

Key topic

Promoting Labor Mobility with Support for Workers' Proactive Career Development: MHLW's White Paper on the Labor Economy 2022

In September 2022, the Ministry of Health, Labour and Welfare (MHLW) published the *White Paper on the Labour Economy 2022*. Looking at the employment situation in 2021, after the COVID-19 emergency declarations and other restrictions on people's activities were lifted at the end of September, movements toward recovery were observed in terms of the number of employed persons, that of regular employees, and that of jobs offered, and a labor shortage was seen again in the labor market. On the other hand, the number of elderly persons who moved into non-labor force increased, and persons who changed jobs significantly declined as it did in 2020. Going forward, there is a call for overcoming such situation and promoting labor mobility through support for workers' proactive career development. With such awareness, the white paper analyzes the current labor situation under the theme of "Challenges in Promoting Labor Mobility through Support for Workers' Proactive Career Development." It emphasizes a possible effectiveness of career counseling or self-development in preparation for job changes across industries or job categories, indicating the tendency that workers with such preparation carry out job hunting with a clear career vision and are more satisfied with their new jobs.

I. Outlook for labor supply and demand and challenges involving labor mobility in Japan

Along with the decline in the birth rate, both the population of young people and the number of graduates from high school or higher education have

been declining after peaking in the 1990s, and in light of demographic dynamics, such declining trend is expected to continue for the time being. As a significant increase in labor supply cannot be expected in the short term, the white paper states that it will be important to promote the smooth movement of workers to sectors where there is strong labor demand by leveraging the functions of the labor market. It identifies nursing care workers as human resources that need to be secured in particular. The necessary number of nursing care workers is expected to increase from approximately 2.11 million people in FY2019 by 0.69 million to 2.8 million in FY2040. The white paper also expects that demand for IT professionals will increase in the medium to long term.

Naturally, it is difficult to meet such labor force demand only by the labor supply increase through the employment of new graduates, labor participation of women and elderly people. Previously, the government had carried out various policies to encourage women and elderly people to participate in the workforce. The white paper stated this time that it will be even more important in the future to adjust labor supply and demand through external labor markets, such as mid-career hiring. In addition, it indicates data that shows there is a "weak positive correlation" between active labor mobility (the sum of inflows and outflows of the unemployment pool as a percentage of the working-age population) and an increase in total factor productivity (TFP, productivity from factors other than labor and capital, such as the level of technology) growth or labor productivity growth. It refers to the possibility that transfer of

technology and activation of corporate organizations achieved by promoting labor mobility will lead to improvement of productivity.

II. Trends in Labor Mobility

1. Overview of Labor Mobility

No significant increase in labor mobility was observed

Looking at the trends of labor mobility in Japan using basic indicators, the accession rate of hired career-changing employees¹ (a ratio of hired career-changing employees² out of regular employees³) has remained flat at a level around 10% since 2005. The number of people who changed jobs has been on an increasing trend in the long term, while that of separated employees⁴ has remained flat in recent years. By gender, the accession rate of hired career-changing employees has been at a higher level among females than among males. Among females, the number of hired career-changing employees and separated employees has been on an increasing trend in the long term. By type of employment, both the accession rate of hired career-changing employees and the separation rate⁵ are higher among part-time workers⁶ than among full-time workers⁷, and both the number of hired career-changing employees and separated employees have been increasing among part-time workers. However, among all workers, no significant increase in labor mobility was observed by the analysis in the white paper.

The percentage of hired career-changing employees among hired employees⁸ slightly increased between 1991 and 2006 and then remained flat at a level around 60%. The percentage tends to be higher for smaller enterprises, but it has been on the rise among large enterprises as well in recent years. In 2020, it exceeded 50% for all sizes of enterprise (Figure 1). By age group, the percentage has been on an increasing trend in the long term among employees aged 60 or over, whereas it has been declining slowly since 2007 among those aged 34 or under (Figure 2). As the differences in the percentage by age group may result from changes in the population

