of pregnancy or childbirth is essentially a violation of the law, and instructed that employers who are thought to have problems in their employment management should be given active guidance on correction, etc.

With a view to securing substantial equality of treatment, meanwhile, “Guidelines for Supporting Efforts by Labor and Management Aimed at Reducing the Gender Pay Gap” and “Supporting Tools for Increase of Visibility of the Gender Gap” have been produced and distributed.

As well as encouraging companies to “notice” the need to ascertain the facts of gender disparity and make efforts internally, these support autonomous initiatives by labor and management. Specifically, for example, information disclosure on women’s active participation using the “Integrated Site on Support for Women’s Active Participation and Work-life Balance” is promoted, awards are given to companies that promote equality and work-life balance, and subsidies are paid to companies that actively engage in positive action.

## 5 Measures for Workers in Non-regular Employment (Fixed-term, Part-time, Dispatch)

### Non-regular Employment Measures

#### 1. Current status of workers in non-regular employment

Workers in non-regular employment (fixed-term contract workers, part-time workers and dispatched workers) have been in a rising trend in recent years. In 2014, the number of workers in non-regular employment reached about 19.62 million, accounting for 37.4% of all workers in the average for FY2014. This ratio is continually reaching new heights. Other problems pointed out with non-regular employment include the fact that it is unstable, wages are low, opportunities for vocational development are scarce, and safety nets are inadequate.

#### 2. Promoting non-regular employment measures

Based on this current reality, it is important to promote a shift to regular employment by non-regular workers who seek regular employment, while also developing an environment in society as a whole in which workers (both regular and non-regular) can live securely. To this end, as well as the legislative response to be discussed below, comprehensive measures are being promoted, including:

- 1) Strengthening efforts to prevent young people from quitting their jobs early, so that they do not involuntarily fall into non-regular employment at the point of access to society.
- 2) Using the systems of trial employment and job seeker support, in accordance with needs, and carrying out matching using Job Cards in Young Hello Work centers and elsewhere, with the aim of converting freeters and other non-regular workers to regular employment.
- 3) As well as creating a new Subsidy for career advancement to support career enhancement within companies in FY2013, a comprehensive package of measures is being promoted to enable young people and others who are non-regular workers to enhance or change their careers. This

includes amending the Employment Insurance Act and expanding education and training benefits for support of medium- to long-term career formation (enforced from October 1, 2014).

### Fixed-term Employment Measures

#### 1. Present situation of fixed-term contract workers

Of 55.42 million workers engaged in non-agricultural industries in 2014, 14.85 million or 26.8% were working under fixed-term contracts.

#### 2. Improved employment management of fixed-term contract workers

Problems highlighted with fixed-term contract workers include the instability of employment, disparity in conditions, etc., and the inadequacy of vocational ability development.

One of the stipulations of the Amended Labor Contract Act is that, when a fixed-term labor contract has been repeatedly renewed beyond a total of 5 years, it must be converted to an open-ended labor contract upon request from the worker. The amended Act came into full force on April 1st, 2013, and ongoing efforts are being made to publicize its purpose and content.

### Promoting Measures on Part-time Work

#### 1. Securing equal and balanced treatment based on the Part-Time Work Act

Part-time work is an easy working style for people who have limited time available for work due to childcare, nursing care or various other commitments, and may be seen as a working style that makes it easier to achieve a work-life balance. On the other hand, a certain number of people take on part-time work involuntarily because they have no access to employment opportunities as regular employees, while also, under current circumstances, they are not necessarily guaranteed remuneration befitting their work and contribution. To meet this challenge, the

“Act on Improvement, etc. of Employment Management for Part-time Workers” (hereinafter the “Part-time Work Act”) sets out to ensure equal and balanced treatment on a par with ordinary workers, in line with the situation of their working style, and to promote a conversion to ordinary workers. Through these and other measures, the aim is to create employment environments where part-time workers can more effectively manifest their abilities.

Furthermore, to promote the assurance of even more equal and balanced treatment while also achieving greater acceptability to everyone concerned, an amended Part-time Worker Act was enacted and promulgated in April 2014. The

amendment includes provisions on expanding the scope of part-time workers who must not be subjected to discriminatory treatment compared to ordinary workers, and has been in force since April 2015.

2. Initiatives aimed at securing equal and balanced treatment, etc.

Among other services, the Equal Employment Sections of Prefectural Labor Bureaus hold one-on-one counseling sessions for part-time workers and others, provide advice and support for employers, give administrative guidance based on consultation topics or scheduled business visits, and assist in resolving disputes based on reports from workers or

## Figure V-8 Outline of the Amended Part-time Work Act

(Amended Act enforced from April 1, 2015)

Among others, steps will be taken to improve part-time workers' satisfaction, secure equal and balanced treatment compared with that of regular employees, and promote conversion to regular employees, in order to create an employment environment in which part-time workers can effectively perform with their full abilities.

### 1 Obligation to issue documents and explain working conditions

- In addition to the obligation to issue documents under the Labour Standards Act, business operators are also obliged to indicate clearly any wage increases, retirement allowances and bonuses as well as advice desks by issuing documents (violation punishable by a civil fine) (Article 6).
- When hiring part-time workers, business operators are obliged to explain the content of measures taken to improve employment management (e.g. details of the wage system) (Article 14 paragraph 1).
- When requested by part-time workers, business operators are obliged to explain matters taken into account when deciding remuneration (Article 14 paragraph 2).
- Business operators are obliged to develop systems for responding to consultation from part-time workers (Article 16).

### 2 Promoting efforts to secure equal and balanced treatment

- Provision of a “basic rule for remuneration of part-time workers”, to the effect that the difference in remuneration for all part-time workers in general compared to that of regular employees must not be deemed unreasonable, taking into account the job description, the system of deploying human resources, and other circumstances (Article 8).
- Business operators are prohibited from engaging in discriminatory treatment against part-time workers with equal job descriptions to regular employees (Article 9).
  - \* “Part-time workers with equal job descriptions”: Part-time workers who have the same job description and system of human resource deployment as regular employees
- Business operators must endeavor to ensure that the treatment of other part-time workers is balanced with that of regular employees in terms of decisions on wages, the implementation of education and training, and the use of employee welfare facilities, according to their diverse working formats (Articles 10-12).

### 3 Promoting conversion to ordinary workers

- Business operators are obliged to take measures to promote conversion of part-time workers to regular employees, including making positions known to part-time workers when recruiting regular employees, giving part-time workers the opportunity to apply for positions when newly assigning regular employees, and establishing examination systems for conversion to regular employees, etc. (Article 13).

### 4 Complaint handling and dispute resolution assistance

- Business operators must endeavor to achieve voluntary resolution of complaints (Article 22).
- The Director General of the Prefectural Labour Bureau will assist in dispute resolution and establish conciliation with regard to obligatory provisions (Articles 23-26).

### 5 Ensuring effectiveness

- Gathering of reports, advice, guidance and recommendations by the Director General of the Prefectural Labour Bureau (delegated by the Minister of Health, Labour and Welfare) (Article 18 paragraph 1)
- Introduction of fines for refusal to report or falsification of reports (Article 30)
- Introduction of a system of publishing names of businesses that fail to comply with recommendations from the Minister of Health, Labour and Welfare (Article 18 paragraph 2)

\*Underlined parts were amended in the 2014 Amendment

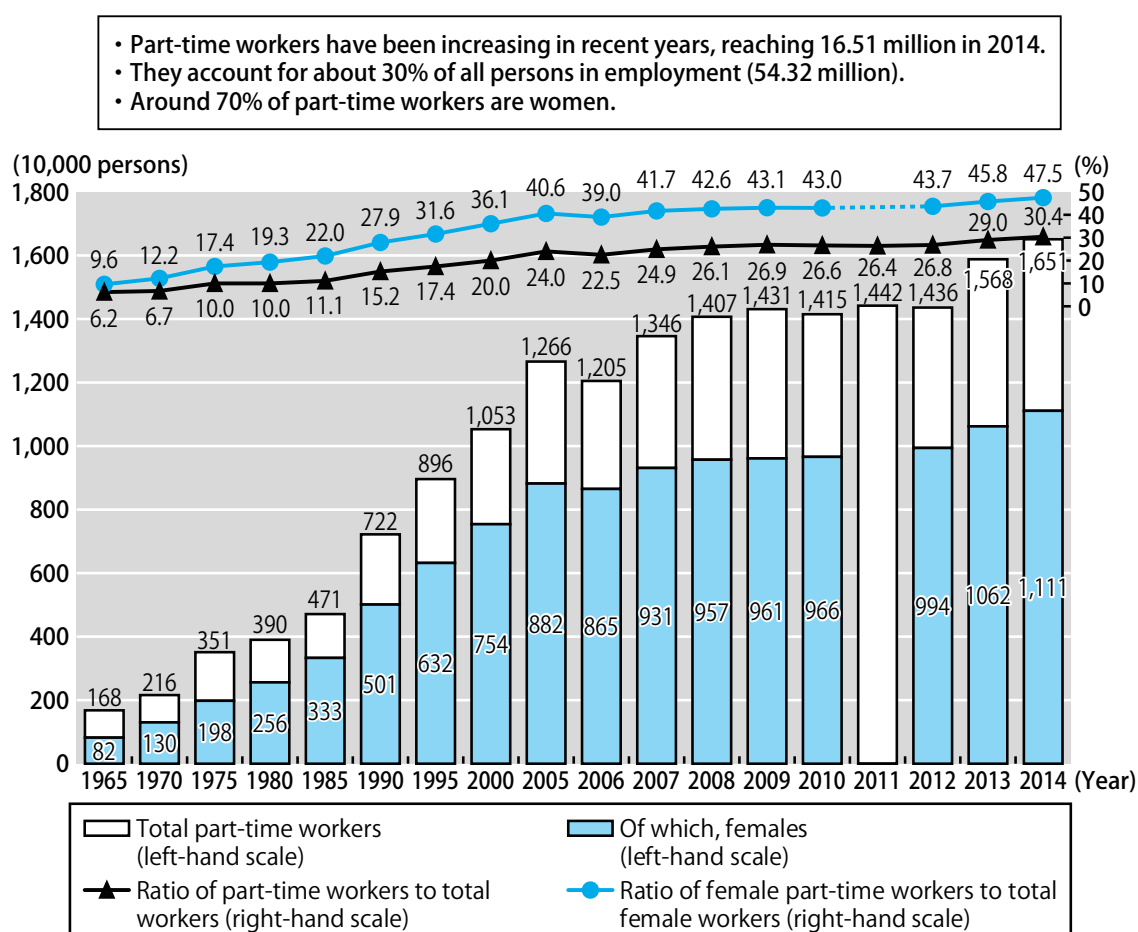
employers.

### 3. Support for employers who make efforts for equal and balanced treatment

Efforts to secure equal and balanced treatment for part-time workers are to be promoted through consultation and assistance by experts allocated to Equal Employment Sections, support for the introduction of job analysis and job evaluation by employers, use of employment management improvement manuals and subsidies, and so on.

In addition, steps are to be taken to promote independent and positive efforts by employers aimed at improving the employment management of part-time workers. For example, this could take the form of company announcements of part-time indicators for independent analysis of the present status of improvement to the employment management of part-time workers, etc., and initiatives aimed at the active use of part-time workers, as well as awards given to companies that actively engage in improving the employment management of part-time workers, etc.

**Figure V-9 Trends in Numbers of Part-time Workers**



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

Notes:

1) "Part-time workers" are persons employed in non-agricultural industries (excluding those not at work) who work less than 35 hours per week.

2) "Total part-time workers" for 2011 is a complementary estimate, and the "Ratio of part-time workers to all workers" is a reference value calculated from the complementary estimate.

As no complementary estimates have been prepared for total workers (female) or part-time workers (female), no figures are given for "Total part-time workers (of which, females)" or "Ratio of female part-time workers to total female workers".

## **Labor Measures on Dispatch Worker Dispatching and Contracting for Work**

In 1985, the Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers (the “Worker Dispatching Act”) was enacted. With this, a worker dispatching undertaking was established as a new format for employing workers at the dispatching business operator, as distinct from the labor supply businesses that had been prohibited under the Employment Security Act. At first, the application of the Act was limited to certain occupations only, in view of the level of work speciality, the special nature of employment management, and so on.

The purpose of limiting applicable occupations was out of concern that it should not encourage clients to substitute their regular workers with dispatched workers, to maintain harmony with customary employment practices in Japan.

Subsequently, applicable occupations were fundamentally deregulated in 1999, while in 2003 the period of dispatch acceptance was extended to a maximum of 3 years. At the same time, the restrictions on worker dispatching for manufacturing services were lifted and dispatched workers vastly increased.

With these trends ongoing, the sudden deterioration of the employment situation following the Lehman Shock in autumn 2008 exposed socially problematic formats such as day worker dispatching, in terms of their dismissal practices. It also revealed problems with the instability of employment under the dispatch format. Another problem highlighted was that dispatched workers did not receive treatment befitting their working situation, as, for example, their wages had remained frozen at a low rate.

In view of these circumstances, a bill for amending the Worker Dispatch Act was submitted to the Diet, with the aim of stabilizing the employment of dispatched workers and improving their treatment.

The Bill contained provisions fundamentally prohibiting day worker dispatching, obligation of consideration of equal treatment, and a deemed offer of an employment contract. After some revision, the amendment was duly enacted in March 2012 and brought into effect in October 2012. In addition, a draft amendment to the Worker Dispatch Act was submitted to the 189th ordinary session of the Diet in March 2015 and enacted and brought into effect in September 2015 with the aim of gaining greater employment stability and protection for dispatched workers, among other benefits. This would be done by setting new time limits under the rationale of making it a rule that dispatch work should be temporary and provisional in nature, and by creating schemes for improving the quality of worker dispatching undertakings, giving support for career formation including the conversion of dispatched workers to regular employees, and so on.

After the 2003 amendment, the total number of dispatched workers increased sharply to 3.81 million, or the equivalent of 1.74 million regular workers (FY2007). With the sudden deterioration of the employment situation following the Lehman Shock in autumn 2008, however, they are now in a decreasing trend. Although the number of places of business where worker dispatching undertakings are carried out remains high at 83,847, the number of client’s places of business is 817,511 and the total number of dispatched workers is around 2.52 million, equivalent to some 1.26 million regular workers (FY2013).

Although worker dispatching is now established and serves a certain function as a mechanism for adjusting labor demand and supply, it also has problems in terms of employment stability, improvement of treatment, and dealing with illegal dispatching, including dispatch clients. Efforts are being made to address these problems by strengthening guidance and supervision, revising the system, etc.



## 6 Public Job Introduction System

The basic purposes of Public Employment Security Offices, which are located in approximately 544 locations all over Japan (including branch offices), are to provide job seekers with the most suitable job opportunities according to their wishes and abilities and to introduce the most appropriate personnel to employers who are looking for employees.

The Public Employment Security Offices are connected online throughout Japan, and offer service using the Hello Work System to provide information about job vacancies and job searches immediately through computers.

In addition, in order to respond appropriately to the recently diversifying needs of users, we have strengthened our agencies by introducing service such as following measures and operations.

### Mothers' Hello Work and Mothers' Corners

"Mothers' Hello Work" offices have been set up since FY2006, while, in prefectural capitals and other regional core cities with no Mothers' Hello Work, Mothers' Corners have been set up in Hello Work offices since FY2007. As a result, reemployment support is now being provided, mainly for women raising children, in 184 support centers nationwide (as of October 1, 2015). Specifically, as well as developing an easily accessible environment even for those with children, the services on offer include detailed vocational consultation by a system of supervisors, and information on job vacancies in line with needs, for those who have already started preparing job-seeking activity and seek early reemployment. Information on nursery services is also provided in collaboration with local authorities and others.

### Hello Work Plaza

Hello Work Plazas have been established (in 16 locations as of October 1, 2015) in areas that are convenient for jobseekers, in order to provide the

careers advice and employment referral services of Hello Work, thereby enabling jobseekers to use these services effectively and promoting matching between jobseekers and available vacancies.

### New Graduate Support Hello Work

New Graduate Support Hello Work branches have been established in all prefectures (in 57 locations as of FY2015) since September 24, 2010, as specialist branches of Hello Work that are easy to use for students and recent graduates seeking work. These branches provide consistent individual support (such as providing advice on how to undertake job search activities, correcting application forms, and providing guidance concerning interviews) and various kinds of support for matching jobseekers with vacancies (such as providing information on vacancies across the country, providing employment referrals, developing vacancy opportunities, and holding various seminars) based on a system of caseworkers (called Job Supporters).

### Young Hello Work

Since FY2012, "Young Hello Work" (28 locations as of FY2015), "Young Person Support Sections" and others have been set up as support bases in areas where freeters are particularly numerous (212 locations as of FY2015). Among other services, these offer preliminary consultation on initial use, creation of employment plans with a view to regular employment, vocational counseling and introductions, and employment support seminars aimed at freeters.

### Job Banks

These undertake careers advice and employment referrals, specializing in professional and technical roles and managerial posts for those aged 40 or above, and have been established in 6 cities across the country, in order to promote the re-employment of those with specialist knowledge and skills.

### Basic Approach to Employment Measures for Foreigners

Foreign nationals entering and residing in Japan are required to have one of the residence statuses prescribed under the Immigration Control and Refugee Recognition Act (Cabinet Order No. 319 of 1951). For some of those statuses, the criteria for landing permission is specified in view of an overall consideration of “factors including but not limited to the effects on Japanese industry and public welfare”.

Article 4 of the Employment Measures Act (Act No. 132 of 1966) provides that measures to be taken by the government should include facilitating the employment in Japan of foreigners who have advanced expertise or skills, facilitating improvements in employment management and re-employment of foreigners, and preventing foreigners from engaging in illegal work. Article 28, meanwhile, prescribes that employers must endeavor to facilitate improvements in employment management or re-employment of foreign workers, and must notify their employment status. To clarify specific measures to be taken by employers in this respect, the Ministry of Health, Labour and Welfare (MHLW) has issued “Guidelines for Employers to Take Appropriate Measures concerning the Employment Management Improvement, etc. of Foreign Workers” (MHLW Public Notice No. 276 of August 2007; hereinafter “Guidelines on Foreign Workers”) based on Article 9 of the Act.

The Basic Guidelines on Employment Policy (MHLW Public Notice No. 201 of April 2014), formulated to indicate the directions for employment policy over the medium term of around the next five years, states that it will be important to support the acceptance and stable employment of highly skilled foreign professionals, with a view to revitalizing the Japanese economy and strengthening Japan’s international competitiveness. As such, the government as a whole will make efforts to improve

environments for their working and living in Japan. Also, related institutions, universities and companies are to collaborate in providing effective support for the recruitment and stable employment of foreign students who are expected to be highly skilled foreign professionals. For foreign residents including those of Japanese descent (known as “Nikkei”), meanwhile, “Promotion of Measures for Foreign Residents of Japanese Descent” (formulated in March 2014) states that steps are to be taken to assign interpreters and counselors to Hello Work offices and promote the acquisition of Japanese language skills needed for work, etc.

