

Labor Situation in Japan and Analysis: General Overview 2006/2007



The Japan Institute for Labour Policy and Training

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

The Institute will concentrate our effort in the following areas.

1. Comprehensive Research on Labour Policies

The following research themes have been decided.

- (1) Contribute to the formulation of an employment strategy centering on systematic implementation and assessment of employment promoting measures and the creation of jobs that match the regional situation.
- (2) Contribute to upgrading the supply/demand adjustments of the labour market, including adequate responses to employment issues for the young, middle-aged and older workers and to a vocational information system.
- (3) Contribute to the development of an infrastructure for the corporate management of human resources and ability development, and to restructuring the system determining working conditions while accurately monitoring changes in corporate structure and behavior.
- (4) Contribute to building a social system in which one's private and working life are in harmony with each other, and to developing an environment allowing for diverse working styles, indispensable for such a system.

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

2. Training of Staff and Other Personnel Related to Labour Affairs

Using the results of the above mentioned research projects, the institute will provide training programs for personnel in charge of labour affairs and other interested parties at the Ministry of Health, Labour and Welfare. Simultaneously, through such training sessions, the Institute will be kept abreast of current issues in labour administration and the problems frontline officials in such positions face. The information so acquired will then be utilized in future research activities.

3. Dissemination of Results and Findings, Including Policy Proposals

The results of our research activities will be published quickly in research reports on labour policies, newsletters and on the web site with an eye to contributing to the planning and drafting of labour policies and the stimulation of policy discussions among different strata of the populace. At the same time, the Institute will organize policy forums and other events to provide opportunities for open discussion on policies.

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The Japan Institute for Labour Policy and Training

Foreword

Having at last got out of unstable condition caused by depressed economy which continued for more than 10 years from the beginning of 1990s, Japan now switches to favorable economic situation with steady growth. During the period, structural changes has come out with in several fields of labor and employment. These changes include first the transformation of labor market structure based on corporate employment stabilization, secondly changes in the field of human resource management and skill development associated with changes in corporate business structure and performance, thirdly changes in workers' awareness and needs, especially those related to young people's employment and growing needs of work life balance, and others.

The Japan Institute for Labour Policy and Training was established in October 2003 with the objective of contributing to the planning of labor policies and working toward their effective and efficient implementation. It serves to promote the livelihood of workers and the development of the national economy by conducting comprehensive research projects regarding labor issues and policies, both domestically and internationally, and to capitalize the findings of such research by sponsoring training programs for administrative officials. 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 definitive promotion of international collaboration in research, together with the advancement of labor policy studies from an international perspective.

This publication, which has been compiled as part of the Institute's effort to establish a foundation for international activities, describes and analyzes individual themes related to 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 comments on specific labor policies; and the International Affairs Department is responsible for compilation and editing.

In principle, this publication is issued every year alternately as "General Overview" and "Detailed Exposition" editions. The 2005/2006 edition issued in July 2005 belonged to the detailed exposition, and provides recent write-ups by researchers of the Institute dealing mainly with important labor issues. It does not provide an exhaustive account of the labor situation. The publication takes up specific topics and introduced recent trends concerning these as well as the relevant analyses, but does not present any one uniform theme as a whole. As opposed to the 2005/2006 edition, this 2006/2007 issue provides general overview, and offers an exhaustive range of write-ups that covered basic points on issues related to labor problems and labor policies in Japan. Consequently, it has been compiled with the intention that the reader will use it together with the 2005/2006 edition.

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

November 2006

The Japan Institute for Labour Policy and Training

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From Post-war High Economic Growth to Stable Growth

In the wake of the confusion and inflation that came immediately after the end of the World War II, once the Korean War (1950-51) was over, the Japanese economy, rebuilt from the devastation that followed Japan's defeat, entered a period of high Economic growth (1955 to the first half of the 1970s). With an annual average real growth rate of over 10% during this period, Japan has become the world's second largest economic superpower after the US.

In addition to the collapse of the fixed exchange rate system and the transition to a flexible exchange rate system, in the 1970s it experienced two separate oil crises. The first oil crisis saw Japan experiencing the trilemma (triple hardship) of inflation, current account deficit, and economic downturn, in 1974 it recorded negative growth for the first time since the end of the war, and the process of adjustment proved to be a very difficult one. By drawing on its experience from the first oil crisis, along with an appropriate response from the government, calm behavior on the part of companies and consumers, moderation in wage determination and a structural shift in industry due to technological innovation, Japan was able to respond to the second oil crisis without any relatively major confusion. Looking at its stable growth period overall, amongst developed countries the Japanese economy has performed well, with stable growth in the region of 3-5%, stable commodity prices, and a low unemployment rate.

However, in the 1970s Japan became an "exporting superpower," and from the 1980s onwards, amid a substantial underlying current account surplus, trade friction has intensified. Furthermore, since the transi-

tion to the flexible exchange rate system, there has been a shift towards a long-term strong yen tendency, and in the latter halves of the 70s and 80s and the mid-90s in particular, the strong yen made substantial strides forward. Companies which faced tough international competition due to the strong yen pushed forward with international specialization. In particular, given the rapid rise of the yen following the Plaza Agreement of 1985, progress towards international specialization moved up another gear, and companies have responded with measures such as boosting overseas production, increasing imports of labor-intensive, low-cost goods, and a move towards high-value-added exports.

Emergence and Collapse of the Bubble Economy, and Low Growth in the 90s

With a dramatic rise in the latter half of the 1980s in asset prices such as shares and land prices, followed by a sudden fall in the first half of the 1990s, Japan experienced the emergence and collapse of a bubble economy.

The currency realignment that resulted from the Plaza Agreement among the G5 countries in September 1985 caused a substantial and rapid rise in the yen, and hastened the downturn in the economy (the "strong yen recession"). In addition to developing economic policies aimed at boosting the economy, centered around international policy coordination and expansion of domestic demand, the government implemented positive easy monetary policy. With some advantages to the strong yen emerging, in the economic recovery that began in November, 1986 (the Heisei Boom), economic growth, centered on private sector demand, was high, and with a growth

rate of around 5%, Japan became one of the leading large economies of the post-war period, with labor demand becoming tighter. However, asset prices such as shares and land prices rose sharply, and the bubble was born. Triggered by a substantial rise in interest rates from the 90s onwards, and the implementation of measures to curb land prices, the bubble economy subsequently collapsed, and asset prices declined significantly.

Following the collapse of the bubble economy (90s), the Japanese economy for a long period continued to remain in the doldrums, referred to as “the 10 lost years.” With this as a factor, the following points can be made.

(1) This is the effect of stock adjustment. Due to the large accumulation of capital stock, housing, consumer durables and so forth in the bubble period in the latter half of the 80s, rapid and substantial stock adjustment was carried out during the economic downturn phase at the beginning of the 90s. (2) This is the effect of excessive corporate and household debt. Although companies and households in the bubble period acquired stock and land with loans, increasing both assets and liabilities, with the collapse of the bubble economy asset prices fell, debts remained uncleared, and as a result, Japan’s balance sheet deteriorated. Companies saddled with excessive debts reduced costs such as labor costs, prioritized the repayment of loans, and curbed investment (one could say that (1) and (2) are companies’ “3 problems of excess (employment, capital stock, debt)”). Households, too, curbed their consumption. (3) This is the problem of non-performing loans. With banks’ profits under pressure from the burden caused by the amortization cost of non-performing loans, their financial intermediary functions weakened, leading to a credit crunch. As a result, corporate facilities investment was curbed. Furthermore, with the instability of financial systems due to bank insolvencies making companies and households more cautious in their behavior, business investment and consumption were curbed. (4) This is the effect of deflation. Amid the deflationary situation which prevailed from the latter half of the 90s onwards, corporate revenues and profits slumped, facilities investment was curbed, employment and wages were adjusted, and consumption

failed to grow. Moreover, deflation not only increases the debt burden of companies saddled with excessive debt, but the drop in asset prices, and stagnation in corporate profit that accompanies deflation turns borrowers’ loans into non-performing ones, thereby exacerbating the non-performing loan problem. There is also the aspect of economic stagnation causing a drop in commodity prices.

It is thought that deflation, together with the problems of excessive debt and non-performing loans, form a vicious circle, and have dragged down the Japanese economy.

This Gradual but Long-term, Sustained Economic Recovery

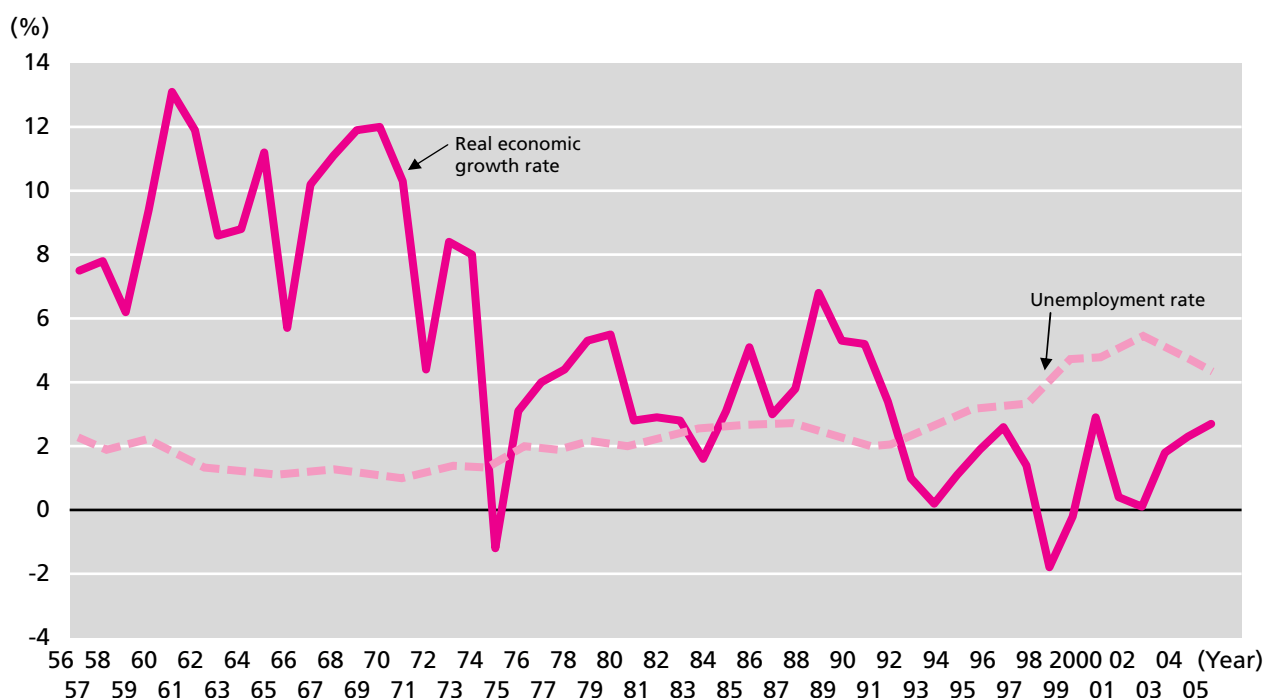
Despite temporarily passing through adjustment phases, at the time of the Iraq War in the first half of 2003, and due to adjustments in global IT-related sectors from the second half of 2004 to the first half of 2005, this economic recovery, which began at the start of 2002, continues to be a gradual and long-term one. Although at the outset it was a corporate sector-centered recovery, involving exports and business investment, through improvements in the employment and income environment in 2005, movements towards improvements in the household sector are also spreading. In terms of the long-term background to this economic recovery, one can cite the sustained expansion of overseas economies, and with progress made on the handling of the negative legacy left by the bubble economy, the almost complete resolution of the “3 excesses,” namely employment, capital stock, and debt (companies rectified excessive employment through restructuring; excessive capital stock through the rolling back of new investment, and disposal of facilities that were decrepit or lying idle; and excessive debt through repayment of liabilities, as well as debt repayment by asset disposal). In addition, among other factors, with the increased robustness of the corporate sector, one could also cite the continued improvements in corporate profits, as well as the favorable turnaround in the financial environment due to the progress made in the handling of non-performing loans. Set against this background, although there is a need to keep a close watch on the effects exerted on the oil price economy with global

oil prices skyrocketing, for the moment it would be fair to say that the effect on the Japanese economy is limited. Regarding prices, however, taking an overall view, although there is a situation of moderate deflation, oil prices are skyrocketing, corporate goods prices are on the increase, the extent of the fall in consumer prices is contracting, base costs have lev-

eled out, and one has now begun to see a movement towards a breakaway from deflation.

However, in terms of issues facing the Japanese economy, one could say that the question of how Japan can build a sustainable and dynamic economic society, given the decline in the population, is a major issue.

I-1 Real Economic Growth Rate, and Unemployment Rate

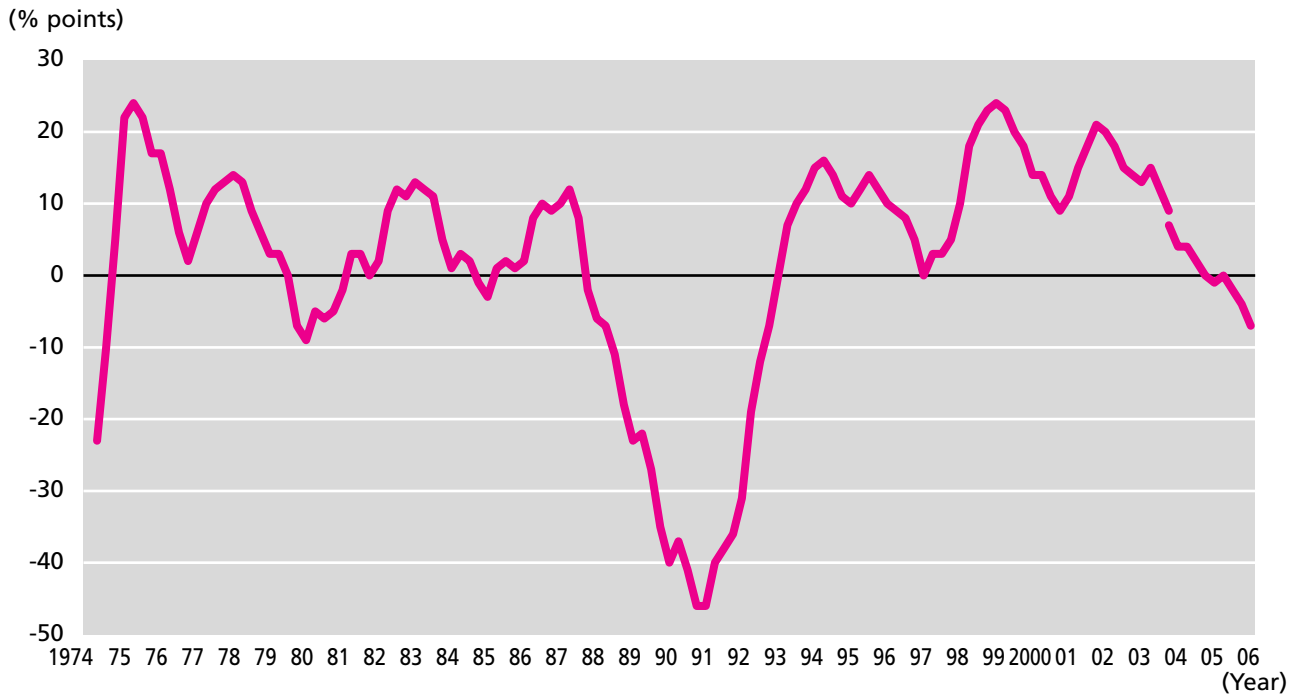


Sources: *National Accounts*, Economic and Social Research Institute, Cabinet Office; *Labour Force Survey*, Statistics Bureau, Ministry of Internal Affairs and Communications

Notes: Regarding the real economic growth rate, up to and including 1980, *1990 Basis Revised National Accounts (68SNA)*, from 1981 to 1994, *1995 Basis Revised National Accounts (93SNA)* and from 1995 onwards, *2000 Basis Revised National Accounts (93SNA, chain-linked method)*"

I-2 Employment, Capital Stock, and Debt Situation

1. Employment conditions diffusion index ("excessive" - "insufficient")

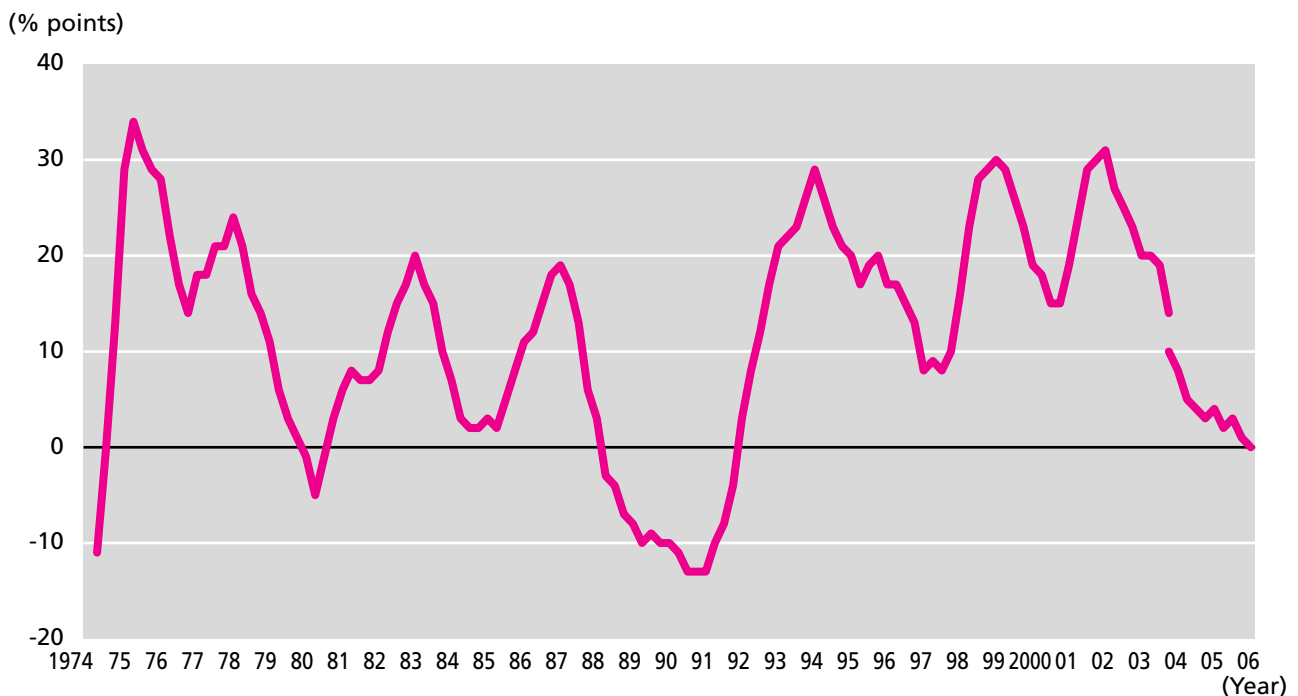


Source: Tankan (*Short-term Economic Survey of Enterprises in Japan*), Bank of Japan

Note: 1) All sizes of all industries.

2) From the March 2004 Survey onwards, the survey method changed. For this reason, there is a break in the graph.

2. Production capacity diffusion index ("excessive" - "insufficient")

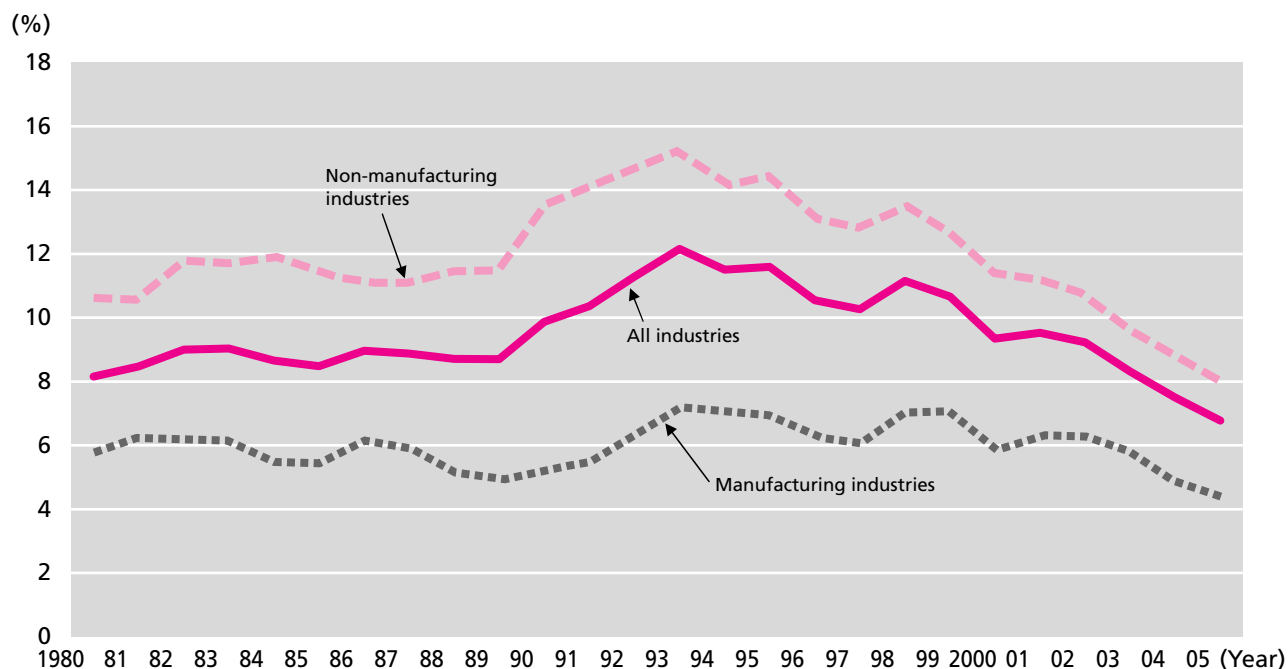


Source: Tankan (*Short-term Economic Survey of Enterprises in Japan*), Bank of Japan

Note: 1) All sizes of manufacturing industries

2) From the March 2004 Survey onwards, the survey method changed. For this reason, there is a break in the graph.