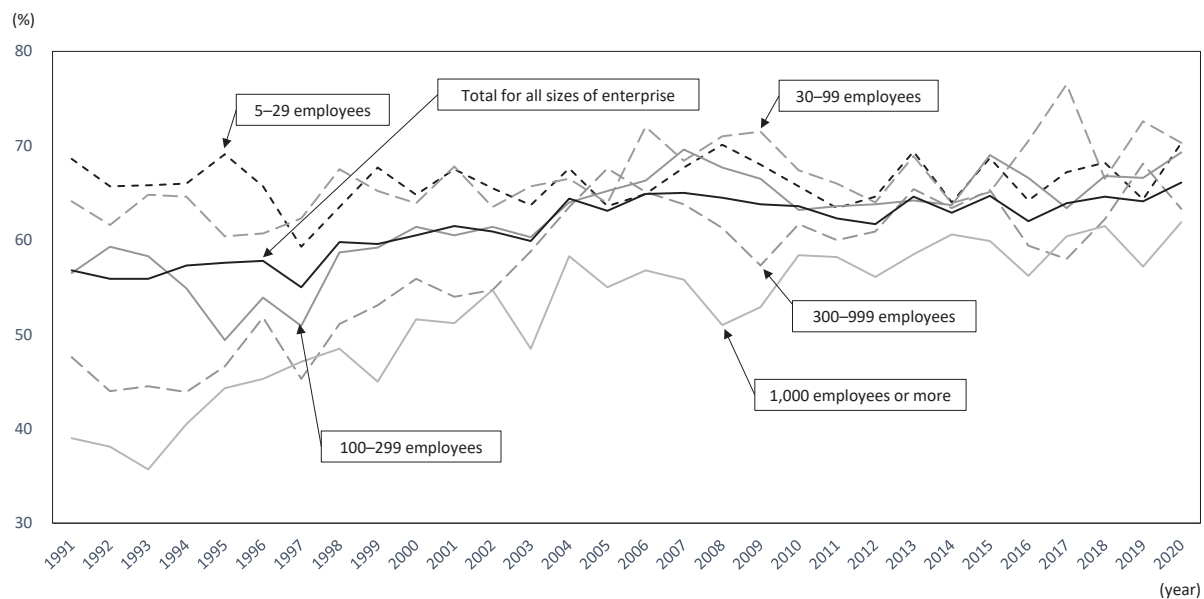
composition due to the declining birth rate and aging population, the white paper analyzes the changes in the percentage for each age group. Among those aged 35 or over, the percentage has been on an increasing trend for both sexes, and it has significantly increased among females (Figure 3).

Labor mobility across industries has slightly increased among highly educated people

The white paper points out that in order to respond to future changes in labor demand, it is important to promote labor mobility across industries or occupations. It indicates the possibility that labor mobility across industries has slightly increased among highly educated people (those who graduated from university, graduate school or higher education) both for males and females. However, it states that labor mobility across industries resulting from changing jobs does not seem to have a significant influence on changes in the allocation of labor across industries. In this respect, the white paper observes the trends in labor mobility across industries as follows. Labor mobility within the personal services business, such as “wholesale and retail trade,” “accommodations, eating and drinking services,” and “living-related and personal services and amusement services,” had remained at a relatively high level since before 2019. Labor mobility to “information and communications” and “medical, health care and welfare” from other industries has not been noticeably high. Labor mobility within the same industry is noticeably high in “information and communications,” and relatively high in “construction” and “transport and postal services.”

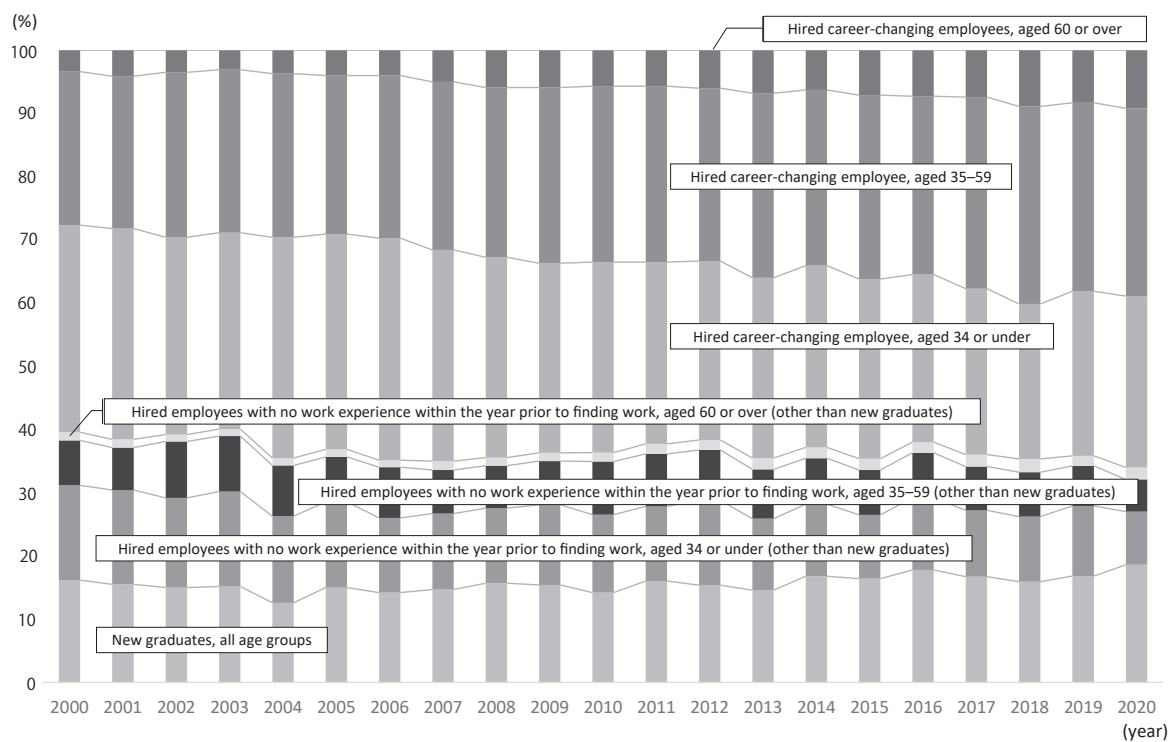
2. Actual situation of people who changed jobs

