

1 Population

Population Growth Rate and Decline from the Late 1970s

Between November 1945 (immediately after the end of World War II) and July 2003, Japan's population increased by a factor of about 1.77, from a reported 72.15 million to 127.65 million. Naturally, this continued increase has not been at a uniform pace over the entire half century. 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.

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. One of the biggest reasons is the population shift from farming villages to urban centers. As a result, the number of nuclear families headed by company employees has increased, and the birth rates has 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 will Peak in 2006, and thereafter Decline

Hereafter, it is predicted that we will enter a period of population decline (see Figure II-1). Looking at the latest estimates, Japan's population will peak in 2006 at 127.74 million, and then decline for the first time in history. Population distributions by age, too, will further increase with the tendency toward lower birth rates and a larger elderly population. 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

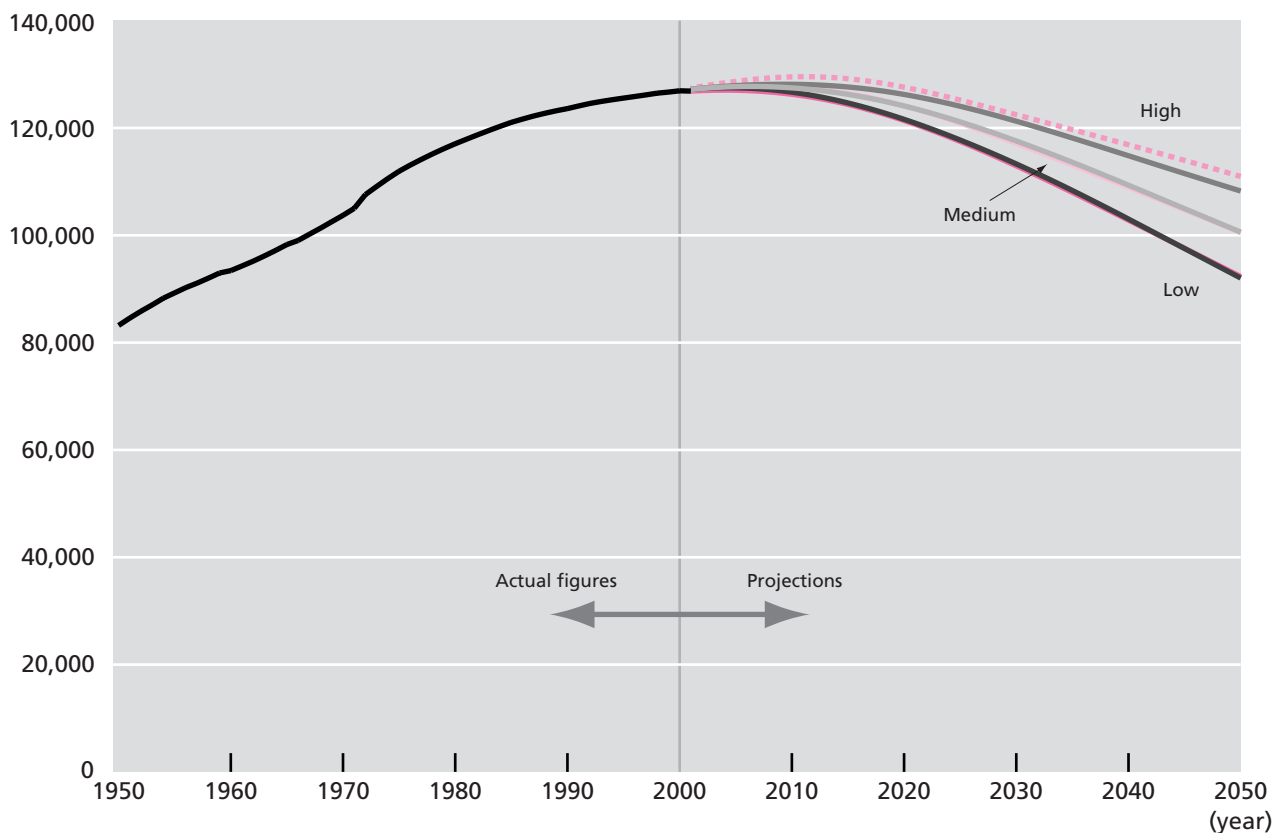
The heavy concentration of population in the Greater Tokyo area, as opposed to other urban centers, poses many difficulties. Also noteworthy (though not so much in terms of absolute population) are the so-called “U-turn” and “J-turn”—the tendency for people to move from their birthplaces in the countryside to a large urban center, and later back to their home-towns or a major regional city near their hometowns.

Globalization Brings Increase in the Foreign Population

With the advancement of globalization, the foreign population in Japan is increasing gradually. In the

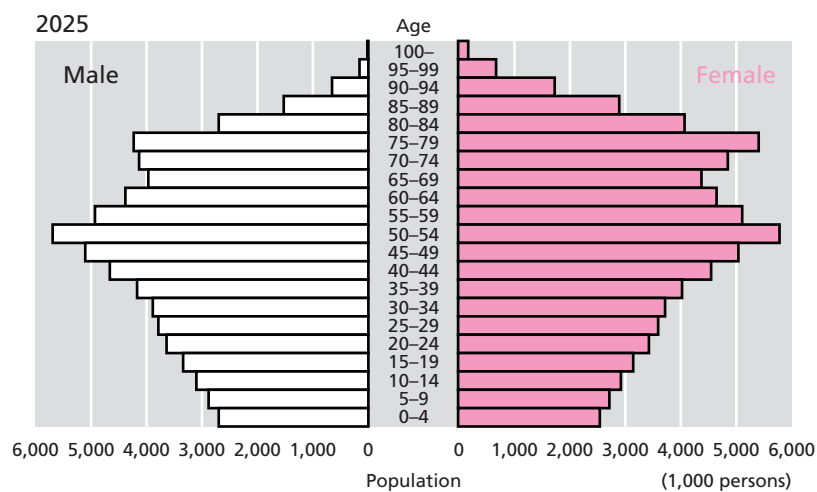
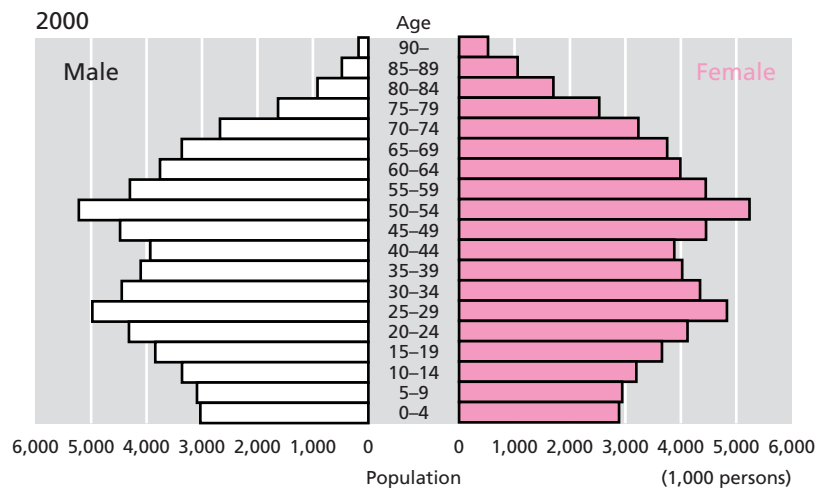
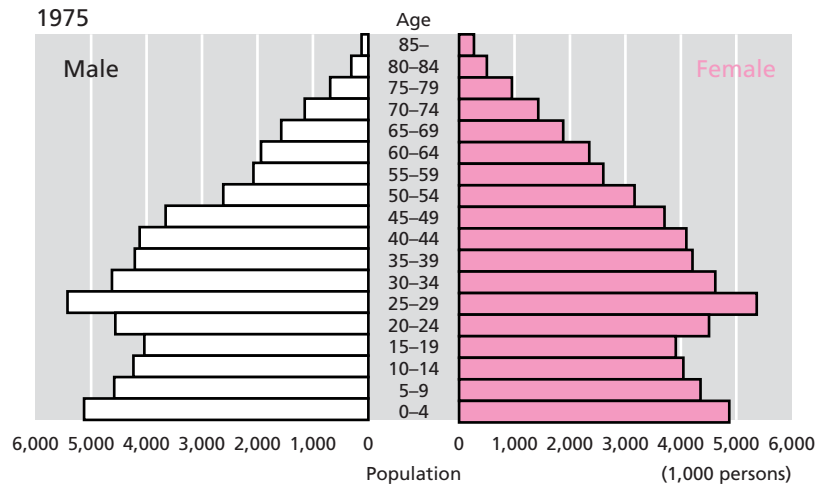
past, North and South Koreans accounted for the vast majority of Japan’s resident aliens. Their ratio has been decreasing, however, and as of the end of 2002, they accounted for 33.8% of the foreign population, a record low (see Table II-3). On the other hand, there has been an influx of people from other Asian countries such as China, and the number of Central and South Americans of Japanese decent who have immigrated to Japan to work too is on the rise after approval of their permanent-resident visas. This trend began to gather speed during the bubble economy of the 1980s. The Chinese population in Japan, in particular, has been increasing greatly since 2000 and has made up more than 20% of the foreign population since 2001. The number of registered aliens has increased steadily as well, reaching an all-time high of 1.852 million persons in 2003. The percentage of foreigners in the total population is about 1.45%.