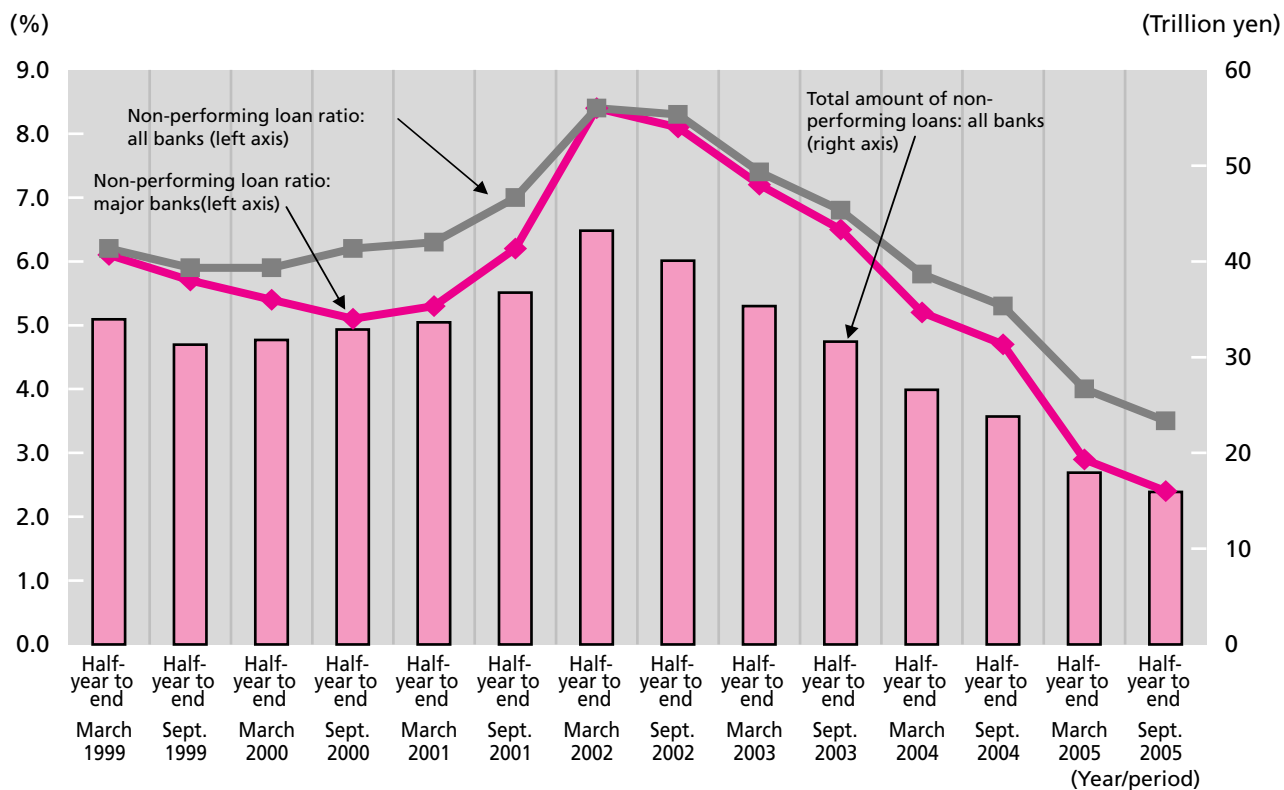
3. Interest-bearing debt/cash flow ratio



Source: *Financial Statements Statistics of Corporations by Industry, Quarterly*, Ministry of Finance

Note: Interest-bearing debt/cash flow ratio = interest-bearing debt (long-term loans + short-term loans + bonds)/cash flow (=ordinary profits × 0.5 + depreciation expenses)

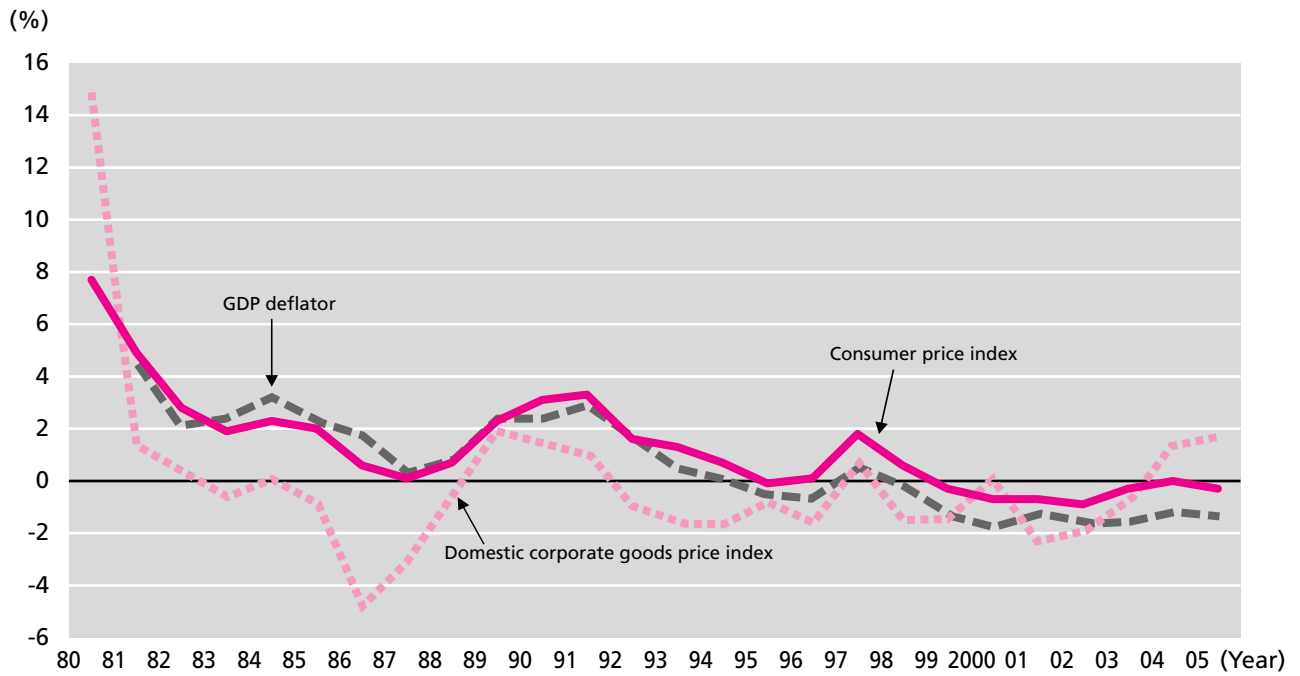
I-3 The Non-performing Loans Situation



Source: *Status of Non-Performing Loans*, Financial Services Agency

Note: Total amount of non-performing loans = Non-performing loans based on the Financial Reconstruction Act

I-4 Trends in Prices



Sources: *National Accounts*, Economic and Social Research Institute, Cabinet Office; *Consumer Price Index*, Statistics Bureau, Ministry of Internal Affairs and Communications; *Corporate goods Price Index*, Bank of Japan

The Recent Labor Situation

From the 1990s and the period of the Heisei Recession onwards, with the Japanese economy feeling the effects of the collapse of the bubble economy, and due to the fact that long-term stagnation has persisted, the employment and unemployment situation continues to be a very difficult one. In particular, in the economic downturn phase from 1997 onwards, the employment and unemployment situation rapidly deteriorated due to factors such as the slump in rapid production activity. The sense of employment excess grew stronger up until the first oil crisis hit its peak, corporate restructuring moved forward, and harsh adjustments were made in the areas of employment volume and wages. In 1999, the ratio of active job openings to active job applicants stood at just 0.48, the lowest ever recorded, and in 2001, for the first time the unemployment rate entered the 5.0 to 5.9% range, reaching 5.0%. Since 1998, not only has the number of people in work continued to decline, but the downward tendency in nominal wages has also continued.

In this economic recovery, which began at the start of 2002, despite the fact that at the outset, the employment situation continued to be very difficult, with the total unemployment rate reaching its highest level of 5.4% in 2002, due to companies' round of restructuring, and a reduction in the sense of employment excess amid a sustained economic recovery, the job openings to applicants ratio is on an upward trend, the total unemployment rate is now showing a downward tendency, and the number of employees is also increasing. The ratio of active job openings to active job applicants in 2005, at 0.95, was second only to the 2002 figure of 1.08 (however, in December 2005, it reached 1.03 (seasonally adjusted value), the first time since 1992 that it has entered the 1.0 to 1.9% range). In 2005, the corporate sense of employment excess, too, has almost disappeared ("Short-term Economic Survey of Enterprises in Japan"). In 2005, there was an increase in the number of employees for the third year running, and there

was also a rise in the number of employed person, for the second year running. For the first time in seven years, the labor force population, which had continued to decline due to factors such as the aging of the demographic structure, and the increased tendency to remain not in labor force, is on the increase. Although the unemployment rate remains as high as ever, it has nevertheless come down to 4.4%. Against this background, although difficult conditions in the labor market for new graduates still remain, companies are showing a stronger interest in recruiting new employees.

As we have seen, although the employment and unemployment situation remains a very difficult one, improvements can be observed. However, if one looks at these improvements in more detail, variation between them can be observed.

The improvements in employment are principally in non-regular employment. The ratio of active job openings to active job applicants for regular staff employees in 2005, at 0.58 (estimate), is at a lower level than that of the overall ratio of active job openings to active job applicants (0.95). The rise in the number of employees is due to the increase in non-regular workers (in 2004 and 2005, there has been a prominent increase in dispatched workers, contract employee or entrusted employee). Even during this economic recovery phase, the number of regular staff and employees, which hit its peak in 1994, continues its downward trend ("The Special Survey of the Labour Force Survey," "Labour Force Survey (Detailed Tabulation)").

If one looks at the results by industry and corporate size, set against steady increases in the medical, health care and welfare, and service industries, there continues to be a decline in the construction industry. Moreover, delays in employment improvements are being observed in small businesses with between 1 and 29 people.

In terms of differences between the sexes, the situation for males continues to be relatively difficult,

and in terms of the total employment rate in 2005, the average for males stands at 4.6%, while the figure for females is 4.2%.

In terms of age group differences, the employment and unemployment situation faced by the young is a particularly difficult one. In 2005, the total unemployment rate of those aged 15 to 24 still remains high, at 8.7%. Moreover, amid a difficult employment environment for the young, there is a high level of “freeters” and those not in employment, education or training (NEET). Following the substantial increase in the number of freeters from the 1982 figure of 500,000 to 2.17 million in 2003, although a decrease has been observed amid improvements in the employment situation, the figure of 2.01 million in 2005 still remains high. Moreover, the transition from non-regular employment to regular employment is proving to be a difficult one (the proportion of those moving from non-regular employment to non-regular employment is rising, whereas the proportion of those moving to regular employment is falling). Following the rise in the number of NEET to 640,000 in 2002, the figure has remained unchanged up to 2005. However, the job openings-to-applicants ratio is low among the elderly too, and the unemployment rate, particularly among men in the 60 to 64 age bracket, is high.

Furthermore, with this economic recovery phase, there are striking regional disparities in the pace of employment improvements. In Hokkaido, Tohoku, Kinki, and Kyushu, the total unemployment rate remains between 5.0 and 5.9%, as before. The ratio of active job openings to active job applicants ratio is low in Hokkaido, Tohoku, Shikoku, Kyushu and elsewhere, with the range of increase in the ratio of active job openings to active job applicants getting smaller. It is thought that discrepancies in the concentration of industries (such as IT-related industries, and manufacture of transportation equipment), which are providing the momentum for this economic recovery, as well as differences in the degree of dependence on the ever-dwindling number of public works projects, are behind these regional disparities in the employment situation.

Furthermore, with this economic recovery, improvements in wages are lagging behind compared to improvements in corporate profit. In terms of the

background to this, amid deflation and intensification of competition, it is thought that companies are attempting to improve their financial standing, and taking a firm stance on curbing labor costs. Although the total cash earnings (establishments with five employees or more) decreased for four years in a row, from 2001 to 2004, the rise in the composition ratio of part-time employees on low wage levels is also contributing to the decrease in the total cash earnings. In 2005, high wage increases for ordinary workers meant that the lowering effect caused by the increase in the composition ratio of part-time employees was reduced, and as a result, for the first time in five years, there was an increase in the total cash earnings, up by 0.6% year-on-year. If one looks at the breakdown of the total cash earnings, there have been increases in scheduled earnings, non-scheduled cash earnings, and special cash earnings. Wages in real terms have increased for the first time in five years, up by 1.0% year-on-year. One could say that improvements in corporate profits have finally had an impact on wages.

Having said that, in terms of the recent wage situation, one could cite the fact that achievements in company performance are now reflected in bonuses rather than wage increases, and that companies are increasingly introducing performance-based wage systems, in addition to attaching less importance to seniority factors. Moreover, given the rising proportion of non-regular employees, a widening in the wage disparities between regular employees and non-regular employees can be observed.

Since the enactment of the Revised Labor Standards Act in 1988, working hours are tending to decrease. In 2005, the number of actual working hours (establishments with five employees or more) fell by 0.6%. Down by 0.7%, scheduled working hours have decreased for five years running. With a 1.1% increase, non-scheduled working hours have increased for four years running, reflecting the economy's recovery. However, compared to the recovery period of the 90s, in this economic recovery phase an improvement in the employment situation can be observed, even to the extent that the increase in non-scheduled working hours is reflecting an increase in regular employment.

Furthermore, while the proportion of those working less than 35 hours a week to employees (employed person at work) in non-agricultural and forestry industries is on a long-term upward trend, the proportion of those working 60 or more hours a week leveled out after falling significantly from 1989 to 1993. Following that shift, since 1999 it has been rising, albeit gradually (“Labour Force Survey”). With rising percentages of both those with shorter working hours, and long working hours, one can observe a polarization of working hours. However, there is a tendency among middle-aged men and regular work-

ers to put in long hours.

In view of this, one could say that the increasing variation in wages and employment, as well as the increase in working long hours, are points to which attention must be paid.

Hereafter, amidst a decreasing population there will be calls for the creation of an economy and society which would enable sustainable development through the enthusiastic work of a diverse range of people and by making full use of their abilities, all while raising the quality of employment.

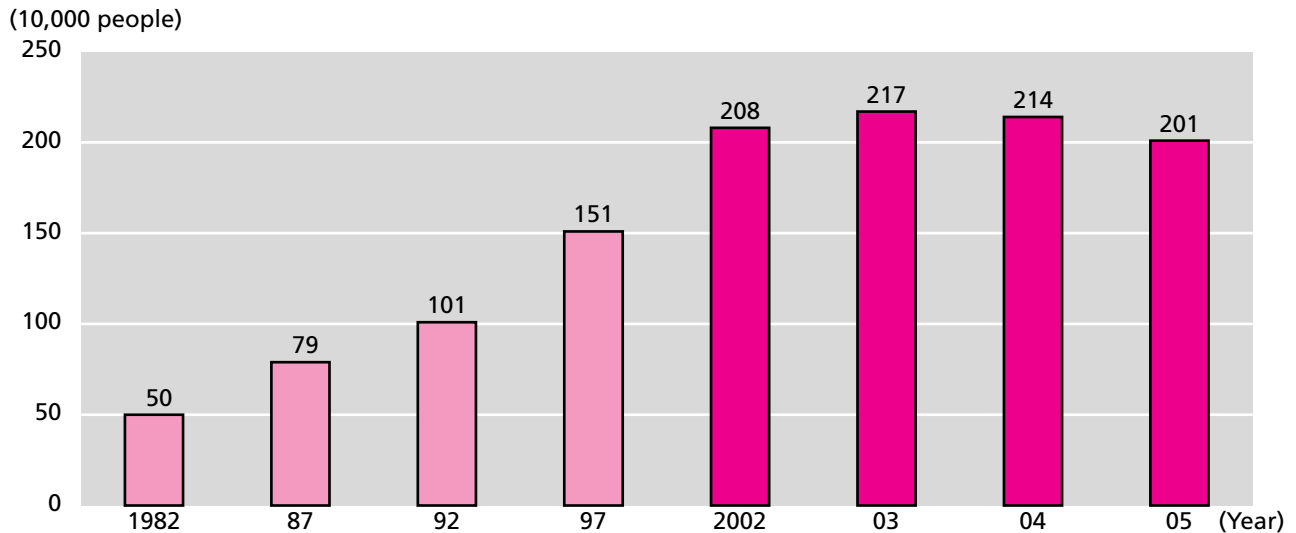
I-5 Trends in the Unemployment Rate, and Ratio of Active Job Openings to Active Job Applicants



Sources: *Labour Force Survey*, Statistics Bureau, Ministry of Internal Affairs and Communications; *Report on Employment Service*, Ministry of Health, Labour and Welfare

I-6 Trends in the Numbers of Freeters and Young not in Labor Force (NEET)

1. Trends in the numbers of freeters



Sources: For the years 1982, 1987, 1992 and 1997, taken from the *White Paper on the Labour Economy 2004* For 2002 and subsequent years, *Labour Force Survey (Detailed Tabulation)*, Statistics Bureau, Ministry of Internal Affairs and Communications

Notes: 1) For the years 1982, '87, '92 and '97, the age of freeters has been limited to those between 15 and 34.

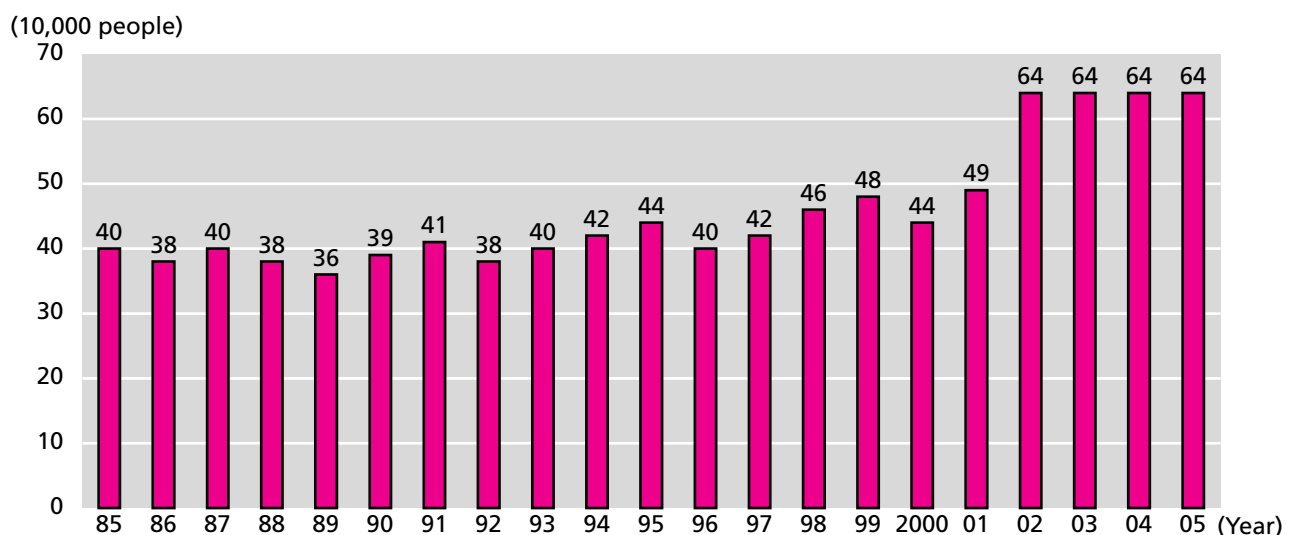
① Defining those who are usually engaged in work and called *arbeit* (temporary workers) or "part-time workers" at the workplaces with males being those who have continuously been in work for 1 to less than 5 years, and females being those who are unmarried and mainly engaged in work figures have been calculated.

② Defining people usually not in engaged as those who neither keep house nor attend school, and who wish to do "*arbeit* (temporary work), part-time work", figures have been calculated.

2) For the years 2002 to 2005, the definition of freeters is restricted to those who have graduated and are aged between 15 and 34, with women defined as those who are unmarried, ① those currently in work defined as employed people whose job is referred to as "*arbeit* (temporary workers)" or "part-time work" and ② people currently not engaged in work as those who neither do housework, nor attend school, and who wish to do "*arbeit* (temporary work), part-time work". Using these definitions, figures have been calculated.

3) Regarding the values for the years 1982 to 1997, and 2002 to 2005, it should be heeded that values do not link up, due to the differing definitions and so on of freeters.

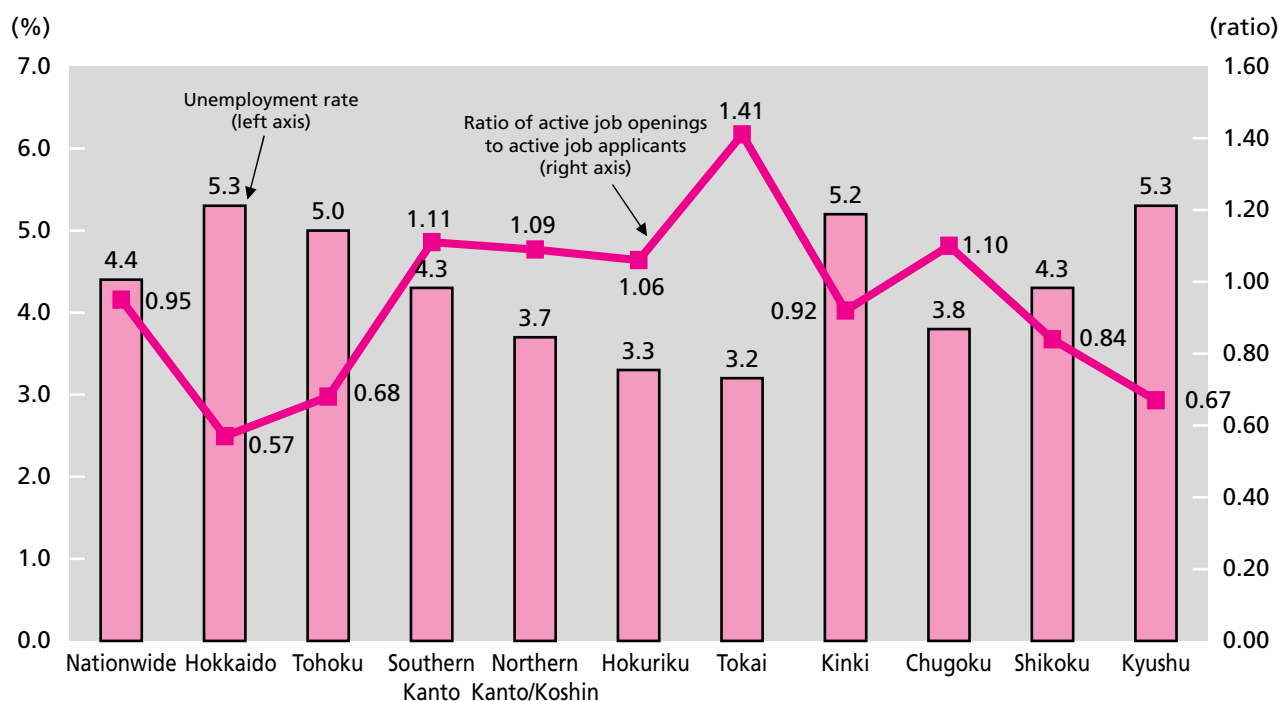
2. Trends in the numbers of young not in labor force in "others" (NEET)



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

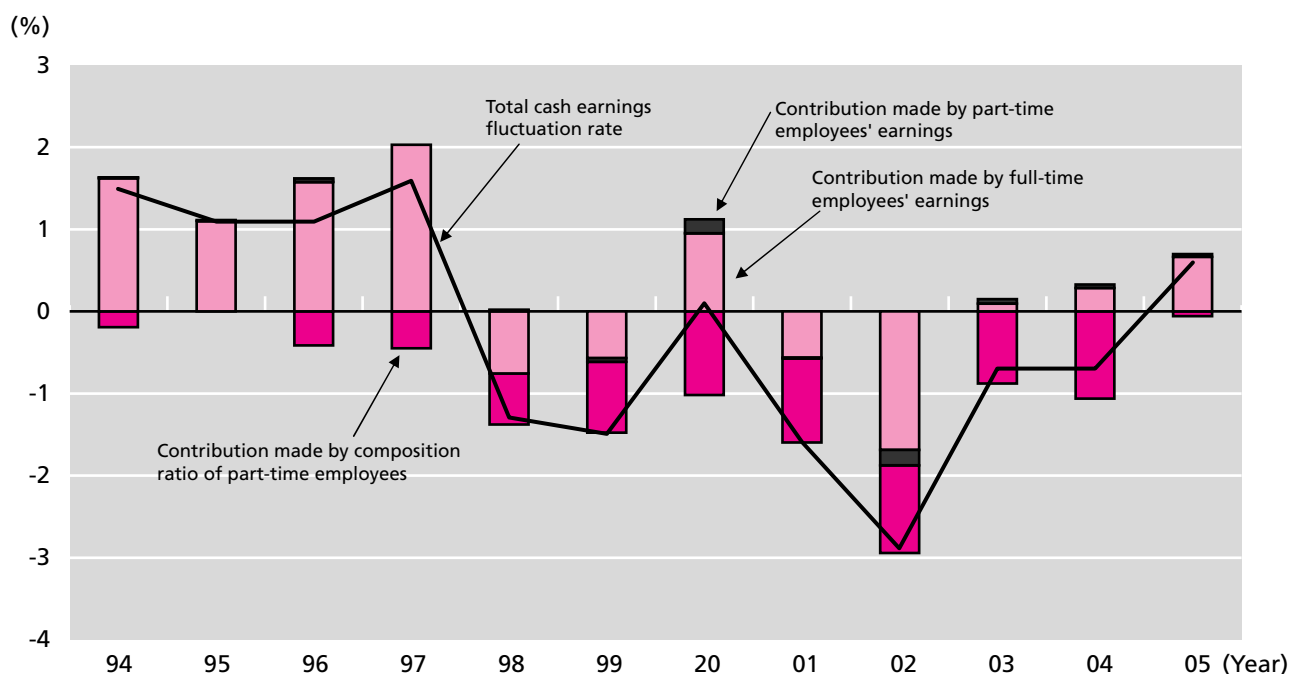
Notes: Within the non-labor force population aged between 15 and 34, and in the "others" (those who neither do housework, nor attend school)

I-7 Unemployment Rate and Ratio of Active Job Openings to Active Job Applicants by Region (2004)



Sources: *Labour Force Survey*, Statistics Bureau, Ministry of Internal Affairs and Communications; *Report on Employment Service*, Ministry of Health, Labour and Welfare

I-8 Contributory Factors in Fluctuations of Total Cash Earnings (for establishments with five employees or more)



Source: *Monthly Labour Survey*, Ministry of Health, Labour and Welfare

I-9 Trends in the Proportion of Workers with Short/Long Working Hours to Employees (employed person at work) in Non-agricultural and Forestry Industries



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

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 2005 (national census), Japan's population increased by a factor of about 1.77, from a reported 72.15 million to 127.76 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. It recorded a post-war low decreasing to 0.7% in this 5 years.