The “Japan Revitalization Strategy revised in 2014” (approved by the Cabinet on June 24, 2014; hereinafter “Revised Japan Revitalization Strategy”) incorporates measures for reviewing and implementing, for example, the acceptance of foreign workers in the construction and shipbuilding fields, the acceptance in Japan of employees of overseas subsidiaries and others in manufacturing industries, and support for the foreign students who have acquired national care worker qualifications to work in Japan. It is expected that human resources from overseas who have a diversity of values, experience and skills will manifest their abilities in Japan in future.

To achieve growth amid a downward trend in the labor force population in future, it will be important to secure numbers of workers and improve labor productivity. First of all, it is seen as important to enhance the skills of Japanese young people, women, older workers, etc., and to materialize a “Society where everyone participate in social activities” in which they can fully manifest their skills. To this end, expanding the scope of acceptance of unskilled and other foreign workers will need to be studied and debated, taking account of the impact on social security, education, public order and all other aspects of the national way of life, in conjunction with the

desired future image of Japan, from a medium- to long-term perspective, and based on a national consensus. In this regard, the Revised Japan Revitalization Strategy also states that “the Government will undertake comprehensive deliberations regarding approaches to the acceptance of foreign human resources in the medium- to long-term, while seeking to shape the national consensus, taking care to ensure that this is not misconstrued as an immigration policy”.

### **Present Situation regarding Foreign Workers and Issues to Address**

As stated above, making active utilization of highly skilled foreign professionals, and of foreign students who are expected to be highly skilled foreign professionals, is now an important challenge from the viewpoint of revitalizing the Japanese economy and strengthening its international competitiveness. To this end, a “Points-based System for Highly Skilled Foreign Professionals” was introduced in 2012, and preferential immigration control measures were introduced for foreign workers with certain levels of skill. As part of a drive to utilize highly skilled foreign human resources, 2,799 foreign workers had been certified under the system by February 2015. However, there are still not many companies that accept highly skilled foreign professionals in Japan, and the current situation of utilization in companies is that schemes enabling foreign nationals to manifest their particular inventiveness and high levels of expertise remain inadequate. On the other hand, there are currently more than 190,000 foreign students staying in Japan, and around 60% of them wish to take up employment in Japanese companies. In spite of that, however, only 11,647 foreign students or similar were employed by Japanese companies in 2013 (Ministry of Justice, “Employment situation of foreign students, etc., in Japanese companies, etc., in 2013”). Among the barriers to employment in Japanese companies for foreign students, there are few vacancies for foreign students, job hunting activity starts so early in Japan that it is difficult to combine study with such activity, and there is a mismatch between the human resources sought by companies and the skills of foreign

students.

Previously, Nikkei and other foreign residents could dedicate themselves to their work, because everything in their daily lives including accommodation used to be arranged through support from worker dispatch companies or contractors. At the time of the financial crisis of 2008, however, many of them simultaneously lost their jobs and their accommodation, etc., owing to a rapid deterioration of the employment situation. As a result, many started visiting Hello Work offices in areas with concentrated populations of Nikkei and others. But because many of these people had been employed in unskilled labor for a long time, with the help of interpreters and others assigned by worker dispatch companies, etc., they not only lacked Japanese language proficiency and were ill-informed about Japanese employment practices, but also had not accumulated sufficient skills. This placed them at a distinct disadvantage in terms of finding new employment. And although the economy has returned to a keynote of recovery since then, the number of cases brought for consultation remains at a high level in areas with large Nikkei populations. Moreover, there has been no change in the structure whereby many people are engaged in unstable employment, i.e. dispatch work or contracted labor, and competition with Japanese jobseekers has become another factor exacerbating the difficulty of re-employment for foreign residents. It is important that employment management in companies should be improved, as there have been cases in which these workers are not enrolled in social security due to a lack of awareness or other problem on the employer’s part, cases in which appropriate working conditions have not been secured, and so on. As such, Hello Work offices need to continue to offer guidance to employers on the content of the Guidelines on Foreign Workers.

### **Promotion of Employment of Highly Skilled Foreign Professionals, Improvement of Employment Environment for Nikkei and Other Foreign Residents, and Support in the Event of Job Loss**

Efforts to promote the employment of highly skilled foreign professionals are mainly undertaken

by Employment Service Centers for Foreigners, set up as facilities that specialize in providing vocational counseling and job introductions for these foreigners as well as guidance, assistance and other services on employment management to employers. Besides these, Hello Work offices also make positive efforts to secure job vacancies in businesses that are deemed to be able to accept foreign workers in an appropriate manner.

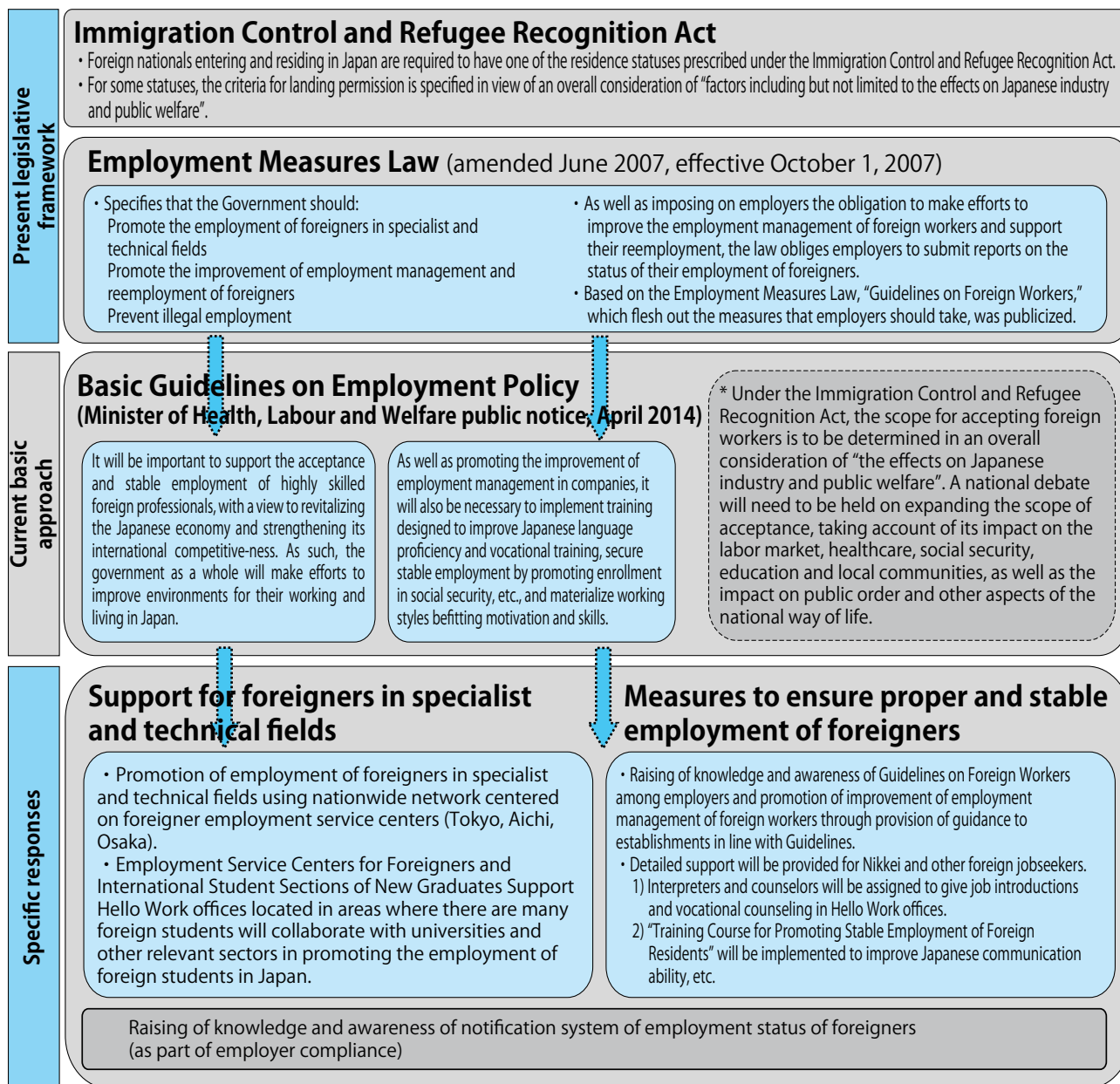
Meanwhile, given an increase in foreign students wishing to take up employment in Japan after graduating, efforts are being made to actively open up job vacancies for foreign students, provide information to foreign students on job hunting activity and employment support, and promote matching through the use of national networks. These efforts are undertaken in collaboration with New Graduates Support Hello Work offices (International Student Sections) and others, using Employment Service Centers for Foreigners as bases, with a view to steadily lead them to employment. Moreover, as well as internship programs for foreign students designed to enhance mutual understanding between foreign students and companies, further efforts are being made to promote the employment of foreign students in Japan by holding employment guidance and interview sessions.

For Nikkei and other foreign residents, interpreters are assigned to Hello Work offices, mainly in areas

where many of them have settled, while steps are taken to promote their stable employment by providing guidance and advice on career building through individual counseling, etc. to young Nikkei and others and detailed employment support through a caseworker system. Also, in order to provide detailed support to those with difficulty in finding re-employment, interpreters in Spanish, Portuguese and other languages are assigned, while Hello Work and local authorities collaborate in providing information and advice by setting up advice desks where various kinds of advice including advice on living in Japan are provided in a one-stop fashion. Furthermore, as well as providing "Training course for promoting stable employment of foreign residents" to enhance skills including Japanese language proficiency to Nikkei and other foreign residents who seek re-employment in Japan, efforts are being made, in collaboration with local authorities, to secure opportunities for vocational training that can also be attended by foreigners, thus promoting stable employment.

On employment management by companies, Hello Work offices will continue to give accurate advice and guidance based on the Guidelines on Foreign Workers, and steps will thus be taken to promote the employment of foreign workers by improving employment management in companies.

**Figure V-10 Basic Approach to Employment Measures for Foreigners**



## Charter and Action Guidelines to Promote Work-life Balance

Following deliberations by the Top-level Public/Private Council on the Work-life Balance, consisting of relevant Cabinet ministers, experts, and representatives of business, labor, and local government, a “Work-life Balance Charter” and “Action Guidelines to Promote the Work-life Balance” were established on December 18, 2007. In the years ahead, society as a whole needs to take positive action based on this Charter and Action Guidelines.

(For the text of the Charter and Action Guidelines, see the Cabinet Office website: [http://www.gender.go.jp/english\\_contents/mge/wlb/index.html](http://www.gender.go.jp/english_contents/mge/wlb/index.html))

### 1. Work-life Balance Charter

The Charter maps out the overall course of national measures, defining a society in which work and family life are balanced as “a society in which each and every citizen can work and fulfill his or her responsibilities in the workplace while enjoying a sense of worth and fulfillment and at the same time being able to choose and realize various lifestyles at each stage of life—including during parenting and in middle and old age—in regard to their lives at home and in the community.” In line with this definition, the roles of interested parties are described as follows: 1) enterprises and workers should endeavor to work together to raise productivity and take voluntary action to change mindsets and cultures in the workplace and reform ways of working; 2) citizens should consider how to balance their own work and family lives and play an active role in the home and the community; 3) the Government should take active steps to promote and support the development of social momentum, establishment of an institutional framework, and development of necessary conditions; and 4) local governments should develop innovative measures tailored to conditions in their own locals.

### 2. Action Guidelines to Promote the Work-life Balance

The Action Guidelines set forth principles for effective action by employers and workers and measures for implementation by the central and local governments. To promote voluntary action in society as a whole, 14 numerical targets are set for attainment in five and 10 years’ time, including targets for the labor force participation rates for young people, women, and older people, the proportion of employees working at least 60 hours per week, and the proportion of women remaining in employment after having their first child.

## Promotion of Measures to Assist Work-life Balance

### 1. Promotion of Reform of Working Patterns

The Ministry of Health, Labour and Welfare is taking steps to encourage voluntary efforts by labor and management to improve working time arrangements, etc. This includes reducing overtime work and encouraging employees to take annual paid leave, in line with charters and codes of conduct, with a view to achieving a balance between work and life.

More specifically, support is provided for efforts to improve working time arrangements by small and medium enterprises using the Subsidy for Promoting the Improvement of Working Time Arrangements, while the Ministry also disseminates and publicizes “Guidelines for Improvement of Working Time Arrangements”, which set out necessary matters for employers to deal appropriately with improving working time arrangements.

### 2. Promotion of Measures to Support Balance of Work and Home

Upgrading the environment to ensure that it is easy for both men and women to continue working while bringing up children or looking after elderly relatives realizes the wishes of the individual and, by

extension, leads to the maintenance and improvement of Japan's dynamism. However, if one looks at the reality of the situation, one can see that the number of women who leave their jobs when they give birth to their first child has reached approximately 60%, among whom there are quite a few who quit their jobs because it is difficult to combine work with child-rearing. Moreover, irrespective of the fact that more than 30% of men wish to take childcare leave, the proportion of men who actually take childcare leave is still only 2.03% (FY2013 Basic Survey of Gender Equality in Employment Management).

Thus, there is a situation in which it is not possible for men and women to combine work with family life, and this is believed to be a factor behind the declining birth rate. Accordingly, in the Japan Revitalization Strategy decided upon by the Cabinet in June 2013, the numerical targets were set of achieving a continued employment rate for women around the time of the birth of their first child of 55%, and a rate of taking childcare leave among men of 13% by 2020. Moreover, the Ministry of Health, Labour and Welfare is implementing the following concrete measures.

**1) Thorough publicizing of the amended Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave**

The amended Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave entered into force on June 30, 2010. This obliged employers to implement a system of short-time working for workers caring for children under the age of three and institutionalizes their exemption from working outside their normal working hours, as well as creating additional childcare leave for parents and leave for taking care of family members. Moreover, mechanisms aimed at ensuring their legal effectiveness were established.

In order to support the upgrading of the workplace environment so that both men and women can continue working while bringing up children or caring for family members, efforts are

being made to ensure implementation and thoroughly publicize this amended Act. Moreover, prefectural labor bureaus provide the requisite advice, guidance or recommendations concerning disputes between workers and employers, when their assistance in resolving these is sought by one or both of the parties involved.

**2) Promotion of measures by enterprises to support the development of the next generation**

The Act on Advancement of Measures to Support Raising Next-generation Children obliges general employers to formulate an action plan to support employees in combining work with child-rearing and to submit this to their prefectural labor bureau, as well as obliging them to advertise this and publicize it among their employees. The amendment entered into force in April 2011 and the scope of application of this obligation was expanded from companies with at least 301 regularly-employed employees to companies with at least 101 regularly-employed employees.

Moreover, enterprises that develop and implement appropriate action plans and meet certain requirements, such as attainment of their objectives, are accredited by the Minister of Health, Labour and Welfare and allowed to use the "Kurumin" mark in recognition of their family friendliness.

Although this Act was a temporary legislative measure due to expire in FY2014, the 186th Ordinary Session of the Diet debated proposals to extend the validity of the Act by a further ten years and to create a system whereby, of the accredited companies, those making particularly significant efforts and meeting certain criteria would be given exceptional accreditation (the "Platinum Kurumin" mark). These and other proposals were included in the Amended Act on Advancement of Measures to Support Raising Next-generation Children, which was passed by the Diet on April 16, 2014 and took effect from April 1, 2015.

**3) Initiatives to promote childcare leave by men**

To encourage more men to take childcare

leave, the “Ikumen Project” has been implemented since 2010. The aim of the project is to create a society in which men can more positively enjoy raising their children and in which it is easy for them to take childcare leave. The image of “Ikumen”, men who play an active role in raising their children, is being publicized through a participation-based official website and distribution of PR materials. Meanwhile, attempts are being made to highlight positive case examples through “Ikumen Company Awards” for companies that actively promote a balance between childrearing and work for men and take steps to improve their work, “Ikuboss Awards” for

managers, and others. These steps are being taken to promote initiatives aimed at supporting a balance between childrearing and work for men in companies.

#### **4) Support for development of workplaces that facilitate the work-life balance**

In addition to 1), 2) and 3) above, the Government is working to develop conditions that facilitate the balancing of work and personal life through such measures as providing various subsidies to enterprises that promote balance, encouraging the spread of “family-friendly enterprises” through the “Equality and Work-life Balance Enterprises Recognition” program.



## 9 Minimum Wage System

### Purpose of System

The minimum wage system is a system by which the Government establishes legally enforceable minimum amounts for wages that at least employers must pay workers.

The stated objective of the Minimum Wage Act (hereinafter referred to as the “Act”) is “to improve the working conditions of low-paid workers by guaranteeing minimum amounts of wages and thereby to contribute to stabilizing workers’ living, raising the quality of the labor force, and securing fair competition among undertakings, as well as to promote the sound development of the national economy”(Article 1 of the Act).

### Methods of Determination and Types of Minimum Wage

In Japan, minimum wages are determined based on investigation and deliberation by minimum wage councils. This is called the “council method”.

\*Another method of determining minimum wages, called the “expanded collective labor agreement method”, was discontinued under revisions to the Act effective from 2008.

Minimum wages are of three kinds—regional, industrial, and occupational—of which two are presently set: 1) regional minimum wages and 2) industry-specific minimum wages.

#### 1) Regional minimum wages

(All 47 prefectures had regional minimum wages in FY2015. These covered approximately 49.4 million workers, and the weighted average amount was 798 yen).

Regional minimum wages are determined at the level of each prefecture and accordingly named after the prefecture. As a rule, they apply to all workers working at establishments and all employers employing even just one worker in the prefecture concerned.

#### 2) Specific minimum wages

(There were 235 industrial minimum wages in FY2014, covering approximately 3.24million workers. The weighted average amount was 828 yen).

Almost all industrial minimum wages (235 of the total) are established for a specific industry in a given prefecture, and accordingly named after the prefecture and industry concerned. One minimum wage covers a specified industry nationwide, and is named accordingly.

Following the recommendations of the Central Minimum Wage Council dated July 29, 1981, and February 14, 1986, industrial minimum wages are established where the employers and workers concerned consider it necessary for wages to be higher than the regional minimum in order to improve working conditions and ensure fair business competition (232 “new industrial minimum wages” of this kind have so far been set).

The “former” industrial minimum wages set before these recommendations were made have not, with the exception of those replaced by new equivalents, been revised since 1989, and have been phased out as they have fallen below the regional minimum wage. Presently only three minimum wages of this kind remain.

### Standards for Determination of Minimum Wages

Minimum wages are established taking into all-round consideration three factors: 1) workers’ cost of living, 2) workers’ wages, and 3) the capacity of normal industries to pay wages. When considering the first factor, consideration is shown for consistency with measures pertaining to public assistance to enable workers to maintain the minimum standards of wholesome and cultured living (Article 9 of the Act).