The white paper also focused on the actual situation of people who changed jobs from a micro-level perspective. According to the “National Employment Situation Panel Survey” by the Recruit Works Institute and the “Survey on Workers Who Changed Jobs 2020” by the MHLW, the percentage of those who experienced job changes is higher among females, irrespective of the form of employment. Many females change jobs for reasons



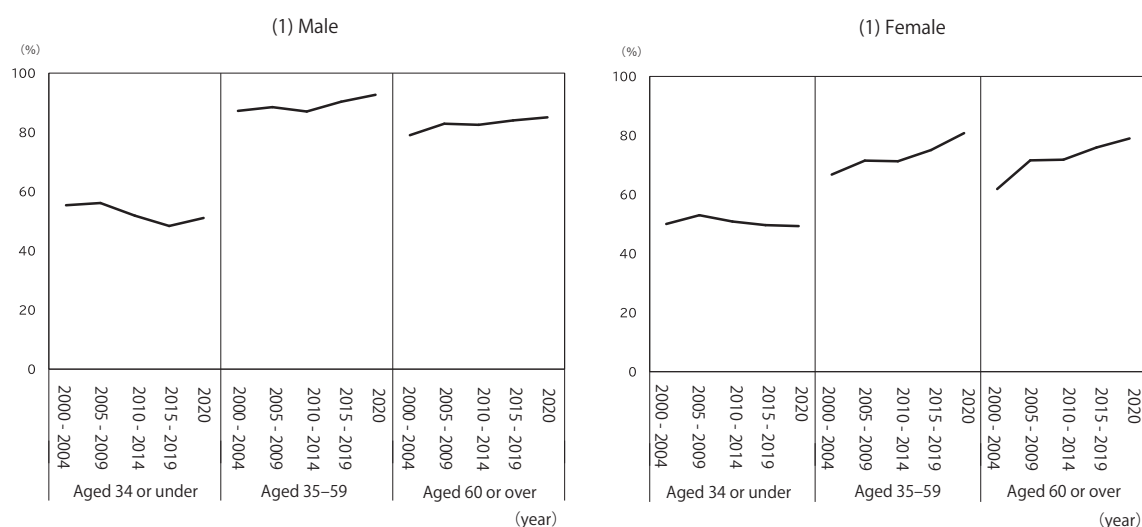
Source: Created by the Office of MHLW Director-General for General Policy and Evaluation based on MHLW's "Survey on Employment Trends."

Figure 1. Changes in the percentage of hired career changing employees among all newly hired employees, by size of enterprise



Source: Created by the Office of MHLW Director-General for General Policy and Evaluation based on MHLW's "Survey on Employment Trends."

Figure 2. Changes in the composition of newly hired employees by career and age group



Source: Created by the Office of MHLW Director-General for General Policy and Evaluation based on MHLW's "Survey on Employment Trends."

Figure 3. Changes in the percentage of hired career-changing employees among all newly hired employees by gender and age group

relating to their work styles, working environment, and family circumstances, such as "better working conditions (not including pay)" and "less frequent job relocation, easy to commute from home." In most cases, they change jobs from part-time jobs to part-time jobs. On the other hand, among males, those who cite "better opportunity to use one's talent and skills on the job" as a reason for job change account for a high proportion.