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 con-

tinuing to find an expansion of employment opportunities; the resulting rise in the female employment rate is closely related to this trend.

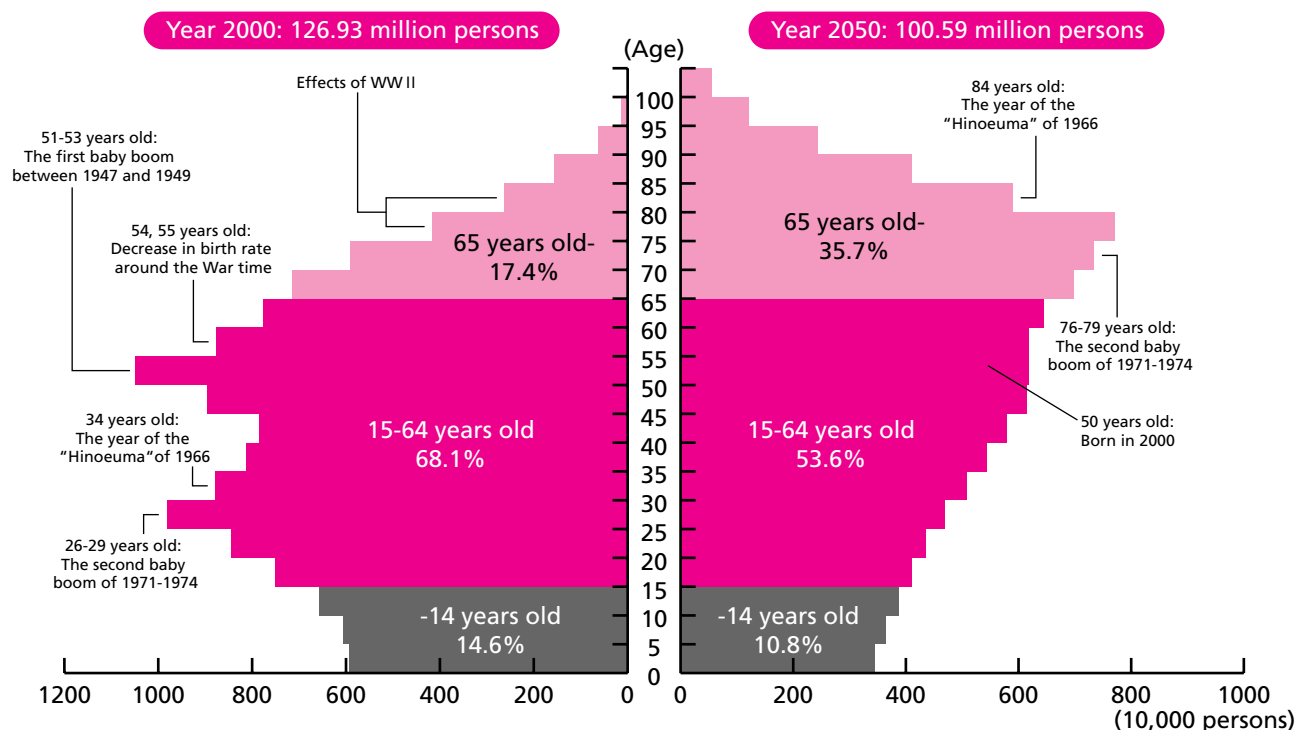
Total Population Peaked in 2004, and thereafter Decline

It is believed that Japan has entered a period of population decline. According to the latest statistics from the Ministry of Internal Affairs and Communication, the population peaked in 2004 reaching 127.78 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 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

II-1 Japan's Population in 50 years



Source: *Japan's Population in 50 Years*, 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.

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 2005 (national census), approximately 27% of Japan's population centers in the four prefectures of Saitama, Chiba, and Kanagawa, and Tokyo.

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 2004, they accounted for 30.8% of the foreign population, a record low (see 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

II-2 Changes in Registered Alien Population by Nationality

(Year end figures)

	1990	1995	2000	2004
Total	1,075,317	1,362,371	1,686,444	1,973,747
North/South Korea	687,940	666,376	635,269	607,419
Distribution (%)	64.0	48.9	37.7	30.8
China	150,339	222,991	335,575	487,570
Distribution (%)	14.0	16.4	19.9	24.7
Brazil	56,429	176,440	254,394	286,557
Distribution (%)	5.2	13.0	15.1	14.5
Philippines	49,092	74,297	144,871	199,394
Distribution (%)	4.6	5.5	8.6	10.1
Peru	10,279	36,269	46,171	55,750
Distribution (%)	0.9	2.7	2.7	2.8
U.S.	38,364	43,198	44,856	48,844
Distribution (%)	3.6	3.2	2.6	2.5
Others	82,874	142,800	225,308	288,213
Distribution (%)	7.7	10.5	13.4	14.6

Source: *Statistics on Aliens in Japan, 2005*, Immigration Association

II-3 Composition of Labor Force

(1,000 persons)



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

Note: The figures above are average values for 2004

began to gather speed during the bubble economy of the late 1980s. The Chinese population in Japan, in particular, has been increasing greatly since 2000 and has made up more than 25% of the foreign population by the end of 2004. The number of registered aliens has increased steadily as well, reaching an all-time high of 1.974 million persons in the end of 2004. The percentage of foreigners in the total population is about 1.55%.

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 2004, this number had jumped to 109.90 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.

Although the labor force population reached

66.42 million (male: 39.05 million, female: 27.37 million) in 2004, having been 45.11 million in 1960, it had decreased by 240,000 compared to 2003.

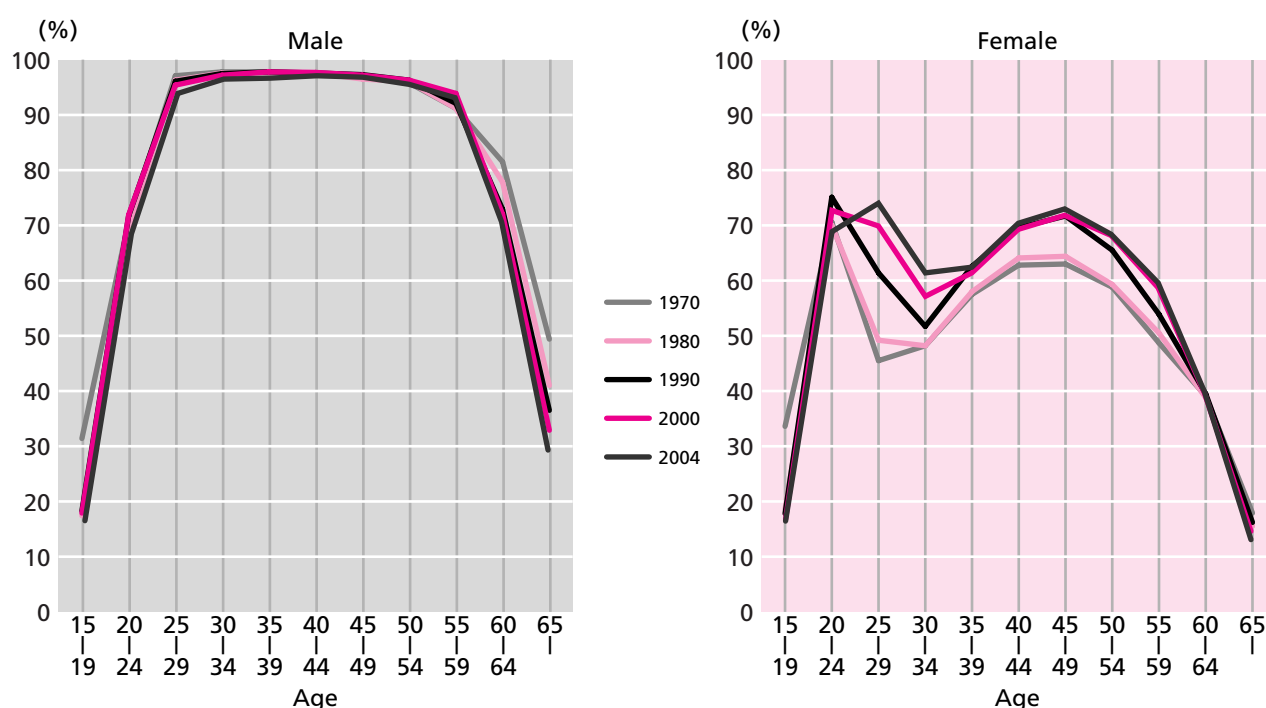
The ratio of the labor force to the general population aged 15 and older is called the “labor force ratio” (or the “labor force population ratio”). In 1960, Japan’s labor force ratio was 69.2%, but it declined to 62.9% in 1976 after the first oil crisis, and has remained quite stable at this level until today. In 2004, Japan’s labor force ratio was 60.4% (male: 73.4%, female: 48.3%).

Features of Japan Visible in the Labor Force Ratio

Figure II-4 shows the labor force ratio classified by gender and age from 1970 to 2004, 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

II-4 Changes in the Labor Force Participation Ratio by Gender and Age: 1970–2004



Source: Labour Force Survey, Ministry of Internal Affairs Communications

large change.

- (2) The female labor force ratio develops in the “M” curve: the labor force ratio of female workers declines for workers in their late 20s through their 30s, and increases again after that. During this period, the valley section of this “M” curve has shifted northeastward. In addition, both peaks of this “M” curve 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 male and female 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 96.5% in 2005. In addition, the ratio of those who moved on to universities (undergraduate), junior 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 51.5% in 2005. 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.

2 Employment and Unemployment Trends

Diversification in Forms of Employment

Along with changes in the structure of industry, the structure of employment is also undergoing some major changes. If one looks at changes in the number of people in work by industry, we can see that the proportion of tertiary industries, centered around the service industry, is rising, taking the place of secondary industries centered around manufacturing industries. Out of the 63.56 million people in work in 2005, tertiary industries account for 67.4%, and looking at the figures by industry, 18.31 million (28.8%) are in the service industry (the total of the medical and welfare, education and learning support industries, and the compound service industry, based on Japan's industry classification, as well as other service industries that cannot be categorized), 11.42 million (18.0%) are in manufacturing industries, 11.22 million (17.7%) are in the wholesale and retail industry, 5.68 million (8.9%) are in the construction industry, 3.43 million (5.4%) are in the food and beverage and hotels industry, 2.53 million (4.0%) are in the agricultural industry, 3.17 million (5%) are in the transport industry, and 1.76 million (2.8%) are in the information and telecommunications industry. In contrast to service industries, which continue to increase across-the-board, manufacturing industries, since reaching a peak of 15.69 million in 1992, have subsequently continued their downward trend.

Accompanying the change in the structure of employment by industry, in the form of an increase in the ratio of tertiary industries, diversification in the forms of employment is also advancing, with an increase in those working as part-time workers and dispatched workers not within the bounds of regular employment. If one looks at the proportions, by forms of employment, of the total number of people in work, including people working in a self-employed capacity etc., in the averages for 2005, out of the 63.43 million people in work, 54.07 million (85.2%) are employees, while 9.04 million (14.3%) are non-employed, such as the self-employed and so on. If

one looks at the content of employees, 37.74 million (59.5%) are regular staff, including executives, while the number of non-regular staff comes to 16.33 million (25.7%), meaning that the number of non-regular staff has increased to the point where it surpasses the number of non-employed, such as the self-employed etc., by around 5 million.

If one looks just at the figures for employees, in contrast to regular staff, who account for 69.8% of the total, non-regular staff, at 30.2%, account for approximately three-tenths. Furthermore, if one looks at the content of non-regular staff, part-time workers, the largest group at 7.8 million, account for 14.4% of the total of employees. The next largest group after part-time workers is made up of those with temporary workers, numbering 3.4 million (6.2% of the total), while 2.78 million (5.1% of the total) are contract employees and entrusted employees, and 1.06 million (2.0% of the total) are dispatched workers.

If one looks at the shifts in the proportion of non-regular staff from a chronological perspective, in contrast to the 1986 figure of 16.6% and the upward tendency it has shown since then, in 2005 it has risen as high as 32.6%. The rise in those intervening years has been brought about mainly by the rise in the proportion of part-time and temporary workers. Although dispatched workers only account for a small proportion of the total of non-regular staff, if one looks at the last three years, we can see that it has more than doubled its growth (0.9% in 2002, 2.1% in 2005).

Furthermore, if one looks at the proportion of non-regular staff by sex, females accounted for 52.5% (38.4% in 1995), whereas males made up 17.7% (8.5% in 1995). Looking at the figures by industry, in 2005, the highest proportion, at 44.3%, were employed in the wholesale and retail industry, with manufacturing industry accounting for 20.8%.

As we have seen, the number of non-regular staff has increased to the point where it accounts for approximately 30% of employees, and that increase has been brought about mainly by the increase in the

proportion of those engaged in female-dominated part-time and temporary work. Recently, there has been a male-dominated expansion in the employment of those in the fields of contract employee and entrusted employees other than part-time and temporary work. Having said that, the increase in the number of non-regular staff is exposing the problem of widening wage disparities with regular staff, and it also raises the issue of just how to establish the basic principle of equal wages for equal labor.

The Rise in the Unemployment Rate

Through the establishment of the long-term, stable employment practice referred to as lifetime employment, and the repositioning of flexible human resources within companies and corporate groups, Japanese society boasted a low unemployment rate of between 1.0 and 2.9%. Once it entered the 1990s however, the employment situation rapidly deteriorated, due to such factors as the increase in bankruptcies and closure of companies caused by the deflationary economy, as well as the increase in shifting production overseas in manufacturing industries. In 1998, the year which saw the financial crisis, the total unemployment rate rose suddenly to the range between 4.0 and 4.9%, reaching 5.4% in 2003. With the effect of the economic recovery, although still at a high level, the total unemployment rate has subsequently shifted to a downward trend, and in 2005 stands at 4.4%.

Set against this background, in recent years the problems of youth unemployment and long-term unemployment have become apparent, and the structure of unemployment is clearly deteriorating. If one looks at the unemployment rate by age group, the highest figure is among young people, and out of the total of the 2005 unemployment rate of 4.4%, 10.2% were aged 15 to 19, 8.4% were aged 20 to 24, and 6.2% were aged 25 to 29. Factors affecting this situation include the fact that there are many who left their jobs voluntarily for their own reasons, as well as there being a large number who alternate between periods of short-term employment, such as temporary work, and being unemployed.

Meanwhile, there has been a rapid increase in recent years in the numbers of the long-term unem-

ployed whose period of unemployment is one year or more. In the average figures for 2005, out of 2.94 million completely unemployed persons, with 960,000 being long-term unemployed, or 32.7%, the proportion has now exceeded 30%. Moreover, out of the long-term unemployed, middle-aged and elderly people aged between 45 and 64 account for approximately 38.0%, with a figure of 350,000 people. In addition, the proportion of the long-term unemployed set against the labor force population (the long-term unemployment rate) has risen substantially since 1999, and in the October to December quarter of 2005, stood at 1.4%.

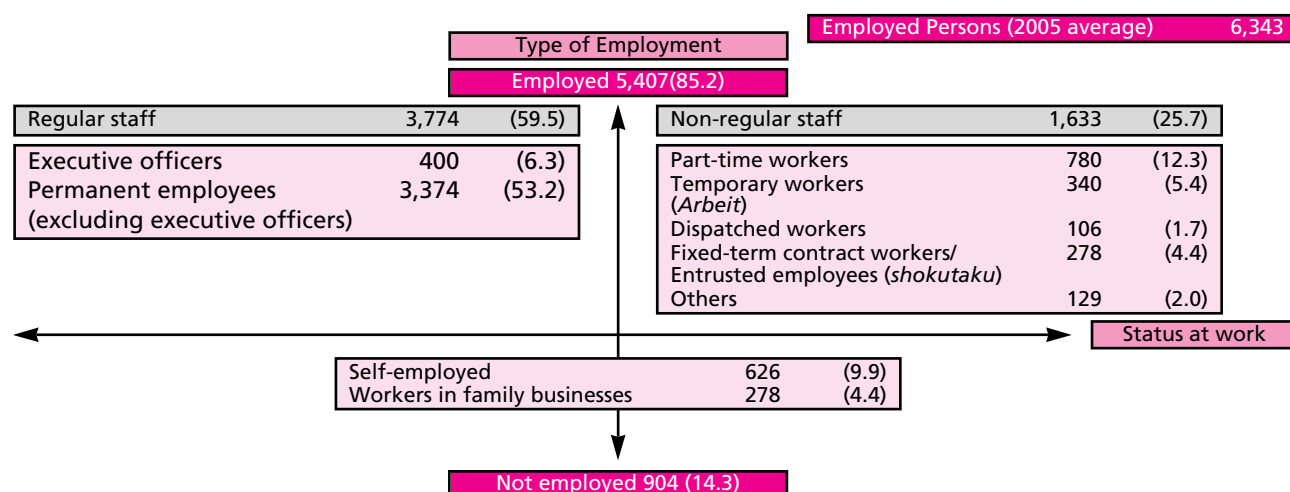
Mismatches between Employers and Job-seekers

In the background to the unemployment rate is the problem of mismatches, in which the requirements of employers, and the desired requirements of the job-seekers do not quite match up. Since the latter half of the 1990s, the structural and frictional unemployment rate arising from mismatches between employers and job-seekers has been on an upward trend, more so than the demand shortage unemployment rate, which became apparent in the recession period. Out of the total unemployment rate of 4.6% in the January to March quarter of 2005, it is estimated that 4.0% was the structural and frictional unemployment rate, and 0.6% the demand shortage unemployment rate, with four-fifths of unemployment being that due to mismatches between employers and job-seekers.

With respect to demand shortage unemployment, economic policies take precedence if one considers that employment is demand derived from production. On the other hand, regarding the problem of mismatches, measures to deal with employment and unemployment play an important role. Although the causal factors behind the problem of mismatches, in which large numbers of vacancies are unfilled, are complex, in terms of the main ones, the reality is that there are substantial discrepancies in the desired working conditions, centering around wages, between employers and job-seekers; job-seekers are unable to provide the vocational skills required by the employers; and with employers imposing strict age restrictions, middle-aged and elderly job-seekers are being

robbed of the opportunity to apply for work.

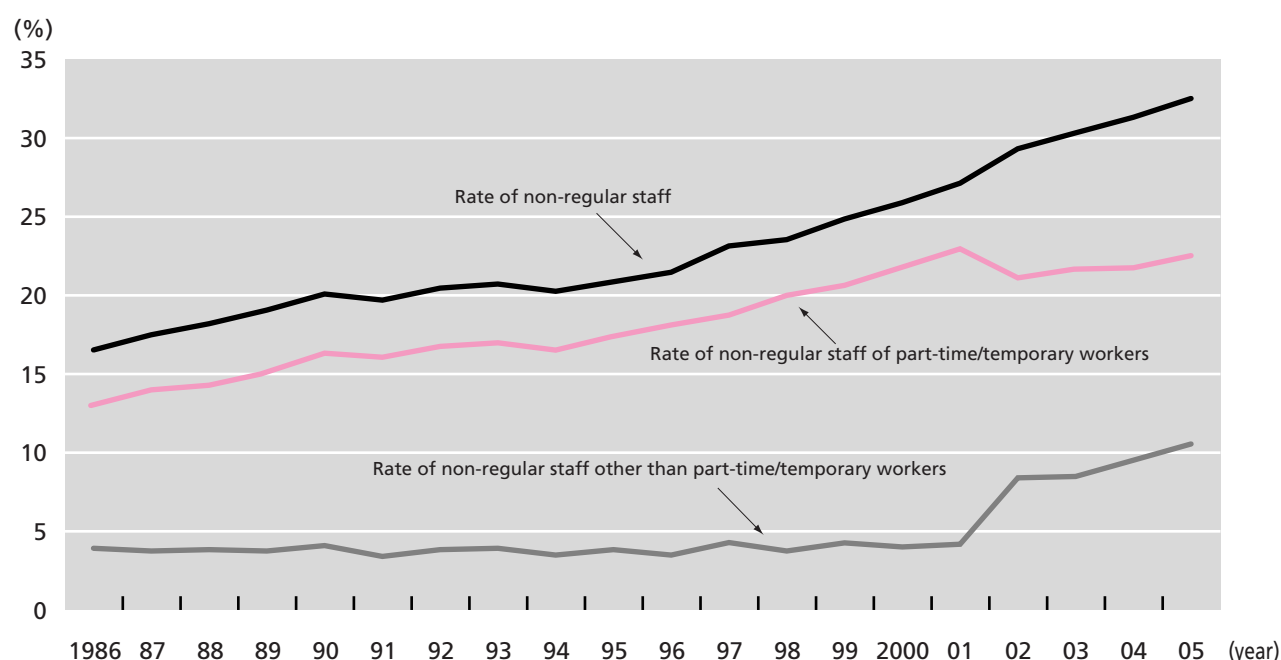
II-5 Breakdown of Employed Persons (2005 Average)



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

Note: Figures not in parenthesis indicate the number of people in the ten thousands; those in parenthesis indicate the percentage in overall population.

II-6 Breakdown of Employees by Status at Work

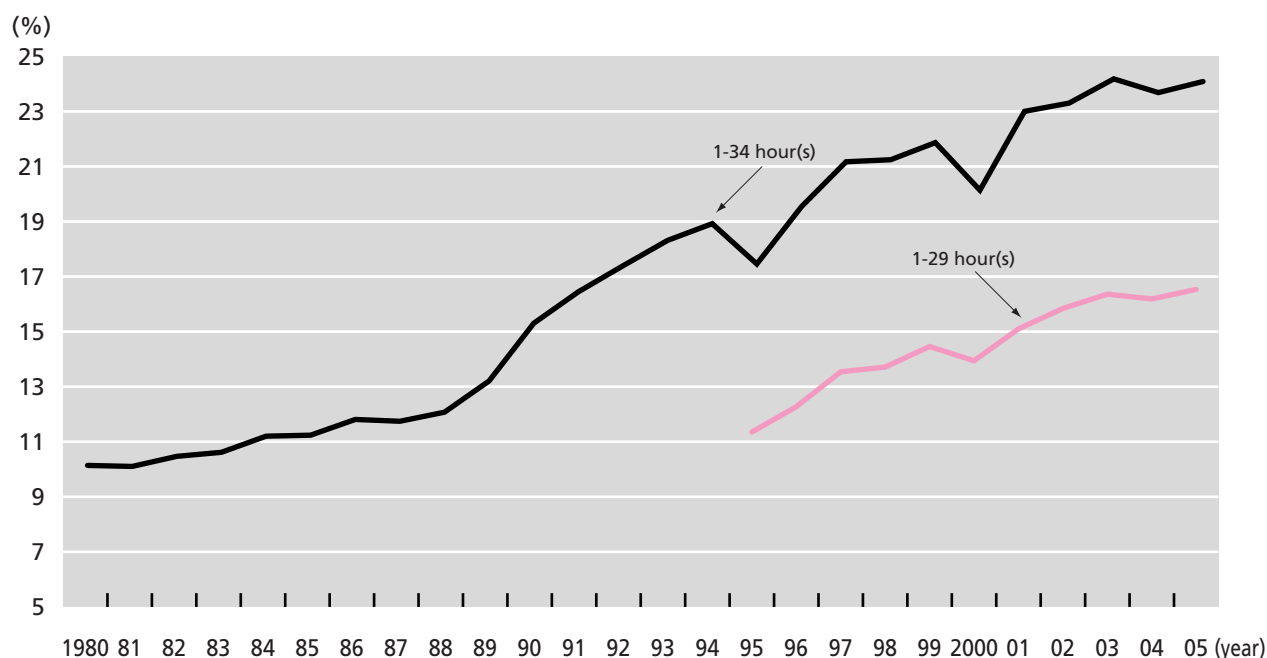


Sources: Special Survey of Labour Force Survey (February survey) (1986-2001) and Labour Force Survey (Detailed Tabulation) (2002-2005), Statistics Bureau, Ministry of Internal Affairs and Communications

Notes: 1) Rate includes employees other than directors.