### Revision of Minimum Wage Rates

Since 1978, guideline increases to regional

minimum wages have been presented every year by the Central Minimum Wage Council to the regional minimum wage councils in order to ensure consistency nationwide. The Regional Minimum Wage Councils then consider revisions to the regional minimum wage in their area based on local conditions and taking these guidelines into consideration.

Industrial minimum wages are revised after deliberation by a minimum wage council where it deems this necessary following a request by a representative of some or all workers or employers (Article 15, Paragraph 1 of the Act).

### **Expression of Minimum Wage**

Minimum wages are presently expressed in the form of an hourly rate as provided for by Article 3 of the Act (However, some industrial minimum wages are expressed as both a daily rate, as in the past, and as an hourly rate: the daily rate applies to those workers in the industries concerned who are paid a daily wage, and the hourly rate applies to those paid an hourly or monthly wage. Following the entry into

effect of the revised Act in 2008, minimum wages expressed as daily rates must also be expressed as an hourly rate when next revised). In order to determine whether the wage actually paid meets the minimum wage, therefore, the actual wage received less the allowances for dependents, etc. shown in 5 is compared with the minimum wage by the appropriate method shown below according to the mode of payment of wages (Article 2 of the Rules).

1) Hourly wage:

Hourly wage  $\geq$  minimum wage (hourly rate)

2) Daily wage:

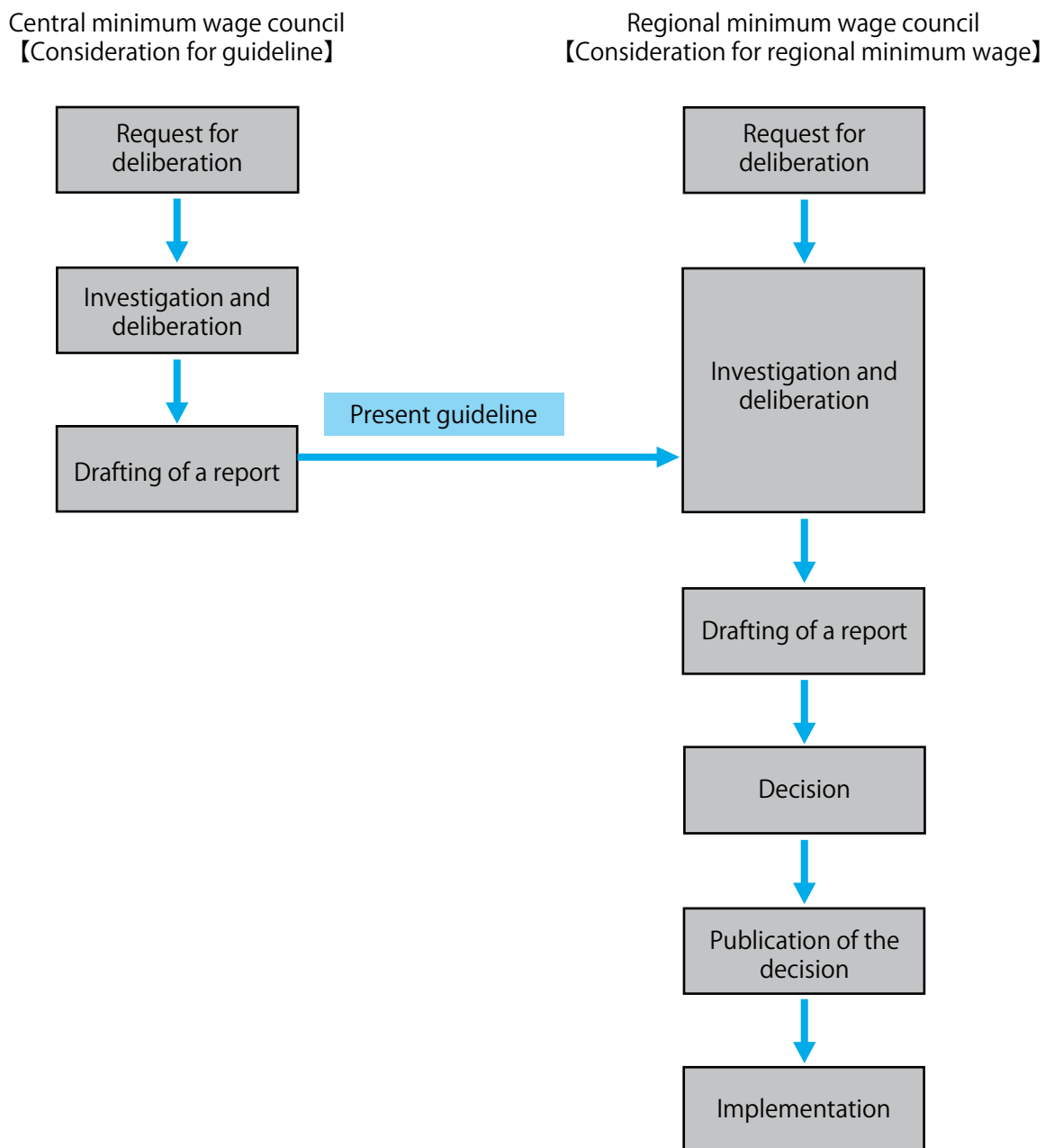
Daily wage / scheduled working hours per day  $\geq$  minimum wage (hourly rate)

(Daily wage  $\geq$  daily rate of minimum wage in the case of industrial minimum wages to which a daily rate applies)

3) Monthly wage:

Wage is converted to an amount per hour and compared with the minimum wage (hourly rate)

**Figure V-11 Methods Used to Set Minimum Wages  
(Minimum Wage Set through Minimum Wage Council Investigation and Deliberation)**



**Table V-12 Minimum Wages (Weighted National Average)**

(As of March 31, 2015, yen)

	Hourly rate
Minimum wage by prefecture	780
Minimum wage by industry	828

### Statistics on Occurrence of Industrial Accidents and International Announcement of Relevant Information

In Japan, approximately 120,000 workers every year suffer death or injury requiring a work absence of at least 4 days due to industrial accidents. Although this figure is decreasing over the long term and decreased again in 2013 after increasing for three straight years until 2012, it turned back to an increase in 2014. In terms of fatalities alone, the number in 2014 was 1,057, more than in the previous year.

Also in 2014, there were 1,902 suicides of “employees and working people” with “work problems” cited as one of the causes or motives. The Ministry of Health, Labour and Welfare regularly updates information on radiation affecting workers in the TEPCO Fukushima Daiichi Nuclear Power Plant, etc., via its English language website and other media. The Ministry also announces relevant information internationally, such as by providing information to experts in WHO, ILO and other international agencies.

### Initiatives to Prevent Industrial Accidents

The Ministry of Health, Labour and Welfare has drawn up Industrial Accident Prevention Plans every five years since 1958, and is currently promoting the “12th Industrial Accident Prevention Plan” covering the five years from April 2013 to March 2018. In the Plan, priority measures are highlighted in line with long-term accident trends and changes in social circumstances. As well as targets for reducing industrial accidents in general, numerical targets are set for each priority measure.

The priority measures highlighted in the Plan are as follows.

- 1) Prioritization of measures in line with changes in industrial accidents and work-related diseases  
Examples of priority measures: tertiary industries, land haulage business, mental health measures

- 2) Efforts to prevent accidents through collaboration and cooperation between the government, industrial accident prevention organizations, industrial bodies and others
- 3) Promotion of awareness reform by society, companies and workers in relation to safety and health
- 4) Promotion of policy measures based on scientific evidence and international trends
- 5) Strengthening of efforts by order-makers, manufacturers, and managers of facilities, etc.
- 6) Response following the Great East Japan Earthquake and the TEPCO Fukushima No. 1 Nuclear Reactor accident

### Workers' Compensation Insurance System

This government insurance system pays the necessary insurance benefits to workers to give them prompt and equitable protection against injury, illness, disability, death, etc. resulting from employment or commutation. The system also provides welfare services to injured workers to promote their smooth return to society (see Figure V-14).

#### 1. Eligibility

Any business that employs workers must participate in the Workers' Compensation Insurance System, excluding government employees (except local government part-time workers engaged in blue-collar labor). Certain businesses engaged in agriculture, forestry or fishery, and employing four or fewer workers may choose whether or not to participate in the Workers' Compensation Insurance System on a temporary basis. Additionally, special enrollment may be granted to smaller business owners and their family employees, sole proprietorships, and workers dispatched on overseas assignments. In those cases, they are entitled to receive benefits for injuries sustained at the workplace and, in some circumstances, for injuries sustained

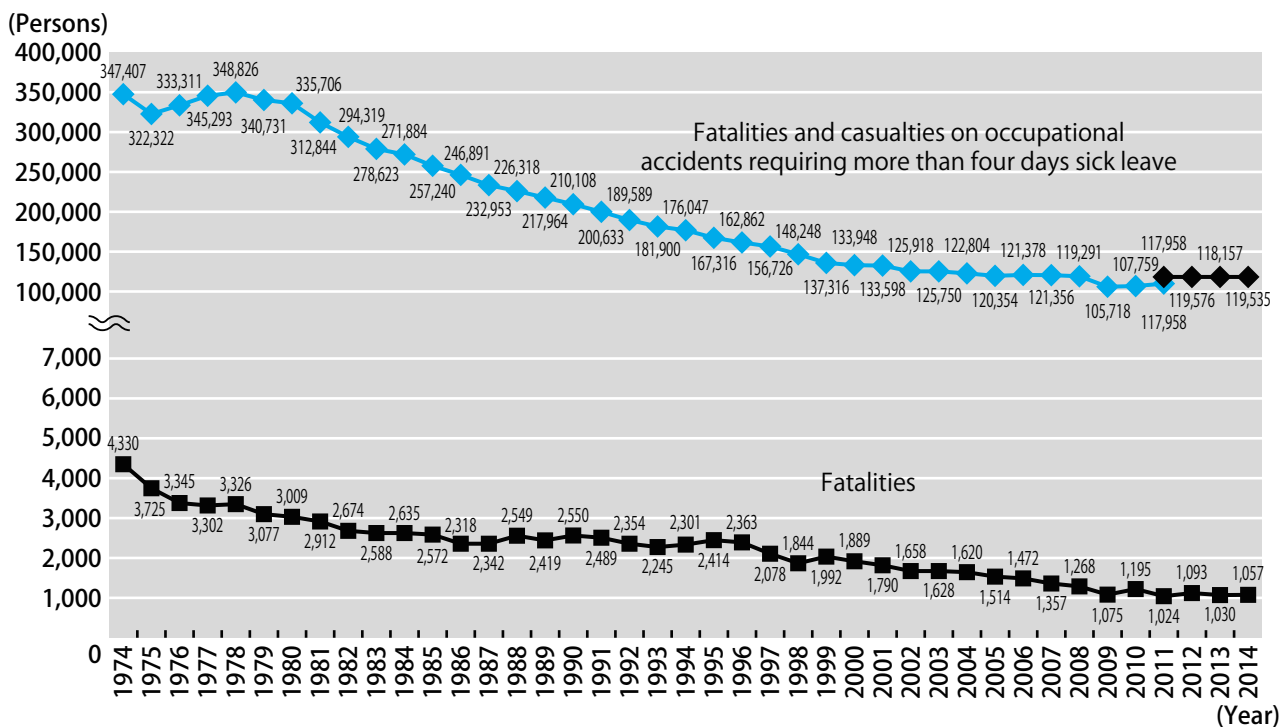
while commuting to or from the workplace.

## 2. Insurance Premiums and the Burden of Expenses

Employers are required to pay insurance premiums, which are calculated by multiplying total payable wages by the accident rate determined for each business category (2.5/1,000-88/1,000).

Companies larger than a specific size may participate in a so-called merit system, whereby premium rates or total premium (excluding those related to accidents occurring while in commute or benefits for a second physical exam) are based on relevant accident rates at each company.

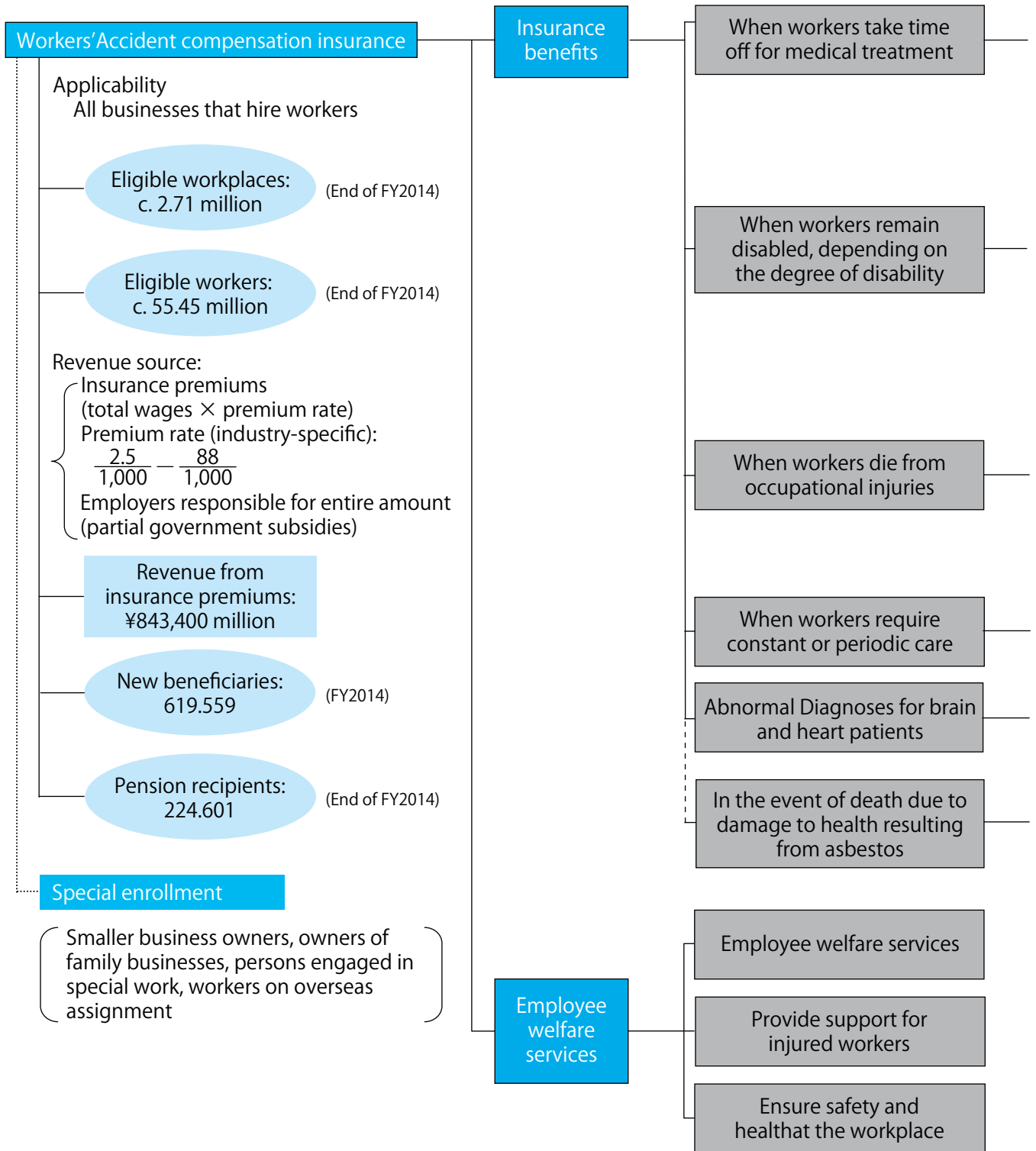
**Figure V-13 Changes in Reported Cases of Occupational Accidents**



Source: Up to 2011, compiled from data on worker's accident compensation insurance (including businesses not subject to accident insurance), workers' casualty reports, serious accident reports, and fatal accident reports.

From 2012 onwards, compiled from workers' casualty reports, serious accident reports, and fatal accident reports.

**Figure V-14 Outline of Workers' Compensation Insurance System**



Compensation for medical expenses	All medical expenses	
Compensation for missed work	60% of standard benefits per day of work missed, beginning on the fourth day of absence	} + Additional special benefits * Special benefits for missed work * Special lump-sum payments * Special pensions
Compensation for illnesses or injuries (pension)	Payment ranging from 245 (Class 3) to 313 (Class 1) days' worth of pension at standard daily rate to those who have not recovered from illnesses or injuries after 18 months of treatment	
Compensation for disabilities (pension)	Payment ranging from 131 (Class 7) to 313 (Class 1) days' worth of pension at standard daily rate	
Compensation for disabilities (lump sum)	Payment ranging from 56 (Class 14) to 503 (Class 8) days' worth of pension at standard daily rate	
Compensation to survivors (pension)	Payment ranging from 153 days to 245 days' worth of pension at standard daily rate, according to number of survivors	
Compensation to survivors (lump sum)	Lump-sum payment amounting to 1,000 days' worth of standard pension to survivors not eligible for pensions	
Compensation to Funeral expenses (Full payment)	¥315,000 + 30 days of standard compensation (minimum compensation: 60 days' worth at standard daily rate)	
Compensation for nursing care	Up to ¥104,570 for constant care and ¥52,290 for occasional care, per month	
Payment for a second medical exam	Second exam to ascertain cardio vascular or heart condition and special health guidance by a doctor	
Special pension for bereaved family members	¥2.4 million - ¥3.3 million a year, according to the number of bereaved family members	} ※
Special lump-sum benefit for bereaved family members	¥12 million yen or the amount remaining after deducting the total amount of sums paid as special pension for bereaved family members from ¥12 million, according to the bereaved family	

(Provision of artificial limbs, establishment and administration of industrial accident hospitals)  
 (Special benefits for injured workers; benefits to defray the cost of educating injured workers' children)  
 (Implementation of measures for preventing accidents at the workplace and promoting occupational medicine)

Source: Ministry of Health, Labour and Welfare

Notes: 1) Standard daily rate is calculated by dividing total wages paid to a worker during the three calendar months preceding the injury by the number of calendar days in that period (minimum compensation: ¥3,920).

2) Minimum and maximum standard daily rates for pensions and long-term (18 months) medical treatment are determined according to age group.

3) There are merit systems that increase or decrease health care rate (amount of insurance premium) according to the balance of industrial accident insurance for each business (40% for persons occupied in continual businesses, and among businesses for a definite term, 40% for persons occupied in construction business and 35% for persons occupied in logging business).

4) \*is Based on the "Act on Asbestos Health Damage Relief".

## 11 Vocational Skills Development Policy

Japan's policy on vocational skills development can be broadly divided into developing and improving vocational skills, on the one hand, and evaluating and promoting vocational skills, on the other. For these, the following six policy measures have been identified.

1. Providing opportunities for vocational training in public vocational skill development facilities, as well as private education and training institutions.
2. Using grants to promote education and training provided by private employers and others.
3. Using grants to promote self-motivated skill development by workers themselves.
4. Developing a foundation for objectively evaluating vocational skills possessed by workers, and operating a system of skill testing.
5. Utilizing "job cards" to promote individual career development and assist a diverse range of capable people in smoothly securing employment and other aspects of their careers.
6. Supporting work by NEETs and other young people.