In its analysis, the white paper regards labor mobility across industries or occupations as labor mobility involving career changes. It conducted detailed analysis on how experience in the previous job affects the selection of the new job, using the "task distance" (similarity of job content) between the previous job and the new job, which is calculated based on the data available on the job information website (<https://shigoto.mhlw.go.jp/User/>) operated by the MHLW and the Japan Institute for Labour Policy and Training (JILPT).

The analysis shows that people with longer work experience switched to jobs with a shorter task distance from their previous jobs. It is suggested that those who have more work experience tend to find jobs that are similar to the jobs that they consider to

be suitable for them based on their work experience. In particular, those engaging in professional or technical jobs are more likely to move to the same or similar jobs for which they can utilize their expertise. On the other hand, even in the case of switching to jobs with a short task distance from the previous jobs, how workers change their careers differs depending on their previous work experience. For example, those who engage in clerical work are more likely to change jobs in the same job category, whereas many move between sales jobs and service jobs.

III. Factors that promote proactive job and career changes

1. Transition from seeking to change jobs to carrying out job hunting

What are the factors that promote mobility of workers based on their proactive attitude toward career formation? The white paper aggregates data from the aforementioned panel surveys conducted by the Recruit Works Institute in 2019 and 2021. It provides an overview of the trends of workers seeking to change jobs as follows. Workers seeking

to change jobs account for nearly 40% of all workers (37.6%), and among them, those who actually started job hunting account for about 15%. About 20% of those seeking to change jobs actually changed jobs within two years. Those in higher age groups are less likely to seek to change jobs. By industry, the percentages of those seeking to change jobs are high in “eating and drinking services, accommodations” and “medical, health care and welfare,” and the percentage of those who started job hunting is high in “eating and drinking services, accommodations” and “education and learning support.” By job category, the percentages of those seeking to change jobs and those who started job hunting are high among “service workers,” whereas these percentages are low among “managerial workers.”

Whether workers actually start job hunting and find new jobs may be affected by various factors, such as the circumstances at the workplace and the characteristics of workers. The percentages of those who actually started job hunting and those who found new jobs were low among regular workers, workers in middle management positions (section chief-level / division director-level positions), and male workers with children. The percentage of male workers seeking to change jobs is lower among those in middle management positions and manager-level positions than among those not in management positions, and it is lower among those with higher positions. The percentage declines as the age of their youngest child becomes higher. The percentage of workers who actually started job hunting is low among male workers whose youngest child is 15 years of age or older. The white paper also points out that the percentage of workers seeking to change jobs is higher among those who have undertaken personal development (self-developed) in advance than among those who did not do so. It also states that among workers seeking to change jobs, those who have a clear career vision are more likely to be able to actually start job hunting, and male regular workers and workers in management positions are able to change jobs more easily.

2. Career changes to different sectors

People changing their careers place importance on work-life balance

With a view to considering challenges in promoting career changes to different sectors, the white paper examines the factors on which workers who changed their careers placed importance when choosing new jobs. The result was that they tend to place importance on factors relating to work-life balance—such as “better working conditions (not including pay)” and “desire to work in one’s hometown (including U-turn-type workers *who once worked in urban area and returned to their hometown to work; the italicized added by editor*),” and the degree of satisfaction with their work life as a whole was high. Workers who changed jobs tended to be more satisfied when their objective was to advance their career, such as “higher salary,” “better opportunity to use one’s talent and skills on the job,” and “satisfaction with job assignment or the type of job.”

Promoting career counselling services and self-development

The white paper also analyzes the relationship between workers’ career vision and their satisfaction after the career change. Workers who have a clearer career vision before changing jobs are more likely to be satisfied with their new jobs, have high work engagement (responding that they were able to work vigorously) and recognize their growth. It is revealed that it is easier for those who have self-developed in preparation for a job change to find new jobs for a higher career, and they are more likely to be satisfied with their new jobs. Taking all these results into account, the white paper points out the possibility that career counseling and self-development before a career change may be important for enhancing workers’ work engagement after the career change.

Career changes and wages

The white paper also studied the association between career changes and wage changes. Workers are more likely to experience an increase in wages when they change their careers from professional or technical jobs to sales jobs or management jobs, or from service jobs or clerical jobs to professional or technical jobs or management jobs. The white paper analyzes that workers may enjoy an increase in wages if they acquire new expertise and find professional jobs or they are promoted to management positions. In addition, the rate of increase in wages after a job change is higher among workers whose score for a career vision before a career change is higher. Explaining as such, the white paper points out the possibility that workers with a clear career vision or a self-development in advance can find jobs that are suitable for them and enjoy an increase in wages.