2) A reason for the drop in the rate of part-time workers in 2002 is that the survey questionnaire for the "Labour Force Survey (Detailed Tabulation)" was different from that of the prior "Special Survey of Labour Force Survey," and therefore, that some people who responded until 2001 that they were part-time workers may have answered in 2002 that they were, contract employees or entrusted employees.

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



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

II-8 Shifts in the Total Unemployment Rate, and Long-term Unemployment Rate

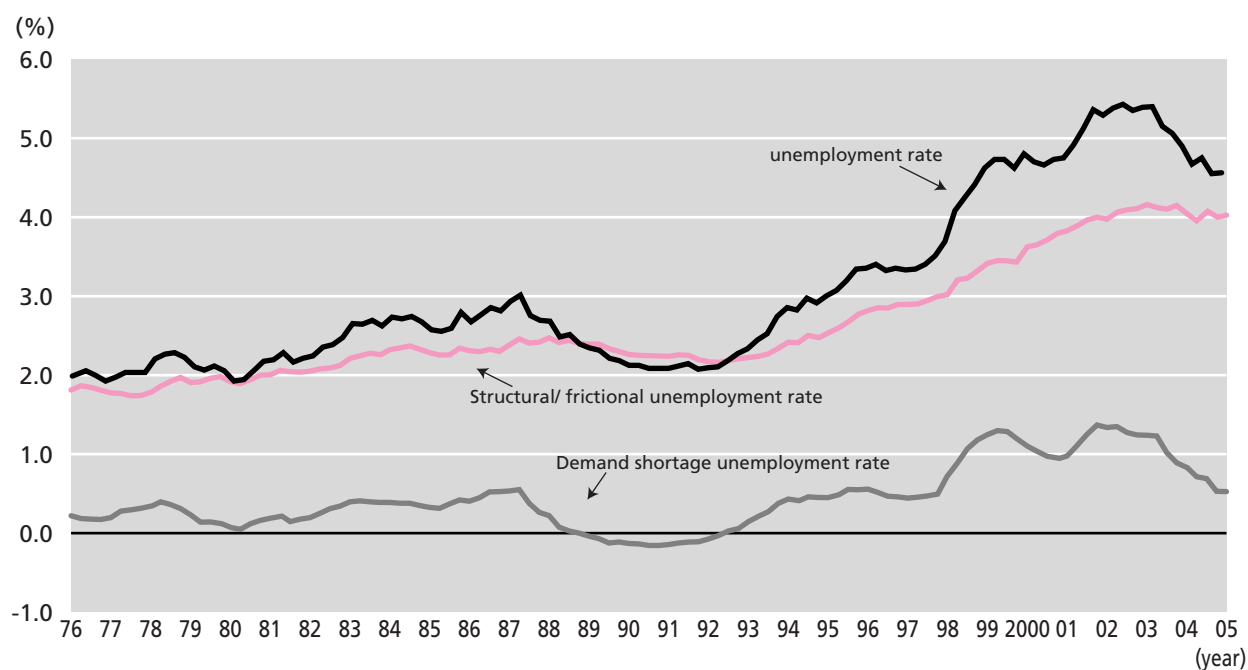


Sources: *Labour Force Survey*, *Special Survey of Labour Force Survey* (1977 - 2001), *Labour Force Survey (Detailed Tabulation)* (2002-2005) Statistics Bureau, Ministry of Internal Affairs and Communications

Notes: 1) Long-term unemployment rate=completely unemployed persons with an unemployment period of 1 year or more/labor force population

2) The values (raw values) for 1982 and before are those for March each year; from 1983 to 2001 they are for February each year; from 2002 to 2004, they are yearly averages; for 2005 they are for Jan.-Mar., Apr.-Jun., Jul.-Sept., and Oct.-Dec.

II-9 Shifts in the Structural/Frictional Unemployment Rate, and the Demand Shortage Unemployment Rate



Sources: Estimates made by the Labour Policy Director's Office of the Ministry of Health, Labour and Welfare, from the *Employment Security Operations Statistics*, Ministry of Health, Labour and Welfare, and *Labour Force Survey*, Statistics Bureau, Ministry of Internal Affairs and Communications

Note: Regarding the structural/frictional unemployment rate, the limitations inherent in estimates should be borne in mind given the effect of changes in economic conditions and so forth.

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 II-10, 11), the number of those employed in the agricultural and forestry industries continues to decline consistently, with a total of 2.59 million persons employed in 2005, representing a 4.1% 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 eight consecutive years to employ 5.68 million persons in 2005 (representing a total of 8.9% 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, to a level of 11.50 million in 2004. Japan’s overseas manufacturing production rate began to increase after the conclusion of the G5 Plaza Accord in 1985, and by FY2003 this rate had reached a level of 15.5% (“Basic Survey on Overseas Business Activities,” Ministry of Economy, Trade, and Industry, 2003). Within this figure, the share of overseas production for transport machinery manufacturers stands at 32.6% and for electric machinery manufacturers at 23.4%, 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 tertiary Industries

On the other hand, the number of tertiary industries has been steadily rising during the past 10 years, and the number of employees in 2005 was 42.87 million persons, reaching 67.4 % of the total number of employees. However, a downward shift is being witnessed in number of workers in the wholesale, retail industries. After rising steadily until 1998, worker numbers peaked in 1999, to drop off in 2005, with worker numbers totaling 11.22 million, or a 17.7% share of all workers.

Responding to IT and Maintaining and Training Human Resources

Concerning employment structure by type of work (see II-12, 13) 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 4.4% in 2004. Moreover, the number of workers in production, manufacturing, machine operation and construction is declining due to effects of the globalization of the manufacturing business and construction slumps, and accounts for 22.2% of the total number of employees in 2004.

On the other hand, the number of those workers engaged in specialized or technical work has risen consistently over the last fourteen years, to reach 14.7% of the total number of workers in 2005 (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 evaluations on merit and by offering a wider variety of career opportunities, as

well as to provide professional ability development opportunities at all levels.

II-10 Year-on-Year Difference in the Number of Employees by Principal Industries

(10,000 persons)



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

II-11 Trends of Employments by Three Industry Divisions

	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	39	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	4,085	-43	-7	-84	46	-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	-7	-0.8	-2.3	-2.0	-0.2	100.0	5.2	31.1	63.1
2000	6,446	326	1,979	4,103	-16	-9	-29	25	-0.2	-2.7	-1.4	0.6	100.0	5.1	30.7	63.7
2001	6,412	313	1,921	4,133	-34	-13	-58	30	-0.5	-4.0	-2.9	0.7	100.0	4.9	30.0	64.5
2002	6,330	296	1,845	4,134	-82	-17	-76	1	-1.3	-5.4	-4.0	0.0	100.0	4.7	29.1	65.3
2003	6,316	293	1,787	4,175	-14	-3	-58	41	-0.2	-1.0	-3.1	1.0	100.0	4.6	28.3	66.1
2004	6,329	286	1,738	4,236	13	-7	-49	61	0.2	-2.4	-2.7	1.5	100.0	4.5	27.5	66.9
2005	6,356	282	1,713	4,287	27	-4	-25	51	0.4	-1.4	-1.4	1.2	100.0	4.4	27.0	67.4

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

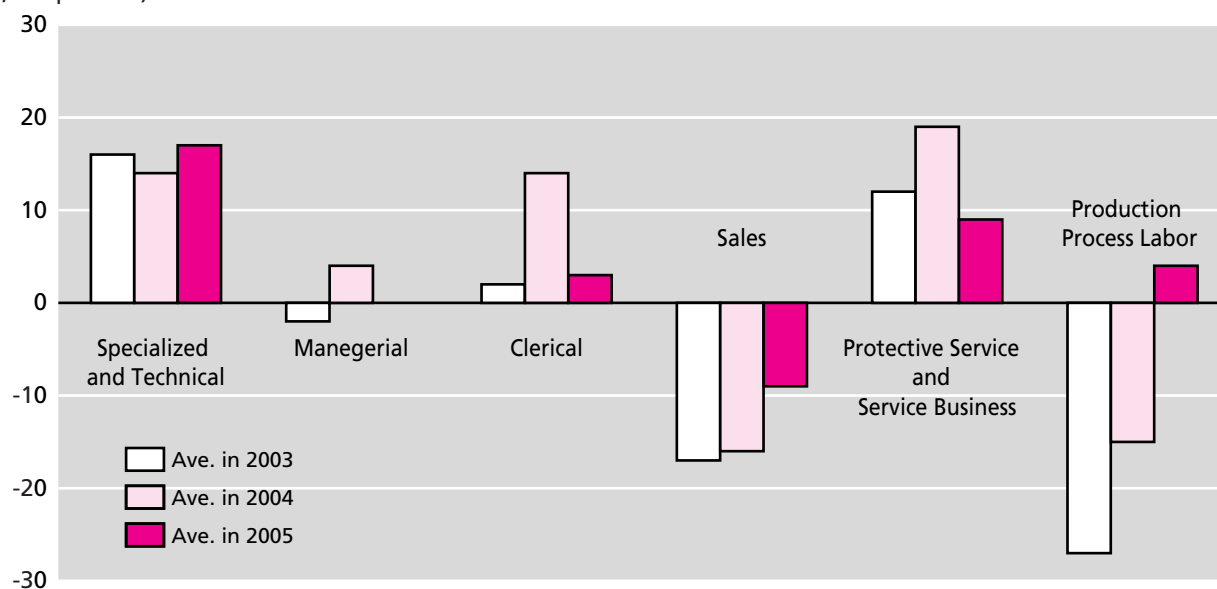
Notes: 1) Primary industry means Agroforestry and Fishery.

2) Secondary industry means Mining, Construction, and Manufacturing.

3) Tertiary industry means industries other than above, excluding those non-categorizable.

II-12 Year-on-Year Difference in the Number of Employed Workers by Occupation

(10,000 persons)



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

II-13 Number of Employed Workers by Major Occupation

			Employed Workers										
			Total	Specialized and Technical	Manegerial	Clerical	Sales	Protective Service and Service Business	Agriculture, Forestry, and Fishery	Transportation and Communication	Production Process Labor A+B	Manufacturing, Production, Operation, and Construction (A)	Labor (B)
Real Count	Male and Female Total	1995	6,457	790	236	1,252	945	610	363	237	1,997	1,687	310
		1996	6,486	804	240	1,263	933	618	352	240	2,004	1,686	318
		1997	6,557	824	226	1,273	940	637	346	241	2,034	1,706	328
		1998	6,514	844	222	1,290	928	654	340	232	1,967	1,634	333
		1999	6,462	846	215	1,273	921	668	332	228	1,938	1,604	334
		2000	6,446	856	206	1,285	911	677	321	221	1,927	1,580	347
		2001	6,412	873	202	1,249	968	693	309	214	1,859	1,506	353
		2002	6,330	890	187	1,228	934	717	291	211	1,817	1,468	349
		2003	6,316	906	185	1,230	917	729	289	210	1,790	1,437	353
		2004	6,329	920	189	1,244	901	748	284	201	1,775	1,415	360
		2005	6,356	937	189	1,247	892	757	279	204	1,779	1,416	363
Year-on-Year Difference (10,000 persons)	Male and Female Total	1995	4	12	1	14	2	7	-6	3	-26	-28	2
		1996	29	14	4	11	-12	8	-11	3	7	-1	8
		1997	71	20	-14	10	7	19	-6	1	30	20	10
		1998	-43	20	-4	17	-12	17	-6	-9	-67	-72	5
		1999	-52	2	-7	-17	-7	14	-8	-4	-29	-30	1
		2000	-16	10	-9	12	-10	9	-11	-7	-11	-24	13
		2001	-34	17	-4	-36	57	16	-12	-7	-68	-74	6
		2002	-82	17	-15	-21	-34	24	-18	-3	-42	-38	-4
		2003	-14	16	-2	2	-17	12	-2	-1	-27	-31	4
		2004	13	14	4	14	-16	19	-5	-9	-15	-22	7
		2005	27	17	0	3	-9	9	-5	3	4	1	3

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

4 Diversification in Forms of Employment

Non-regular staff Comprise 34.6% of 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. With this fundamental shift in the socioeconomic environment as a backdrop, there has been a concomitant startling rise in the number of workers who are not classifiable as regular workers; i.e. part-time workers or dispatched workers. According to the "Survey of the Diversification of Employment Status" issued by the Ministry of Health, Labour and Welfare in 2003, non-regular staff comprise 34.6% of all workers, with a large number of women in this category (see II-14). In addition, the largest group among these non-regular staff were part-time workers (23.0%), followed by temporary workers (0.8%), and dispatched workers (2.0%).

Taking a look at the increases in the proportion of non-regular staff by age and gender, and looking at trends over a 20-year period to 2004, we see that the proportion of non-regular staff is increasing in every age bracket. The increase is particularly noticeable in figures for women overall, as well as the young and the elderly (see II-15).

11.06 Million Part-time Workers

Here we take a look at the fluctuations in part-time workers, who comprise the vast majority of non-regular staff. Part-time workers here are defined in accordance with the Ministry of Internal Affairs and Communications "Labour Force Survey-Special Survey" and "Labour Force Survey (Detailed Tabulation)." Part-time workers numbered 5.61 million in 1987, increasing thereafter to stand at 11.06 million in 2004 (see II-16). In addition, the percentage of part-time workers among employees, excluding executives, continues to expand with figures

standing at 22.4% in 2004.

Characteristics of Part-time Workers in Japan

Most part-time workers are housewives, but they are not evenly distributed among all occupational fields. Looking at the usage of part-time workers by industry, we see that eating and drinking place, accommodations account for the great majority, followed by other service-related industries including wholesale and retail trade, medical health care and welfare, education and learning support (see II-14). In addition, small to medium size work places are the most prevalent.

The most often stated reasons for employers employing part-time workers are "to control wage costs," and that they "require additional personnel on a daily or weekly basis" (see II-17). The reasons part-time workers give for choosing part-time employment are that they "can choose own hours," and "want to defray educational or household expenses" (see II-18).

2.13 Million Dispatched Workers

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).

According to the "Report on Temporary Employment Agencies" issued by the Ministry of Health, Labour and Welfare, there were 144,000 dispatched workers in

1986, increasing to 2.13 million in FY2002. Many workplaces report that their main reason for using dispatched workers is they “require persons with experience and expertise,” and “require persons capable of doing specialized work,” although there are also many who respond that they “need to control

labor costs other than wages,” and “need to adjust hiring practices due to changes in business conditions” (see II-17). While it seems that there are workplaces keen to utilize dispatched workers for their experience and expertise, it is also the case that need dispatched workers as a form of marginal labor.

II-14 Proportion of Workers by Form of Employment

(%)

	Total		Regular staff	Non-regular staff	Form of Employment						
					Contract employees	Entrusted employees	Transferred Workers	Dispatched Workers	Temporary Workers	Part-time Workers	Others
Total	(100.0)	100.0	65.4	34.6	2.3	1.4	1.5	2.0	0.8	23.0	3.4
				[100.0]	[6.8]	[4.1]	[4.4]	[5.6]	[2.4]	[66.7]	[10.0]
Industry											
Mining	(0.1)	100.0	89.3	10.7	0.4	1.8	1.9	0.4	0.2	3.4	2.5
Construction	(8.0)	100.0	85.6	14.4	1.9	1.6	1.8	1.0	0.8	2.5	4.8
Manufacturing	(22.2)	100.0	76.7	23.3	1.4	1.5	1.7	2.0	0.3	12.7	3.8
Electricity, gas, heat supply and water	(0.5)	100.0	91.2	8.8	2.2	2.0	1.1	0.8	0.0	1.6	1.1
Information and telecommunications	(3.1)	100.0	78.3	21.7	3.3	0.8	3.9	5.9	1.1	4.5	2.4
Transportation	(6.3)	100.0	77.3	22.7	3.2	2.2	1.5	1.6	0.7	10.8	2.7
Wholesale and retail trade	(22.9)	100.0	54.7	45.3	1.4	0.8	0.8	1.4	0.7	37.3	3.0
Finance, insurance	(4.0)	100.0	78.3	21.7	2.2	1.6	1.4	8.7	0.0	6.2	1.6
Real estate	(0.9)	100.0	64.1	35.9	4.8	5.2	5.0	2.0	0.5	15.5	3.0
Eating and drinking place, accommodations	(7.9)	100.0	29.1	70.9	2.0	0.6	0.4	0.5	0.5	62.8	4.1
Medical health care and welfare	(7.3)	100.0	70.2	29.8	2.8	1.3	1.5	0.8	0.2	20.7	2.4
Education, learning support	(2.6)	100.0	60.8	39.2	10.3	1.7	0.4	2.0	0.3	21.7	2.8
Compound services	(0.7)	100.0	79.8	20.2	1.9	1.0	0.6	0.7	1.1	7.9	7.0
Services (not elsewhere classified)	(13.4)	100.0	58.7	41.3	3.5	2.3	2.6	2.2	2.8	23.6	4.4
Size of Enterprise											
1,000 persons and over	(5.5)	100.0	81.0	19.0	2.4	0.8	1.8	3.7	0.2	7.4	2.6
500—999	(4.0)	100.0	73.8	26.2	3.4	1.4	2.9	3.9	0.4	11.1	3.1
300—499	(7.5)	100.0	69.1	30.9	2.8	1.6	1.9	2.6	0.2	18.1	3.8
100—299	(13.7)	100.0	68.6	31.4	3.1	1.9	1.5	2.3	0.3	18.5	3.7
50—99	(16.8)	100.0	63.9	36.1	2.5	1.6	2.0	2.6	0.6	23.6	3.1
30—49	(9.0)	100.0	63.4	36.6	2.2	1.5	1.4	1.5	0.7	26.1	3.3
5 to 29	(43.5)	100.0	62.1	37.9	1.9	1.2	1.2	1.2	1.3	27.5	3.6
Gender											
Male	(59.1)	100.0	80.0	20.0	1.9	1.8	2.2	1.0	0.9	9.6	2.6
Female	(40.9)	100.0	44.4	55.6	2.9	0.9	0.6	8.4	0.8	42.5	4.6

Source: *Survey of the Diversification of Employment Status*, 2003, Ministry of Health, Labour and Welfare

Notes: 1) Figures in [] are the ratio assuming "non-regular staff" in the industries covered as 100.

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

II-15 Changes in the Ratio of Non-regular Staff by Age and Gender

(%)

	1985	1995	2004
Male			
15—24	4.7	9.2	27.1
25—34	3.2	2.9	11.4
35—44	3.1	2.3	6.7
45—54	5.0	2.9	7.5
55—64	19.2	17.4	25.3
65 and older	34.7	48.3	65.2
Female			
15—24	8.3	16.3	39.1
25—34	24.3	26.6	40.3
35—44	44.4	48.9	54.9
45—54	37.4	46.8	55.9
55—64	38.1	43.6	60.6
65 and older	45.8	48.6	67.9

Sources: *Labour Force Survey-Special Survey* and *Labour Force Survey*, Ministry of Internal Affairs and Communication. Excerpts from *Introduction to the Japanese Economy*, edited by K. Asako and S. Shinohara, Yuhikaku Publishing, 2006. Kurosawa, M., "Labour Economics."

Note: The ratio of non-regular workers is the ratio of part-time, affiliated, dispatched and other workers, excluding executives, engaged in non-agricultural work. Those engaged in educational study are excluded for ages 15-24.

II-16 Changes in the Number of Part-time Workers

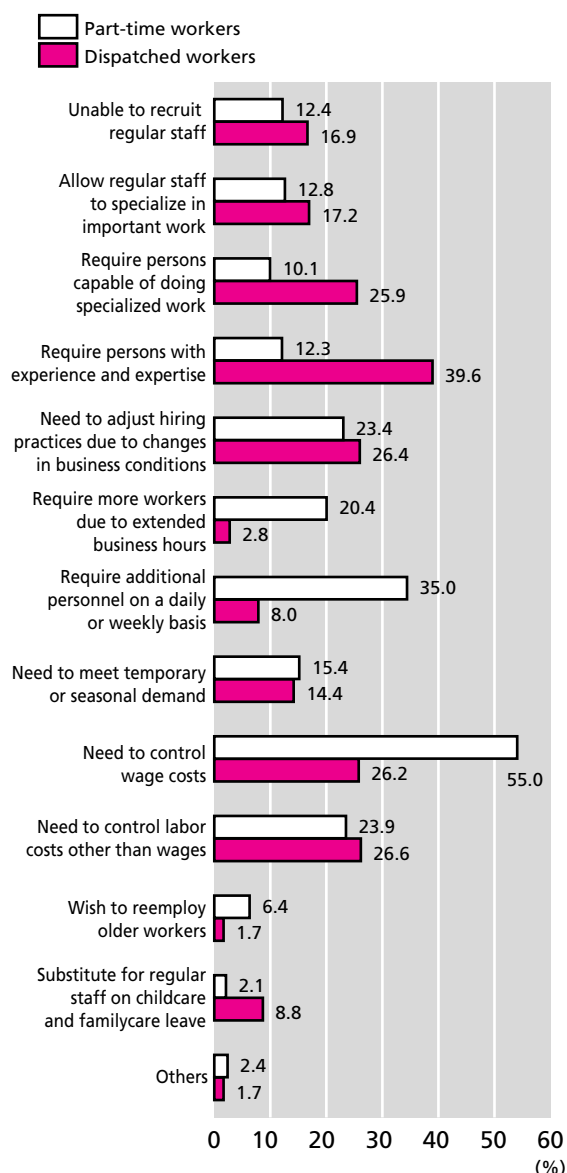
	Part-time Workers	
	Number (10,000 persons)	Proportion to Employees (Excluding executives) (%)
1987	561	13.9
1988	599	14.5
1989	656	15.4
1990	710	16.3
1991	734	16.2
1992	782	16.8
1993	801	16.9
1994	800	16.8
1995	825	17.3
1996	870	18.0
1997	945	19.0
1998	986	19.9
1999	1,024	20.8
2000	1,078	22.0
2001	1,152	23.0
2002	1,023	20.9
2003	1,092	22.1
2004	1,106	22.4

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

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

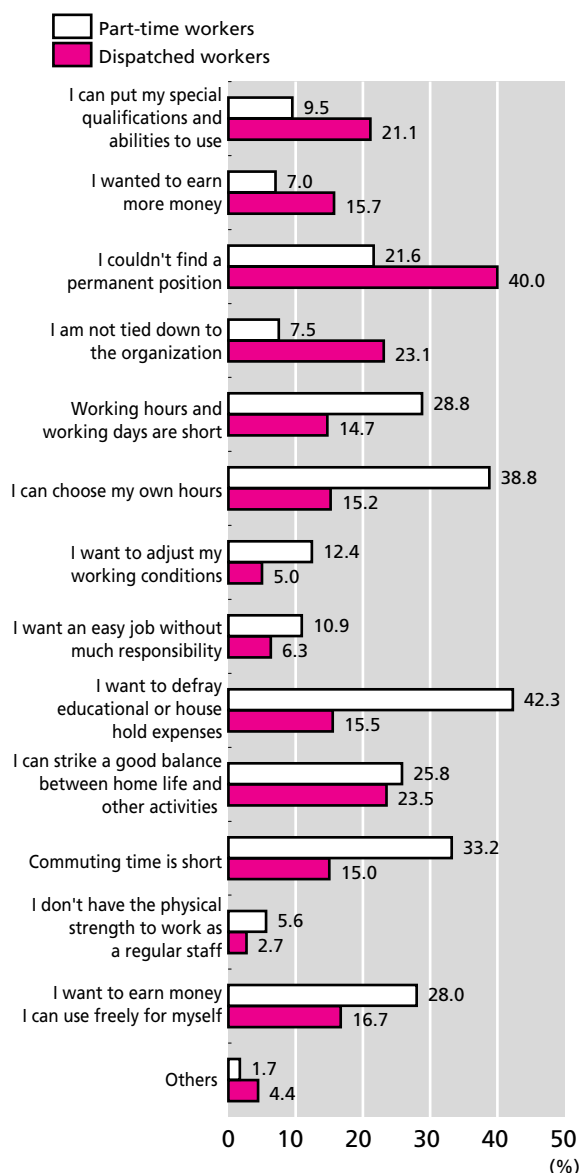
2) Part-time workers refer to all persons who are referred to as "part-timers" or similar phraseology at the workplace, regardless of working hours or working days.