Figure V-15 shows the ways in which public vocational training has been implemented in Japan. Graduates from school are offered mainly long-term training lasting one to two years, while unemployed workers receive mostly training of six months or less and employed workers primarily receive short-term training of only a few days. By act, vocational training is offered to those changing occupations (and currently unemployed) and the physically disabled free of charge, but the cost of texts and other materials is borne by trainees. Some training courses for those changing occupations (and currently unemployed) are entrusted to private sector education and training institutions. Training subjects taught at public human resources development facilities are mostly vocational and technical subjects for industries

such as manufacturing and construction, but among the training commissioned to the private sector, courses are established in various subjects like computers and social welfare. Short-term vocational training for the employed is implemented based on the needs of employers or employers' associations of the region.

The Polytechnic University, a public vocational capacity development university, provides training and education to cultivate public vocational training instructors and develops textbooks for that purpose.

Figure V-16 shows how private-sector education and training are promoted. In particular, career development promotion grants assist employers, employers' organizations, etc., with part of the wages and costs incurred when providing education, training, and other services for their workers based on internal vocational ability development plans. Under the Subsidy for Career Advancement (Human Resource Development Course), meanwhile, employers who implement or support vocational training to promote internal career advancement and others by so-called non-regular workers (i.e. fixed-term contract workers, part-time workers and dispatch workers) will receive subsidies including the costs incurred for training, etc., and part of the wages paid during the training period. The aim of this is to encourage effective career formation for workers within companies. Career development promotion grants and subsidies for career advancement (Human Resource Development Course) are funded by two programs established as separate from unemployment insurance within the employment insurance system. They are characterized in that funds levied broadly from employers are broadly returned to employers as grants for education and training.

Assistance with self-development is provided by the education and training benefits scheme for general education and training introduced in December 1998. With this, persons who have been enrolled in



employment insurance for at least 3 years (or at least 1 year in the first instance) are subsidized for an amount equivalent to 20% of the cost of attending and completing an education and training course designated by the Minister of Health, Labour and Welfare, up to a maximum of 100,000 yen. Meanwhile, an education and training benefits scheme for specialist practical education and training was introduced in October 2014. Now, workers who have been enrolled in employment insurance for at least 10 years (or at least 2 years in the first instance) and who attend specialist and practical education and training courses designated by the Minister of Health, Labour and Welfare (Specialist Practical Education and Training) can be subsidized for an amount equivalent to 40% of the cost of course attendance, up to a maximum of 320,000 yen per year (with an additional amount equivalent to 20% for those who have obtained qualifications, etc., up to a maximum of 160,000 yen).

In October 2015, the scheme was applicable to 9,865 courses at 1,902 general education and training facilities, and was available for numerous courses ranging from those designed for computer-related qualifications and bookkeeping examinations to training for entry-level careworkers. In specialist practical education and training, 1,839 courses at 891 institutions were eligible for the scheme. These includes 1,087 courses aimed at qualifications for specific vocations or job titles such as nurse, careworker or childminder, 680 specialist courses in occupational practice such as commercial practice and information at specialized training colleges, and 72 courses for MBA, MOT and others.

Measures for vocational ability evaluation implemented by the government include the formulation of vocational ability evaluation criteria as a basic tool for objectively evaluating vocational ability, and the skill test system for testing and authenticating the level of skills possessed by workers.

Vocational ability evaluation standards are used to organize and systemize the skills needed by trade and

occupation or job in four skill levels, ranging from junior staff to those responsible for organizations or divisions. They have so far been formulated for 53 trades and 9 clerical occupations. Companies are encouraged to customize these and use them, for example, when developing systems of personnel evaluation, wages and conditions, or showing workers the vocational ability required by the employer.

The National Trade Skill Test system, created in FY1959 to improve the skills and status of workers, is carried out for different categories of trades and grades. As of April 1st, 2015, it covered 128 targeted trades. The grade categories, depending on the occupation, include ① those categorized by grade (Advanced Grade, Grade 1, Grade 2, Grade 3, Basic Grade 1 and Basic Grade 2) and ② those not categorized by grade (single grade).

The “Job Card System” promotes the use of “job cards”, documents that provide clear information on the work experience and vocational abilities of workers, etc., and other details regarding how they develop and improve their vocational abilities. The job cards serve as a tool for lifelong career planning when developing lifetime career paths, and act as evidence of vocational abilities when seeking employment, etc., in turn promoting individual career development and assisting a diverse range of capable people in smoothly securing employment and other aspects of their careers.

For NEETs and other young people, networks of local young people’s support organizations are being created in collaboration with local authorities. These are being used as centers for the operation of “Regional Youth Support Stations” (known as Support Stations), which provide support to help NEETs and other young people find employment.

In FY2015, Support Stations are to be positioned within measures for employment, and links with Hello Work as bases for support of NEETs are to be strengthened. As well as this, all Regional Youth Support Stations will support workplace establishment, providing powerful support for the employment of NEETs and other young people.

## Figure V-15 Implementation Status of Public Vocational Training

1. Public Vocational Skill Development Facilities	243 colleges (as of April 1, 2015)
National (Employment and Human Resources Development Organization of Japan)	57 colleges
Polytechnic University	1 college
Prefectural	165 colleges
Municipal	1 college
Vocational Skills Development Center	19 colleges

### 2. Implementation Status of and Plans for Public Vocational Training

(Persons)

	FY2012 results	FY2013 results	FY2015 plan
Training for unemployed people	151,552	140,934	155,049
Of which, number outsourced	109,822	100,110	116,782
Organization	30,363	29,961	28,000
Of which, number outsourced	41	62	1,000
Prefectural	121,189	110,973	127,049
Of which, number outsourced	109,781	100,048	116,782
Training for employed people	103,001	102,178	126,713
Organization	49,555	50,124	57,000
Prefectural	53,446	52,054	69,713
Training for graduates	18,561	18,809	21,808
Organization	5,903	5,764	5,860
Prefectural	12,658	13,045	15,948
<b>Total</b>	<b>273,114</b>	<b>261,921</b>	<b>303,570</b>
Organization	85,821	85,849	90,860
Prefectural	187,293	176,072	212,710

Outsourced training includes outsourced training utilization-type dual systems, while training for graduates includes ordinary and specialist course utilization-type dual systems.

(Persons)

Training for disabled people	FY2012 results	FY2013 results	FY2015 plan
Training for unemployed people (within institutions)	2,192	2,164	2,995
Training for unemployed people (outsourced)	5,477	4,733	7,130
Training for employed people	442	484	1,200
<b>Total</b>	<b>8,111</b>	<b>7,381</b>	<b>11,325</b>

Source: Ministry of Health, Labour and Welfare

## Figure V-16 Overview of Support for Vocational Training at Private-sector Companies

### <Support for the Formulation of In-House Vocational Ability Development Plans>

#### ○ Support Through Vocational Ability Development Service Centers

At Vocational Ability Development Service Centers, the development of vocational abilities within companies is promoted through the services such as the following:

- Advice and guidance concerning the formulation of in-house vocational ability development plans
- Implementing training for those promoting the development of vocational abilities concerning advice and guidance regarding career formation for workers.

### <Support for the Implementation of Vocational Training>

#### ○ Support Through Subsidies for the Promotion of Career Formation

In order to effectively promote the career formation of workers within companies, subsidies will be provided to cover part of the training costs and wages during training periods of workers whose employers and employers' organizations, etc. implement vocational training with clearly-specified goals and support the independent development of their vocational abilities.

#### ○ Support based on subsidies for career advancement (human resource development course)

Employers who implement or support vocational training to promote internal career advancement and others by so-called non-regular workers (i.e. fixed-term contract workers, part-time workers and dispatch workers) will receive subsidies including the costs incurred for training, etc., and part of the wages paid during the training period.

#### ○ Support Through Accredited Vocational Training Systems

Vocational training undertaken by employers that meets the standards stipulated by the Ministry of Health, Labour and Welfare in regard to its subjects, training periods, and equipment, can be accredited as such by the governor of the relevant prefecture, based on an application for accreditation. Vocational training that has received this accreditation is called accredited vocational training, and subsidies are provided to the operators of small and medium-sized enterprises implementing such training, to cover the cost of running accredited vocational training.

## 1 The Subject of Japan's Social Security System

### Japan's Social Security System Responds to Socioeconomic Changes and Risks in Daily Life

Due to various factors, economies around the world are in a complex situation whereby economic growth is not necessarily possible in all countries. In its Economic Outlook, the Organisation for Economic Co-operation and Development (OECD) states that low-interest policies and other economic measures by the EU are underpinning growth in European economies, taking the economic growth rate in EU countries to an average of 1.8% in 2015. In Japan too, economic recovery has been achieved on the back of low-interest policies and a growth strategy based on Abenomics, resulting in a growth rate of 1% in the first quarter of 2015 (converted to real growth of 3.6% per annum). Conversely, the US economy fell to an annual growth rate of 0.2% in the first quarter of 2015, owing to the strength of the US dollar. Growth rates in China and Brazil, emerging economies that are expanding trade with the developed world, have also become unstable. In China, the target for economic growth in 2015 was reduced by 0.5% to 7% at the 2015 National People's Congress. Meanwhile, the International Monetary Fund (IMF) forecasts that Brazil's economic growth rate will be -1% in 2015.

Economic policy for business recovery by the Japanese government under complex economic conditions has caused Japan's unemployment rate to fall to a national average of 3.5%. There is significant regional disparity in this rate, however, with a spread from the smallest figure of 1.8% to the largest of

5.5%, depending on the prefecture<sup>1</sup>. This is due to the difference in employment situations between regions that have manufacturing industries, IT enterprises and other export-related industries and those that do not. Similarly, the ratio of job offers to job seekers by prefecture ranges from a low of 0.69 to a high of 1.61, exceeding 1.0 in Tokyo, Aichi and Osaka but remaining below 1.0 in many prefectures where there are no major cities. This leads to fears over an expansion of the regional population imbalance and an increase in elderly populations (even faster rate of population aging) in urban areas in future, due to a continuing trend for younger people to seek work in the cities. To address this, the government has drawn up a "Comprehensive Strategy for Vitalization of Towns, People, and Jobs" (2014), set up "Headquarters for Vitalization of Towns, People, and Jobs", and developed a system for the government as a whole to tackle efforts enabling each region to create autonomous and sustainable societies drawing on their respective characteristics.

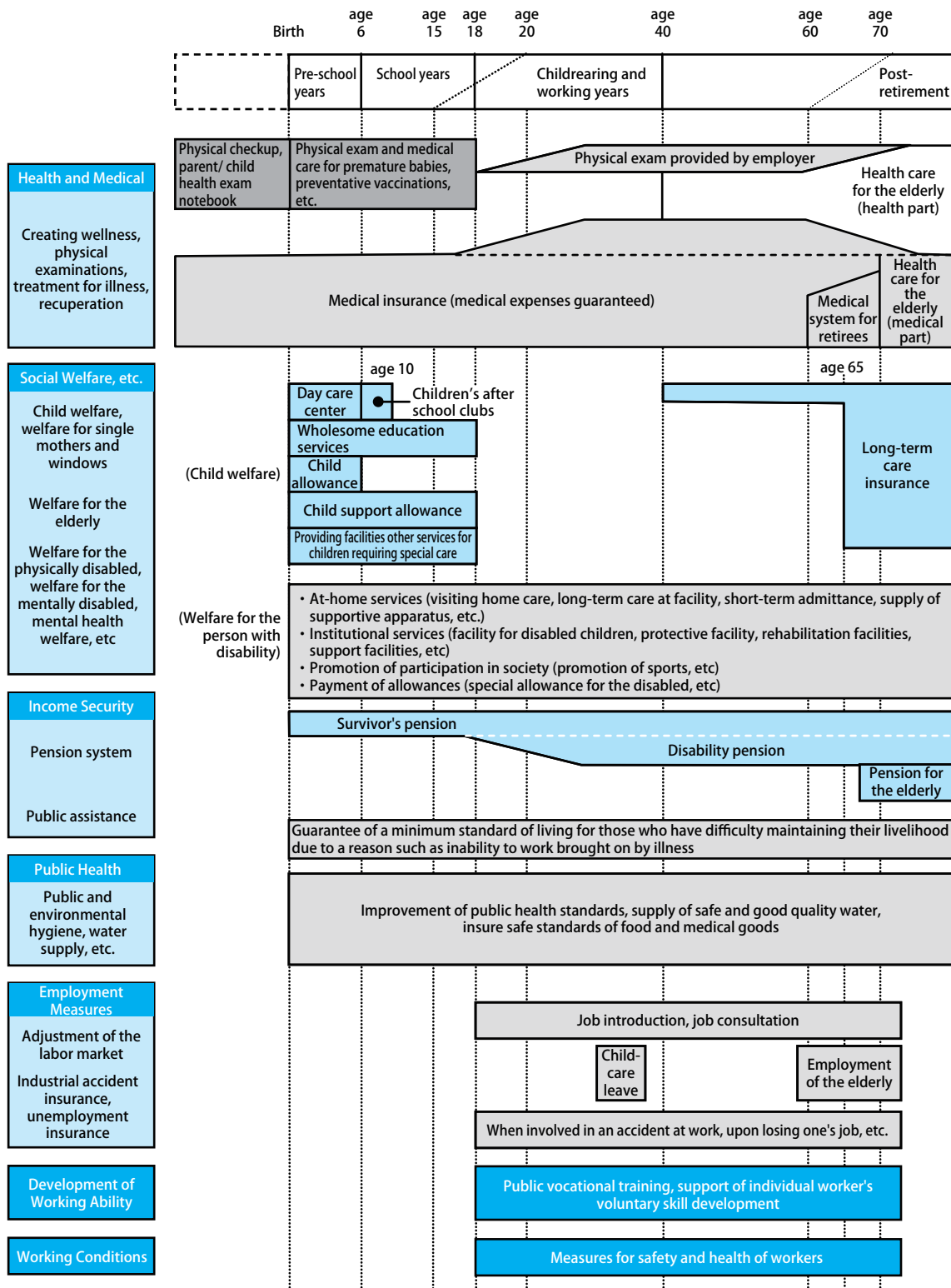
Amid this complex situation, a system of social security that guarantees people's livelihoods, based on funding from taxes and social insurance, is playing an important role in addressing the various risks that arise in people's lives, including loss of income due to unemployment or retirement, sickness, disability, etc. Japan's social security system is similar to those in Europe and the U.S. in that, to satisfy each stage of people's lives, it is composed of such elements as medical insurance, public health services, social welfare services, income maintenance, and

<sup>1</sup> Statistics Bureau, Ministry of Internal Affairs and Communications, "Labour Force Survey" (Basic Tabulation) Results by Prefecture (published May 29, 2015)

employment measures (see Figure VI-1). Of these, medical insurances, health care programs for older people, long-term care insurance and pension systems, as well as unemployment insurance and industrial accident compensation insurance are the social insurances that are mainly financed by social insurance premiums and partly subsidized by the government revenues. In contrast, welfares for the child, for single mothers and widows, for older

people, for people with disabilities, and for the poor as well as public health services are all public policies provided with funds drawn from taxes. Internationally speaking, the characteristics of long-term care insurance and health care programs for older people in Japan is that they are half funded at public expense out of tax revenues although they are included in social insurance.

**Figure VI-1 Social Security System by Life Stage**



Source: Ministry, of Health, Labour and Welfare, *Annual Reports on Health, Labour and Welfare*

## The Benefits and Cost Burden of Social Security

In order to make an international comparison on the trend of social security, the Organisation for Economic Co-operation and Development (OECD) is disclosing information on indices of social expenditure that includes pension funds, medical care and welfare for the poor, child allowance that gets transferred, social security benefits from expenditures on welfare services and expenditures such as expenses for facility development that do not get transferred directly to individuals (OECD Social Expenditure Database: SOCX). Looking at the percentage of social expenditure occupying the national income, Japan's ratio is lower than European countries, but higher than the U.S. (see upper section of Table VI-2). Furthermore, based on the figures in closely related years, the percentage of national income occupied by social security costs is low when compared with that in Germany, France, and Sweden, but higher than the U.S. and the U.K. (see lower section of Table VI-2).

Japan's expenditure on social security benefits is rising as the birthrate declines and the population ages. According to the Statistics Bureau of the Ministry of Internal Affairs and Communications, the total population of Japan including foreign nationals was 127,083,000 as of October 1, 2014, falling for the 4th straight year from its peak in 2008. By contrast, the population aged 65 and over (the "aging population") grew by 1,102,000 to 33,000,000. The ratio of the aging population to the total population

was 26.0%, while the ratio of persons aged 75 and over reached 12.5%, both of these hitting new record highs.

This progression of aging has led to an increase in the number of pension benefit recipients, and has also caused a rise in healthcare expenditure, because older generations receive 4.4 times as much in medical benefits per person as active working generations (Ministry of Health, Labour, and Welfare, *Estimates of National Medical Care Expenditure in Fiscal Year 2013*). Growth in healthcare expenditure decreased temporarily with the introduction of long-term care insurance in 2000, but a rising trend has returned since then. Besides this, the progression of aging has led to more elderly persons requiring long-term care, in line with the expanding population of elderly persons over the age of 75, and this has also caused an increase in long-term care benefits. As a consequence, the rise in expenditure on social security benefits, including pension, health care, and long-term care insurance benefits, continues (see Figure VI-3). While expenditure on benefits (especially for older people) has risen in response to population aging, expenditure on welfare-related benefits, including child welfare, continues to account for a small proportion of Japanese expenditure on social security benefits due to the insufficient expansion of childcare-related benefits compared with Scandinavia and France, despite the importance attached to reversing the decline of the birthrate (Figure VI-3).