II-1 Changes in the Total Population: medium, high, low



Sources: *Population Projections for Japan* (Jan. 2002 Estimates) National Institute of Population and Social Security Research
 Note: Solid line indicates this time’s projection, and dashed line indicates last time’s projection.

II-2 Changes in Population Pyramids: Medium Population Growth



Sources: *Population Census*, Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications; *Population Projections for Japan*, National Institute of Population and Social Security Research, January 2002

II-3 Changes in Registered Alien Population by Nationality

(Year end figures)

	1990	1995	2000	2003
Total	1,075,317	1,362,371	1,686,444	1,851,758
North/South Korea	687,940	666,376	635,269	625,422
Distribution (%)	64.0	48.9	37.7	33.8
China	150,339	222,991	335,575	424,282
Distribution (%)	14.0	16.4	19.9	22.9
Brazil	56,429	176,440	254,394	268,332
Distribution (%)	5.2	13.0	15.1	14.5
Philippines	49,092	74,297	144,871	169,359
Distribution (%)	4.6	5.5	8.6	9.1
Peru	10,279	36,269	46,171	51,772
Distribution (%)	0.9	2.7	2.7	2.8
U.S.	38,364	43,198	44,856	47,970
Distribution (%)	3.6	3.2	2.6	2.6
Others	82,874	142,800	225,308	264,621
Distribution (%)	7.7	10.5	13.4	14.3

Source: *Statistics on Aliens in Japan*, Immigration Association, 2003

Labor Force Declines, Labor Force Ratio Remains Stable

In 1960, the number of Japanese people capable of working (which includes all persons aged 15 and older) was 65.20 million. In 2001, this number had jumped to 108.86 million. 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. The labor force was 45.11 million in 1960, and 67.52 million in 2001 (male: 39.92 million, female: 27.60 million); as in 2000, this figure represents a drop from the previous year’s actual numbers. 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 62.9% in 1976 after the first oil crisis, and has remained quite stable at this level until today. In 2001, Japan’s labor force ratio was 62.0% (male: 75.7%, female: 49.2%).

Features of Japan Visible in the Labor Force Ratio

Figure II-5 shows the labor force ratio classified by sex and age from 1970 to 2001, and points out the following characteristics as long-term trends of Japan’s labor force ratio.

- (1) The ratio of males aged 24 and under in the younger bracket tends to decline, but the ratio of the elderly (age 55 and older bracket) tends to increase. The other age groups demonstrate no large change.
- (2) The female labor force ratio develops in the shape of the letter “M”: the labor force ratio of female workers declines for workers in their late 20s through their 30s, and increases again after that. During this period, the valley section of this letter “M” has shifted rightward and upward simultaneously. In addition, both peaks of this letter “M” have become higher, revealing an increase in the

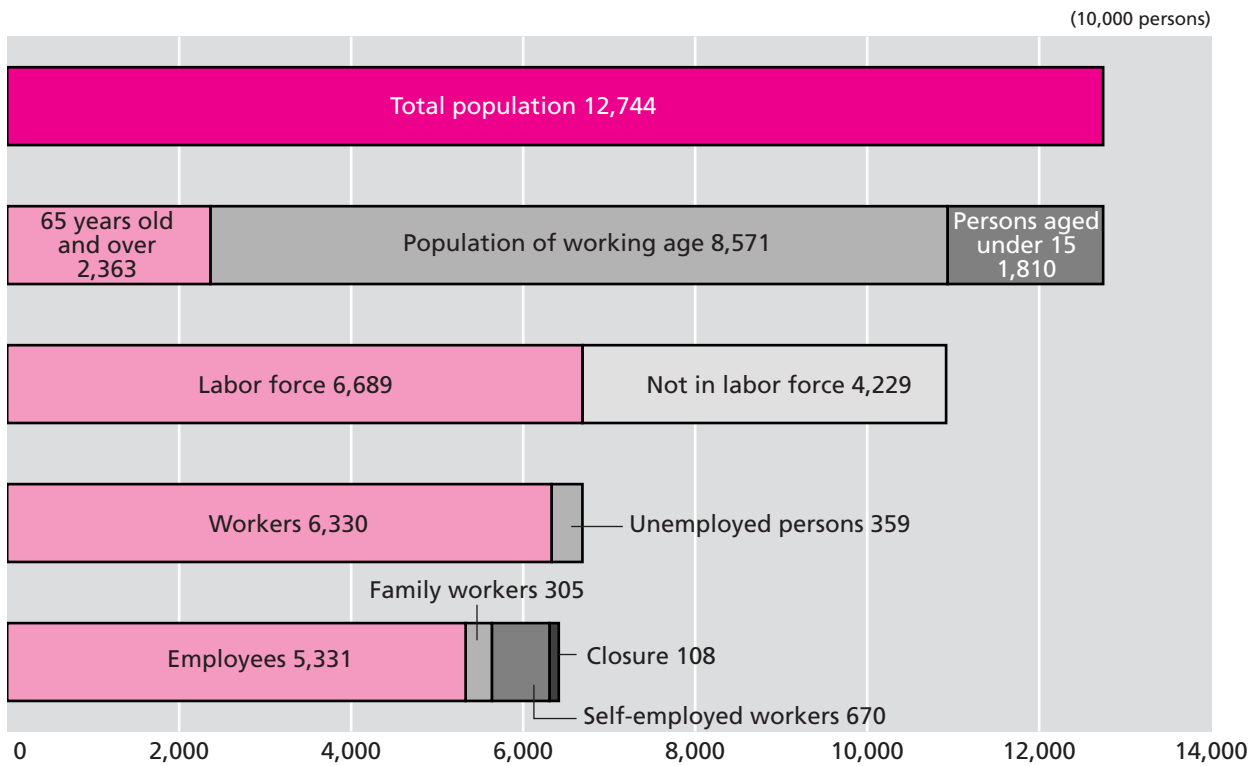
labor force ratio. Above all, the increases of female workers in the 25-34 and 55-64 age groups are prominent.