II-17 Reasons for Hiring Non-regular Staff



Source: Survey of the Diversification of Employment Status, 2003, Ministry of Health, Labour and Welfare

II-18 Reasons for Working as a Non-regular Staff



Source: Survey of the Diversification of Employment Status, 2003, Ministry of Health, Labour and Welfare

Future Challenges for Non-regular Staff

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 staff to enhance specialization and lower personnel costs. It is likely therefore that non-regular staff will continue to increase in the future. In addition, it is worth taking note that the number of young people

working as non-regular staff is expanding considerably. Hence the companies that are utilizing these non-regular staff are required to further enhance their employment management systems through clarification of working conditions and rearrangement of employment regulations, in addition to providing more social security benefits, and education and training opportunities.

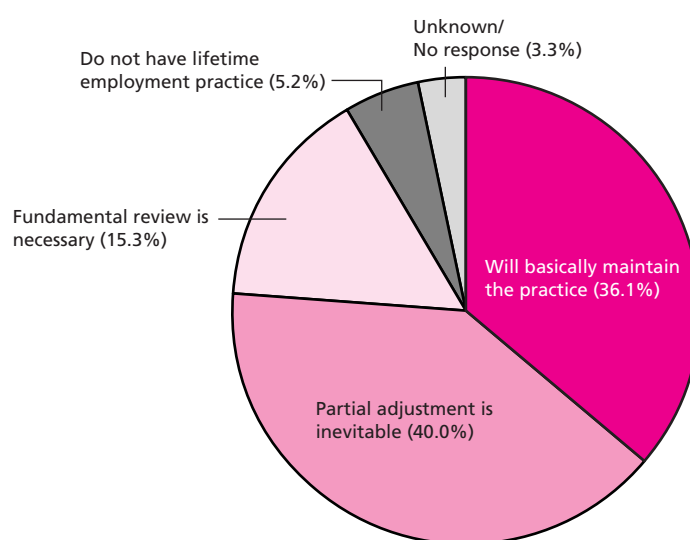
1 The Long-Term Employment System

The Lifetime Employment

Japanese companies, centered on large corporations, have few people who change jobs and a high percentage of employees who work at the same company for long periods of time. The long-term employment system of these companies is referred to as the lifetime employment system. The lifetime employment system is an employment practice where companies hire a specific number of new graduates at fixed times every year, and under contracts without a fixed period of employment, employees continue to be employed at the same company or affiliated companies from the time that they are hired as new graduates to the time they retire, as long as there are no extraordinary circumstances such as a management crisis.

Under long-term stable employment practices, employees are trained through in-company capacity development and reassignments as well as loaning of personnel to affiliated companies. Until the time that they retire, they are subject to a personnel system in which promotions and wage increases are based on seniority. Since human resources who have been trained for a long period of time within the same company without changing jobs build up skills and know-how in the organization, the strength of this type of human resources training system is most obvious in manufacturing industries in which a continuous accumulation of product development and improvement is necessary.

III-1 Attitudes of Companies Towards Lifetime Employment



Source: *Survey on Corporate Human Resource Strategies and Workers' Attitude Towards Work, (Company Survey) (2003)*, The Japan Institute of Labour

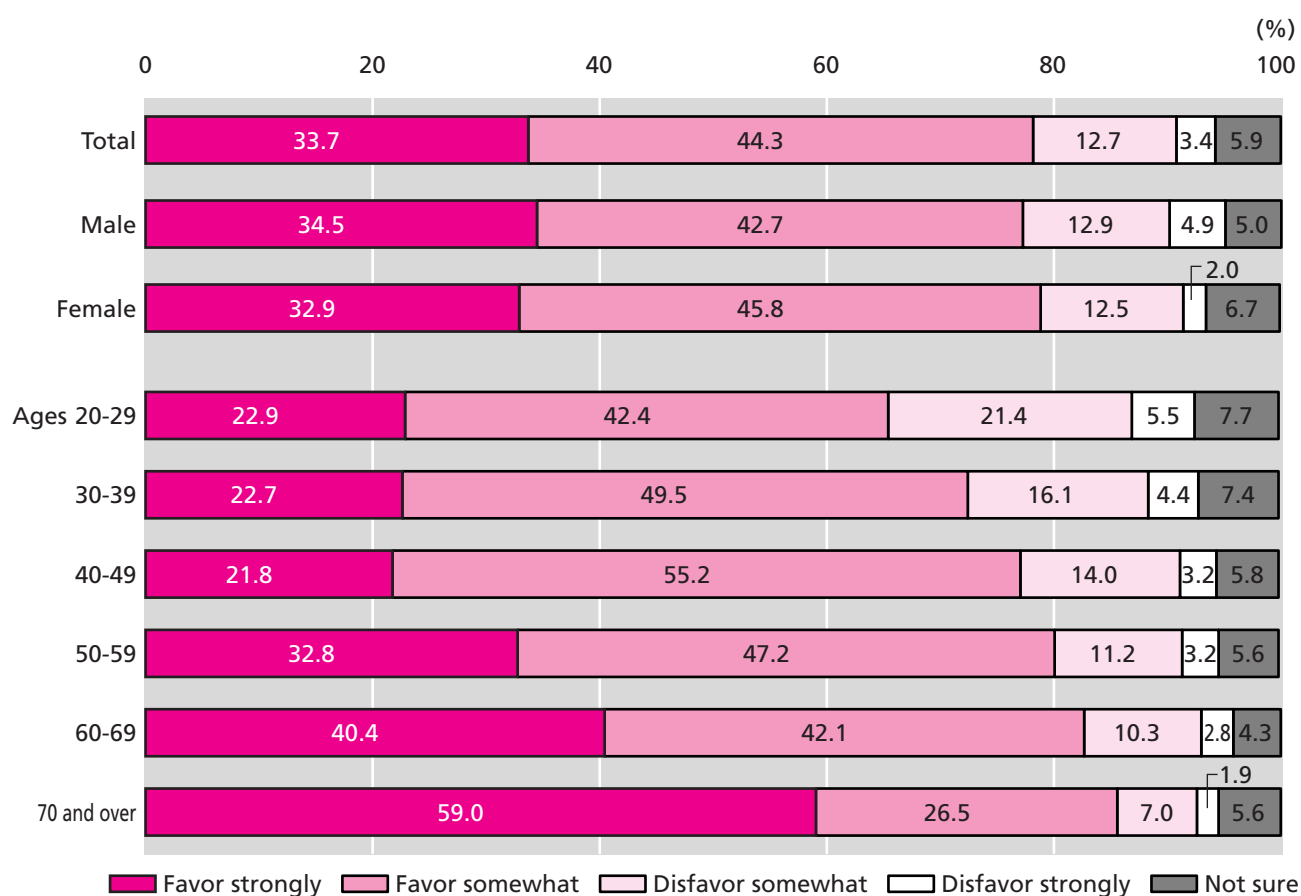
Background of the Long-term Employment System's Establishment

The long-term employment system referred to as the lifetime employment system was established at many companies during the period of high economic growth of the 1960s. With rapid changes in technological innovations and business during the period of high economic growth, companies were not able to hire the necessary human resources from outside because these human resources had not accumulated the necessary experience, and they needed to arm their employees with a high level of broad skills and techniques through in-house training. To do this, a long-term employment system was necessary, and with the introduction of a personnel system of continued wage increases and promotion, the lifetime

employment system was established. With court precedents restricting dismissals, the lifetime employment system, which emphasizes job security, was established and was welcomed by employees and labor unions.

Also a great influence behind the establishment of the lifetime employment system is the fact that actual operation of the personnel system is not rigid, but rather very flexible. At this stage in time when business is slow, rather than resorting to drastic employment adjustment measures such as sudden dismissals, a variety of measures such as limitations of overtime hours, reassignment of employees, restraint in or discontinuation of hiring new employees, and loaning or transferring employees to affiliated companies has been implemented, and a flexible response has been

III-2 Attitudes of Workers Towards Lifetime Employment



Source: 4th Survey on Working Life (2004), The Japan Institute for Labour Policy and Training

Note: Responses to the question "What is your view regarding the typically Japanese lifetime employment, working at one company until retirement?"

undertaken in which major changes to the workplace and content of work have been taken into account.

The percentage of lifetime employment workers who continued to work at the same company from the time they were new graduates to the time they retired is about 20% and not that high. In small and medium-sized companies, the number of continuing workers largely drop across the ranks of young and middle-aged employees for reasons such as resignation for personal reasons, company bankruptcy or business closings. At large companies, a major factor is the loaning and transferring of middle-aged employees centered on management-level and white-collar employees to affiliated companies or partner companies.

Argument over Reform of the Lifetime Employment System

Influenced by the long-term recession that has

continued since 1990, increases in the cost of labor as employees get older and a rise in the number of employees who cannot adjust to rapidly developing new technologies typified by information technology (IT), debate has recently begun over reform that the employment practices such as the lifetime employment system and seniority-based wage system should be reviewed. Looking at the circumstances of companies, they are consecutively carrying out reforms regarding seniority-based wages, but not that many companies are implementing major reviews of their lifetime employment systems and changing to fluid employment practices. There is instead an increasing trend for companies to restrict the number of regular staffs that are subject to lifetime employment and to increase the number of non-regular staffs such as part-time workers for whom making employment adjustments is relatively easy.

2 Recruiting and Hiring

Because Japan's labor market is divided into a new graduate market and a mid-career job seeker market, or into large enterprises and small businesses, there are accordingly great differences in recruiting and hiring. The collective hiring of a group of new college graduates immediately upon graduation is one of the characteristics of hiring activities in Japan. However, looking at Table III-3, we see that it is in great part the large enterprises hiring new graduates, and that as the size of the company decreases, the rate of hiring new graduates also decreases. On the other hand, for mid-career hires, this difference based on company size is not as large as with the new graduates; in particular, the rate of hiring mid-career workers in nonclerical positions is higher at small-scale businesses (see III-4).

Methods of Recruiting and Hiring

Table III-5 shows the general methods of recruit-

ing and hiring. For recruiting college graduates, methods such as "job-search magazine or job search website," "introduction or recommendation by professors, etc at college," "company, etc. hosts a job fair or seminar" are widely used. On the other hand, for mid-career hires the most common methods are "public employment security office, etc.," "Help Wanted" advertisement or flier in the newspaper," and "job-search magazine or job search website" (see III-5; survey conducted in 2004).

Compared to the same survey conducted three years ago, one notices that methods of recruiting and hiring have drastically changed. "Job-search magazine or job search website" became first and third, respectively, for new college graduates and mid-career hires. "Independent company website" came fourth for mid-career hires, and methods involving the internet are increasing. On the other hand, "personal connections" (22.9%) which was third in mid-

III-3 Current Ratio of Hiring for New Graduates (multiple answers)

(%)

	2001			2004
	Clerical	Technical, Research	Non-clerical	
High school graduates				
Total of all companies	4.7	2.8	12.9	16.7
5,000 or more employees	27.1	10.9	42.4	44.3
1,000—4,999 employees	14.4	6.3	31.9	37.9
300—999 employees	11.8	4.7	31.0	33.6
100—299 employees	7.0	4.6	22.3	21.1
30—99 employees	3.0	2.0	7.8	13.1
College (including graduate school) graduates				
Total of all companies	7.9	9.2	7.0	19.6
5,000 or more employees	76.2	56.8	27.4	94.1
1,000—4,999 employees	57.5	46.0	28.5	81.2
300—999 employees	33.5	36.9	22.4	64.3
100—299 employees	13.1	17.0	11.6	33.8
30—99 employees	2.5	3.2	3.6	9.0

Source: *Survey of Employment Management*, 2001, 2004, Ministry of Health, Labour and Welfare

Note: The 2004 survey was not categorized into clerical, technical/research, and non-clerical job types.

career hires three years ago has dropped to fifth (6.1%) in this survey (see III-5; survey conducted in 2001).

The hiring of four-year university graduates in the humanities and social sciences is generally carried out in the following way. First, the hiring process starts with a request for material from the company.

This usually begins during the junior year. The company will then hold a seminar or information session for the students who looked at the company materials, and proceed on to the written exam and interview stages. Ordinarily, conditional job offers are decided upon after two or three interviews. While the start of the communication of these conditional job offers in

III-4 Current Ratio of Hiring for Mid-career Workers (multiple answers)

(%)

	Management	Clerical	Technical, Research	Non-clerical
Total of all companies	13.7	27.5	18.4	50.8
5,000 or more employees	34.9	54.8	51.9	38.4
1,000—4,999 employees	26.5	44.9	38.6	42.4
300—999 employees	23.8	43.6	31.3	48.7
100—299 employees	15.6	34.5	20.0	49.3
30—99 employees	11.7	23.2	15.9	51.7

Source: *Survey of Employment Management*, 2004, Ministry of Health, Labour and Welfare

III-5 Methods of Recruiting New College Graduates and Mid-career Hires-2004, 2001 (multiple answers)

2001

(%)

	First	Second	Third	Forth	Fifth
College (including graduate school) graduates	Introduction or recommendation by teachers, etc. at school 38.4%	Company, etc. hosts a job fair or seminar 32.9%	Job search magazine or job search website 29.8%	Independent company website 23.7%	Public Employment Security Office, etc. 18.6%
Mid-career hires	Public Employment Security Office, etc. 59.6%	"Help Wanted" advertisement or flier in the newspaper 31.3%	Personal connections 22.9%	Others 22.3%	Job search magazine or job search website 18.1%

2004

(%)

	First	Second	Third	Forth	Fifth
College (including graduate school) graduates	Job search magazine or job search website 38.2%	Introduction or recommendation by teachers, etc. at school 33.9%	Company, etc. hosts a job fair or seminar 32.4%	Public Employment Security Office, etc. 25.2%	Public Employment Security Office, etc. hosts a job fair or seminar 16.0%
Mid-career hires	Public Employment Security Office, etc. 64.9%	"Help Wanted" advertisement or flier in the newspaper 33.3%	Job search magazine or job search website 30.0%	Independent company website 16.2%	Personal connections 6.1%

Source: *Survey of Employment Management*, 2001, 2004, Ministry of Health, Labour and Welfare

1997 and 1998 peaked during June and July, it peaked around April in 2004, indicating that the time was reduced by two months in those years (“Hiring of College Graduates and Human Resource Management in a Period of Reform,” Report No. 128, 2000, Japan Institute of Labour; “Survey on Hiring University Graduates,” 2006, Japan Institute for Labour Policy and Training). As seen in Table III-5, many of the request for materials and application procedures for seminars are made through E-mails or websites due to the dissemination of the internet, and private-sector portal sites built to support such activities are widely used.

The hiring of graduates of four-year universities in the natural and physical sciences generally often takes the form of either an introduction and recommendation by the student’s academic advisor, or a request to the advisor from the company for introduction of a student. Furthermore, there are many students of natural and physical sciences who find jobs after pursuing a postgraduate degree.

Most of the methods used for recruiting are those that have been long used such as individual interviews, tests on general common knowledge/basic academic and aptitudes, etc. Among them individual

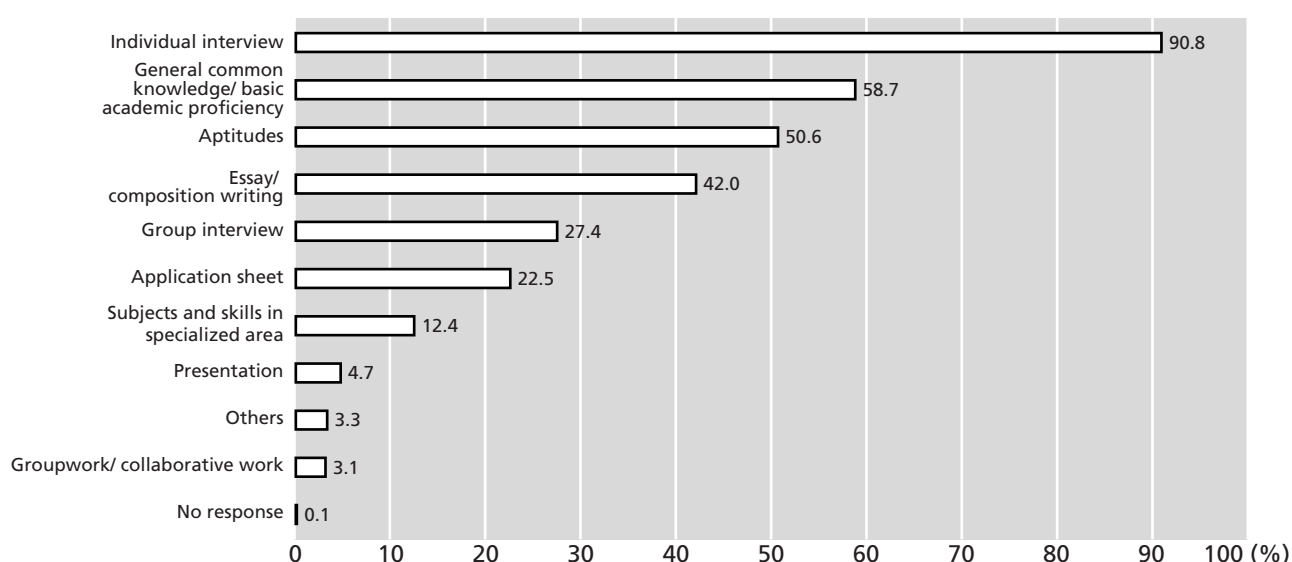
interviews reaches 90%. Occasions of making the students give “presentations” which are sometimes talked about, are still very few (see III-6).

The number of government and public offices as well as companies carrying out internship programs has been growing steadily, and the number of students who work at companies through internships during the summer vacation of their junior year, etc. are increasing. The number of students who have done internships have increased from approximately 30,000 to 50,000 in the past two years. (“Survey on Internships at Universities (2002),” Ministry of Education, Culture, Sports, Science and Technology, November 2003; “Survey on Internships at Universities (2004),” Ministry of Education, Culture, Sports, Science and Technology, November 2005).

Points Taken Seriously in Hiring Workers

Table III-7 looks at the points considered important when hiring new college graduates. In the 2004 survey, where job types were not divided into clerical, technical/research, and non-clerical categories, “enthusiasm and ambition,” “communication skills,” and “drive and executive ability” respectively came as first, second, and third priorities. In the 2001 survey

III-6 Methods of Screening New College Graduates (multiple answers)



Source: *Survey of Employment Management*, 2004, Ministry of Health, Labour and Welfare

where job types were divided, for each of the three job categories-clerical, technical/research, and non-clerical-the number one consideration was “enthusiasm and ambition.” However, large differences could be seen in the number two and number three choices. For clerical positions, importance is attached to “general common knowledge, well educated and cultured” and “cooperative spirit and sense of balance;” “technical knowledge and skills” and “understanding and judgment” are seen as crucial for technical/research positions; and for non-clerical work “drive and executive ability” and “good health and stamina” are viewed as assets.

Looking at points considered important when hiring mid-career workers (points with a rate over 50% in III-8), “job experience” is the top consideration for both management and clerical categories while “technical knowledge and skills” and “job experience” rank high for technical/research positions, and “enthusiasm and ambition” is the most desired attributes for non-clerical workers.

III-7 Points Considered Important when Hiring Recent College Graduates (up to 3 multiple answers)

2001						(%)
	First	Second	Third	Forth	Fifth	
Clerical	Enthusiasm, Ambition 74.0%	General common knowledge, Well educated and cultured 39.5%	Cooperative spirit, Sense of balance 39.2%	Drive, Executive ability 32.8%	Understanding, Judgement 31.8%	
Technical, Research	Enthusiasm, Ambition 66.7%	Technical knowledge, skills 51.1%	Understanding, Judgment 33.6% 39.2%	Drive, Executive ability 29.6%	Cooperative spirit, Sense of balance 20.4%	
Non-Clerical	Enthusiasm, Ambition 76.5%	Drive, Executive ability 46.6%	Good health, Stamina 38.3%	General common knowledge, Well educated and cultured 35.4%	Cooperative spirit, Sense of balance 29.2%	
2004						(%)
	First	Second	Third	Forth	Fifth	
2004	Enthusiasm, Ambition 64.0%	Communication skills 35.1%	Drive, Executive ability 31.0%	Cooperative spirit, Sense of balance 30.9%	Understanding, Judgement 25.9%	

Source: *Survey of Employment Management*, 2001,2004, Ministry of Health, Labour and Welfare

Note: The 2004 survey was not categorized into clerical, technical/research, and non-clerical job types.

III-8 Points Considered Important when Hiring Mid-career Workers (up to 3 multiple answers)

(%)

	First	Second	Third	Forth	Fifth
Management	Job experience 57.7%	Technical knowledge, skills 48.3%	Enthusiasm, Ambition 30.9%	Drive, Executive ability 29.7%	Understanding, Judgement 20.0%
Clerical	Job experience 52.7%	Enthusiasm, Ambition 41.5%	General common knowledge, Well educated and cultured 33.6%	Cooperative spirit, Sense of balance 28.3%	Technical knowl- edge, skills 25.9%
Technical, Research	Technical knowl- edge, skills 68.9%	Job experience 58.1%	Enthusiasm, Ambition 36.1%	Drive, Executive ability 16.6%	Good health, Stamina 15.7%
Non-Clerical	Enthusiasm, Ambition 58.8%	Good health, Stamina 47.3%	Job experience 38.3%	Drive, Executive ability 26.0%	Cooperative spirit, Sense of balance 23.1%

Source: *Survey of Employment Management*, 2004, Ministry of Health, Labour and Welfare

3 Assignments and Transfers

The Changing Recruitment System

Japanese companies have come to place great importance on the regular hire of recent graduates when hiring new employees. Behind this practice is the human resource management policy that, under the long-term employment system, in-house training of workers having a high level of broad skills and techniques is best suited for business development. Managers are also strongly influenced by the philosophy that new graduates who are trained inhouse are more likely to fit into the corporate culture.

However, the employers capable of such regular hiring of recent graduates are the large and mid-tier corporations. Many recent graduates have a strong tendency to seek employment at these large and influential mid-sized companies, where the possibility of something like bankruptcy is low, management is stable, and wages and other working conditions are relatively high. Therefore, small and medium-sized companies have considerable difficulty in regularly hiring new graduates and so-compared with large and influential mid-sized companies-are increasingly looking to workers in midcareer. Naturally, with the recent IT boom and other rapid developments in technical innovation, large enterprises too are unable to prepare the necessary human resources through in-house training, and are quickly coming to strengthen this trend of hiring mid-career experienced workers.

Human Resource Development and Promotion by Broad Rotation

New graduates are typically trained by experiencing different types of work in several departments within a company or corporate group. Most high-school graduates are posted to factories or other non-clerical departments where they gain experience in a variety of related functions and they become more versatile workers. University graduates experience a broad variety of departments and functions, which may even include being loaned to a group company; through such broad rotation, companies can evaluate employees' performance and determine the type of work for which they are best suited (see III-9). This kind of broad rotation is being carried out actively by major companies, etc. (see III-10).

In addition, these assignments and transfers are carried out in conjunction with the management of promotions (see III-11).