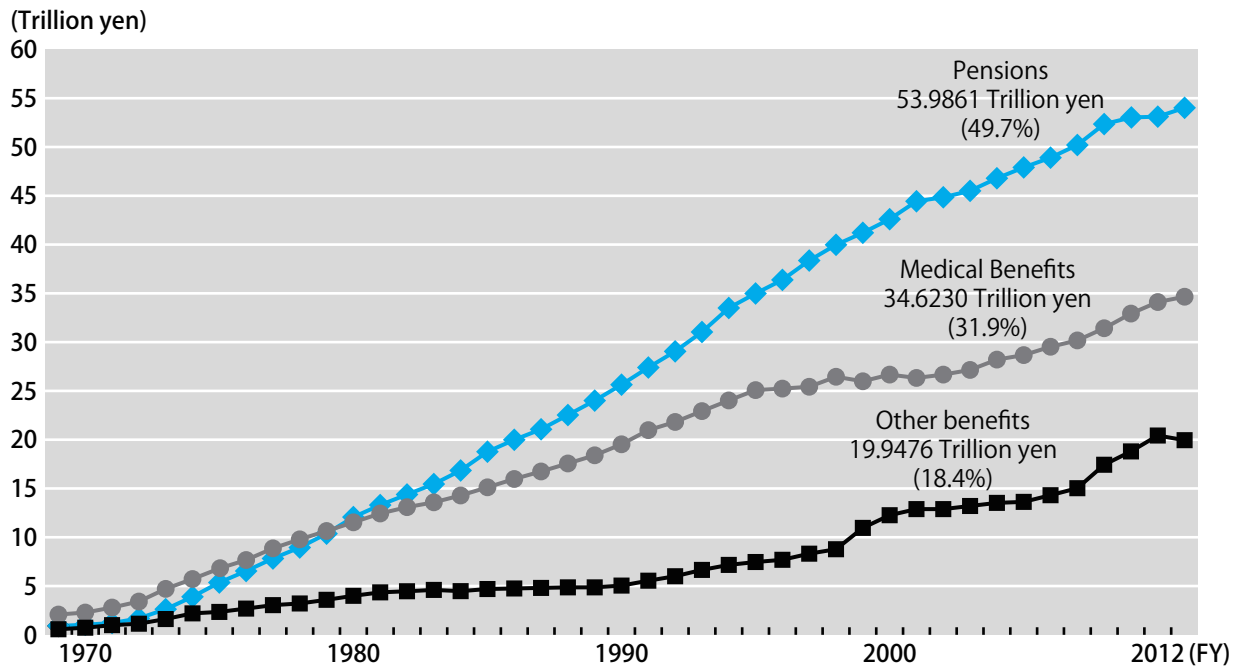
**Table VI-2 International Comparison of Social Expenditures and National Burden Ratios**

	Japan (2012)	Japan	United States	United Kingdom	Germany	Sweden	France
Social expenditure (% of national income)	23.83	23.65	19.3	23.53	26.77	27.58	31.36
Social expenditure (% of GDP)	32.11	32.09	24.34	30.57	34.74	38.27	42.14
National burden ratio (% of national income)	43.4		31.1	46.7	52.2	56.1	65.7

Sources: Ratios of social expenditure to GDP and to national income – OECD Social Expenditure Database (2014 edition) and National Institute of Population and Social Security Research, *The Financial Statistics of Social Security in Japan (FY2012)*, Table 6 International comparison of Social Expenditure (2011), based on SNA statistics

National burden ratios – Ministry of Finance, *Sourcebook of Japan's Fiscal Administration*, II-11. International Comparison of National Burden Ratios

**Figure VI-3 Changes in Social Security Benefits by Category**



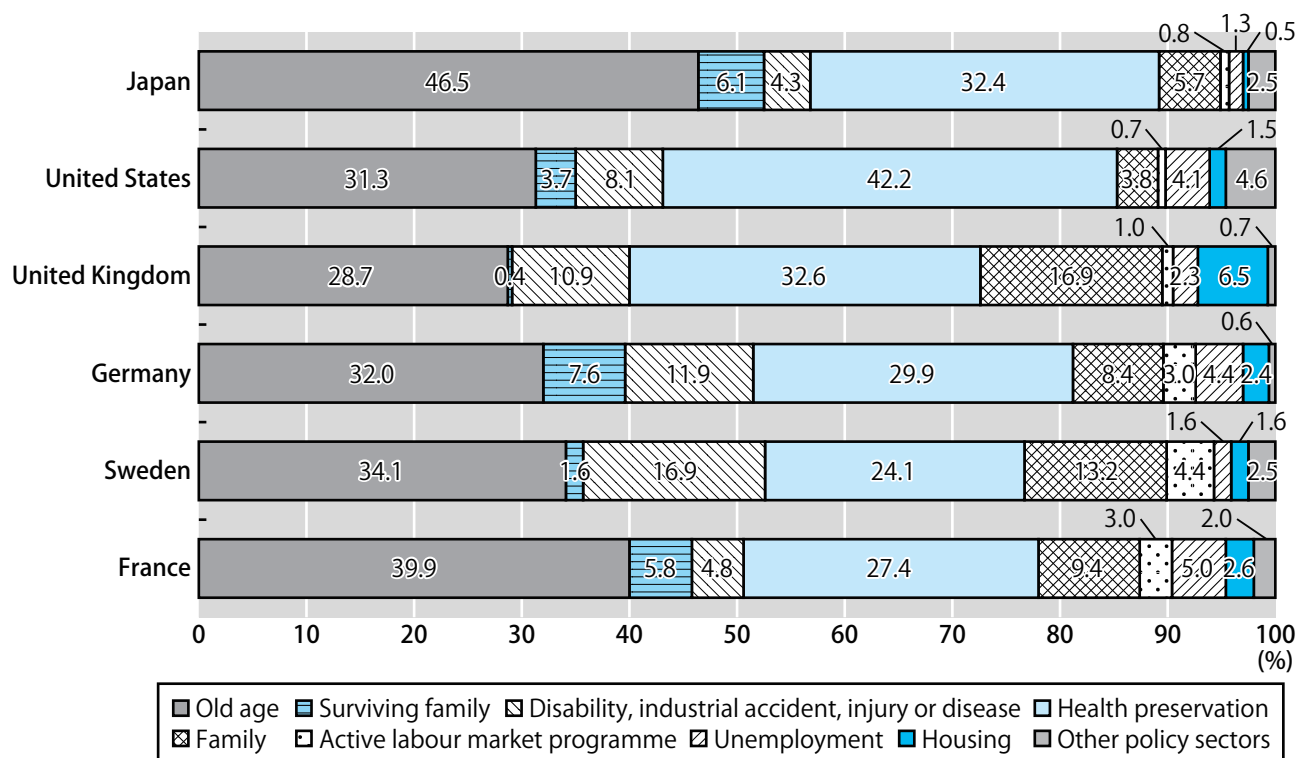
Source: National Institute of Population and Social Security Research, *Financial Statistics of Social Security in Japan (FY2012)*

As a result, if one looks at an international comparison of the structural mix of social expenditure by government field (Figure VI-4), one can see that whereas in Japan, 47.9% of social security benefit costs are spent on social security payments to older people, the expenditure on family-related policy, including benefits for households with children, and expenditure on protecting livelihoods and other issues account for only 4.2% and 1.1% respectively. Even in

the USA, where the ratio of spending on family-related policies is small, expenditure on livelihood protection and other issues is larger than Japan's at 3.8%. In Europe, the emphasis is on welfare for households with children. Here, the ratio of family-related policies to social security benefit costs is 7.3% in Germany, 9.9% in France, 12.4% in Sweden and 15.3% in the UK, more than twice Japan's level.



**Figure VI-4 International Comparison of the Structural Mix of Social Expenditure by Government Field (FY2011)**



Source: National Institute of Population and Social Security Research, "Financial Statistics of Social Security in Japan (FY2012)", Figure 3 International Comparison of Social Expenditure by Policy Area in FY 2011

Trends in social security benefit costs are impacted by Japan's declining birthrate and population aging, both of which are expected to continue. According to "Population Projections for Japan (Jan. 2012 estimates)" by the National Institute of Population and Social Security Research, the ratio of older persons to the general population was 23.0% in 2010 but is expected to continue growing. The ratio is forecast to reach 33.4% in 2035, when one person in every three will be elderly, and 39.9% in 2060, when the elderly population will include one in every 2.5 people. As this kind of increase in the elderly population leads to growth in pension, medical and nursing benefits, unified reforms of social security and tax were started in 2012. The purpose of these reforms was both to reduce future increases in social security benefits and to secure the financial resources needed for these. As part of this, the consumption tax rate was raised from 5% to 8% in April 2014 to

provide financial resources for social security. However, a further rise in the consumption tax rate is expected to be carried out in or after 2015, providing the economic situation remains good. Meanwhile, each time social security benefits increase, the public burden also rises and the government's budget tightens, making it as hard as ever to eliminate the fiscal deficit. Moreover, because there is no change in the structure of social security benefits, whereby pension, medical and nursing social security benefits are generous while benefits to support family policies and childcare are not so, problems such as nursery waiting lists and poverty in households with children are still important issues.

### The Widening Income Gap and Correcting Disparity

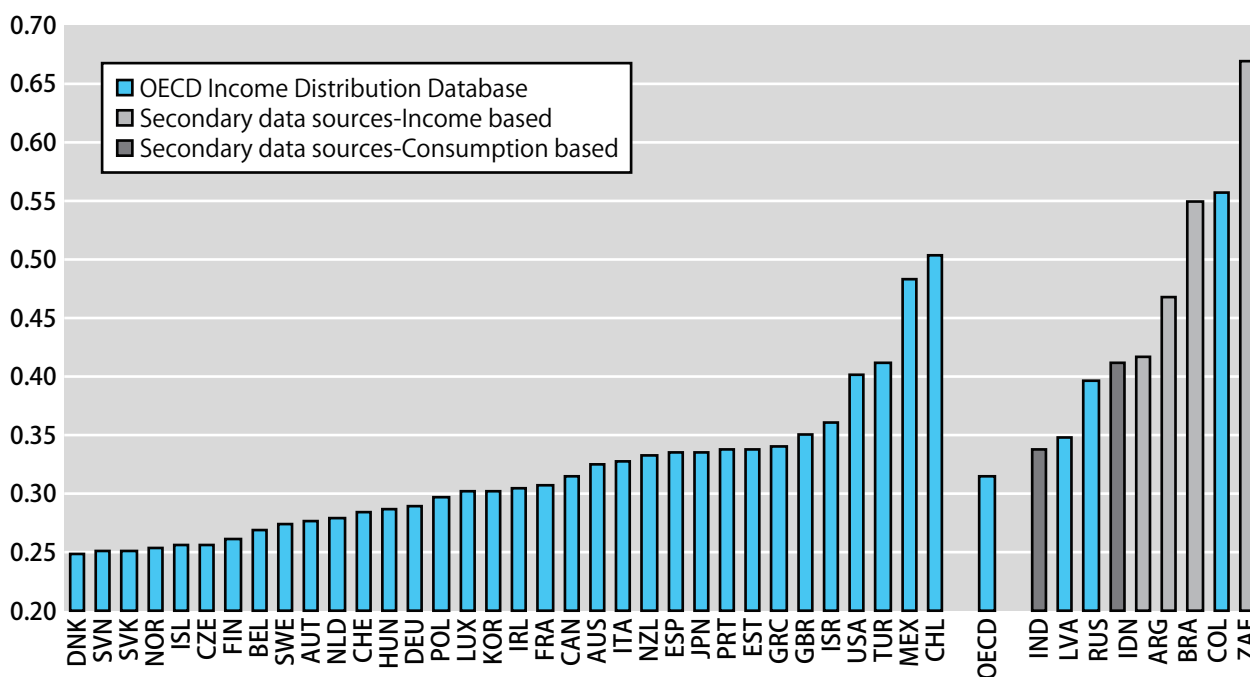
According to international comparative research on income inequality by the OECD<sup>2</sup>, income disparity

<sup>2</sup> OECD (2015) *In It Together: Why Less Inequality Benefits All*, OECD publications

is tending to widen in many OECD member states and newly emerging economies. The causes of this are said to include the impact of international competition on wage levels due to economic globalization and an increase in non-regular workers. If we compare the Gini coefficients of equivalent disposable income (disposable income per household member with adjustment of household scale) after income transfer due to taxation and social security,

Japan's Gini coefficient is larger than those of the Scandinavian countries, Germany, France and South Korea but smaller than those of the USA and UK, and about the same as those of Spain, Portugal, Greece and other Mediterranean countries (Figure VI-5). The Gini coefficients of newly emerging economies are even larger. These countries have been joining the OECD as partners and have started efforts aimed at correcting income disparity in recent years.

**Figure VI-5 State of Income Disparity in OECD Member States and Emerging Economies**



Sources: OECD Income Distribution Database (IDD), [www.oecd.org/social/income-distribution-database.htm](http://www.oecd.org/social/income-distribution-database.htm), for OECD countries, Latvia, Russian Federation and Colombia. World Bank, Poverty and Inequality Database for India. Statistics Indonesia (Susenas) for Indonesia. SEDLAC database for Argentina and Brazil. National Bureau of Statistics of China for China. National Income Dynamics Survey (NIDS) from Finn, A. and M. Leibbrandt (2013), "Mobility and Inequality in the First Three Waves of NIDS", SALDRU Working Paper, No. 120 and NIDS Discussion Paper, No. 2013/2, SALDRU, University of Cape Town, for South Africa.

Note: Data refer to 2014 for China, 2013 for Finland, Hungary, Israel, Netherlands and the United States and India, 2011 for Canada, Chile, Turkey and Brazil, 2010 for Indonesia, 2009 for Japan, and 2012 for the other countries. See note to Table 1.A1.1. Data from secondary data sources are not strictly comparable and should be interpreted with caution. Gini coefficients are based on equivalised incomes for OECD countries, Colombia, Latvia and Russian Federation and per capita incomes for other countries except India and Indonesia for which per capita consumption was used.

Given Japan's relatively large income disparity compared to other OECD countries, the government pointed out, in "Comprehensive Reform of Social Security and Tax" (Cabinet decision of February 2012), that "Japan's society and social security system today... (part omitted) face problems including those of poverty and disparity, intergenerational inequality, and growing social exclusion. In order to address these problems, we are required to ensure the

sustainability and strengthen the functions of social security systems such as pensions, healthcare, long-term care and childcare". In line with this, social security policies aimed at narrowing income disparity (such as by raising levels of subsistence protection) have been implemented. As a result, the redistribution coefficient ((Gini coefficient before redistribution – Gini coefficient redistribution) / Gini coefficient before redistribution) has been rising since the second

half of the 2000s, and the income redistribution function of social security has been intensified (Ministry of Health, Labour and Welfare, “Results of the 2008 Survey on the Income Redistribution Survey Results”). As stated in 1 above, however, the ratio of family-related benefits (including benefits for households with children) in social security benefit costs is smaller than in Scandinavia and France. This gives rise to a problem in terms of poverty rates, namely that, of households with children, the poverty rate of single-parent households including single-

mother households is particularly high when compared to the poverty rate of all households (relative poverty rate) and to that of two-parent households. In August 2014, the government compiled the “Charter on Measures against Child Poverty”, and based on this, the whole government is to make concerted efforts including educational support and subsistence support for households with children, and employment support and financial support for parents and guardians.

**Table VI-6 Closing of Income Gap through Income Redistribution  
(Gini Coefficient for Equivalent Incomes)**

Year of survey	Gini coefficient				Rate of improvement in Gini coefficient		
	Equivalent initial income (1)	(1) + social security benefits - social security contributions (2)	Equivalent disposal income ((2) - tax) (3)	Equivalent income after redistribution ((3) + benefits in kind) (4)	Rate of improvement due to redistribution *1	Rate of improvement due to social security *2	Rate of improvement due to taxation *3
1996	0.376	0.327	0.312	0.310	17.7	13.7	4.7
1999	0.408	0.350	0.337	0.333	18.4	15.3	3.7
2002	0.419	0.337	0.323	0.322	25.3	19.9	4.3
2005	0.435	0.336	0.322	0.323	25.9	22.8	4.1
2008	0.454	0.343	0.327	0.319	29.7	26.2	4.7
2011	0.470	0.342	0.322	0.316	32.8	28.6	5.8

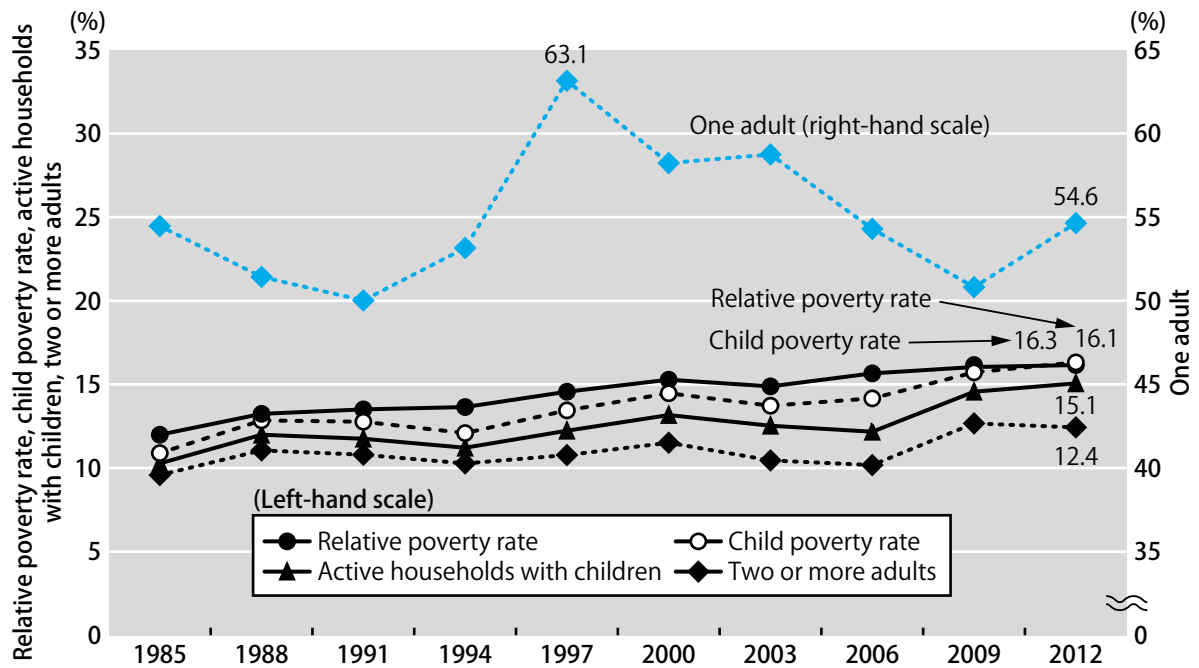
Source: *2011 Survey Report on the Redistribution of Income* (Ministry of Health, Labour and Welfare Director-General for Policy Planning and Evaluation <Responsible for Social Security>)

Notes: 1) Rate of improvement due to redistribution =  $1 - (4) / (1)$

2) Rate of improvement due to social security =  $1 - (2) / (1) \times (4) / (3)$

3) Rate of improvement due to taxation =  $1 - (3) / (2)$

**Figure VI-7 Comparison of All- household Poverty Rate (Relative Poverty Rate), Child Poverty Rate, and Poverty Rate of Households with Children**



Source: *Summary Report of the 2013 Comprehensive Survey of Living Conditions*, 7. Situation of Poverty Rates, Fig. 19 Annual Trends in Poverty Rates

Notes: 1) Figures for 1994 do not include Hyogo Prefecture.

2) Poverty rates are calculated based on standards formulated by the OECD.

3) "Adults" are persons aged 18 and over, "children" are those aged 17 or younger. Active households are those in which the householder is at least 18 but below 65 years of age.

4) Excludes household members whose equivalent disposable income is unknown.

## 2 Income Security and Childcare Services for Households with Children

As seen in the high poverty rate of single-parent households with children, important tasks in Japan are to secure incomes for households with children and to enhance nursery services as a precondition for securing employment opportunities and increasing incomes for parents and guardians.