Factors Behind the Labor Force Ratio

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

- (1) Both men and women have become better educated. In 1960, the ratio of those who advanced to high school was 57.7% of junior high school graduates (male and female combined, excluding those who proceeded via correspondence courses). This figure jumped to 95.9% in 2000. In addition, the ratio of those who moved on to universities (undergraduate), community colleges (liberal arts), and so on was 10.3% in 1960 (male and female combined, including “ronin”—those who graduated from high school, but failed to enter a college and are waiting for another chance). This figure increased to 49.1% in 2000. As a result of these developments, the labor force ratio for teenagers has declined.
- (2) Since women often quit their jobs during the periods of marriage, childbirth, and child rearing, the labor force ratio of those women in their late 20s declined. Recently, however, many wives and mothers have continued to hold jobs through these personal changes. Further influencing the labor force ratio, women have begun to delay marriage and childbirth, and the ratio of unmarried women has increased. Above all, women with higher levels of education have a stronger tendency to continue their jobs during marriage, childbirth, and child rearing than women with less education.
- (3) In addition, women who have devoted themselves to matters at home such as childbirth and child rearing, primarily women in their 40s, are increasingly returning to the full-time and part-time job markets.

II-4 Composition of Labor Force



Note: The figures above are average values for 2002

Source: Labor Force Survey, Population Census, Ministry of Public Management, Home Affairs, Posts and Telecommunications

II-5 Changes in the Labor Force Participation Ratio by Sex and Age: 1970–2001



Source: Labor Force Survey, Ministry of Public Management, Home Affairs, Posts and Telecommunications

3 Changes in the Employment Structure

Decreasing Numbers Employed in the Agricultural and Forestry Industries

When taking an overall look at the recent fluctuations in the employment structure by main industries (see Figure II-6), the number of those employed in the agricultural and forestry industries continues to decline consistently, with a total of 2.86 million persons employed in 2001, representing a 4.6% share of all workers. The number of persons employed in the construction industry showed a tendency to increase from 1990 to 1995 due to the building rush in the wake of the bubble economy years; but this sector too is recently in a downward shift, having decreased for four consecutive years to employ 6.32 million persons in 2001 (representing a total of 9.9% of all workers).

Manufacturing and the Hollowing Out of Industry

The manufacturing industry has been greatly affected by the globalization of production activities in particular.

In 1995, with the temporary dollar-yen exchange rate of US\$1=¥80, not only large corporations but also small and medium manufacturers began to move operations overseas, leading to a sudden realization of the “hollowed-out industry problem”. In 1993, with the yen continuing to appreciate rapidly, the number of workers in the manufacturing industry began a downward trend. From 1993, the number of workers in the manufacturing industry have fallen for nine consecutive years, to a level of 12.84 million in 2001. Japan’s overseas manufacturing production rate began to increase after the conclusion of the G5 Plaza Accord in 1985, and by FY2000 this rate had reached a level of 13.4% (Basic Survey on Overseas Business Activities, METI, 2001). Within this figure, the share of overseas production for transport machinery manufacturers stands at 31.1% and for electric machinery manufacturers at 21.9% (both figures for FY2000), reaching levels greatly above the average and causing

anxieties about the falling levels of workers in the skilled divisions of these two industries. As these types of industries are increasingly showing an international division of labor, a market shift is being contemplated in which domestic focus would be placed on strengthening research and development and high value-added divisions.

Increasing Numbers Working in Service Industries

On the other hand, in tertiary industries, worker numbers are increasing in the service industries. These figures have consistently increased over a ten-year period, reaching a figure of 17.68 million in 2001, accounting for a 27.6% share of all workers. However, a downward shift is being witnessed in number of workers in the wholesale, retail, and food and beverage industries. After rising steadily until 1998, worker numbers peaked in 1999, to drop off in 2000 for the first time in five years, with worker numbers totaling 14.73 million, or a 23.0% share of all workers.

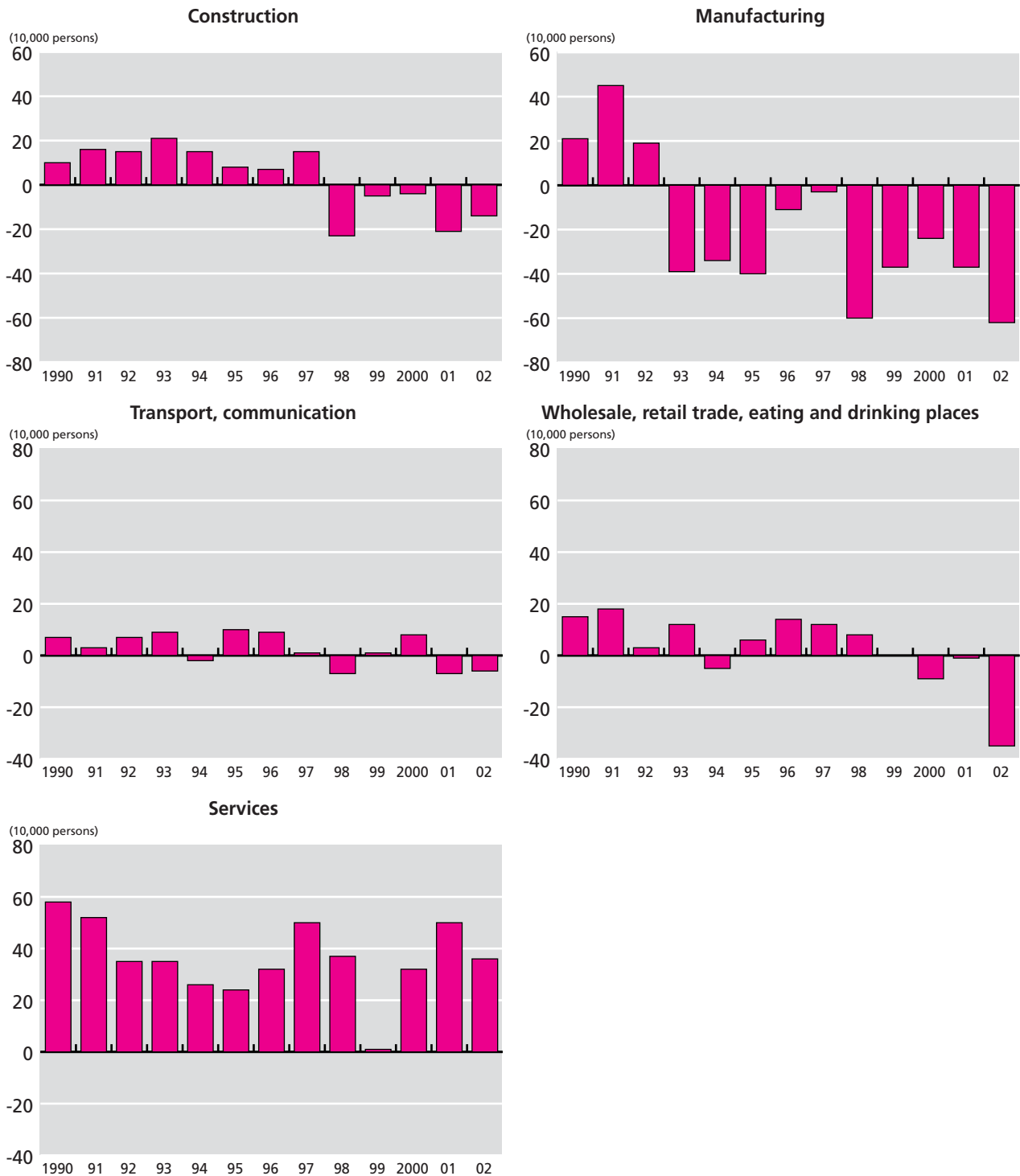
Responding to IT and Maintaining and Training Human Resources