The promotion management of Japanese companies is known as the seniority-based promotion system in which promotions are granted based on the order in which employees entered the company. It is not as mechanical as it seems since it allows for careful evaluation over time of an employee's abilities and achievements, and encourages long-term competition for promotion among employees. The recent trend toward earlier promotions is prompting an

III-9 Method to Secure Desired Human Resources/Capacities

(multiple answers up to two, %)

Size of enterprise, industry	Enterprises, total	Respond by reassigning personnel, etc.	Strengthening capacity development of employees	Respond by hiring new graduates	Respond by hiring mid-career workers
Industries Surveyed, total	100.0	29.7	60.2	17.9	52.1
1,000 employees and over	100.0	39.7	69.7	38.9	37.7
100—999 employees	100.0	35.7	64.1	26.0	50.0
30—99 employees	100.0	27.3	58.5	14.4	53.3

Sources: *Industrial Labour Survey*, 2002, Ministry of Health, Labour and Welfare

III-10 Ratio of Companies That Did/Did Not Reassign Employees

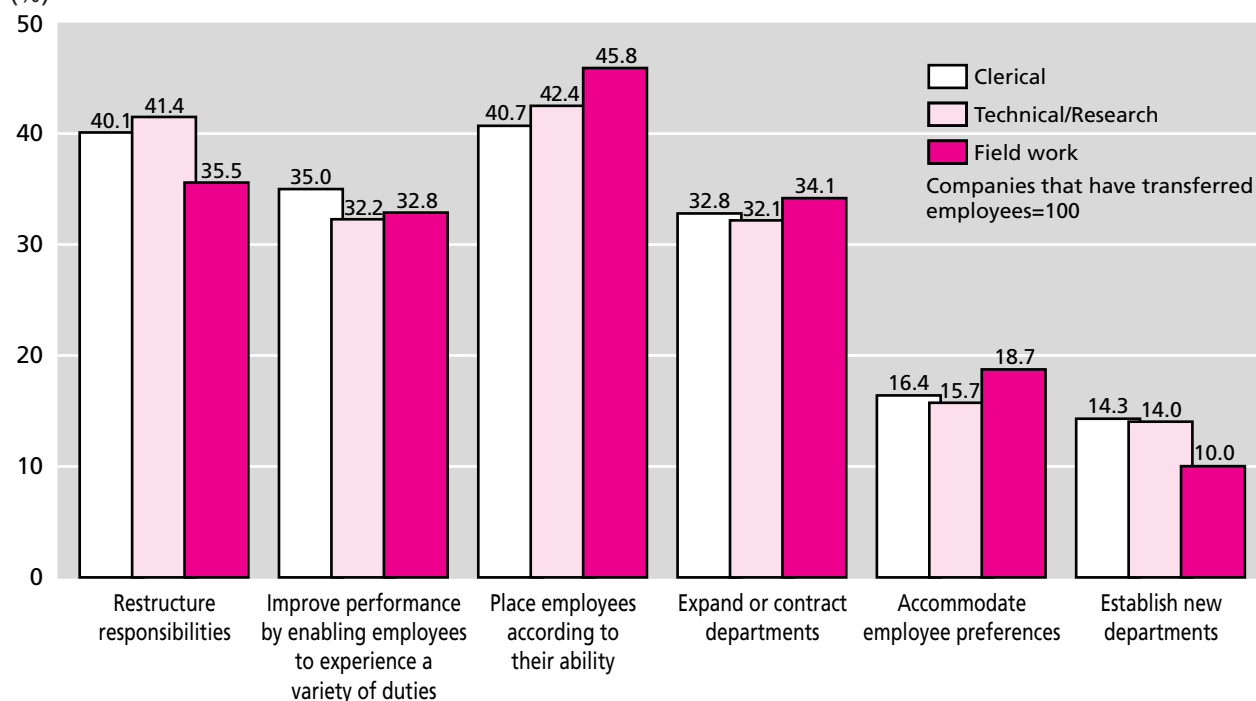
(%)

Size of enterprise, industry	All industries	Have reassigned employees (multiple answers)				Have not reassigned employees
		Total	Clerical work	Technical and research work	Field work	
Total	100.0	47.5	28.3	19.2	35.1	52.5
1) 5,000 employees	100.0	99.1	95.9	61.7	84.3	0.9
2) 1,000–4,999 employees	100.0	95.3	88.7	57.4	77.7	4.7
3) 300–999 employees	100.0	89.2	73.4	49.0	71.6	10.8
4) 100–299 employees	100.0	68.1	45.6	28.7	51.0	31.9
5) 30–99 employees	100.0	36.0	17.0	12.3	25.7	64.0

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

III-11 Reasons for Transferring Employees

(%)



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

Note: Respondents were permitted to provide up to three answers

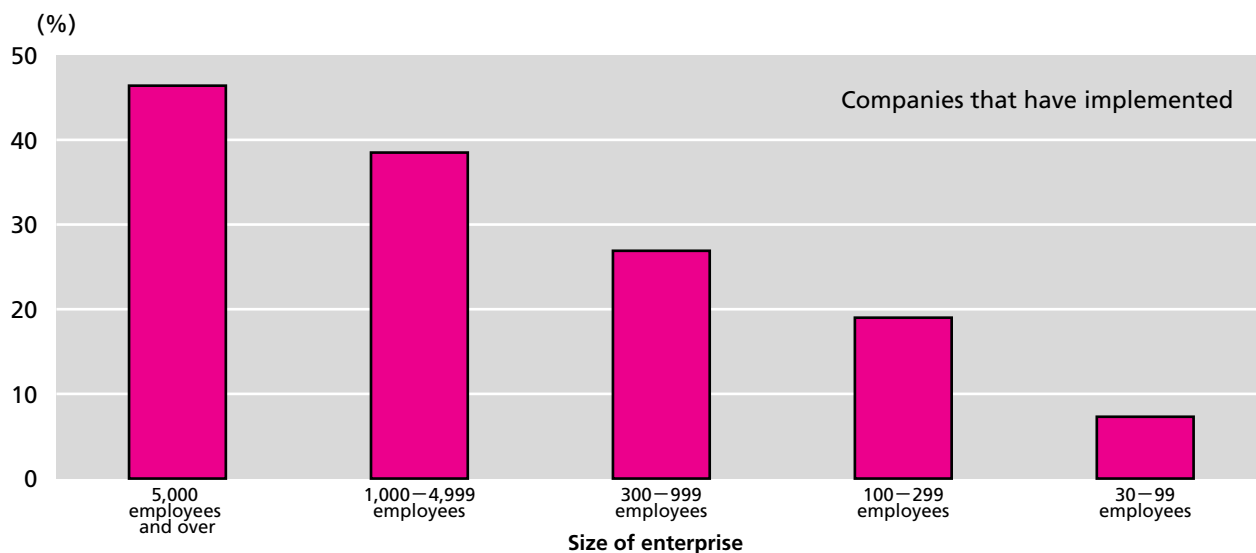
increasing number of companies to adopt a rapid advancement system.

More companies, especially large companies, are now introducing procedures that give serious consideration to employees' wishes when making assignments or transfers in connection with the long-term

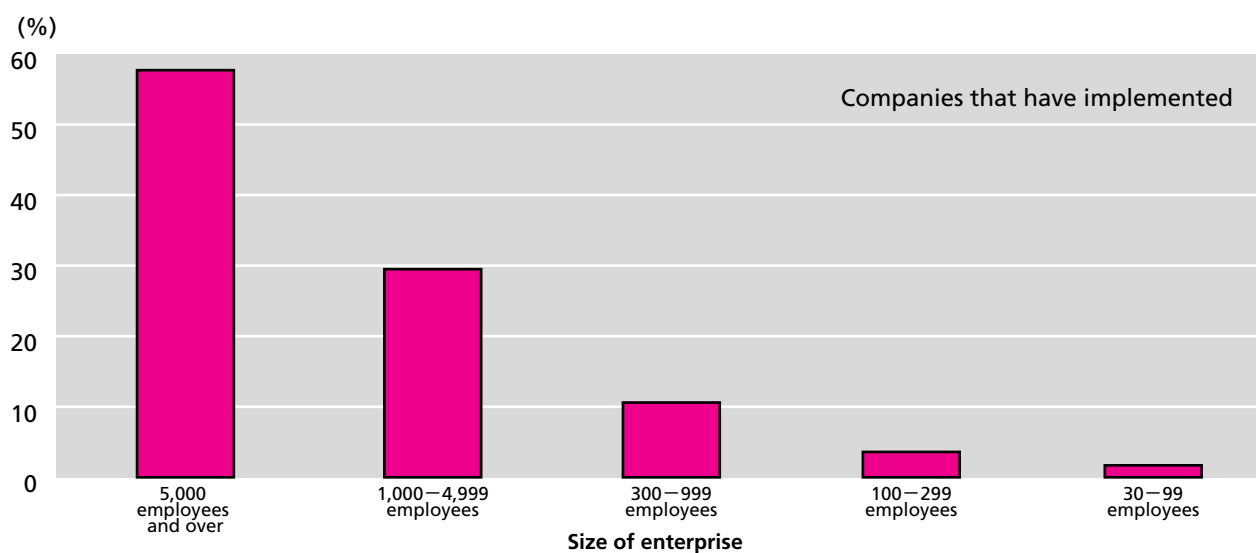
human resource training system. For instance, in the double-track personnel system, an additional course for the training of specialists in a particular field is being added to the management track that formed the heart of the old personnel system (see III-12). The system of in-house solicitation of applicants enables

III-12 Ratio of Companies by Implementation Status of Various Personnel Management Systems and by Future Plans

(Multiple-track personnel management system)



(In-house open recruitment system)



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

companies to recruit from within the personnel they need with a new demand accompanying business expansions and new ventures, and allows for the selection of the most appropriate candidate from the employees who applied (see III-12).

Assignment, Transfer, and Employee Motivation

Assigning and transferring employees by the in-house solicitation of applicants differs from the existing system in its consideration of employees' wishes, rather than solely on company needs. From the com-

pany point of view, this system makes it easier to unearth hidden human resources, at the same time having the merit of serving as a motivational measure for employees. Because an increasing number of companies is using the Intranet to implement in-house recruitment systems emphasizing employee initiative, the number of recruitment opportunities and transfers is also rising. The number of companies

introducing in-house venture systems that provide opportunities for establishing new businesses based on plans proposed by their employees is also rising.

In addition to traditional company-initiated career development, independent career development attentive to employees' wishes is also becoming firmly established.

Seniority-based Wage System

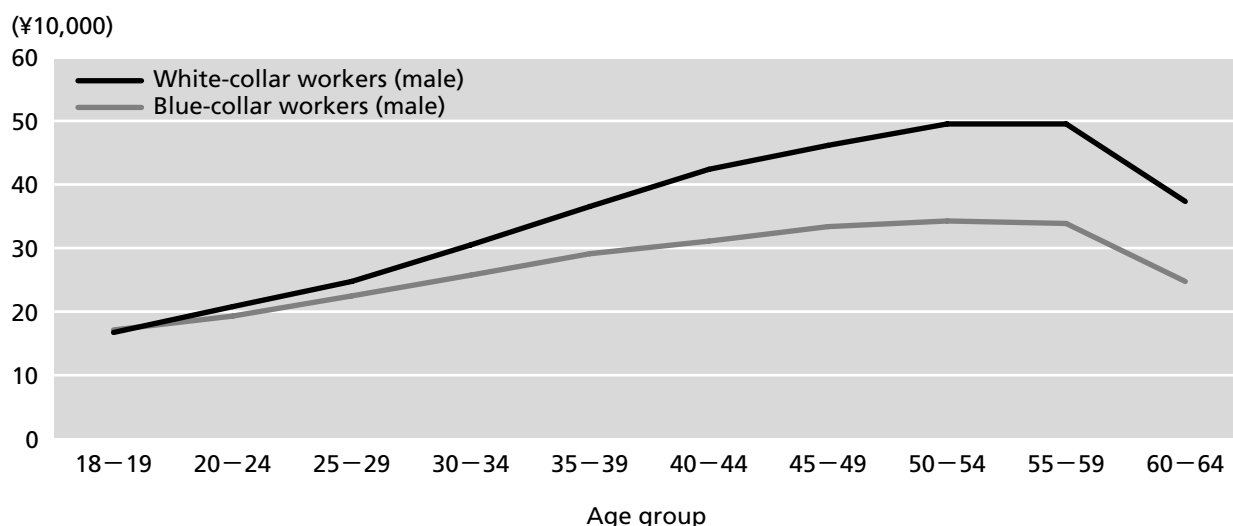
Wage systems that base remuneration on age or years of service are not unique to Japan, but it is said that these are characteristic of Japanese wage systems. This type of wage system is called a seniority-based wage system; but salary increases are not awarded based on age or years of service with total disregard of performance and ability. A merit rating is used to evaluate employees resulting in wage levels that reflect differences in performance or ability, even among employees with the same seniority.

The seniority-based wage system first appeared in Japan in the 1920s. Although considerable debate abounds regarding the reasons for its establishment, the seniority-based wage system was certainly a strategic move on the part of management who wanted to attract and retain employees. By staying at one firm, workers acquired skill with their employers' proprietary technology. Employers, in turn, used promotions to reward workers for their skill development. Additionally, the tendency of the cost of living to increase as employees aged further justified link-

ing wages to seniority. Thus, promotions following skill improvement and increases in cost of living were connected to longer years of service, and the seniority-based wage system was established to raise wages with advancing age and years of service.

The wage profile by age (and by years of service) charts the status of seniority-based wages by plotting wages for different age groups (and years of service). One characteristic of the Japanese wage profile is the phenomenon called "the white-collarization of blue collar workers" (however, this only applies to male workers). The phenomenon of the white-collar workers' wage profile rising with age is observable not only in Japan, but in Europe and the U.S. as well. However, the situation for blue-collar workers is completely different. In other nations, the wages of blue-collar workers rise a little with age, but these wage increases are all but invisible after age 30. In Japan, however, even though the wage profile for blue-collar workers does not rise as sharply as that of white-collar workers, the two curves are similarly shaped, indicating that wages increase as workers age

III-13 Wage Profile by Age and Gender



Source: *Basic Survey on Wage Structure*, 2004, Ministry of Health, Labour and Welfare
 Note: Monthly scheduled earnings are used for wages Manufacturing only.

(see III-13).

Bonus System

Another distinctive aspect of the Japanese wage system is the bonus system. Japan is certainly not the only nation in which bonuses are paid, but the peculiarity of Japan's bonuses is said to be in their large size. Companies pay biannual bonuses equivalent to several months' salary in the summer and winter. They are not legally required to do so, but after World War II the practice of providing bonuses to all employees became customary at most companies.

Performance-related Salaries

Another aspect of Japan's Performance-related Salaries come to the fore recently is the introduction of a annual salary system linked to performance. With the heightening of competition due to globalization and predictions of the further aging of Japanese society, companies have become concerned about the burden imposed by the high salaries paid to the growing ranks of middle-aged and older employees. To create a better balance between those employees' salaries and their productivity, and to further motivate workers, an increasing number of companies-mainly large corporations-are adopting a salary system based on annual performance for managers. However, it is not easy to evaluate performance, and companies will need to set fair evaluation standards before performance-based wage systems can be implemented and utilized as measures to improve efficiency.

Wage Composition

Incidentally, the wage composition is another unique element in Japan's wage system. The wage composition refers to a series of wage items that composes the total salary paid to a worker. Normally, the wage composition consists of base pay (compensation for labor) plus various additional allowances, such as a family allowance, commuting allowance, and housing allowance. The term "wage composition" became popular after its coinage under the

Wage Control Ordinance during World War II. The "electrical power industry type of wage composition" acquired by the Council for Electric Power Industry Unions in 1946 opposed the pre-war wage pattern based on management's internal class system. The Council forced management to adopt a unified pay scale for white collar and blue collar workers. This is well-known as a wage composition based on factors such as workers' living conditions (age, years of continuous employment, family structure and commuting distance), and served as the foundation for dissemination of subsequent wage compositions.

Retirement Benefits System

Finally, mention will be made of the retirement benefits system, which provides to employees either a lumpsum allowance upon retirement or pension, and is a major pillar of enterprise welfare measures. Retirement benefits are paid in proportion to the number of years of service at a specific company, but the scheme is such that differences in the payment amount arise depending on the reason for retirement. The amount paid is lower for those who retire for their own convenience, but higher for those who retire at the mandatory age after long service, or for those who retire at the companies request (such as during a period of recession). Thus, retirement benefits have become a factor promoting long-term continuous service by Japanese employees. Until recently, the lump sum retirement allowance has been a large amount, and many workers have received this substantial benefit when retiring at the mandatory age. However, in recent years the percentage of workers receiving a retirement pension has been rising. Behind this development is the fact that the cost burden for companies has increased as the aging of employees leads to larger payments of lump sum retirement allowances. Added to that are the benefits of converting retirement benefits to a pension system, such as the advantages a company may receive through tax codes.

5 Working Hours

Japan's Working Hours Legislation-40 Hours

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.

Annual Total of Hours Actually Worked

Looking at Figure III-16, annual working hours shortened by about 400 hours from the 1960s, when the GDP growth rate was high, through the first half of the 1970s. After the oil crisis of the 1970s, working hours hovered at about the same level; but they began shortening gradually once again when the 1980s came to a close. The decrease in working hours after the end of the 1980s shows a strong influence of the shortening in the working hours as designated by Act.

If one compares the estimated figure for working hours in the year 2002 as can be seen in Table III-14, it is obvious that while Japan is more or less on the same level as the U.S. and has only slightly longer

III-14 International Comparison of Working Hours (production workers in manufacturing industries: 2002)

(hours)

Working Hours	Japan	U.S.	U.K.	Germany	France
Annual Working Hours	1,954	1,952	1,888	1,525	1,539
Scheduled Working Hours	1,783	1,739	1,753	—	—
Overtime Hours	171	213	135	—	—

Source: Estimates made by the Working Hours Department of the Ministry of Health, Labour and Welfare's Labour Standards Bureau based on reports issued by the EU and each nation mentioned above.

Notes: 1) Size of workplaces surveyed: Japan, 5 employees or more; U.S., all sizes; Others, 10 employees or more

2) Includes regular part-time workers.

3) Scheduled working hours and non-scheduled working hours for Germany and France were unavailable

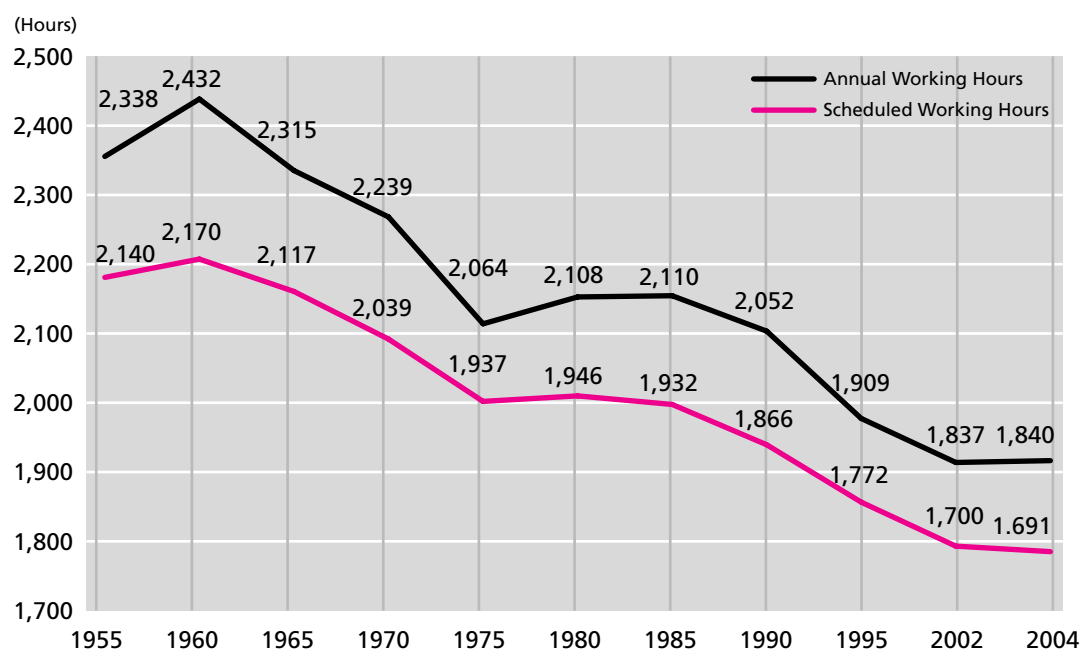
III-15 Percentage of Annual Paid Leave Consumed

(days, %)

Industry, Size of Enterprise	Annual paid leave per average worker		
	Days given (A)	Days taken (B)	Percent Consumed (B/A)
Overall Total	18.0	8.5	47.4
Businesses with 1,000 employees or more	19.2	10.4	53.9
Businesses with 300—999 employees	17.9	7.6	42.3
Businesses with 100—299 employees	17.3	7.5	43.6
Businesses with 30—99 employees	16.6	7.2	43.3

Source: *General Survey of Working Conditions*, 2004, Ministry of Health, Labour and Welfare

III-16 Long-Term Movements in the Average Annual



Source: *Monthly Survey of Labour Statistics*, Ministry of Health, Labour and Welfare

Notes: The study is based on responses from businesses employing 30 or more employees. Results indicate 12 times the figure for average monthly hours per worker from the all industries total. Decimal figures have been rounded off. The study includes general as well as part-time workers.

working hours than the U.K., it exceeds the number of working hours of Germany and France by as much as 400 hours. This difference between Japan, Germany and France mainly reflects differences in non-scheduled working hours and the number of annual paid leaves taken.

Annual Non-scheduled Hours Worked

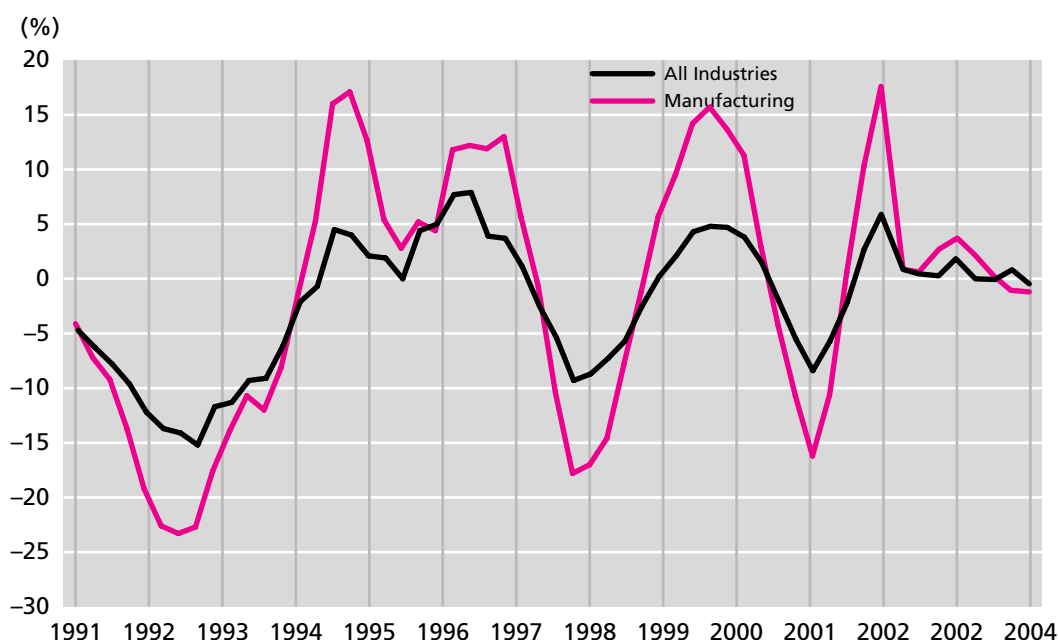
Figure III-17 shows quarterly fluctuations in overtime hours. An increase or decrease in the non-scheduled hours worked in Japan occurs slightly later than the actual fluctuations in the economy. This is due to the fact that overtime work is leveraged by companies as the principle means to make employment adjustments in response to fluctuations in production demand. That is, rather than taking on new hires during times of prosperity, overtime hours for existing employees are increased; on the other hand, without immediately resorting to measures such as layoffs when business is slow, the condition is dealt with through a reduction in overtime hours. Behind this is the fact that the cost of overtime allowances for exist-

ing employees is generally less than labor costs related to hiring additional employees. Non-scheduled working hours thus constantly exist in a large number of Japanese companies. At present, an annual maximum of 360 overtime hours per worker is prescribed by the Labor Standards Act; within this range, upper limits are set for fixed periods, such as 15 hours per week, 45 hours per month, and 120 hours per 3-month period. However, there is no penalty for violating these standards. Moreover, overtime rate for non-scheduled hours worked is 25% or higher for normal circumstances, 25% or higher for late-night work, and 35% or higher for non-scheduled work that is conducted on a non-business day.

Annual Paid Leave

Figure III-16 examines the number of days of annual paid leave given and taken, and, with those figures as denominator and numerator, the percentage of holidays taken. According to the Labor Standards Act, 10 days leave shall be granted to those workers with an 80% or greater attendance rate and at least 6 months of

III-17 Year-on-Year Difference in the Non-Scheduled Working Hours



Source: *Monthly Survey of Labour Statistics*, Ministry of Health, Labour and Welfare

Notes: 1) Study limited to businesses with over five employees.

2) Indicates quarterly rate of change.

continuous service with a business, and 20 days shall be given upon reaching 6 years and 6 months of service. But unfortunately the average number of holidays taken throughout Japan in 2004 was 8.5. So, in actuality, only half of paid leave days given were consumed.

Thus not many holidays were taken. 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.