**Child Allowance:** Under the system of Child Allowance, an allowance is paid to parents and others (including operators of children's homes) who raise children domiciled in Japan. The allowance is paid monthly until the child graduates from junior high school (age 15), the amount paid each month depending on the child's age and an income cap. The amount of the allowance is a uniform 15,000 yen for children aged 0 to 2, then 10,000 yen for the first and second children and 15,000 yen for the third child from age 3 to the end of elementary school, and 10,000 yen from then until the end of junior high school and it is limited to allowance is 5,000 yen if the annual income exceeds 9.6 million yen (husband, wife and two children) (Fiscal Year 2015). But this income cap was abolished from April 2010 to April 2012a time and this child allowance was called Universal Child Allowance. However, an income cap on Child Allowance, was reintroduced in April 2012. The recipients of Child Allowance are parents and others who look after children and satisfy livelihood conditions, or, if the child lives in a children's home, the operator of the home.

**Child Rearing Allowance:** Under the system of Child Rearing Allowance, an allowance is paid to children aged up to 18 (i.e. until they graduate from senior high school in March) in single-parent households (including single-mother and single-father families) if earnings are within the income cap, and single-parent households subject to court protection orders following domestic violence from a spouse. Since December 2014, the amount paid is a basic monthly 41,020 yen for the first child, the basic

amount plus 5,000 yen for the second child, and the basic amount plus 3,000 yen for the third child onwards.

**Special Child Rearing Allowance:** Under the system of Special Child Rearing Allowance, an allowance is paid to disabled children and young people up to age 20, according to the degree of disability, in households with disabled children if earnings are within the income cap. The amount paid is 51,100 yen per month for the severest type of disability and 34,030 yen for the next most severe type. However, there is also an income cap on this allowance. The allowance is not paid if the previous year's income of the recipient, the recipient's spouse or the legal guardian is above a certain amount (for example, when two supporting relatives are legal guardians, if the previous year's income was 6.79 million yen or more).

For disabled people aged over 20, Basic Disability Pension is paid if earnings are within the income cap.

**Childcare Services:** Based on the Child Welfare Act, child welfare services in Japan consist of services provided at facilities for children and young people who cannot live with their families due to various problems (children's homes, nursery homes and maternal and child living support facilities), childcare services at daycare centers, and services provided to children with disabilities both at home and at facilities. This section discusses childcare services that relate to combined support for child-rearing and employment. Childcare services are mainly provided by daycare centers. Daycare centers aim to look after children each day when their guardians (mainly their parents) cannot look after them, due to such reasons as having to work; there are daycare centers that are licensed by local authorities based on the Child Welfare Act, and those that are not licensed (daycare centers that have filed a

notification to the local authority). The fees are calculated based on the income of the child's guardians during the previous fiscal year, the situation regarding the taxes levied on the guardians, such as income tax and residential tax, and the age of the child concerned.

The situation of childcare services is outlined in "Report on status of day-care centers (April 1, 2013)" issued by the Day Care Division of the Equal Employment, Children and Families Bureau, Ministry of Health, Labour and Welfare. This states that there were 24,038 day care centers, 2,288,819 places for children at day care centers, 2,219,581 children attending day care centers, and 22,741 children on waiting lists at that time. Places for children at day care centers have increased by about 40,000 every year since 2010, and as a result, waiting lists have

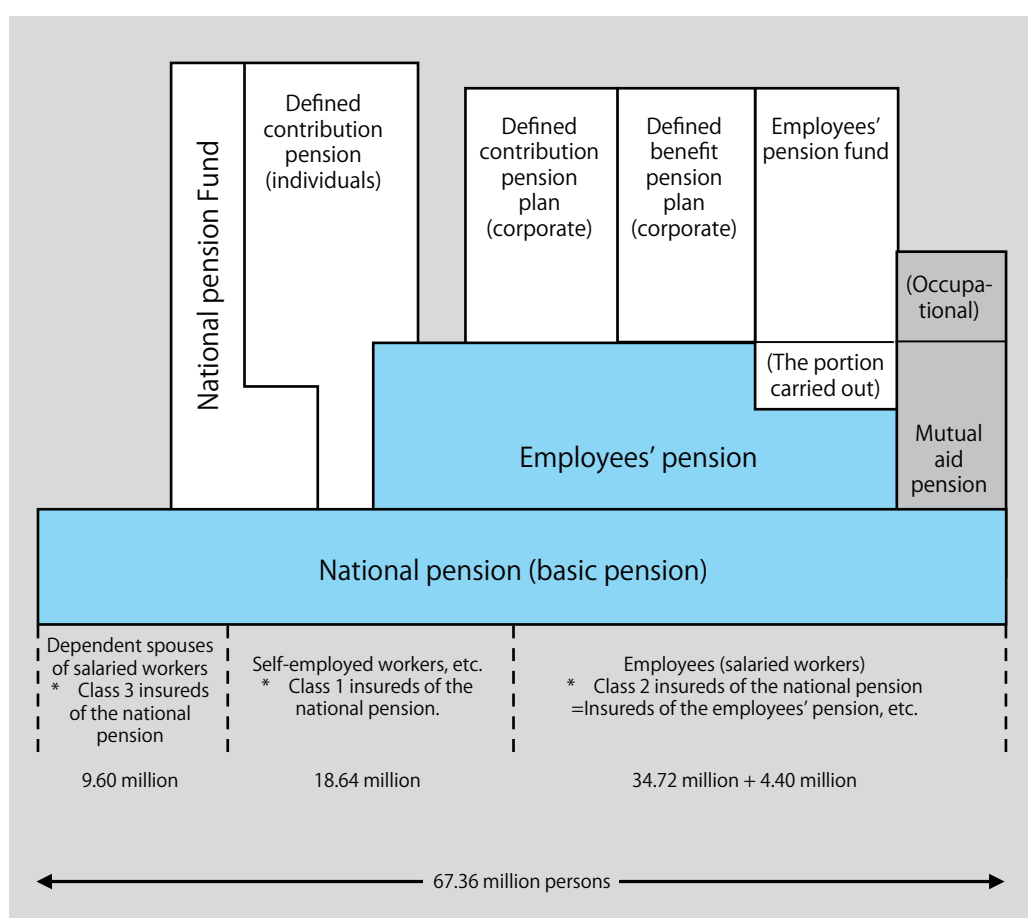
decreased for three straight years from 2010. However, there is regional variation in the number of children on waiting lists, suggesting a need to provide more day care centers in areas where there are more children waiting and to develop a system of backup for day care centers, in order to support a balance between childcare and work. To address these needs for childcare services, the government has started efforts to eliminate waiting lists by increasing the diversity of services provided by day centers and by permitting multiple types. Example of the new systems of support for children are the "licensed nurseries", namely, the kindergartens that also function as day care centers, and nurseries that provide day care combined with educational and kindergarten type functions.

### 3 The Pension System and Public Assistance

**Pension system:** As can be seen from Figure VI-8, the basis of the pension system, which fulfils a role in guaranteeing income after retirement, is the basic pension, in which all citizens (those aged 20 or above but under 60) enroll and which pays pension benefits once an individual reaches pensionable age (currently 60 years old, rising to 65 for men from 2013 and to 65 for women from 2018). In addition to this, salaried employees such as company employees and civil servants respectively receive the welfare pension and mutual aid pension, which are earnings-related pension schemes paid to top up the basic

pension. To distinguish it from these pensions paid to salaried employees, the basic pension that most self-employed workers and workers in the agriculture, forestry and fisheries sector receive is called the national pension. In many advanced countries (such as the U.S., Canada and Sweden), the same pension system is applied to both company employees and civil servants, and post-retirement income security does not differ according to job category. From this perspective, consideration is currently being given to integrating the welfare pension and mutual aid pension systems.

**Figure VI-8 The Pension System**



Source: *Annual Health, Labour and Welfare Report 2013-2014*, References 11. Pension Security

Note: Figures are as of March 31, 2013. "Category-2 insured persons, etc." are persons insured under employees' pension schemes (as well as Category-2 insured persons, these also include persons aged 65 and over who are eligible for pension benefits on grounds of old age or retirement).

Japan's pension system is revised once every 5 years based on recalculations of pension financing. In the pension reform of 2004, it has been decided to adjust the benefits standards along with the economic situation and the progress of an aging society (however, it is aimed that the standards should not go below 50% of the income of the working generations), instead of fixing the future insurance burden to a certain level (18.3% after 2025, in the case for employees' pensions), drawing from Sweden's pension reform of 2001, etc. In the pension reform of 2009, the proportion of the basic pension paid to all citizens that is funded by the government from tax revenues was raised from one-third to one-half.

The insurance premium for the basic pension (known as the "National Pension") for self-employed workers is set at a fixed amount (¥15,590 monthly, as of 2015). On the other hand, the burden of the insurance premium for company employees and civil servants is borne equally by the employer and the employee, and the premium rate is set at 17.474% of

total income, including salary and bonuses (from April 2015). The bereaved families of those enrolled in the pension system and those receiving pension benefits receive survivor's pensions, while those enrolled in the pension system who have a disability receive a disability pension if they meet certain conditions. The transitions in the number of people receiving pension benefits and the amount paid to them can be seen in Table VI-9. At present (as of 2015), the basic pension benefit is 65,008 yen per month (781,000 yen per year) while survivors' basic pension benefit is 65,083 yen + child supplement per month (780,100 yen + child supplement per year). Taking the case of a married couple's basic pension added to the husband's remuneration-based portion, the amount of employees' pensions and old age pensions is 232,592 yen (2,791,104 yen). The amount of survivors' employees' pension is the survivors' basic pension added to three-quarters of the remuneration-based portion of the employees' pension.



**Table VI-9 Transitions in the Number of People Receiving Benefits and the Amount Paid under the Pension System**

FY	Insured persons (10,000 persons)					Insured persons (10,000 persons)				Income and expenditure				
	Total	Basic pension (Self-employed workers, etc.: Class 1)	Basic pension (Full-time house wife: Class 3)	Employee's pension	Mutual aid association (Pension in these)	Total	Basic pension (National pension)	Employee's pension	Mutual aid association	National pension Income (Insurance Premiums + State Contribution) (¥100 million)	National pension Expenditure (¥100 million)	Employee's pension Income (Insurance Premiums + State Contribution) (¥100 million)	Employee's pension Expenditure (¥100 million)	Reserve balance (¥100 billion)
1987	6,411	1,582	927	2,822	–	2,252	112	891	149	–	–	–	–	–
1990	6,631	1,758	1,196	3,149	–	2,500	191	1,065	96	–	–	–	–	–
1995	6,995	1,910	1,220	3,328	–	3,236	690	1,425	40	–	–	–	–	–
2000	7,049	2,154	1,153	3,219	–	4,091	1,307	1,307	14	–	–	–	–	–
2005	7,045	2190	1,079	3,302	460	3,995	1,337	2,316	342	37,873	43,350	300,685	353,284	1,403
2006	7,038	2,123	1,079	3,379	457	4,030	1,275	2,404	351	39,228	43,082	297,954	320,994	1,398
2007	7,007	2,035	1,063	3,457	451	4,146	1,260	2,523	363	38,466	43,435	299,463	329,875	1,302
2008	6,936	2,001	1,044	3,444	447	4,283	1,236	2,668	379	37,545	43,317	309,480	339,860	1,166
2009	6,874	1,985	1,021	3,425	443	4,414	1,205	2,814	395	37,813	39,911	320,483	365,618	1,208
2010	6,826	1,938	1,005	3,441	442	4,445	1,092	2,943	410	34,010	31,498	319,356	379,804	1,142
2011	6,774	1,904	978	3,451	441	4,539	1,067	3,048	424	34,701	34,717	326,080	375,420	1,115
2012	6,736	1,864	960	3,472	440	4,699	1,108	3,154	437	38,616	43,145	333,206	368,115	1,179
2013	6,718	1,805	945	3,527	439	4,742	1,082	3,216	444	39,178	41,021	357,754	376,371	1,236

Source: Compiled by the author based on the Ministry of Health, Labour and Welfare's *Overview of Employees' Pension Insurance and National Pension Services* for each fiscal year

Notes: 1) Figures since 1987 are shown because the basic pension was introduced after the National Pension Act was amended and the New National Pension Act was enacted in April 1986.

2) The total number of those receiving pension benefits is the number receiving the basic pension after excluding overlap with those receiving the basic welfare pension.

The corporate pensions that supplement these public pensions consist of defined benefit and defined contribution corporate pensions (arrangements for which were instituted in 2001 to protect beneficiaries and ensure the portability of reserves) and employees' pension funds, which were established prior to 2001. For the self-employed and professionals, there is also a national pension fund for supplementing the basic pension. Following the introduction of the corporate pension system in 2001, it was decided that welfare pension funds would gradually change to defined-benefit corporate pensions, so as shown in Table VI-9, the number of defined-benefit corporate pension funds and the number of subscribers increased up to 2011. However, investment yields were negative for a while in FY2010, in the wake of the Lehman collapse.

This increased the risk of corporate burdens in the case of defined-benefit pensions, as the pension benefit is fixed, and has caused a decline in the number of defined-benefit corporate pension funds and subscribers in recent years. On the other hand, even companies that were previously unable to have employees' pension funds owing to their small corporate scale can now provide defined-contribution corporate pensions, through contracts with investment bodies. With corporate pensions of this type, moreover, fluctuation in investment yields does not increase the risk of corporate burdens. Therefore, both the number of businesses and the number of subscribers adopting defined-contribution corporate pensions are increasing (Table VI-10).

**Table VI-10 Transitions in Defined-benefit and Defined-contribution Corporate Pensions**

Year	No. of welfare pension funds	No. of welfare pension fund contributors (x10,000)	Number of people enrolled in defined-benefit pension schemes (10,000 people)	Number of corporate defined-benefit pension schemes by establishment type			Number of people enrolled in defined-contribution pension schemes (corporate type) (10,000 people)	Number of businesses with defined-contribution pension schemes (corporate type)
				Convention type	Fund type	Total		
2002	1,656	1,039	9	15	0	15	361	33
2003	1,357	835	135	168	148	316	845	71
2004	838	615	314	484	508	992	1,402	126
2005	687	531	384	834	596	1,430	1,966	173
2006	658	474	430	1,335	605	1,940	2,313	219
2007	626	462	506	2,479	619	3,098	2,710	271
2008	617	439	570	4,396	611	5,007	3,043	311
2009	608	431	647	6,797	610	7,407	3,301	340
2010	595	430	727	9,436	608	10,044	3,705	371
2011	577	411	801	14,377	612	14,999	4,135	422
2012	560	415	795	14,090	607	14,697	4,247	439
2013	531	388	788	13,735	602	14,337	4,434	464

Sources: Compiled by the author from each year's edition of *Trends in number of defined-benefit corporate pension plans and subscribers by format of establishment* and *Trends in number of defined-contribution corporate pension (company-type) contracts and subscribers* for each year in the Pension Fund Association's Statistics on the Fiscal Situation.

The characteristic of Japan's pension system relating to the labor market is the point that it cooperates with unemployment insurance. In the case of older workers aged between 60 and 64, therefore, elderly employment continuation benefits and elderly reemployment benefits are provided when wages fall below 85% of the level immediately prior to retirement at 60. Further, to support female workers' combining of childrearing and work activities, payment of employees' pension insurance premium is excused for both the worker and employer during the period of child care leave (For the Assistance Measures to Balance Work and Family and for the Gender Equal Employment Policies, see Chapter V).

**Public assistance:** The public assistance system is designed to guarantee a minimum standard of living by providing benefits in kind according to need. These are provided by the Government through local governments when a person falls into poverty, despite employment, savings, assets, pensions, and allowances, etc., due to circumstances such as sickness, mental/physical disability, or unforeseen

accident based on the principle of complementarity. In practice, the level of public assistance is determined based on the minimum cost of living calculated according to standards laid down by the Government and relative to the income of the household concerned, the shortfall being covered by the provision of benefits in cash or in kind (such as medical benefits).

As of February 2014, public assistance was provided to 1,599,000 households and 2,166,000 individual beneficiaries, taking the ratio of assisted households to 1.7% of the general population. As a result of the recent stagnation of the economy and the growth of income disparities, the cost of public assistance is growing by the year. If one looks at the people receiving public assistance by age, one can see that the proportion of older people receiving such assistance has been growing in recent years, due to the fact that there are people who do not qualify to receive pension benefits, that it is difficult for older people to find employment due to the prolonged economic slowdown, and that a growing number of people are unable to pay for medical care costs as a

result of being on low incomes, and can only receive healthcare through the medical benefit paid under the

public assistance program (Table VI-11 Component Ratios, Elderly Households).

**Table VI-11 Transitions by Year in the Number and Proportion of Households Receiving Public Assistance by Type of Household**

Year	Number of households receiving public assistance					Composition ratio (%)			
	Total number	Households with older people	Households with single mothers	Households with sick or injured people, etc. (including households with disabled people)	Other households	Households with older people	Households with single mothers	Households with sick or injured people, etc. (including households with disabled people)	Other households
1990	622	232	73	267	51	37.2	11.7	42.9	8.2
1995	601	254	52	253	41	42.3	8.7	42.1	6.9
2000	750	341	63	291	55	45.5	8.4	38.8	7.3
2005	1,040	452	91	389	108	43.5	8.7	37.4	10.4
2006	1,074	474	93	397	110	44.1	8.6	37.0	10.3
2007	1,103	498	93	401	111	45.1	8.4	36.4	10.1
2008	1,146	524	93	407	122	45.7	8.2	35.5	10.6
2009	1,274	563	100	436	176	44.2	7.8	34.2	13.8
2010	1,405	604	109	466	226	43.0	7.8	33.2	16.1
2011	1,492	636	113	489	254	42.6	7.6	32.8	17.0
2012	1,551	678	114	475	284	43.7	7.4	30.6	18.3

Source: Compiled by the author from Annual Transitions in the Number of Households Receiving Public Assistance by Household Type and the Household Assistance Rate, from the list of official statistical data concerning "public assistance" published by the National Institute of Population and Social Security Research

Notes: 1) This is the one-month average.

2) Does not include households whose assistance is currently suspended.

3) In the household assistance rate, the number of households receiving public assistance is divided by the number of households in the National Livelihood Survey (per 1,000 households).

4) For some years, the figure by household type and the total figure for this differs from the overall total; this is not a printing error but is rather due to the margin of error resulting from adding up the total for each month (April - March) and dividing by 12, then rounding off the figures.

**Medical Insurance:** Within Japan's medical insurance there is association-managed health insurance for employees (and their families) of workplaces of five or more workers, Japan Health Insurance Association-administered health insurance for employees (and their families) of workplaces with fewer than five workers, national health insurance for the self-employed, etc., and medical insurance provided by mutual aid associations for national government employees and local government employees (see upper row of Table VI-12). Subscribers in medical insurance programs pay the insurance premium themselves, but the subscribers themselves and their families may receive medical services at the medical institution of their choice by

paying only a portion of the medical expense. Furthermore, with regard to people aged 65 or over requiring long-term care and all older people aged 70 or over, there is a system of medical aid for older people (see lower row of Table VI-12) that is funded by insurance premiums paid by older people, contributions borne by health insurance societies and the national health insurance scheme. Under this system, the insurance premiums of older people on low incomes are reduced and, in the event that the local authority cannot sustain the finances alone, it is possible for a number of local authorities to form an extended association to provide medical and healthcare services to older people.