Concerning employment structure by type of work, reflecting the changes in the industrial structure, the number of workers in the agricultural, forestry and fishery industries has fallen by half—from 10% of all workers in 1980, to 4.9% in 2001. Moreover, due to the globalization of the manufacturing industry and the construction recession, the numbers of those people engaged in skilled factory work, manufacturing and construction have also fallen, accounting for a 23.5% share of all workers in 2001. On the other hand, the number of those workers engaged in specialized or technical work has risen consistently over the last ten years, to reach 13.2% of the total number of workers (11% in 1990). In the future, with international competition becoming all the more severe, the necessity is increasing to cultivate and maintain

human resources capable of responding to the IT and technology revolutions. Another important issue will be to improve treatment of workers by basing evalua-

tions on merit and by offering a wider variety of career opportunities, as well as to provide professional ability development opportunities at all levels.

II-6 Yearly Increases and Decreases in Employment Structure by Industry



Source: Report on the Labor Force Survey, Ministry of Public Management, Home Affairs, Posts and Telecommunications, 2002

4 Diversification in Forms of Employment

Non-regular Workers Comprise 27.5% of Workers

Japan's industrial structure has been undergoing a fundamental shift in orientation, moving away from secondary industries (mainly manufacturing) and toward tertiary industries (e.g., services). Behind this shift to a service economy lies a broader diversification of the employment structure, as demonstrated by the increase of parttime workers, dispatched workers (workers supplied by temporary employment agencies), and others working outside the category of permanent employee. According to the "Survey of the Diversification of Employment Status" issued by the Ministry of Labour in 1999, nonregular workers, mainly women and employees of small and medium-sized companies, comprise 27.5% of all workers. The largest group of these non-regular workers were part-time workers (20.3%), followed by temporary workers and casual workers (1.8%), and dispatched workers (1.1%) (see Table II-10).

12.11 Million Part-time Workers

Not all part-time workers—who comprise the vast majority of non-regular workers—are the same. The survey uses two definitions for part-time workers: "official" part-time workers and "other" part-time workers. Part-time workers, as defined by the Management and Coordination Agency's Labor Force Survey, numbered 4.71 million in 1985, increasing thereafter to 12.11 million in 2002 (see Table II-7).

Characteristics of Part-time Workers in Japan

Most part-time workers are housewives, but they are not evenly distributed among all occupational fields. Part-time workers are primarily used in three main industrial fields: wholesale, retail and food and beverage, services, and manufacturing. Furthermore, in terms of the different types of workplace, shops are the most prevalent followed by factories. We could therefore conjecture that most part-time workers are employed at wholesale, retail or food and beverage

shops, but that is not so; part-time workers are also heavily employed at factories in manufacturing industries. This is said to characterize part-time employment in Japan.

II-7 Changes in the Number of Part-time Workers and Workers Supplied by Temporary Employment Agencies

(10,000 persons)

Fiscal Year	Part-time Workers	Dispatched Workers
1985	471 (11.1)	—
1986	503 (11.7)	14.4
1987	506 (11.6)	26.8
1988	533 (12.0)	31.2
1989	602 (13.1)	42.7
1990	722 (15.2)	51.0
1991	802 (16.3)	63.1
1992	868 (17.3)	65.4
1993	929 (18.2)	57.5
1994	967 (18.8)	57.6
1995	896 (17.4)	61.2
1996	1,015 (19.4)	72.0
1997	1,114 (21.1)	85.5
1998	1,113 (21.2)	89.5
1999	1,138 (21.8)	106.7
2000	1,053 (20.0)	138.6
2001	1,205 (22.9)	174.8
2002	1,211 (23.2)	—

Sources: The definition of part-time workers derives from the Management and Coordination Agency's annual *Labor Force Survey*. Part-time workers are defined as persons working an average of 1–34 hours per week. The figures in the table represent combined totals for male and female workers.

"Workers supplied by temporary employment agencies" are as defined in the Ministry of Health, Labour and Welfare's Report on Employment Agencies (2001). The figures in the table include ordinary and specialized temporary workers registered with temporary employment agencies.

Note: The figures in parenthesis indicate the percentage of part-time workers among employees. Unit: %

FYI

Law Concerning the Improvement of Employment Management for Short-time workers

"Official" part-time workers: According to the Labor Code official part-time workers work regular hours at one place of employment, but a shorter workweek than fulltime employees.