Flexible Working Hours System

A variable scheduling system is also prescribed for in the Labor Standard Act.

All within this system are: a system of monthly variation, a system of annual variation, flextime, 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. Flextime 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 Standard 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.

Karoshi (Death from Overwork)

The Japanese phenomenon of “karoshi” is known the world over. 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 a more limited sense, death as a result of cerebrovascular disease or ischemic heart diseases (such as brain infarctions, subarachnoid hemorrhage, cardiac infarction, cardiac angina etc.) that have been a result of work

overload can be termed as “karoshi” or “death from overwork,” and death that is triggered as a result of mental disability that is caused by work overload or unnatural levels of stress can be said to be “suicide through overwork”

There is no doubting the fact that the principle factor behind the “death from overwork” occurrence is exceptionally long working hours. Due to this, the issue of whether a death qualifies for workmen’s compensation is considered taking into account whether the work that the intended recipient was involved in between the stage just prior to occurrence of the symptoms until the day before the death was excessive or not, and to next reflect on the conditions up until a week before the incident. In addition to this, from 2001 onwards it has also begun to be taken into account whether the worker was involved in more than 45 hours of overtime work between one to six months prior to the occurrence, or similarly involved in more than 100 hours of non-scheduled work in the first month, or more than 80 hours per month in the period between the second to sixth month prior to the occurrence.

The number of cases for both the application and certification of “death from overwork” and “suicide through overwork” have been on the rise: in 2004, 150 cases from the total number of 335 applications for “death from overwork” and 45 of the total of 121 cases (including attempted deaths) for “suicide through overwork” were certified as genuine cases.

6 Company Benefits

Labor Cost Structure

A look at the makeup of labor costs as outlined in Table III-18 shows that wages cover 80.3% in the case of Japan, making it higher as compared to other nations. On the other hand the percentage of labor costs other than wages is low in the case of Japan. In this category of non-wage labor costs, compulsory benefit costs in Japan stand at 9.3%, a figure that is slightly higher than the U.S. or the U.K., but lower than Germany and France. In addition to this, costs such as retirement benefits in Japan form 6.8%; the percentage for this component is lower in the case of the U.K., Germany and France.

Social Insurance Premium Rates

Table III-19 compares the social insurance premium rates in each country. In Japan the insurance premium rate is about 22% of total pay. This is a little higher than the rate in the U.S., and about the same as

that in the U.K., but lower than that in Germany, France and Sweden. The breakdown of Japan's 22.16% is as follows: medical insurance, 7.43%; pension insurance, 13.58%; and unemployment insurance, 1.15%. However, there is a further cost that only employers pay-the system of compensation for accidents at the workplace.

Compulsory Benefit Costs' Structure

Figure III-20 shows the composition of the average compulsory benefit costs per month per regular worker in 2001. Health insurance premiums are 31.7%, and employees' pension insurance premiums are 54.4%, so that these two compose about 86% of the compulsory benefit costs that organizations are paying out for employees. Labor insurance premium occupies 12.8%, broken down as 7.0% for unemployment insurance and 5.8% for workmen's compensation insurance.

III-18 Comparison of Labor Cost Structures by Cost Item (manufacturing)

Cost Item	Japan (2002)	U.S. (2002)	U.K. (2000)	Germany (2000)	France (2000)
Total labor costs	100.0	100.0	100.0	100.0	100.0
Total wages	80.3	72.6	76.8	75.8	64.8
Wages, salary therein	(62.1)	(65.2)	(67.9)	(65.1)	(58.4)
Wages for vacation days and other paid days off	(18.1)	(7.4)	(9.4)	(10.7)	(6.5)
Total of other labor costs	19.7	23.1	23.2	24.2	35.2
Compulsory benefit costs therein	(9.3)	(8.6)	(8.3)	(15.7)	(20.5)
Non-compulsory benefit costs	(2.9)	(14.5)	(8.7)	(7.0)	(8.9)
Cost of retirement benefits, etc.	(6.8)		(1.0)	(0.6)	(2.2)
Wages paid in kind	(0.3)		(2.3)	(0.4)	(0.1)
Vocational training expenses	(0.3)		(2.4)	(0.5)	(1.5)
Others	(0.2)		0.0	(0.3)	(2.1)

Sources: General Survey of Wages and Working Hours Systems, Ministry of Health, Labour and Welfare
Employer Costs for Employee Compensation, Bureau of Labor Statistics,
Labour Costs 2000, Eurostat

Notes: 1) All workers at companies employing 30 or more persons in Japan, 1 or more in the U.S., and 10 or more in the EU.
2) Numbers inside () are a breakdown of figures.

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 only lump sum retirement allowances and only retirement pensions constitute 46.5% and 19.6% respectively, while the figure for cases where these categories are combined is 33.9%. However, it should be noted that the incidence of only lump sum retirement allowances being provided is inversely proportional to the size of the company in question, whereas the incidence of both these allowances is being provided increases in

direct proportion to the size of the company.

It is generally seen that both retirement benefits 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 retirement benefits and retirement pension have become a factor

III-19 Social Insurance Premium Rates (workers)

(%)

	Insurance Premium Rate	Portion Paid by Workers	Portion Paid by Employers	Breakdown
Japan (April 1999) ²	22.16%	10.89%	11.27%	Medical insurance (government-managed health insurance) 7.43% (standard salary monthly portion 8.5%, bonus portion 0.8%), Pension insurance (employees' pension) 13.58% (standard salary monthly portion 17.35%, bonus portion 1%), Unemployment insurance 1.15%
U.S. (1999) ³	15.30%	7.65%	7.65%	Old age/survivors/disability pension (OASDI) 12.4%, Medicare 2.9%
U.K. (April 1997)	20% maximum	10% maximum ⁴	10% maximum ⁵	National insurance (retirees pension, jobhunters-benefits, benefits for those unable to work, etc.)
Germany (1998)	42.20%	20.95%	21.25%	Pension insurance 20.3%, Illness insurance (average) 13.6%, Nursing care insurance 1.5%, Accident insurance 0.3% (average), Unemployment insurance 6.5%
France (January 1998) ⁶	41.58%	9.61%	31.97%	Illness insurance 13.55%, Pension insurance 16.35%, Widows' insurance 0.1%, Family benefits 5.4%, Unemployment insurance 6.18%
Sweden (1998)	35.53%	6.95%	28.58%	Pension insurance 20.38%, Medical insurance (sickness benefits, parent benefits, etc.) 7.93%, workmen's compensation insurance 1.38%, Unemployment insurance 5.42%, Others 0.42%

Source: *White Paper on Health and Welfare (1999)*, (former) Ministry of Health and Welfare.

Notes: 1) Basically insurance premium rates are based on total salary. In Japan's case, the premium rates for medical insurance (government managed health insurance) and pension insurance (employees' pension) use values calculated on the basis of total salary including bonuses. Figures are shown in () in the case of standard salary base.

2) In addition, there is also compensation for accidents at the workplace, but the insurance premium differs with type of business.

3) In addition, there are "social insurance" programs managed at the state level—unemployment insurance and accident compensation insurance—but the premium rates differ by state.

4) Insurance rates differ with income. The insurance premium rates in the figure are those applying to any weekly pay over 64 Pounds.

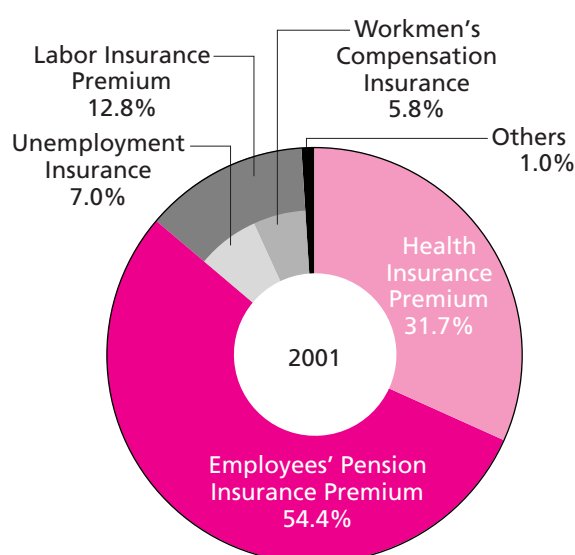
5) Insurance rates differ with income. The insurance premium rates in the figure apply in cases when weekly pay is over 210 Pounds.

6) In addition, there are insurance premium rates paid by employers for compensation for industrial accidents and occupational diseases, but they differ by enterprise (4.0% on average). Premium rates for unemployment insurance differ with income. Also, in terms of expenses borne by workers, there is a general social contribution (7.5% of income) outside of the insurance premium paid. This is a kind of tax used specifically for illness insurance and family benefits.

that promotes the long-term work tenures of workers in Japan. In addition to this, in the past it was largely the case that the amount for the lump sum retirement allowance was large, and the worker received a considerable amount of money at the time of mandatory retirement. However in the course of the last few

years the proportion of the retirement pension has been on the rise. A number of reasons lie at the background of this development, such as the fact that the amounts for lump sum retirement allowances has been increasing for companies together with the ageing of the workforce, thereby causing heavy burdens

III-20 Breakdown of Average Compulsory Benefit Costs per Regular Worker Each Month



Source: *General Survey of Working Conditions, 2001*, Ministry of Health, Labour and Welfare

III-21 Existence of Employee Retirement Benefit Systems in Companies and Percentage of Companies by the Employee Retirement Benefit System

(%)

Size of Enterprise	All Enterprises	Enterprises with an Employee Retirement Benefit System					No Employee Retirement Benefit Available
		Total	Only Lump Sum Retirement Allowance	Only Retirement Benefit (Retirement Pension)	Both of Lump Sum Retirement Allowance and Retirement Benefit (Retirement Pension)		
Total industries surveyed	100.0	86.7	(100.0)	(46.5)	(19.6)	(33.9)	13.3
1,000 employees and over	100.0	97.1	(100.0)	(11.0)	(19.1)	(69.9)	2.9
100—999 employees	100.0	91.0	(100.0)	(31.6)	(22.9)	(45.5)	9.0
300—999 employees	100.0	95.7	(100.0)	(22.7)	(26.4)	(50.9)	4.3
100—299 employees	100.0	89.5	(100.0)	(34.7)	(21.6)	(43.7)	10.5
30—99 employees	100.0	84.7	(100.0)	(54.1)	(18.3)	(27.7)	15.3

Source: *General Survey of Working Conditions, 2003*, Ministry of Health, Labour and Welfare

of cost, and also that companies become eligible to receive certain benefits through tax laws by converting retirement benefits to retirement pensions.

Diversification of Company Benefits

Lately, changes in corporate welfare have rested on matters like the increase in companies' cost burden for public welfare-and the diversification of employee needs-as well as the development of the social security system. Some new mechanisms are currently being introduced: 1) a retirement benefit pre-payment system will add the former welfare portion of labor costs to wages paid to individual workers; 2) a point system in retirement benefits can be combined with a merit-based wage system; and 3) a stock option system is being popularized, allowing

workers the choice of purchasing stock in their companies at a price fixed in advance.

In addition, to mitigate the welfare cost burden and to satisfy the diversifying needs of employees, arrangements are being made for a variety of welfare choices, and a cafeteria-style plan that will allow employees to use features according to their needs is being gradually disseminated.

Furthermore, a "Family-Friendly Company" award has been created. This is to commend businesses with personnel management systems giving consideration to the household conditions of workers through such efforts as the creation of a vacation/leave system for child care and family care, and the establishment of a daycare center. The Ministry of Health, Labour and Welfare began honoring such enterprises in 1999.

Changes in In-house Training and Education

While Japan's life-long employment practice experiences is changed by forcing restructuring, recruiting external human resources and other reason, training and education are also subject to changes due to the advocates on importance of individual career development such as emphasized capacity development through the independent responsibility of the worker and the introduction of selective education, in addition to long-term human resource development (overall basic education) in the company based on the assumption of long-term employment. Furthermore, human resource development hear in after HRD in companies faces many issues such as the year 2007 problem where large numbers of baby boomers face retirement with the concerns on how to transfer of skills and technology, the decrease in young employees accompanying an aging society, and the increase in "freeters (job hopping part-time worker)" and "NEETs (young people Not in Education, Employment or Training)."

OJT: Practical Training Predicated on Long-term Employment

Workers HRD trainy is based on on-the-job training (OJT) although there have been the changes as seen above, predicated on the assumption that employees will stay at one company throughout their careers, in-house development of human resources at Japanese companies takes place over a long period. Inhouse training-central to this development-consists primarily of OJT which gives employees the opportunity to develop their skills through actual business experience. OJT fulfills an important role in trainy both blue- and white-collar workers. In factories, for instance, OJT is used not only to teach personnel about the production process, but also to enable them to repair malfunctioning machinery and perform maintenance work. Clerical workers in accounting and other departments learn through OJT how to manage unreliability by, for example, analyzing

divergences between budgeted and actual results.

Two Types of OJT

Because OJT often overlaps with the execution of everyday work, it is difficult to gain an understanding beyond surface appearances; however, we can divide OJT into two types-formal and informal. Formal OJT generally involves assigning instructors and setting trainy schedule to train employees, and setting post-training evaluation standards. These points separate formal OJT from informal OJT.

Long-term Informal OJT Builds High-level Talent

The primary distinguishing features of HRD in Japan are as follows.

- (1) Informal OJT performs a considerably greater role than formal OJT. On the other hand, the latter is often given in limited occasions such as to cover only a part of initial skill improvement period of newly hired workers or to provide by-level training to those who assume higher rank position.
- (2) A long-term informal OJT is indispensable for employees to acquire high-level skills. Some of the principle forms of informal OJT include gradual progression of work experiences from simple to more difficult tasks and a rotation system where workers shift and serve in a variety of positions. OJT gives workers the opportunity to gain a wide range of experience, thus improving their business skills.
- (3) Long-term informal OJT is implemented in large companies in a wide and organized manner. While although there are only few small- and medium-sized companies that tend to implement in organized manner, they implement in a manner where senior workers gives guidance to junior workers.
- (4) Off-JT (off-the-job training; those conducted outside the workplace) is being implemented in between the OJT. Workers deem to organize and

systematize the OJT experiences through Off-JT, and acquire the knowledge and theoretical skills necessary in handling issues in practical business affairs.

OJT is Founded on Seniority-based Promotion and Promotional Management

This type of OJT functions effectively in Japan thanks to a promotion and pay raise management system that enables senior workers to smoothly transfer skills on to subordinates. Senior workers are not reluctant to train their subordinates, since they are confident that the latter will not be promoted or given raises ahead of them; this, in turn, has reinforced

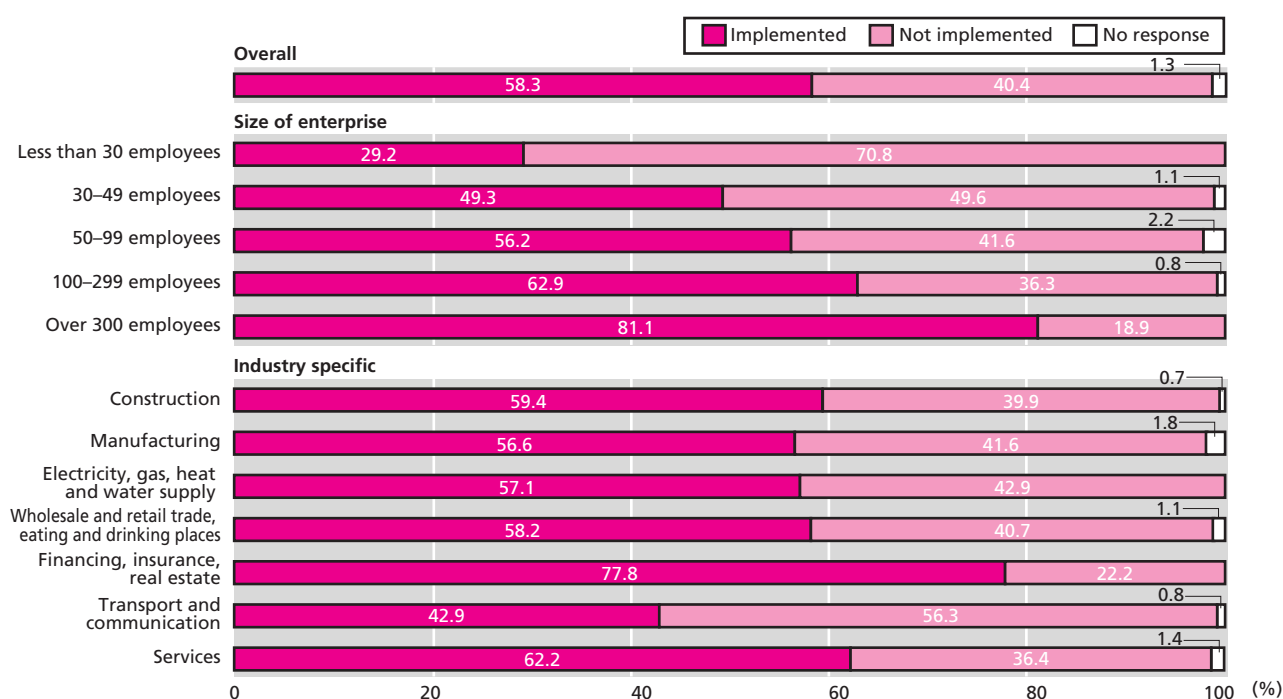
teamwork at the workplace.

This approach to HRD has proven to be a positive way for employees to refine their skills, and is also an aspect of Japanese company culture that makes Japanese companies so competitive.

58.3% of Companies Implement Off-JT, and 46.7% Implement Planned OJT

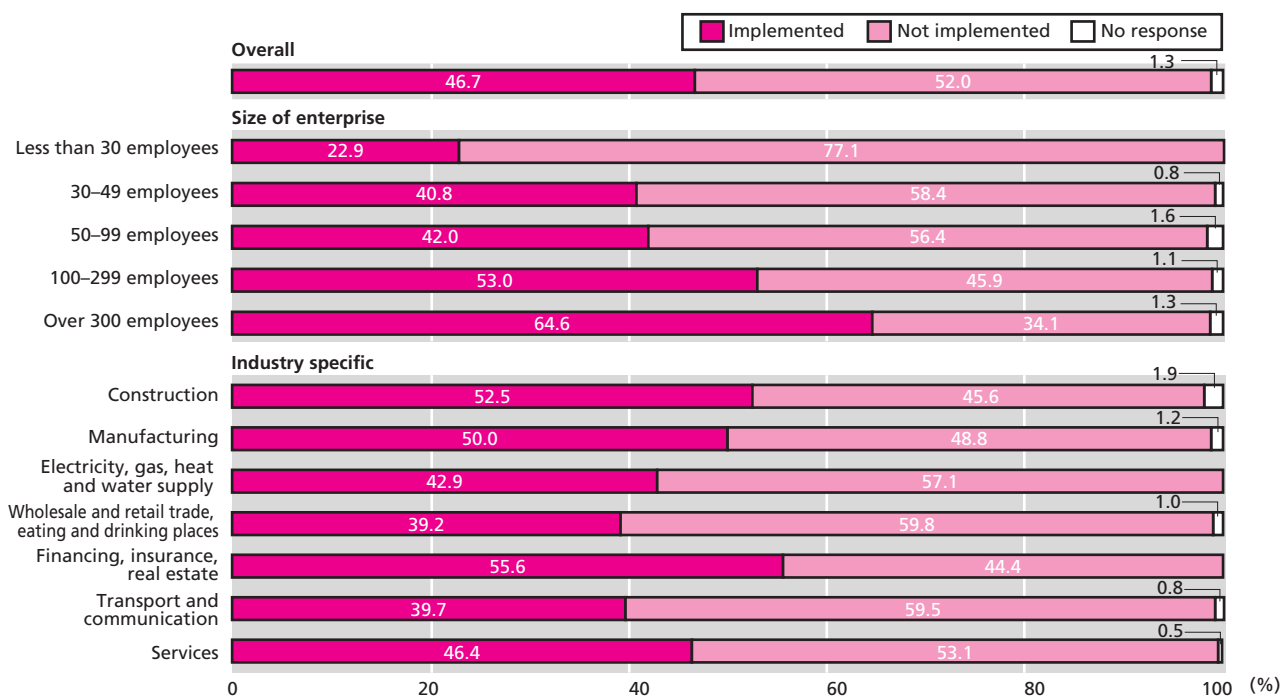
According to the most comprehensive reference on Japanese in-house training, “Basic Survey of HRD” (Ministry of Health, Labour and Welfare), 58.3% of Japanese companies implemented Off-JT in FY2003, and 46.7% implemented “formal OJT.”

III-22 Current Situation of Off-JT Implementation



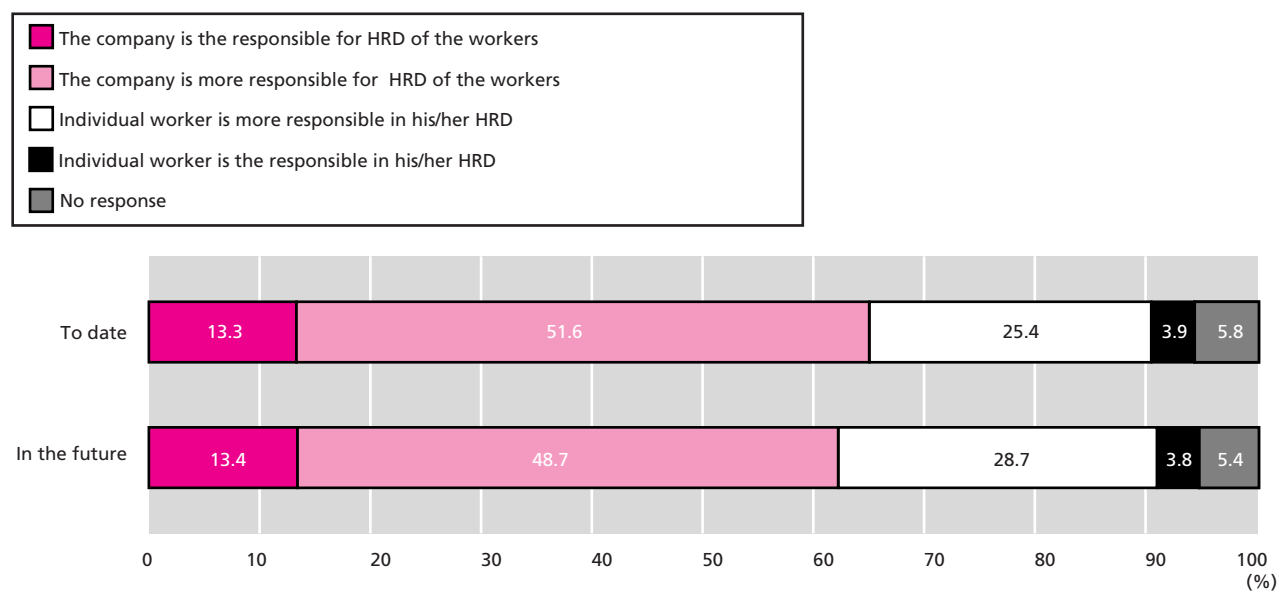
Source: Basic Survey of Human Resources Development, 2003, Ministry of Health, Labour and Welfare

III-23 Current Situation of Formal OJT Implementation



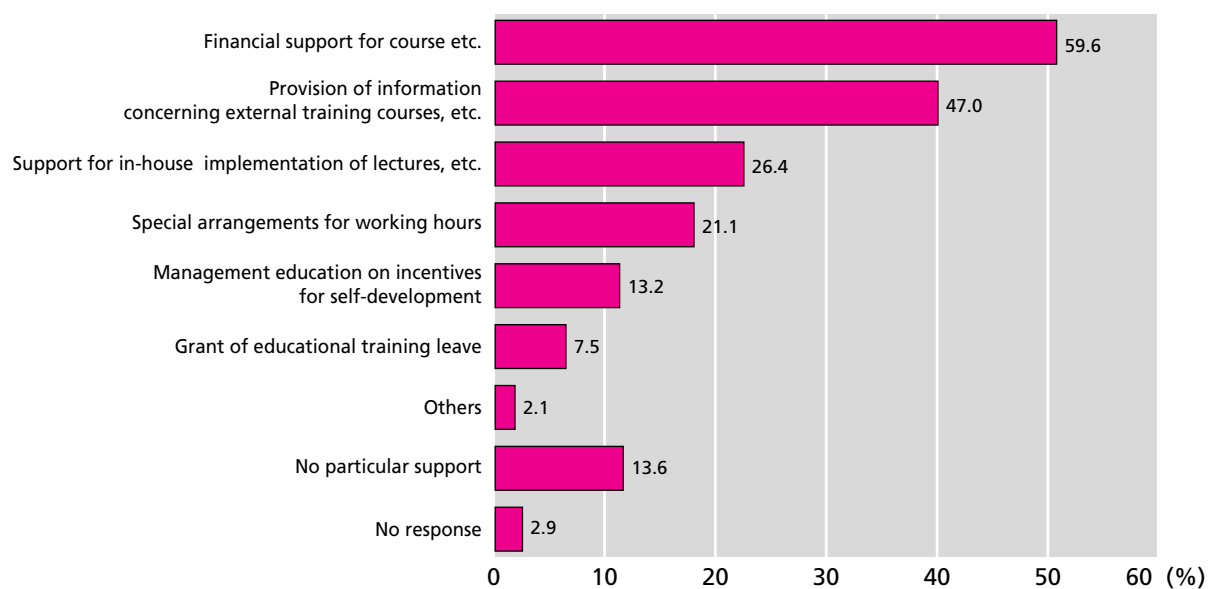
Source: Basic Survey of Human Resources Development, 2003, Ministry of Health, Labour and Welfare

III-24 The Current and Future Conditions of the Responsible Actor for HRD



Source: Basic Survey of Human Resources Development, 2003, Ministry of Health, Labour and Welfare

III-25 Support for Self-development by Employees (multiple answers)



Source: Basic Survey of Human Resources Development, 2003, Ministry of Health, Labour and Welfare

8 Resignation, Mandatory Retirement and Dismissals

Resignation

“Retirement” is a cause for the cancellation of employment contract relations, and is a general term applying whenever a worker leaves the company where he or she is employed (disregarding dismissals). There are different types of retirement: “general resignation” and “resignation for one’s own convenience” take place when the worker unilaterally cancels the employment contract relationship; “resignation by agreement,” “resignation by employee’s request,” and “voluntary retirement” all occur through consent between worker and employer; and “retirement at the mandatory age” comes about according to rules in the employment contract, work rules in the company or collective agreement.