National health expenditure, combining the cost of medical benefits from public health insurance with that from public assistance, topped 30 trillion yen (6.1% of GDP) in 1999, creating a need for appropriate controls on the growth of healthcare expenditure. When long-term nursing insurance was introduced in 2000, growth in healthcare expenditure temporarily decreased. It subsequently turned back to an increase, however, and expenditure remains in an upward trend. In FY2013, national health expenditure reached 40.6 trillion yen, and the ratio of expenditure to GDP had risen to 8.3%. By age group, national health expenditure was 2.5 trillion yen (proportion of national health expenditure: 6.1%) for ages 0-14, 5.2 trillion yen (13.0%) for ages 15-44, 9.3 trillion yen (23.2%) for ages 45-64, and 23.1 trillion yen (57.7%) for ages 65 and over.

Expenditure on the elderly accounted for the highest proportion of all national health expenditure. If this continues to be supported by a combination of public spending with contributions from national health insurance and health insurance associations, problems will arise due to a slowdown in growth of insurance premium revenues accompanying the

reduced rate of growth in the Japanese economy. In view of this and the need to ensure intergenerational fairness between current working generations and the elderly, a revision of the system was necessary, and a reform of the elderly healthcare system was introduced in 2008. In the previous system (the system of elderly healthcare), elderly patients were only liable for copayment of costs incurred by health examinations or hospital stays (with reduced burdens for low earners), and they paid no insurance premiums. By contrast, the “longevity healthcare system” (the late-stage medical care system for the elderly) introduced in 2008, covering the over 75s and disabled elderly persons between ages 65 and 74, is a public healthcare system in which 50% of medical benefit costs are paid from the public purse (specifically, by the central government, prefectures and municipalities in proportions of 4:1:1). Besides this, 40% is borne by health insurance contributions from working generations up to age 64, and the remaining 10% is funded by insurance premiums from the elderly themselves. However, those on low incomes are exempt from paying premiums and also have lower copayment costs.

**Table VI-12 Medical Insurance System**

Plan		Insurer (As of 31 March, 2013)	Subscribers(As of March 31, 2008) and (subscriber's dependents) (Unit:1,000 persons)	Insurance Benefits																
				Payment in part	Medical Benefits															
					High-Cost Medical Care Benefits, and the High-Cost Medical Care & Nursing Care Benefits Combination System															
Health insurance	Ordinary employees	Kyokai Kenpo	Japan Health Insurance Association	35,103 (19,871 15,232)	After the commencement of compulsory education to those 69 years of age: 30%  Prior to the commencement of compulsory education: 20%  70 to 74 years old: 20% (*) (Persons with income comparable with those of an active worker: 30%)  (*) The person who reaches 70 years old already by the end of March 2014:10%	High-Cost Medical Care Benefits • Maximum amount paid by the patient Under 70 years of age: High income persons: 150,000 yen + (medical costs-500,000 yen) × 1% Average income persons: 80,100 yen + (medical costs-267,000 yen) × 1% Low income persons: 35,400 yen From 70 to 74 years of age: With income comparative with those of an active worker: 80,100 yen + (medical costs-267,000 yen) × 1%, Outpatient Treatment (for each patient): 44,400 yen Average income persons(*): 44,400 yen, Outpatient treatment (for each patient) 12,000 yen Low-income persons: 24,600 yen, Outpatient treatment (for each patient) 8,000 yen Low-income persons with especially low income: 15,000 yen. Outpatient treatment (for each patient) 8,000 yen • Standard amount for aggregation of households: For those under 70 years of age, if there are multiple payments of more than 21,000 yen in the same month, reimbursement is calculated on the basis of their sum. • Burden reduction for those with multiple cases: If a household has been eligible for reimbursement three times or more within a 12-month period, the amount of payment in part from the fourth time will be: Under 70 years of age: High-income persons: 83,400 yen Standard-income persons: 44,400 yen Low-income persons: 24,600 yen 70 years of age or older with income comparative with those of an active worker and standard income (*) : 44,400 yen • Burden reduction for patients suffering from long-term and high-cost illness Self-pay limit for the patients suffering from hemophilia or chronic renal failure requiring artificial dialysis: 10,000 yen Self-pay limit for high-income persons receiving artificial dialysis: 20,000 yen (*) Burden reduction for multiple cases is not applicable to persons from 70 to 74 years of age classified as standard income class as the self-pay limit will be kept unchanged at 44,000 yen (12,000 yen for outpatient treatment) from April 2008 through March 2011.  High-cost medical care and high-cost nursing care benefits combination system: Burden reduction system applicable in the instances where the total of the self-pay burden under the medical insurance and nursing care insurance paid in a year (from August to July next year) become extremely high. Self-pay limits will be fixed in high details according to the income and age of the patients.														
		Association managed	Health insurance associations 1,431	29,353 (15,537 13,816)																
	Insured parties, as stipulated in Article 3, Par.2, Health Insurance Law	Japan Health Insurance Association	19 (13 6)																	
Seamen's insurance		National government	129 (58 71)																	
Mutual aid insurance	National government employees	Mutual aid associations(20)	9,000 (4,501 4,499)																	
	Local government employ-ees	Mutual aid associations(64)																		
	Private school instructors	Mutual aid associations(1)																		
National health insurance	Farmers, self-employed etc.	Municipalities 1,717	37,678 Municipalities 34,658 Health insurance associations 164 3,020																	
		Health insurance associations 164																		
	Retired workers eligible for employees insurance benefits	Municipalities 1,717																		
Long life medical care system (Medical care system for the latter-stage elderly people)		Management body: Extended associations for medical care for the latter-stage elderly people (47)	15,168	10% (Persons with income comparative with those of an active worker 30%)	<table border="0"> <tr> <td>(Persons with income comparable to that of an active worker)</td> <td>Maximum amount of payment in part 80,100 yen + (medical cost-267,000 yen) × 1%</td> <td>Outpatient care (per person) 44,400 yen</td> </tr> <tr> <td>(Incase of frequent reimbursement)</td> <td>44,400 yen</td> <td>12,000 yen</td> </tr> <tr> <td>(Average income persons)</td> <td>44,400 yen</td> <td>8,000 yen</td> </tr> <tr> <td>(Low income persons)</td> <td>24,600 yen</td> <td>8,000 yen</td> </tr> <tr> <td>(Very low income among low income persons)</td> <td>15,000 yen</td> <td>8,000 yen</td> </tr> </table>	(Persons with income comparable to that of an active worker)	Maximum amount of payment in part 80,100 yen + (medical cost-267,000 yen) × 1%	Outpatient care (per person) 44,400 yen	(Incase of frequent reimbursement)	44,400 yen	12,000 yen	(Average income persons)	44,400 yen	8,000 yen	(Low income persons)	24,600 yen	8,000 yen	(Very low income among low income persons)	15,000 yen	8,000 yen
(Persons with income comparable to that of an active worker)	Maximum amount of payment in part 80,100 yen + (medical cost-267,000 yen) × 1%	Outpatient care (per person) 44,400 yen																		
(Incase of frequent reimbursement)	44,400 yen	12,000 yen																		
(Average income persons)	44,400 yen	8,000 yen																		
(Low income persons)	24,600 yen	8,000 yen																		
(Very low income among low income persons)	15,000 yen	8,000 yen																		

Insurance Benefits			Financial resources	
Medical Benefits		Cash Benefits	Insurance premiums	Government subsidies
Hospital Meal Charge Benefits	Hospitalized living expenses benefits			
Standard payment amounts for dietary therapy: • Standard-income persons 260 yen per meal • Low-income persons Up to the first 90th day 210 yen per meal From the 91st day 160 yen per meal • Low-income person with especially low income 100 yen per meal	(Standard payment amounts for those living in hospitals)	• Sickness benefits • Lump-sum payment for childbirth, child care etc.	10.00% (National average)	13.0% of benefits (contribution for latter-stage elderly people 16.4%)
	• Standard income persons (I) 460 yen per meal and 320 yen per day	Same as above (including additional Benefits)	Rates vary from one kind of health insurance to another.	Fixed amount (Budgetary aid)
	• Standard income persons (II) 420 yen per meal and 320 yen per day	• Sickness benefits • Lump-sum payment for childbirth, child care etc.	Daily rate (class 1) 390 yen (class 11) 3,230 yen	13.0% of benefits (contribution for the latter-stage elderly people 16.4%)
	• Low income persons 210 yen per meal and 320 yen per day	Same as above	9.60% (Sickness insurance rate)	Fixed amount
	• Low income persons Up to the first 90th day 210 yen per meal From the 91st day 160 yen per meal	• Low income persons with specially low income 130 yen per meal and 320 yen per day	—	None
	• Low-income person with especially low income 100 yen per meal	• Applicable to persons 65 years of age or older hospitalized in the convalescent ward	—	
		* For patients with greater needs for in-hospital treatment due to being obstinate or other diseases, the payment amount will be same as the standard payment amounts for dietary therapy.	• Lump-sum payment for childbirth, child care • Funeral services expenses	
Same as above	Same as above. • Persons on senior welfare pensions 100 yen per meal	Funeral services expenses etc.	Rates are fixed based on the equal amount per insured and the percentage of their income determined by the respective extended associations.	• Insurance premium 10% • Contribution Approximately 40% • Public Approximately 50% (Breakdown of public expenses) National : Prefectures : Municipals 4 : 1 : 1

Source: 2014 Annual Health, Labour and Welfare Report, References, 2 Health and Medical Services, (1) Health Care Insurance, Outline of Healthcare Insurance System (as of May 2014)

- Notes: 1) Those insured by the long-life medical care system (medical care system for the latter-stage elderly people) comprises persons of 75 years of age or older, and the persons from 65 to 74 years of age certified by an extended association to have a certain degree of handicap.
- 2) Persons with income comparative with those of an active worker mean their taxable income is 1.45 million yen (0.28 million yen for monthly income) and annual income is more than 5.2 million yen [family including elderly person(s)] or 3.83 million yen (single-elderly person household).
- 3) For new subscribers and their families who are exempt from health insurance eligibility and subscribe from September 1, 1997, the fixed-rate state subsidy to NHI Associations will be at the same level as that paid to the Japan Health Insurance Association
- 4) Numbers of subscribers are preliminary estimates in the case of health insurance. Sums in the breakdowns may not add up to the totals due to rounding.
- 5) Between July 2010 and FY2012, the state subsidy rate for the Japan Health Insurance Association (general employees and persons insured under Article 3 para. 2 of the National Health Insurance Act) is 16.4% of the benefit cost.

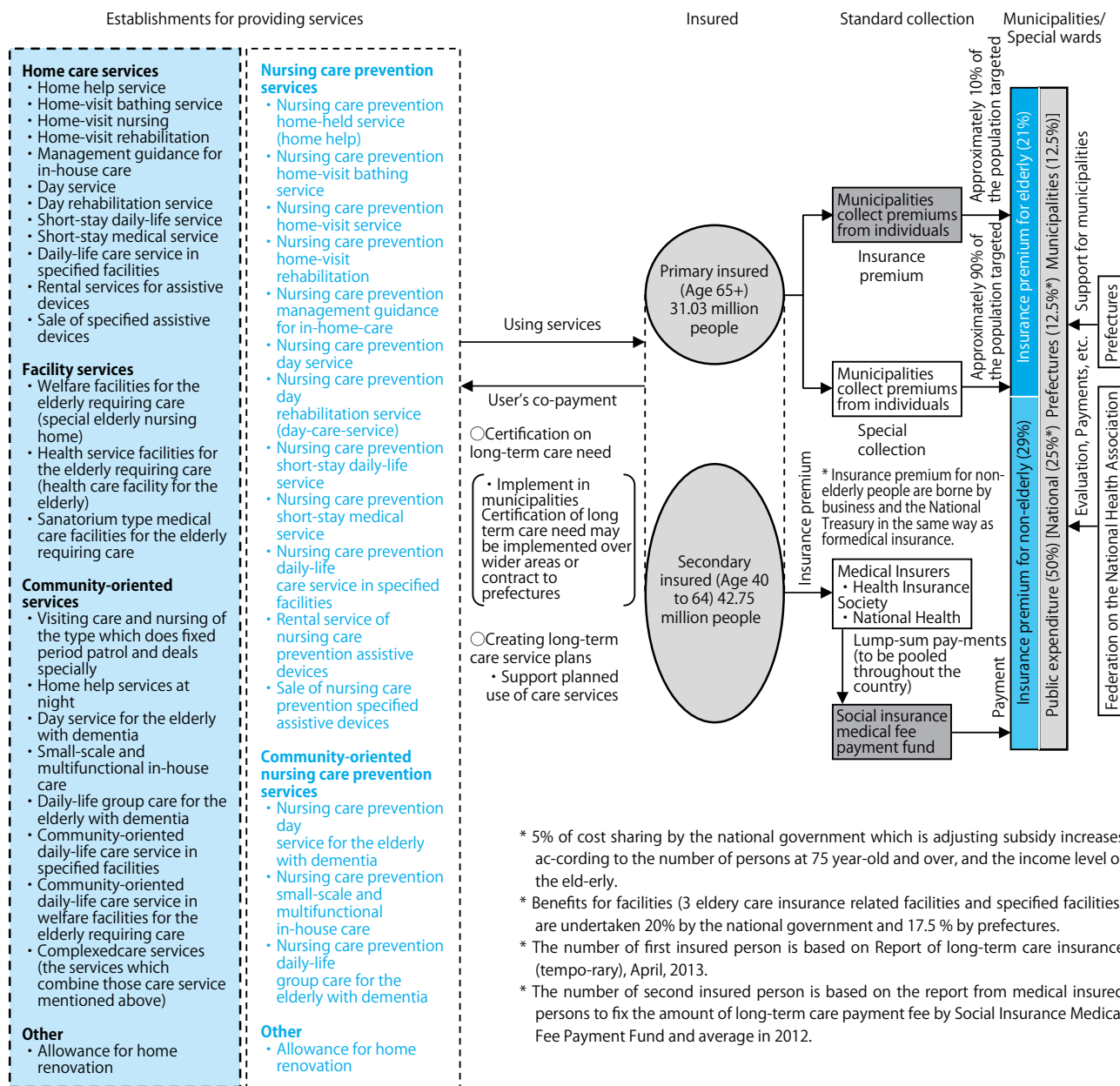
## 5 Long-term Care Insurance

Long-term care insurance has been in operation since April 2000 to provide public assistance to lighten the care burden for long-term care recipients' families. This assistance makes it easier for bedridden older people and other older people requiring long-term care to receive this care at home, and for others to receive long-term care at a facility outside of home. Under the long-term care insurance system, in exchange for citizens aged 40 and above paying long-term care insurance premiums, it is possible to receive specific types of long-term care service if required after reaching the age of 65, such as the dispatch of a home-helper; in order to receive these services, the older person concerned must submit an application and have it approved by the municipality's long-term care approval committee. Whereas the insurance premiums and the standards for certifying

the necessity of receiving long-term care are set in a uniform manner nationwide, the task of issuing approvals based on those standards is undertaken by municipal long-term care approval committees. In addition, long-term care services are provided on the basis of care plans drawn up by care managers, by a service provider selected by the person requiring long-term care from among the long-term care service providers approved by the municipality, respecting the choice of the individual requiring long-term care (Figure VI-13). Those using long-term care services bear 10% of the cost, as a general rule. However, a maximum limit is set in order to ensure that the cost burden on the user is not too high, with the municipality paying any high-cost long-term care service fees in excess of that maximum limit.



**Figure VI-13 Long-term Care Insurance System**



Source: 2012 Annual Health, Labour and Welfare Report, References, 10 Health and Welfare Services for the Elderly, Outline of Long-Term Care Insurance System

With regard to the number of people enrolled in long-term care insurance, as of 2013 end of the fiscal year, there were 32.02 million people insured aged 65 or above (primary insured persons) and 42.47 million people insured aged between 40 and 64 (secondary insured persons). As of 2013 end of the fiscal year, 1.62 million persons requiring support and 4.22 million persons requiring long-term care were certified eligible to receive long-term care insurance services (Ministry of Health, Labour and Welfare, “2013 Annual Status Report on Long-Term Care Insurance”). The number of long-term care workers (the total of full-time and part-time) providing long-term care services to elderly persons certified as requiring support or long-term care was 502,000 for home visit type long-term care, 286,000 for daycare type long-term care, 50,000 for in-home type long-term care, and 869,000 for long-term care insurance facilities, etc. (Ministry of Health, Labour and Welfare, FY2013 Survey of Institutions and Establishments for Long-term Care).

Given these circumstances in which many older people have been certified as requiring support or long-term care and are receiving long-term care insurance services, in municipalities that have a particularly high population aging rate, a situation has arisen in which the rise in the cost of providing long-term care insurance benefits is continuing and a deterioration in the state of public finances for long-term care insurance has become unavoidable. In order to deal with this problem, an amendment to the Long-term Care Insurance Act was made in 2005. Through this, the government incorporated initiatives such as those focused on the prevention of illness so that people do not end up in a state in which they require long-term care and the establishment of regional comprehensive support centers to provide more

cohesive services in the community into the long-term care insurance framework. Besides this, a Community-Based Care Improvement Initiative that would make use of diverse networks connected with long-term care (such as monitoring by NPOs and others as well as by local authorities and healthcare facilities) was proposed in 2008. The aim of this was to enable the elderly to receive long-term care services while remaining in the familiar surroundings of their home communities. With this, Comprehensive Regional Support Centers were to be established as facilities where comprehensive efforts would be made to improve the health, welfare and healthcare of local residents, prevent abuse, provide management to prevent long-term care, and others in the local community. The centers would be established by local authorities, but the day-to-day running could be outsourced. In future, meanwhile, elderly residents are expected to increase in urban areas while increasing more gradually in provincial areas. To address this, a comprehensive regional care system that would guarantee five aspects in cross-linkage (securing homes for the elderly in line with local circumstances, supporting their lives, preventing long-term care, providing long-term care services, and medical care) was proposed (Elderly Healthcare and Health Promotion Project, Comprehensive Regional Care Research Group Report). Based on new ideas like this, the 2011 revision of long-term care insurance incorporated a provision to the effect that the central government and local authorities should endeavor to create comprehensive regional care systems. Today, initiatives enabling the elderly to receive long-term in-home care while living in the familiar surroundings of their home communities are being promoted in forms appropriate to the circumstances of each locality.