"Other" part-time workers: ("Other" part-time workers is a term used by employers)

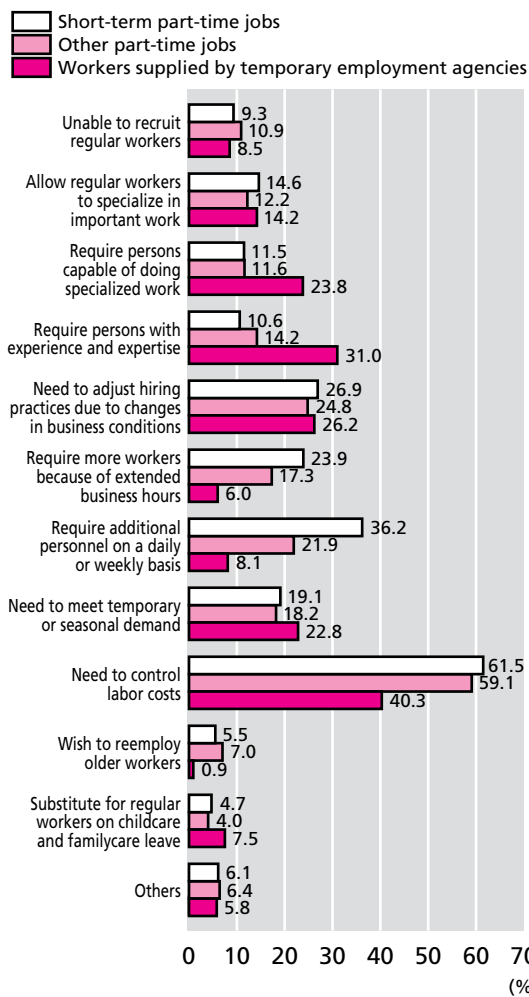
Employers make use of part-time workers for two reasons: (1) lower personnel costs and (2) the ability to meet changing business demands on a daily or weekly basis (II-8). Part-time workers largely report as reasons for choosing this form of employment that (1) they prefer work schedules that suit their convenience, and that (2) they wish to earn money to help meet household or educational expenses (see Figure II-9).

1.748 Million Dispatched Workers

Dispatched workers are defined by the Manpower Dispatching Business Law, enacted in 1986, as “workers under contract to a dispatching agency, who

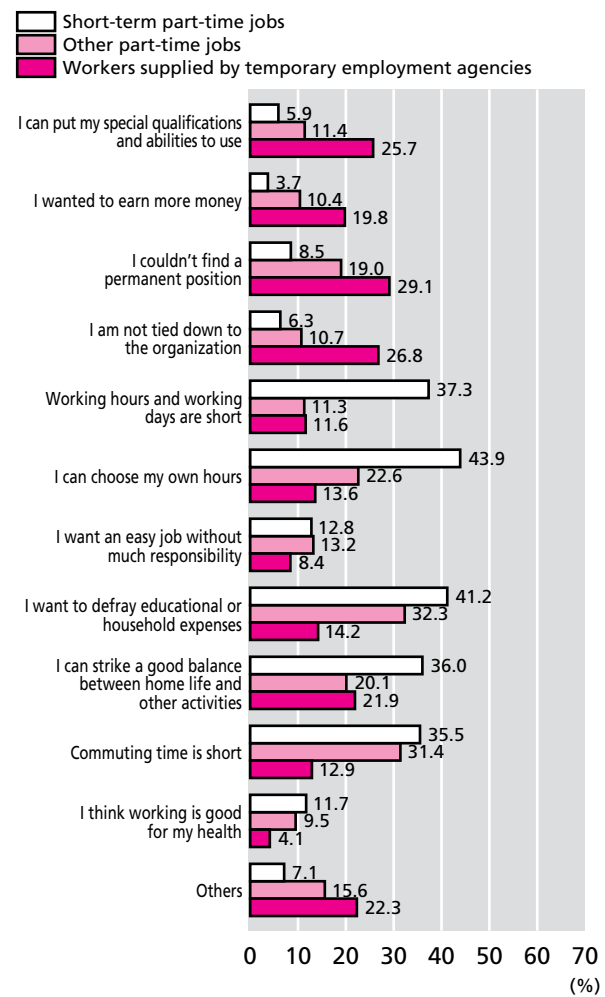
are entrusted with specific duties by the companies to which they are assigned.” At first, dispatched workers could only be used to perform 26 duties that required a high degree of specialization. However, a revision made to the law in 1999 allows dispatched workers to perform any type of work except longshoring, construction work, security service, 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). According to the “Report on Temporary Employment Agencies” issued by the Ministry of

II-8 Reasons for Hiring “Non-regular Workers”



Source: Survey of the Diversification of Employment Status, Ministry of Labour, 1999
 Note: Totals do not add up to 100 because multiple responses were permitted

II-9 Reasons for Working as a “Non-regular Worker”



Source: Survey of the Diversification of Employment Status, Ministry of Labour, 1999
 Note: Totals do not add up to 100 because multiple responses were permitted

Labour, there were 144,000 dispatched workers in 1986, increasing to 1,748,000 in FY2001 (see Table II-7). Workplaces report that their main reason for using dispatched workers is “to economize on personnel expenses” (see Figure II-8).

Future Challenges for Non-regular Workers

It is clear that the number of both part-time and dispatched workers is increasing. Looking at companies' policies for the future, there is a strong movement to

combine the use of permanent and non-regular workers to lower personnel costs and handle specialized tasks more efficiently; therefore, these increases will most likely continue from now on. But, as this trend becomes the norm, the need will arise for employers to offer more social security benefits and education and training opportunities to these workers. Regulations specifying their job descriptions and clarification of working conditions will also be necessary.

II-10 Proportion of Workers by Form of Employment

(%)

	Total		Regular workers	Non-regular workers				
				Temporary and casual workers	Part-time workers	Dispatch workers	Others	
Industry total	(100.0)	100.0	72.5	27.5	1.8	20.3	1.1	0.7
				[100.0]	[6.7]	[73.9]	[3.9]	[2.5]
Mining	(0.1)	100.0	90.6	9.4	0.3	5.5	0.1	1.3
Construction	(10.0)	100.0	84.1	15.9	4.9	4.6	0.7	2.1
Manufacturing	(24.8)	100.0	81.3	18.7	0.4	14.4	1.0	0.4
Electricity, gas, heat supply and water	(0.5)	100.0	90.8	9.2	0.1	2.5	1.0	0.7
Transport, communication	(7.6)	100.0	82.0	18.0	0.9	9.7	1.9	0.3
Wholesale and retail trade, eating and drinking places	(28.1)	100.0	57.0	43.0	3.3	36.1	0.6	0.6
Financing, insurance	(4.3)	100.0	83.3	16.7	0.3	7.8	4.3	0.2
Real estate	(0.9)	100.0	74.8	25.2	1.4	12.0	1.1	1.2
Services	(23.8)	100.0	71.4	28.6	1.0	20.7	1.0	0.7
Type of establishment								
Office	(31.6)	100.0	82.2	17.8	1.6	9.3	1.5	0.6
Factory	(26.6)	100.0	78.0	22.0	0.9	17.2	0.9	0.6
Research center	(0.8)	100.0	89.1	10.9	0.0	5.3	3.1	0.2
Sales office	(13.0)	100.0	78.2	21.8	4.4	11.1	1.0	0.5
Store	(15.7)	100.0	38.9	61.1	2.6	55.5	0.6	0.9
Others	(12.3)	100.0	71.7	28.3	0.8	21.2	0.7	1.0
Company size								
Over 1,000 employees	(27.2)	100.0	74.9	25.1	0.4	18.5	2.0	0.5
500-999	(7.8)	100.0	75.7	24.3	0.9	18.2	1.1	0.4
300-499	(8.4)	100.0	69.1	30.9	6.7	16.7	1.1	0.6
100-299	(15.3)	100.0	73.4	26.6	0.7	19.8	0.9	0.5
50-99	(11.3)	100.0	69.8	30.2	2.2	22.8	0.7	1.4
30-49	(6.7)	100.0	74.6	25.4	1.8	19.7	0.5	0.6
5-29	(23.4)	100.0	70.2	29.8	2.6	23.6	0.4	0.9
Gender								
Male	(60.8)	100.0	85.1	14.9	1.8	7.8	0.6	0.8
Female	(39.2)	100.0	53.0	47.0	2.0	39.6	1.8	0.6

Source: Survey of the Diversification of Employment Status, Ministry of Labour, 1999

Notes: 1) Figures in [] are the ratio assuming “Non-regular workers” (industries covered) as 100.