IV. Challenges in achieving proactive career development

Workers who received career counseling are more proactive in planning their work life

The white paper analyzed the results of the “Current Status, Effects and Latent Needs of Career Counseling,” a survey conducted by the JILPT. The analysis revealed that workers who received career counseling are more proactive in planning their work life and are more satisfied with the content of their current jobs or their work life as a whole. These workers tend to change jobs more frequently and be more active in job hunting and career change. In addition, those who received counseling are more likely to think that they are competent enough to work at other companies, and among the workers thinking that way, the percentage of those who received external counseling is relatively high. Based on these trends, the white paper points out the possibility that workers are more likely to be reminded of their potential to display their vocational skills at other companies by receiving counseling and that they are able to consider their career

formation more objectively by receiving external counseling. Among both regular and non-regular workers, the proportion of those who have advance self-development is larger if they received counseling.

Companies accepting new employees who changed jobs should provide them with education and training and treat them appropriately

The white paper indicated that in order to enable new employees who changed jobs to become adapted to the new work and workplace and display their competency, it is important for the companies that accept them to provide appropriate support, such as education and training. It aggregated the data from the survey on firms and survey on individuals conducted by the MHLW as part of the “Survey on Workers Who Changed Jobs.” As a result, it states that workers who changed their careers tend to be more satisfied with their work life as a whole as well as with their job content or job category if the companies accepting them provide them with either on-the-job training or off-the-job training.

What challenges do companies face when recruiting workers from other companies? More than 30% of the respondent companies cited the shortage of applicants for the jobs for which they need a labor force. The percentages of the companies citing the lack of objective criteria concerning ability assessment of job applicants and those citing how to determine the wage level and treatment upon recruitment are also high. Thus, many companies face challenges in terms of treatment of new employees who have moved from other companies.

The white paper points out that job seekers are more likely to face problems with the provision of more information on job offers, enhancement of job placement services, and financial assistance for career skills development or self-development. It concludes that smooth labor mobility can be promoted by preventing mismatch upon job changes and ensuring that both companies and job seekers will have no anxiety in accepting new employees and finding new jobs, respectively, through visualization of labor markets.

Verification of the effects of public vocational training programs based on evidence

The white paper looks at the efforts that are required to be made by labor and management and by government agencies. It presents the results of the detailed analysis conducted by the MHLW on the effects and challenges of public vocational training programs based on evidence, using administrative record information. Public vocational training programs are implemented at such places as public vocational abilities development institutions and private educational and training institutions as the core initiative for policy support for the unemployed, and the State and prefectures are responsible for the implementation of these programs. They serve as important safety nets in society, which help unemployed persons acquire vocational skills and find employment. The analysis results indicate in quantitative terms that it is easier for unemployed persons to find employment if they participate in public vocational training programs, irrespective of the field of training. Since 2019, MHLW has promoted evidence-based policy making (EBPM) as its unique initiative. The white paper states that this analysis provides certain policy implications regarding an ideal form of public vocational training, and at the same time, it is expected to serve as the first step for encouraging the government to make

effective use of the data they retain and make constant efforts for improvement through EBPM in the field of labor policy.

1. Accession rate of hired career-changing employees is calculated as follows:

$$\frac{\text{Number of hired career-changing employees}}{\text{Number of regular employees as of January 1st}} \times 100$$

The definitions shown in Notes 1–8 here are based on MHLW's definitions for the "Survey on Employment Trends" (2014) provided at https://www.mhlw.go.jp/english/database/db-l/dl/employment_trends_2014_d1.pdf.

2. A hired employee with work experience within the year prior to finding work; however, this does not include side jobs or work lasting less than one month.

3. A worker who comes under any of the following categories: (a) A person employed with no defined period; and (b) A person employed for a defined period which exceeds one month.

4. A regular employee who has retired or been dismissed from an establishment during the period covered by the survey, including persons transferred to another enterprise or returning from transfer but excluding persons moving from an establishment within the same enterprise.

5. Separation rate is calculated as follows:

$$\frac{\text{Number of leaving employees}}{\text{Number of regular employees as of January 1st}} \times 100$$

6. A regular employee who has fewer scheduled hours worked per day than ordinary workers of the establishment, or who has the same scheduled hours worked per day but fewer scheduled days worked per week than ordinary workers of the establishment.

7. A regular employee who is not a part-time worker.

8. A regular employee who is newly hired by an establishment during the period covered by the survey, including persons transferred from another enterprise or returning from transfer but excluding persons moving from an establishment within the same enterprise.