(1,000 persons, %)

Republic of Korea <sup>6)</sup>									
Age group	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
15-19	3,263	1,677	1,585	250	111	139	7.7	6.6	8.7
20-24	2,957	1,357	1,600	1,407	572	836	47.6	42.2	52.2
25-29	3,328	1,720	1,608	2,467	1,312	1,155	74.1	76.3	71.8
30-34	3,974	2,023	1,951	3,006	1,866	1,140	75.6	92.2	58.4
35-39	3,864	1,959	1,905	2,904	1,846	1,058	75.1	94.2	55.5
40-44	4,340	2,193	2,146	3,435	2,064	1,371	79.2	94.1	63.9
45-49	4,130	2,092	2,037	3,342	1,957	1,386	80.9	93.5	68.0
50-54	4,218	2,114	2,104	3,274	1,928	1,347	77.6	91.2	64.0
55-59	3,448	1,717	1,732	2,438	1,468	970	70.7	85.5	56.0
60-64	2,430	1,178	1,253	1,423	860	563	58.5	73.0	45.0
65-69	1,969	909	1,060	875	525	350	44.4	57.8	33.0
70-74	1,797	773	1,024	618	337	281	34.4	43.6	27.4
75+	2,378	871	1,507	435	225	210	18.3	25.8	13.9
15-64	35,951	18,030	17,921	23,946	13,984	9,962	66.6	77.6	55.6
65+	6,144	2,553	3,591	1,927	1,087	840	31.4	42.6	23.4
Total (15+)	42,095	20,583	21,512	25,873	15,071	10,802	61.5	73.2	50.2

Singapore <sup>7)</sup>									
Age group	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
15-19	255	130	125	31	18	13	11.8	13.2	10.2
20-24	267	134	133	157	84	73	61.7	63.2	59.9
25-29	256	124	132	210	102	107	88.5	89.0	88.0
30-34	297	141	156	249	126	123	90.1	97.2	83.7
35-39	306	147	158	262	138	124	88.0	97.5	79.4
40-44	313	153	160	266	143	123	85.7	97.1	75.4
45-49	316	158	158	266	150	117	84.5	96.1	73.1
50-54	313	158	155	255	147	108	80.0	94.0	66.5
55-59	281	141	140	205	122	84	73.2	87.6	59.1
60-64	222	110	112	137	87	50	59.7	75.0	44.2
65-69	146	71	75	61	39	22	40.2	53.4	27.9
70+	259	110	148	39	26	12	14.4	22.9	8.0
15-64	2,825	1,397	1,429	2,039	1,118	922	72.2	80.0	64.5
65+	404	181	224	100	66	34	23.8	34.9	14.8
Total (15+)	3,230	1,577	1,527	2,139	1,183	956	66.7	75.8	58.1

Thailand									
Age group	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
15-19	4,947	2,535	2,413	1,126	784	342	22.8	30.9	14.2
20-24	5,252	2,681	2,571	3,528	2,077	1,451	67.2	77.5	56.4
25-29	5,232	2,662	2,571	4,540	2,496	2,044	86.8	93.8	79.5
30-34	5,310	2,680	2,630	4,696	2,547	2,149	88.4	95.0	81.7
35-39	5,391	2,671	2,720	4,857	2,558	2,299	90.1	95.8	84.5
40-44	5,372	2,597	2,775	4,876	2,503	2,373	90.8	96.4	85.5
45-49	5,555	2,669	2,886	4,951	2,573	2,378	89.1	96.4	82.4
50-54	4,785	2,286	2,499	4,063	2,166	1,897	84.9	94.8	75.9
55-59	4,246	2,030	2,216	3,375	1,831	1,544	79.5	90.2	69.6
60-64	3,036	1,388	1,648	1,832	1,030	803	60.4	74.2	48.7
65+	5,965	2,557	3,409	1,622	973	649	27.2	38.0	19.0
15-64	49,125	24,198	24,928	37,846	20,565	17,280	77.0	85.0	69.3
Total (15+)	55,091	26,754	28,336	39,467	21,538	17,929	71.6	80.5	63.3

Sources: OECD countries : OECD.Stat Extracts (<http://stats.oecd.org/>), February 2015

- Notes: 1) This covers the population that has resided in Japan and does not include diplomats from other countries or U.S. military personnel stationed in Japan. Members of the Self-defence Forces and inmates of imprisoned facilities are included.
- 2) This covers the population that is 16 years of age or older and does not include military personnel, inmates of correctional facilities, diplomats from other countries or U.S. citizens residing abroad.
- 3) This covers the population that is 16 years of age or older. Professional soldiers are included, but drafted soldiers are not.
- 4) This covers the domestic residents including military personnel.
- 5) This covers the population that is 16 years of age or older. It includes military personnel.
- 6) This covers domestic residents and does not include military personnel and prisoners.
- 7) This covers the population that has nationality and permanent residence status.

## Appendix 2 Part-time Employment as a Proportion of Total Employment

(%)

Country		2000	2005	2008	2009	2010	2011	2012	2013
JAPAN	Total	—	18.3	19.6	20.3	20.2	20.6	20.5	21.9
	Men	—	8.8	9.9	10.5	10.4	10.3	10.3	11.3
	Women	—	31.7	33.2	33.8	33.9	34.8	34.5	36.2
UNITED STATES	Total	12.6	12.8	12.8	14.1	13.5	12.6	13.4	12.3
	Men	7.7	7.8	8.0	9.2	8.8	8.4	8.7	8.2
	Women	18.0	18.3	17.8	19.2	18.4	17.1	18.3	16.7
CANADA	Total	18.1	18.4	18.5	19.3	19.4	19.1	18.8	18.9
	Men	10.4	10.9	11.4	12.0	12.1	12.2	11.8	12.0
	Women	27.2	26.9	26.6	27.1	27.4	26.8	26.6	26.5
UNITED KINGDOM	Total	23.0	23.0	23.0	23.9	24.6	24.6	24.9	24.5
	Men	8.6	9.6	10.3	10.9	11.6	11.7	12.2	12.0
	Women	40.8	38.5	37.8	38.8	39.4	39.3	39.4	38.7
GERMANY	Total	17.6	21.5	21.8	21.9	21.7	22.1	22.1	22.4
	Men	4.8	7.3	7.9	7.9	7.9	8.5	8.7	9.1
	Women	33.9	38.8	38.5	38.3	37.9	38.0	37.8	37.9
FRANCE	Total	14.2	13.2	12.9	13.3	13.6	13.6	13.8	14.0
	Men	5.5	5.0	4.9	5.1	5.7	5.9	5.9	6.2
	Women	24.9	22.6	21.9	22.5	22.4	22.1	22.4	22.5
ITALY	Total	12.2	14.6	15.9	15.8	16.3	16.7	17.8	18.5
	Men	5.7	5.3	6.1	5.9	6.3	6.6	7.5	8.2
	Women	23.4	28.8	30.6	30.5	31.1	31.3	32.3	32.8
SWEDEN	Total	14.0	13.5	14.4	14.6	14.5	14.3	14.3	14.3
	Men	7.3	8.5	9.6	10.0	10.1	10.1	10.3	10.6
	Women	21.4	19.0	19.6	19.8	19.4	19.0	18.6	18.4
REPUBLIC OF KOREA	Total	7.0	9.0	9.3	9.9	10.7	13.5	10.2	11.1
	Men	5.1	6.5	6.5	6.9	7.2	10.0	6.8	7.5
	Women	9.8	12.5	13.2	14.2	15.5	18.5	15.0	16.2
AUSTRALIA	Total	—	24	23.8	24.7	24.9	24.7	24.6	24.8
	Men	—	12	12.3	13.2	13.5	13.2	13.1	13.6
	Women	—	38.7	37.7	38.3	38.6	38.5	38.4	38.1

Source: OECD database "Labour Force Statistics" (<http://stats.oecd.org/>), August 2014

Note: The figures refers to those who usually work less than 30 hours per week in their main job. Figures for Japan are based on actual working hours.

Figures for the United States of America are for wage and salaried workers.

## Appendix 3 Unemployment Rates (Officially Published National Sources)

(%)

Country or region	2000	2005	2008	2009	2010	2011	2012	2013
JAPAN <sup>1)</sup>	4.7	4.4	4.0	5.1	5.1	4.6	4.3	4.0
UNITED STATES OF AMERICA	4.0	5.1	5.8	9.3	9.6	8.9	8.1	7.4
CANADA	6.8	6.8	6.1	8.3	8.0	7.4	7.2	7.1
UNITED KINGDOM	5.4	4.8	5.6	7.6	7.8	8.0	7.9	7.5
GERMANY	8.0	11.3	7.5	7.8	7.1	5.9	5.5	5.3
FRANCE	9.5	8.9	7.4	9.1	9.3	9.2	9.8	10.3
ITALY	10.0	7.7	6.7	7.8	8.4	8.4	10.7	12.2
SWEDEN	5.6	7.7	6.2	8.3	8.6	7.8	8.0	8.0
RUSSIA	10.6	7.1	6.2	8.3	7.3	6.5	5.5	5.5
CHINA	3.1	4.2	4.2	4.3	4.1	4.1	4.1	4.1
CHINA, HONG KONG SAR	4.9	5.6	3.5	5.3	4.3	3.4	3.3	3.4
TAIWAN	3.0	4.1	4.1	5.9	5.2	4.4	4.2	4.2
REPUBLIC OF KOREA	4.4	3.7	3.2	3.6	3.7	3.4	3.2	3.1
SINGAPORE <sup>2)</sup>	3.7	4.1	3.2	4.3	3.1	2.9	2.8	2.8
MALAYSIA	3.0	3.5	3.3	3.7	3.3	3.1	3.0	3.1
THAILAND	3.6	1.8	1.4	1.5	1.0	0.7	0.7	0.7
INDONESIA	6.1	11.2	8.4	7.9	7.1	6.6	6.1	6.2
PHILIPPINES	11.2	7.8	7.4	7.5	7.4	7.0	7.0	7.1
AUSTRALIA	6.3	5.0	4.3	5.5	5.2	5.1	5.2	5.7
NEW ZEALAND	6.1	3.8	4.2	6.1	6.5	6.5	6.9	6.2
BRAZIL <sup>3)</sup>	—	9.9	7.9	8.1	6.7	6.0	5.5	5.4

Sources: Japan- Statistics Bureau, Ministry of Internal Affairs and Communications, *Annual Labour Force Survey* (2014)

U.S.- U.S. Department of Labor, LFS from the Current Population Survey (2014)

Canada- Statistics Canada (2014.8) Table 282-0086, *Labour force survey estimates*

EU- Eurostat Database "LFS main indicators" as of Aug. 2014

Russia- Federal State Statistics Service, as of Aug. 2014

China- Ministry of Human Resources and Social Security of the People's Republic of China

China, Hong Kong Sar- Census and Statistics Department, as of Aug. 2014

Taiwan- National Statistics Republic of China (Taiwan), as of Aug. 2014

Republic of Korea- Statistics Korea (2014), *Economically Active Population Survey*

Brazil- Institution of Brazilian Geographical Statistics

Others- ILO Database or each government website

Notes: 1) Because of the Great East Japan Earthquake, density rate in 2011 is calculated by figures for reference purpose.

2) It covers persons with nationality and permanent residence status.

3) 10 years of age or older

## Appendix 4: Wages, Manufacturing

(Total)

Country or region		2000 Year	2005	2008	2009	2010	2011	2012	2013	Note <sup>1)</sup>	
Japan <sup>2)</sup>	Yen/month		371,452	380,885	374,362	349,603	362,340	368,340	372,072	372,459	
	Yen/day	JPN	18,573	19,140	19,003	18,400	18,487	18,889	18,887	19,100	E e
	Yen/hour		2,266	2,303	2,288	2,269	2,244	2,288	2,276	2,293	
United States of America <sup>3)</sup>	US\$/h	USA	14.32	16.56	17.75	18.24	18.61	18.93	19.08	19.30	E e
Canada	CA\$/h	CAN	17.55	19.87	21.90	22.65	23.06	22.96	23.61	24.10	E e
United Kingdom <sup>4)</sup>	Pound/h	GBR	8.79	11.02	12.09	12.30	12.41	13.15	13.33	13.54	E e
Germany <sup>5)</sup>	Euro/h	DEU	27.78	15.60	19.51	19.59	20.11	20.43	21.03	21.71	E e
France <sup>6)</sup>	Euro/h	FRA	14.1	16.4	17.9	—	16.63	—	—	—	E e
Italy <sup>7)</sup>	Euro/h	ITA	9.93	11.36	—	—	12.96	—	—	—	R w
Sweden <sup>8)</sup>	Krona/h	SWE	111.3	129.9	145.2	145.6	149.8	154.7	157.5	160.2	E w
Russia	Ruble/m	RUS	2,365	8,421	16,050	16,583	19,078	21,781	24,512	27,045	E e
China <sup>9)</sup>	Yuan/y	CHN	8,750	15,934	24,404	26,810	30,916	36,665	41,650	46,431	E e
Hong Kong	HK\$/m	HKG	11,739	9,885	11,000	11,000	12,000	13,000	12,500	13,000	E e
Republic of Korea	1,000 Won/m	KOR	1,228	1,825	2,168	2,163	2,274	2,352	2,503	2,635	E e
Singapore	SG\$/m	SGP	3,036	3,495	3,955	3,966	4,263	4,484	3,300	3,638	E e
Thailand <sup>10)</sup>	Baht/m	THA	5,839	6,420	7,873	7,519	7,495	8,066	9,392	10,962	E e
Philippines <sup>11)</sup>	Peso/m, d	PHL	226	248	290	300	311	316	330	344	R e
India <sup>12)</sup>	Rupee/d	IND	1,281	159	209	318	—	—	—	—	E w
Australia	AU\$/w	AUS	803	1,030	1,151	1,174	1,211	1,269	1,283	1,351	E e
New Zealand	NZ\$/h	NZL	16.97	19.58	22.40	23.40	22.79	23.92	24.85	25.19	E e
Brazil	Real/m	BRA	763	—	—	—	—	1,268	1,406	—	E e

Sources: Japan- Ministry of Health, Labour and Welfare, Monthly Labour Survey, 2013

France, Italy- Eurostat Database "Structure of Earnings Survey" as of Oct. 2014

China- National Bureau of Statistics of the People's Republic of China "China Annual Statistics 2014"

Republic of Korea- Ministry of Employment and Labor, as of Oct. 2014

Thailand- National Statistical Office "Labour Force Survey Whole Kingdom Quarter 1"(2014)

India-(figures for 2005-) Ministry of Statistics and Programme Implementation "NSS Report, Employment and Unemployment in India"

Others-ILO Database and each government website

Notes: 1) E= Earnings, R= Wage rate, e= Employees (wage workers and salary employees), w= Wage workers (hourly/ daily wage workers)

2) Regular workers of the business institutions employing 5 or more workers in the monthly labor surveys(full-time/ part-time workers): bonus and other specially-paid wages are included. The working hours refer to the total hours actually worked.

3) Production workers of the private sector (excluding managerial workers)

4) It covers full-time workers who are the age of 16 or over.

5) Value for 2000 is shown in DEM. EUR1.00=DEM1.95583.

6) Column on 2005 is the value for 2004, on 2008 for 2007.

7) Column on 2000 is the value for 2002, on 2005 for 2006.

8) Production workers of the private sector

9) Figures in urban areas

10) Column on 2000 is the value for 2001.

11) Column on 2000 is the value for 2001.

12) Column on 2008 is the value for 2007.

## Appendix 5 Average Annual Hours Actually Worked per Person in Employment

Year	Japan	United States	United Kingdom	Germany	France
1990	2,031	1,831	1,765	1,578	1,665
1995	1,884	1,844	1,731	1,529	1,605
2000	1,821	1,836	1,700	1,471	1,535
2001	1,809	1,814	1,705	1,453	1,526
2002	1,798	1,810	1,684	1,441	1,487
2003	1,799	1,800	1,674	1,436	1,484
2004	1,787	1,802	1,674	1,436	1,513
2005	1,775	1,799	1,673	1,431	1,507
2006	1,784	1,800	1,669	1,424	1,484
2007	1,785	1,797	1,677	1,422	1,500
2008	1,771	1,791	1,659	1,422	1,507
2009	1,714	1,767	1,651	1,382	1,489
2010	1,733	1,777	1,652	1,405	1,494
2011	1,728	1,786	1,625	1,405	1,496
2012	1,745	1,789	1,654	1,393	1,489
2013	1,735	1,788	1,669	1,388	1,489

Source: OECD Database "Average annual hours actually worked per worker" Feb. 2015

Note: Germany's value for 1990 is in the area of previous West Germany.



## Appendix6: Trade Union Membership and Density Rates (National Official Statistics)

(thousands, %)

Country	1995	2000	2005	2009	2010	2011	2012	2013
<b>Japan<sup>1)</sup></b>								
Membership	12,614	11,539	10,138	10,078	10,054	9,961	9,892	9,875
Density rates	23.8	21.5	18.7	18.5	18.5	18.1	17.9	17.7
<b>United States of America</b>								
Membership	16,360	16,258	15,685	15,327	14,715	14,764	14,366	14,528
Density rates	14.9	13.5	12.5	12.3	11.9	11.8	11.3	11.3
<b>United Kingdom</b>								
Membership	7,113	7,119	7,050	6,710	6,530	6,396	6,455	6,449
Density rates	32.4	29.8	28.6	27.4	26.6	26.0	26.0	25.6
<b>Germany<sup>2)</sup></b>								
Membership	11,242	9,740	8,344	7,831	7,737	7,702	7,697	7,693
Density rates	36.0	29.0	22.8	20.3	19.9	19.3	19.2	19.4
<b>France</b>								
Membership	1,780	1,781	1,779	1,812	1,823	1,830	1,835	—
Density rates	8.7	8.0	7.7	7.7	7.7	7.7	7.7	—
<b>Republic of Korea</b>								
Membership	1,615	1,526	1,506	1,640	1,643	1,720	1,781	1,848
Density rates	13.8	12.0	10.3	10.1	9.8	10.1	10.3	10.3
<b>Singapore</b>								
Membership	235	314	450	526	550	588	613	655
Density rates	—	14.5	19.4	17.6	17.7	18.2	18.3	18.8
<b>Malaysia</b>								
Membership	707	734	761	806	803	970	902	915
Density rates	9.2	7.9	7.6	7.4	6.8	7.9	7.1	6.9
<b>Philippines</b>								
Membership	3,587	3,788	1,910	1,985	1,714	1,779	1,833	1,884
Density rates	30.2	27.2	11.7	10.6	8.7	8.7	8.5	8.5
<b>Australia</b>								
Membership	2,252	1,902	1,912	1,835	1,788	1,835	1,840	1,748
Density rates	32.7	24.7	22.4	19.7	18.3	18.4	18.2	17.0

Sources: Japan, Ministry of Health, Labour and Welfare, *Basic Survey on Labour Unions*, 2014

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Notes: 1) Because of the Great East Japan Earthquake, density rate in 2011 is calculated by figures for reference purpose.

2) The membership consists of the DGB (Deutscher Gewerkschaftsbund), DBB (Deutschen Beamtenbundes) and CGB (Christlicher Gewerkschaftsbund).

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