2) Figures in () are the ratio in each industry, type of enterprise, sex, and enterprise scale.

3) “Others” includes temporarily transferred, and contract and registered workers.

5 Employment and Unemployment Trends

Diversification in Forms of Employment

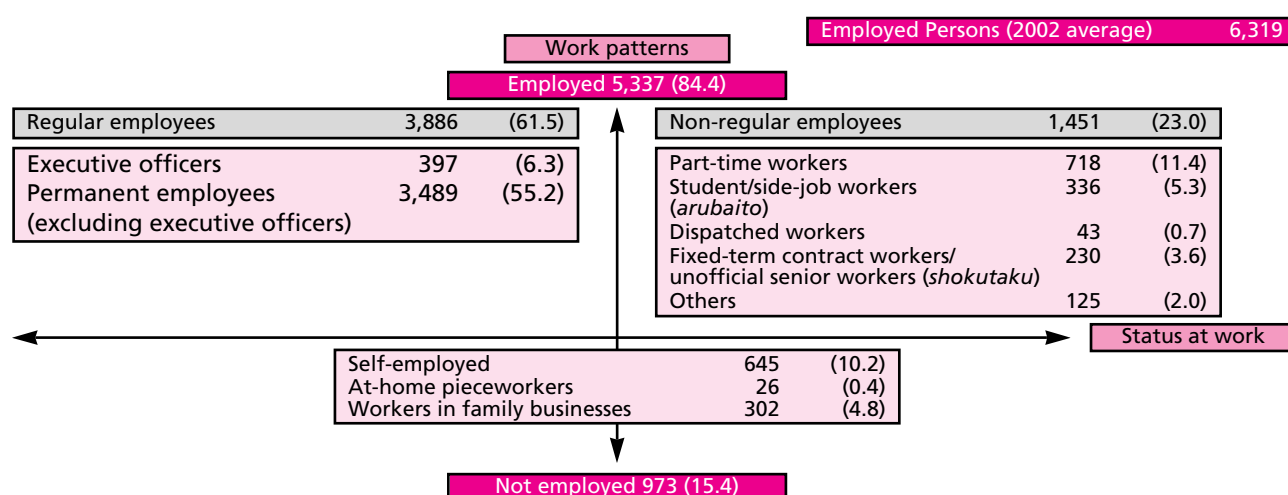
Changes in the industrial structure have led to drastic changes in the employment structure. Looking at the changes in number of workers in each industry, the ratio of workers in tertiary industries centered on the service industry is increasing, supplanting secondary industries centered on the manufacturing industry. Workers in tertiary industries accounted for 65% of the 63.3 million workers in 2002, and looking at the number of workers by industry, 18.04 million (28.5%) worked in the service industry, 14.38 (22.7%) in wholesale and retail, 12.22 million (19.3%) in manufacturing, 6.18 million (9.8%) in construction, 4.01 million (6.3%) in transport and communication, 2.62 million (4.1%) in agriculture and 2.41 million (3.8%) in financing, insurance and real estate. While the service industry continues to grow steadily, the manufacturing industry has been shrinking since hitting a peak of 15.69 million workers in 1992.

With changes in the employment structure of each industry that account for the increase in the ratio of tertiary industries, forms of employment have been diversifying with an increase in the number of workers outside of the regular employment category such

as part-time workers and dispatched workers. Looking at the proportion of all workers by form of employment, including the self-employed, on average in 2002, of the 63.19 million persons (not including those working in non-classifiable industries), 53.37 million (84.4%) were employees and 9.73 million (15.4%) were not employees such as the self-employed. Looking at the composition of employees, 38.86 million (61.5%) were regular employees including executives and 14.51 million (23.0%) were non-regular employees. The number of non-regular employees has been increasing, so as to exceed that of persons who are not employees by almost 5 million.

Looking only at employees, while 72.8% are regular employees, about 30% (27.2%) are non-regular employees. In addition, looking at the composition of non-regular employees, the largest group, 7.18 million, is part-time workers who make up 13.5% of all employees. The second largest, 3.36 million (6.3% of all employees), is student/side-job workers (*arubaito*), 2.30 million (4.3% of all employees) are fixed-term contract workers/unofficial senior workers (*shokutaku*), and 430,000 (0.8% of all employees) are dispatched workers.

II-11 Breakdown of Employed Persons (2002 Average)

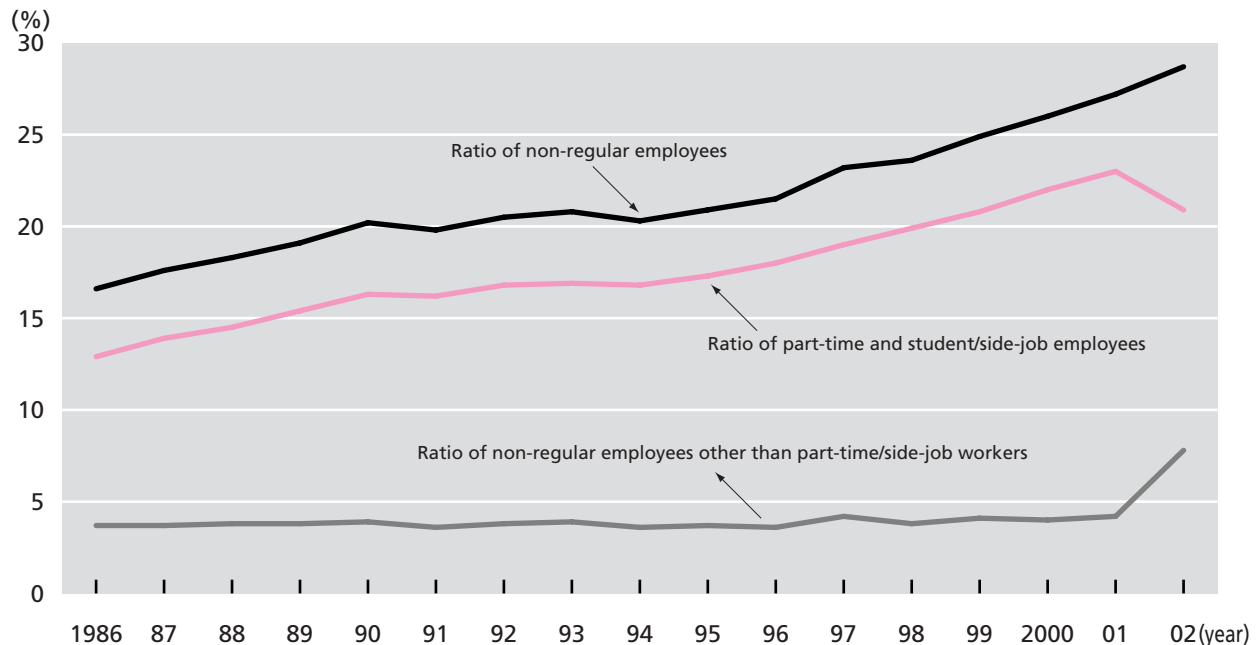


Source: *Labour Force Survey (Detailed Tabulation)*, Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications.
Notes: Figures not in parenthesis indicate the number of people in the ten thousands; those in parenthesis indicate the percentage in overall population.

Looking at changes in the percentage of non-regular employees over time, the percentage of non-regular employees has been increasing since 1986, rising from 16.6% in 1986 to 28.7% in 2002. The majority

of the increase during this period of time was driven by an increase in the percentage of part-time and student/side-job workers (arubaito). Looking at the percentage of non-regular employees by gender, women

II-12 Breakdown of Employees by Status at Work



Notes: 1) Figures for 1986 to 2001 are from February, and for 2002 from the period from January-March .
 2) Ratios are to the number of employees excluding executive officers.
 3) The reasons for declines in "Part-time and student/side-job workers" in 2002 could be because the questionnaire of *Labour Force Survey (Detailed Tabulation)* is different from the former *Special Survey of the Labour Force Survey* questionnaire, as a result of which those who formerly identified themselves as "part-time workers" or "student/side-job workers" may have responded "fixed-term contract workers/unofficial senior workers."

accounted for 48.2% of non-regular employees in the January-March quarter of 2002 (compared with 38.4% in 1995) and men accounted for 14.8% (compared with 8.5% in 1995). Looking at the percentage of non-regular employees by industry, wholesale and retail accounted for 45.5%, the highest figure, and the service industry accounted for 31.2%. Moreover, manufacturing accounted for 20.1% (each in 2002).

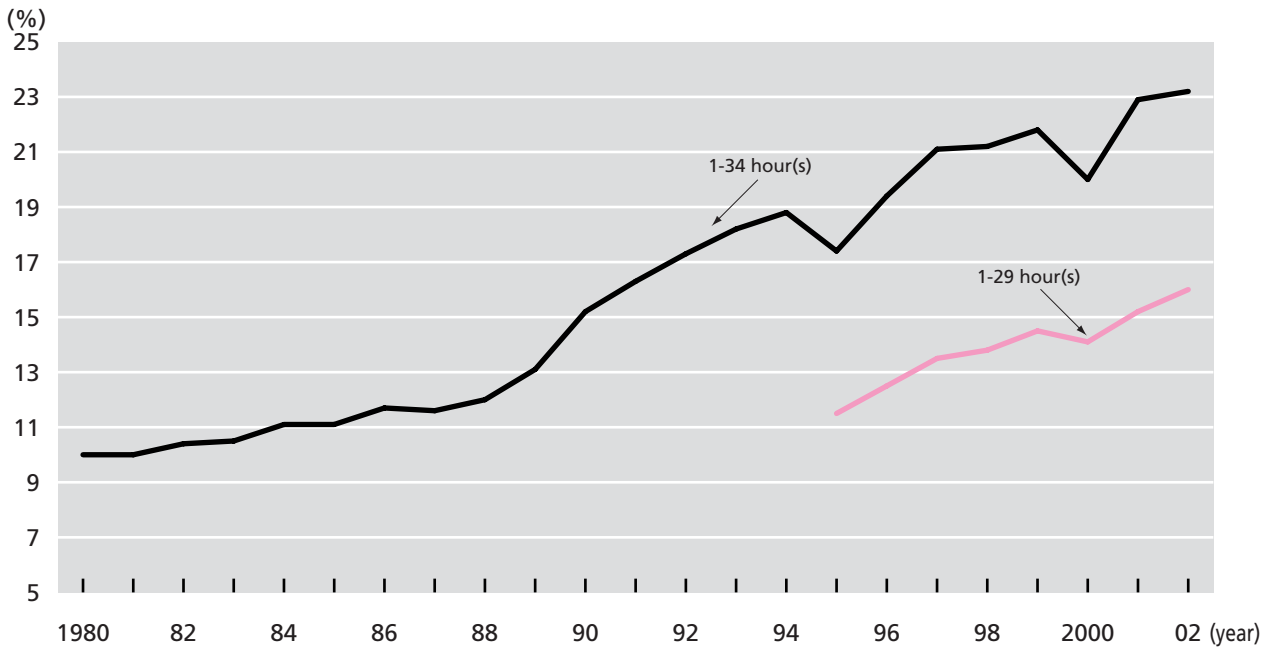
The number of non-regular employees thus has been increasing to account for approximately 30% of employees, boosted mainly by an increase in the percentage of part-time and student/side-job workers (arubaito) centered on women. Recently, the number of employees aside from part-time and student/side-job workers (arubaito) such as fixed-term contract workers/unofficial senior workers (shokutaku) centered on men has been growing rapidly. This increase in the number of non-regular employees has at the

same time exposed the problem of the expansion in the wage disparity between non-regular and regular employees, and how to establish the principle of "equal pay for equal work" has become an issue.

A Rise in the Unemployment Rate

Japan has been boasting a low unemployment rate of 1-2% by firmly establishing the long-term stable employment practice referred to as lifetime employment, and by flexible reassignment of personnel within companies or company groups. However, Japan's employment situation has deteriorated rapidly since 1990, due to increased bankruptcies and business closings as a result of the deflationary economy, and manufacturers moving overseas. With the occurrence of a financial crisis in 1998, the unemployment rate shot up to 4%. In recent years, it has been fluctuating at a level between 5 and 5.5%.

II-13 Breakdown of Non-Agricultural/Forestry Industry Employees by Working Hours



Source: *Special Survey of the Labour Force Survey (Detailed Tabulation)*, and *Labour Force Survey*, Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications

While unemployment hovers at a high rate, problems of employment among young people and long-term unemployment have been exposed in recent years, and the unemployment situation is clearly getting worse. Looking at the unemployment rate by age group, the highest unemployment rates are for young people. Of the overall unemployment rate of 5.4% in 2002, the unemployment rate for those aged 15-19 was 12.8%, the rate for those aged 20-24 was 9.3%, and the rate for those aged 25-29 was 7.1%. This is influenced by the fact that there are a large number of people unemployed voluntarily as well as a large number of people who move from one short-term job, such as a side job (*arubaito*), to another, or do not work.

On the other hand, there also has been a rapid increase in recent years in the number of long-term unemployed with unemployed periods of one year or longer. Of the 3.63 million unemployed in the January-March quarter of 2003, 1.12 million or 30.8%, over 30%, were long-term unemployed. 460,000 or approximately 40% of these long-term unemployed were middle-aged, between the ages of 45 and 64. Furthermore, the ratio of long-term unem-

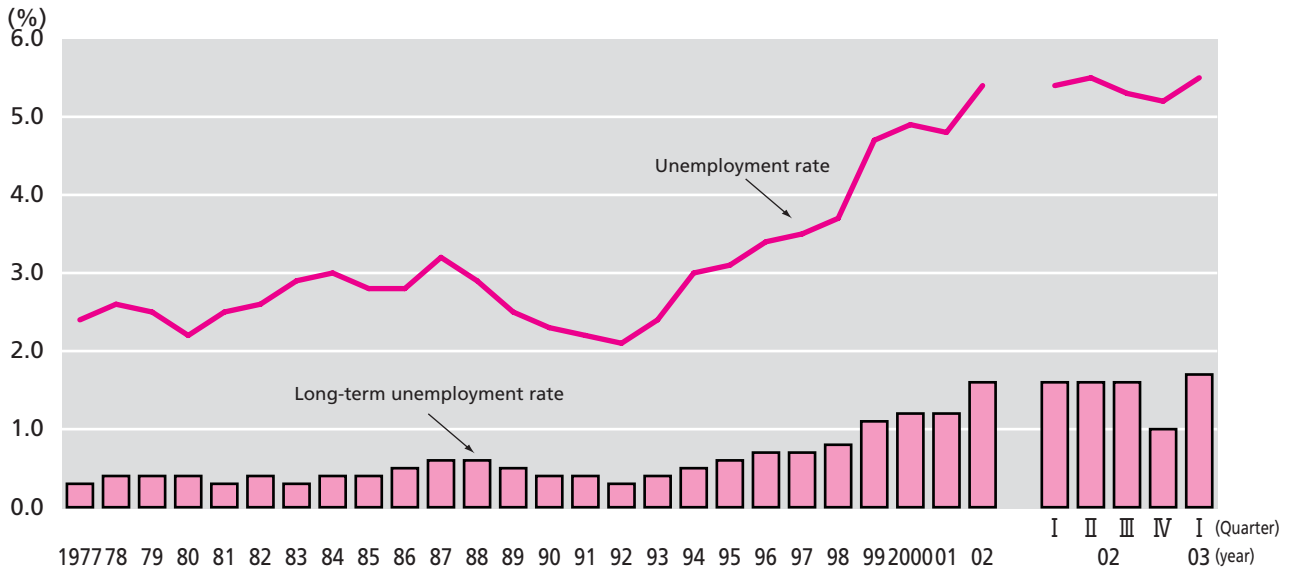
ployed to the workforce population (the long-term unemployment rate) has risen significantly since 1999, and was 1.7% in the January-March quarter of 2003.

The Mismatch of Job Openings and Jobseekers

Behind the high unemployment rate, which hovers at a high rate, there is a problem of mismatch, where the qualifications of people that companies are seeking and the desired terms of jobseekers do not match. Since the latter half of the 1990s, the structural and frictional unemployment rate resulting from a mismatch of job openings and jobseekers has been rising, rather than the demand-deficient unemployment rate that rises during a recession. Of the unemployment rate of 5.38% in the January-March quarter of 2003, the structural and frictional unemployment rate was estimated to be 4.14% and the demand-deficient unemployment rate was estimated to be 1.24%, meaning that three-quarters of the unemployment was due to a mismatch of job openings and jobseekers.

Considering that employment is the derived demand of production, economic policies take prece-

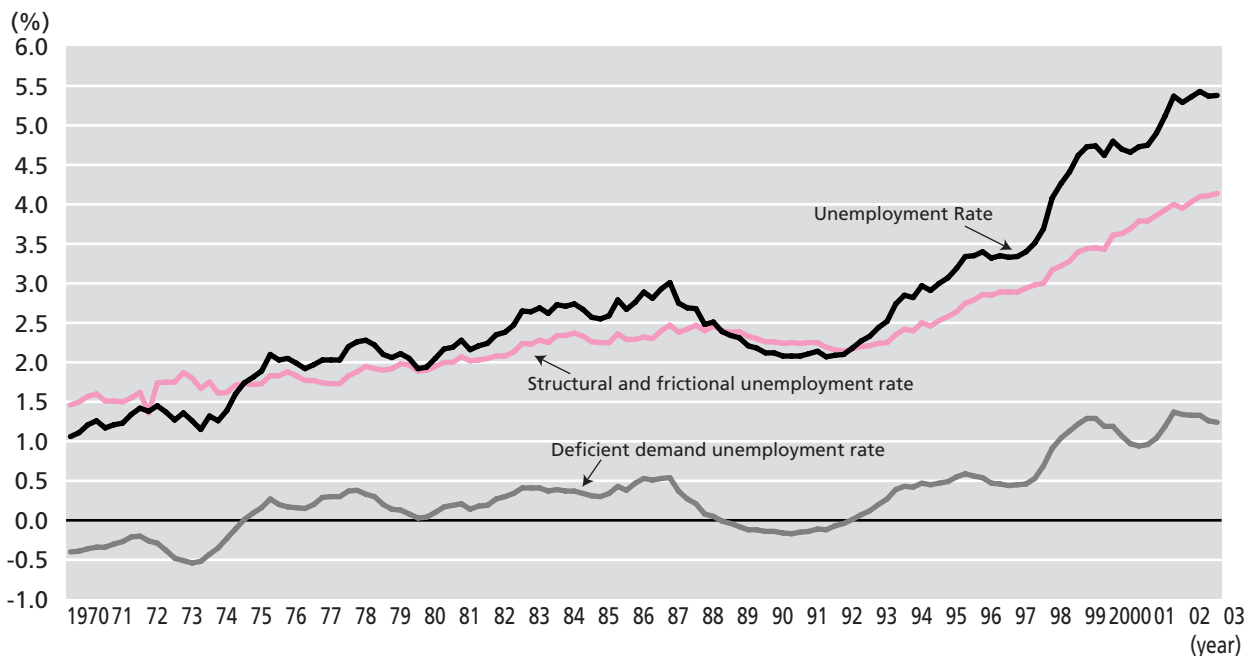
II-14 Changes in Unemployment and Long-term Unemployment Rate



Source: *Labour Force Survey (1977-2001)*, *Labour Force Survey (Detailed Tabulation) (2002-)*, Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications

Notes: 1) Long-term unemployment rate = the number of persons unemployed for one-year or longer ÷ labor force
2) Figures are from every March up to 1982, every February from 1983 to 2001, annual average for 2002.

II-15 Changes in Structural and Frictional Unemployment Rate and Deficient Demand



Source: Estimated from the data in *Employment Security Service Statistics*, Ministry of Health, Labour, and Welfare, and *Labour Force Survey*, Statistics Bureau, Ministry of Public Management, Home Affairs, Posts and Telecommunications, by the Office of Counselor in Charge of Labour Policy, Ministry of Health, Labour, and Welfare.

Notes: 1) Refer to appendix note 1 for estimation methods for structural and frictional unemployment rate
2) Deficient demand unemployment rate = unemployment rate – structural and frictional unemployment rate.

dence with regard to demand-deficient unemployment, but with regard to the mismatch problem, employment and unemployment measures play an important role. The causes of the mismatch problem, where a large number of job openings are left unfilled, are complex. The main cause, however, is the actual situation in which particularly with respect

to wages, the terms of job openings and the desired terms of jobseekers differ greatly, the jobseekers are unable to meet the professional abilities sought in the available jobs, and middle-aged workers are deprived of opportunities to apply for jobs due to strict age-limitations on job openings.