Recent problems related to resignation that have arisen are advised resignations and preferential treatment when soliciting workers for early retirement with business restructuring.

Regarding the former, the wrongful urging of retirement such as through persistent pressing or violence is illegal, and business owners are liable for damages. The actual situation is not clear, but looking at the operational statistics of the System for Resolution of Individual Labor Disputes, approximately 15% of disputes that develop at the workplace are over bullying and harassment related to advised resignation or something closely connected to advised resignation.

Regarding the latter, there have been lawsuits in which workers seek to collect differences in money received from companies resulting from imbalanced preferential treatment depending on when workers resign. This type of preferential treatment has no legal basis, so when, to whom, and what kind of preferential treatment is given can basically be decided by companies. Thus in general, even though using such a system for preferential treatment, the issue of consent of users of the system and imbalances in preferential treatment become legal problems, unless these types of systems are acknowledged as being

permanent, applying to all employees and being clearly part of the conditions of employment, requests by workers for companies to make up for differences in pay are not recognized.

Mandatory Retirement

According to the 2005 survey (2005 Summary of “General Survey of Working Conditions,” 28 November 2005, Ministry of Health, Labour and Welfare), 95.3% of companies provide a mandatory retirement system; of those 97.6% provide a uniform mandatory retirement system, and 91.1% have set the mandatory retirement age at 60.

Although the Elderly Persons Employment Security Act stipulates that employers may not fix a mandatory retirement age below age 60 (Article 8), it also obliges employers to take measures to secure employment until age 65 (Article 9). This system has been newly stipulated by the revised Elderly Persons Employment Security Act of 2004 and has established three points: 1) rising the mandatory retirement age; 2) introducing a system of continuous employment; and 3) abolishing the mandatory retirement (refer to Policies Designed to Secure Employment for Older and Disabled Workers regarding the background and contents of the revision of the Act).

Looking at the status of introducing measures that secure employment until age 65 in conjunctions to the enforcement of the revised Elderly Persons Employment Security Act as of 1 November 2005, a total of 86.7% corporations has planned to introduce such measures. The breakdown is as follows: 23.6% already introduced and 63.1% plan to introduce measures to secure employment beyond 60 and until 65. Of this, corporations that stipulate the maximum age of the employment security to be 65 (and older) was 39.4% and from 62 to 64 was 60.6%. Furthermore, the breakdown of employment security measures that has already been introduced and that are planned on being introduced, is 0.6% for abolishing mandatory retirement, 6.9% for rising the retirement age, and

92.5% for introducing continuous employment system (“Efforts of Corporations towards the Implementation of the Revised Elderly Persons Employment Security Act,” 16 December 2005, Ministry of Health, Labour and Welfare).

As can be seen, although the securing of employment is viewed to be widely implemented, there still seems to be issues remaining for the securing and continuation of elderly employment such as how to respond to the issue as a corporation, how to fund the costs, and the real necessity of public support (see III-26, 27).

Meanwhile, there are influential opinions stating that legally speaking, the mandatory retirement system lacks rationality in terminating an employment contract for reaching a certain age, and goes against the principle of employment security. However, the common thinking is that the mandatory retirement system has rationality in the long-term continuous employment system based on seniority, and even the court does not judge the mandatory retirement system as unlawful (violation of Article 90 of the Civil Code on public order).

Dismissals

General

The Labor Standards Act only prohibits following dismissal cases: 1) during a period of leave for an injury at the workplace or illness, and during the 30 days following, as well as 2) for women, during the period of leave for pregnancy and delivery and during the 30 days following, but dismissal in general is not prohibited. On the other hand, dismissal that is against the legal principle of equal treatment between men and women is a breach of Article 90 of the Civil Code on public order and is therefore invalid. Furthermore, malicious or retaliatory dismissals to retort employee who has asserted or exercised statutory right are prohibited as disadvantageous treatment (Article 3 and Item 2, Article 104 of the Labor Standards Act; Item 2, Article 13 of the Equal Employment Opportunity Act; Articles 10 and 16 of the Child Care and Family Care Leave Act; Article 7 of the Trade Union Act).

Looking at dismissals in general (due to lack of capacity, inability to perform labor) under current

legal condition, the restriction imposed by the legal principle of abuse of dismissal rights, has attained an especially important role. This principle, which has been established by precedents of the Japanese Supreme Court from about the mid-1970s onward, is a legal theory that will examine and restrict the use of dismissal rights when an employer unilaterally cancels a employment contract with an employee. The Supreme Court formulated the context of this principle by stating that “the use of the right of dismissal by an employer shall become invalid, as an abuse of rights, when lacking in objectively rational pretext and thereby cannot be approved as corresponding to any socially accepted idea.” Further, the Court has presented specific requisites and methods for interpretation of the principle by expressing that “even when there is a reason for general dismissal, the employer may not always be able to dismiss the employee. If the basis for dismissal in the specific situation concerned is remarkably unreasonable, or when it cannot be approved as corresponding to a socially accepted idea, the concerned expression of intention to dismiss shall be invalid as an abuse of the right of dismissal.”

These legal principles are stated in an amendment to the Labor Standards Act (Article 18-2) in 2003. Behind this was the recognition that these legal principles should be stated because even though the principles have been playing an important role in Japan’s dismissal regulations, the fact that it was not a law made it socially ambiguous. There was also the recognition that by stating the principles, the easy dismissal of employees due to the recent economic recession should be stopped. In addition, punishments are not attached at all to the regulations of the revised Labor Standards Act related to dismissal restrictions, and it is a pure civil mandatory act.

Collective Dismissals for Economic Reasons

The adjustment of employment in Japan is focused chiefly on the regulation of overtime, and is accomplished through measures not to bring grief to employees. As a step to eliminate permanent employees from the enterprise, this adjustment has not been made as long as the management situation is not terri-

III-26 Special Measures Currently Taken for the Employment of Workers of 60 Years and Over

(%)

Category			Enterprises employing workers over 60 years of age	Enterpris- es that take special measures	Contents of the measure (multiple answers)								No special measures are taken	
					Adjusting the work load	Re- designing and develop- ing the job descrip- tion	All oca- tion to the appropri- ate job, adjusting the assignment	Reducing working hours, introduce flexibility to the working hour	Improving working methods, develop- ing work facilities/ equip- ments	Considera- tions on managing health and safety	Implemen- ting edu- cational training	Introduc- ing work- ing from home, working in satel- lite offices		Other measures
Total	(0.0)	100.0	30.1	17.5	1.7	16.1	15.6	2.9	10.8	2.6	0.5	0.5	59.1	
Industry														
	Mining	(0.0)	100.0	25.9	14.3	3.7	11.2	10.0	3.7	13.4	2.6	–	1.1	70.7
	Construction	(68.5)	100.0	34.1	15.7	0.3	16.1	12.0	4.3	19.8	2.3	0.8	0.0	52.7
	Manufacturing	(64.9)	100.0	31.4	16.5	1.5	16.0	17.1	4.2	7.7	1.4	0.0	0.7	59.3
	Electricity, gas, heat supply and water	(68.1)	100.0	57.1	28.9	4.4	45.8	31.8	4.2	14.4	7.3	–	2.0	39.8
	Information and communications	(35.3)	100.0	16.2	5.0	3.6	8.6	7.0	0.8	3.6	0.7	1.8	1.4	64.6
	Transport	(23.9)	100.0	40.6	25.3	4.1	21.5	20.2	3.6	20.4	4.9	–	1.5	48.1
	Wholesale and retail trade	(55.6)	100.0	28.9	18.3	1.4	17.4	17.6	2.6	7.5	3.6	1.0	0.5	61.2
	Finance, insurance	(41.1)	100.0	25.1	14.6	4.4	15.6	9.7	2.4	4.1	3.2	–	0.1	60.5
	Real estate	(27.6)	100.0	23.2	10.9	1.8	14.3	8.5	0.6	10.4	1.8	0.1	0.1	67.0
	Eating and drinking place, accomodations	(51.2)	100.0	34.6	23.9	0.4	19.1	20.1	0.4	10.3	2.9	–	0.0	51.9
	Medical health care and welfare	(45.8)	100.0	24.9	15.9	1.5	11.9	16.6	1.4	12.0	1.4	0.1	0.2	63.7
	Education, learning support	(54.9)	100.0	27.2	18.5	3.1	16.0	14.5	2.3	7.3	2.9	0.9	0.2	61.1
	Compound service industry	(48.3)	100.0	19.9	8.8	1.5	11.7	5.6	3.1	9.5	5.4	–	0.3	74.1
	Services (not elsewhere classified)	(28.7)	100.0	24.8	14.9	3.4	13.1	11.3	2.3	9.1	2.4	0.9	0.9	66.4
Size of enterprise														
	1,000 persons and more	(0.0)	100.0	47.8	18.8	8.4	36.0	29.3	6.1	17.7	1.5	1.1	2.0	46.8
	300–999 persons	(92.4)	100.0	40.8	20.0	5.9	24.0	24.1	5.0	14.7	3.9	1.1	1.0	52.4
	100–299 persons	(85.9)	100.0	36.3	16.5	3.7	22.3	18.8	4.5	14.2	4.1	0.2	0.4	55.6
	30–99 persons	(80.3)	100.0	37.3	18.7	3.5	20.5	21.5	3.2	12.7	3.6	0.3	0.6	52.9
	5–29 persons	(69.0)	100.0	28.1	17.2	1.2	14.8	14.2	2.7	10.1	2.3	0.6	0.5	60.7

Source: *Summary Report on 2004 Survey on Elderly Employment-Enterprise Survey*, 9 June 2005, Ministry of Health, Labour and Welfare

Notes: 1) "Enterprise employing workers over 60 years of age" includes those with unspecified measures for employing workers of over 60 years of age.

2) Figures in () indicate the ratio of enterprises that employ workers of over 60 years of age to the total number of enterprises.

III-27 Public Support for Expanding Employment of Workers over 60 Years and Over

(%)

Category	Total number of enterprises	Public support is necessary	Contents of public support (multiple answers)						None necessary	Don't know
			Contents of public support (multiple answers)							
			Introducing human resources	Providing knowledge regarding employment	Promotion of wages	Promotion of capacity development fees	Providing opportunities for educational training	Other support		
Total number	100.0	41.8	12.3	7.8	33.5	7.7	5.5	3.5	20.1	31.8
Industry										
Mining	100.0	39.6	6.2	7.2	35.1	4.1	2.3	3.8	22.1	31.9
Construction	100.0	43.1	10.6	5.2	38.2	5.4	5.1	2.4	16.8	33.1
Manufacturing	100.0	49.0	15.7	9.4	41.7	6.9	3.9	3.8	14.7	30.8
Electricity, gas, heat supply and water	100.0	45.0	6.1	2.7	40.1	19.9	6.3	1.5	27.8	24.4
Information and communications	100.0	41.0	12.5	10.4	31.0	15.4	8.0	2.1	22.5	32.1
Transport	100.0	43.0	10.6	5.8	37.3	5.8	4.0	2.5	21.9	28.2
Wholesale and retail trade	100.0	42.2	11.8	10.6	32.4	9.5	6.2	4.4	21.3	31.0
Finance, insurance	100.0	41.1	10.3	9.3	28.2	14.5	5.9	1.4	15.8	36.0
Real estate	100.0	40.6	12.7	5.3	32.9	6.4	4.6	2.6	17.9	35.9
Eating and drinking place, accomodations	100.0	34.0	12.6	3.8	28.5	4.9	6.0	3.1	25.0	31.8
Medical health care and welfare	100.0	37.2	15.3	7.2	26.7	6.1	7.1	3.2	20.7	36.8
Education, learning support	100.0	35.2	12.9	3.0	28.1	4.5	3.7	3.2	25.7	33.8
Compound service industry	100.0	41.7	9.2	6.7	36.3	7.0	6.5	4.3	13.9	39.3
Services (not elsewhere classified)	100.0	41.2	10.3	6.4	31.6	7.9	5.0	3.6	21.9	30.1
Size of enterprise										
1,000 persons and over	100.0	66.1	7.1	14.1	50.3	13.6	12.1	7.8	11.3	19.9
300—999 persons	100.0	64.0	14.2	11.6	52.5	14.4	10.4	4.8	12.9	20.7
100—299 persons	100.0	56.6	15.3	10.0	45.2	8.5	7.8	4.6	14.8	23.8
30—99 persons	100.0	54.4	15.4	9.1	46.0	9.1	6.6	3.5	15.1	25.8
5—29 persons	100.0	39.4	11.7	7.5	31.3	7.4	5.2	3.5	21.0	33.0

Source: *Summary Report on 2004 Survey on Elderly Employment-Enterprise Survey*, 9 June 2005, Ministry of Health, Labour and Welfare

Note: "Total number of enterprises" includes those with unspecified public support for expanding employment of workers over 60 years and over.

bly bad. The basis for this situation is that dismissals are, in actuality, difficult to carry out because Japanese companies have come to view long-term continuous employment as important, and the existence of the legal principle of “abuse of dismissal rights” supports this.

The regulations for collective dismissal are formulated originating from the legal principle of abuse of dismissal rights, and will be considered illegal or invalid unless it matches the legal principle of collective dismissal constituted of the following four criteria.

1) That there was a necessity in personnel cuts, 2) that every effort was made to avoid dismissals (e.g. restrictions on overtime, reassignments, temporary transfers, freeze on new hires, layoffs, voluntary retirement, and cuts in part-time and other non-permanent positions), 3) that there were reasonable criteria for selection of dismissal candidates (e.g. number of late arrivals and absences, history of violation of work rules, and lowness of economic blow to employees such as those with no dependents), and 4) that every effort was made to talk the situation over with employees or the labor union (to conduct adequate explanation and hearing of opinions regarding the events leading up to the collective dismissals, and the term and method of carrying out such dismissals).

The concept of the legal principle of collective dismissals is included in the legal principle of the abuse of dismissal rights stated in the revised Labor Standards Act.

Disciplinary Dismissals

Work rules in the company generally provide the heading “disciplinary actions” for handing down punishments to persons such as those who violate workplace orders. Disciplinary actions are the personal

sanctions or punishments that a company carries out against its own employee for the reason that the employee disturbed the order of that company. These actions are, from the most minor: warning, reprimand, official reprimand, salary reduction, suspension, counseled dismissal, and disciplinary dismissal.

Dismissals lend a great disadvantage to workers, especially in the case of a disciplinary dismissal since the worker will be evaluated as a person who has violated the order, and the employee will be at an extreme disadvantage when finding new employment. However, if such a violator of the order is left in the company, it is possible that the productivity and daily business of the other employees may be hindered.

Accordingly, an approach from precedent-based principle is being taken where, while considering the disadvantage to the employee and the benefits to the company, rigorous judgment of the legal validity of disciplinary dismissal is conducted. In short, the following are necessary in the event of a disciplinary dismissal: 1) the reason for action, and the type and degree of action corresponding to this reason, are specified in the company rules, etc. (legal principle of *nulla poena sine lege*, or no punishment without a law), 2) the same type and degree of action to be carried out as in past cases (principle of equal treatment), 3) the substance of the action is appropriate when held up against the type and degree of violation, and other circumstances (principle of equivalence), and 4) the procedures of the action are fair (appropriate procedures: examination by a disciplinary committee and an opportunity to defend given to the person in question).

Since disciplinary dismissals are also dismissals, they are regulated by applying the legal principle of abuse of dismissal rights stated in the revised Labor Standard Act.

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 employees 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 wage 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 gov-

ernmental 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 sank further to 18.7% in 2005. Looking at the private sector exclusively this figure is even lower at 16.4%. The unionization rate of part-time workers amounts to only 3.3% (see IV-1). Labor unions comprising mainly regular employees have fallen absolutely behind the organization of atypical workers. In addition, looking at the situation by scale of corporation reveals stark differences in organization of labor unions. In other words, in 2005, the unionization rate among corporations with more than 1,000 employees was 47.7%, but among corporations with between 100 and 999 employees this figure was 15.0%, and for corporations with less than 99 employees, the figure was 1.2%. This demonstrates that labor unions in small, medium and micro enterprises have dimin-

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

Year	Number of labor union members among part-time workers			Ratio to all union members	Number of short-time workers	Estimated unionization rate
		Year-on-year difference	Year-on-year difference ratio			
	in 1,000	in 1,000	%	%	in 10,000	%
1999	244	4	1.7	2.1	993	2.5
2000	260	16	6.6	2.3	1,017	2.6
2001	280	20	7.8	2.5	1,042	2.7
2002	292	13	4.5	2.7	1,097	2.7
2003	331	38	13.1	3.2	1,098	3.0
2004	363	31	9.5	3.6	1,107	3.3
2005	389	26	7.3	3.9	1,172	3.3

Source: *Survey of Labour Unions*, 2005, Ministry of Health, Labour and Welfare

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

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

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

ished 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.

2 Situation for Union Organizations and Structure of Labor Unions

Unionization Rate of 18.7%

According to the “Survey of Labor Unions” issued by the Ministry of Health, Labour and Welfare, as of June 30, 2005, there were 61,178 unit labor unions in Japan. The estimated unionization rate is 18.7%, with about 10.138 million out of a total of around 54.16 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.

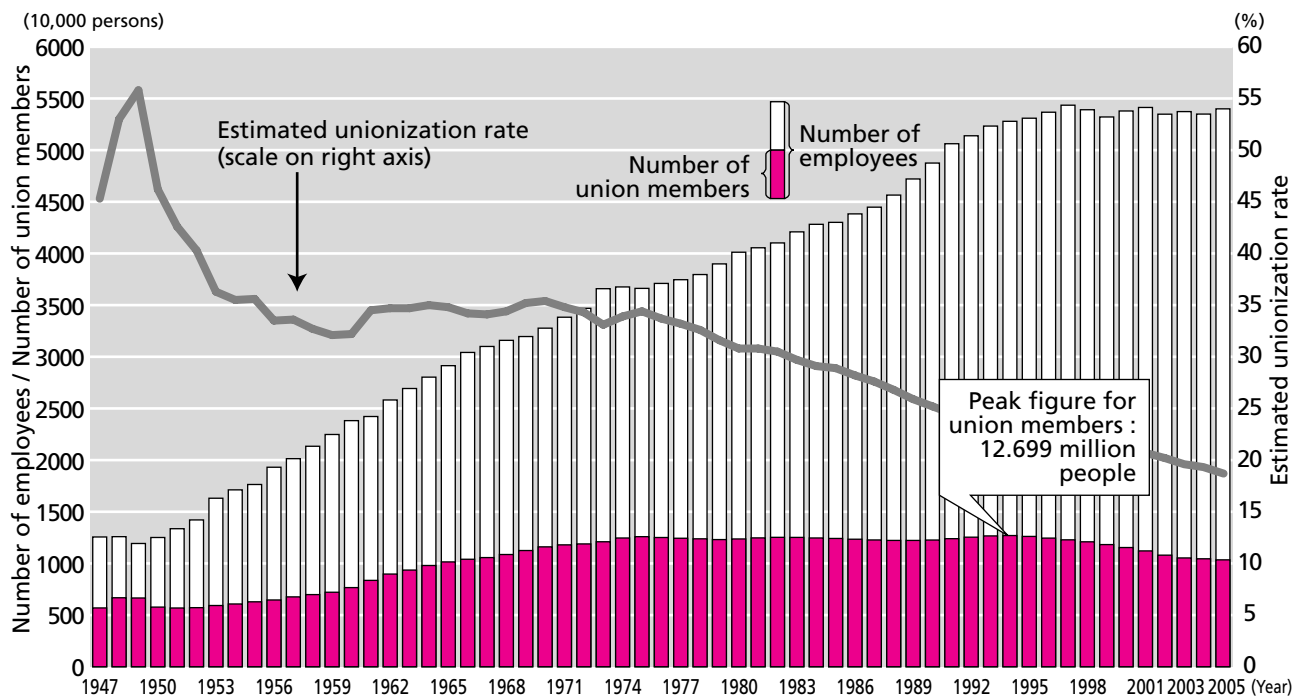
Unionization Rate has Shown a Steady Decline Since its Peak in 1949

Since its peak in 1949, the estimated unionization

rate has continuously declined because the growth in the number of union members has not kept up with the growth in numbers of employees. In addition, the number of union members in 1994 peaked at around 12.70 million, before going into steady decline (see IV-2).

Industry-specific unionization rates are high in public service (50.7%); electricity, gas, heat supply, and water (58.6%); and financing and insurance (48.6%). In contrast, unionization rates are low in real estate (3.0%), eating and drinking place, accommodations industry (3.2%); agriculture, forestry and fisheries (3.5%); service industries (6.0%), wholesale and retail trade (10.1%) and other sectors. The industry with the largest number of union members is the manufacturing industry (25.7%) (see IV-4).

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



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

IV-3 Unionization Rate by Size of Enterprise

(%)

Size of enterprise	Percentage of the number of union members	Percentage of the number of employees	Estimated unionization rate (2005)
Total	100.0	100.0	16.4
More than 1,000 workers	57.4	7.0	47.7
300–999 workers	15.7	27.0	15.0
100–299 workers	9.1		
30–99 workers	3.3	52.4	1.2
Fewer than 29 workers	0.5		
Others	14.0	–	–

Source: *Survey of Labour Unions*, 2005, Ministry of Health, Labour and Welfare

Notes: 1) The total number of unit labor unions

2) “Others” includes members of unions that embrace more than one industry and unions whose size is not known

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

IV-4 Unionization by Industry

Industry	Number of union members (1,000 persons)		Percentage (%)	Number of employees (10,000 persons)	Estimated unionization rate (2005) (%)
All industries	10,034	[2,795]	100.0	5,416	–
Agriculture, forestry, and fisheries	17	[2]	0.2	49	3.5
Mining	6	[1]	0.1	3	21.6
Construction	948	[63]	9.4	467	20.3
Manufacturing	2,750	[443]	27.4	1,071	25.7
Electricity, gas, heat supply and water	199	[27]	2.0	34	58.6
Information and communications	386	[62]	3.8	173	22.3
Transport	872	[64]	8.7	297	29.4
Wholesale and retail trade	971	[397]	9.7	960	10.1
Finance and insurance	724	[355]	7.2	149	48.6
Real estate	19	[4]	0.2	61	3.0
Eating and drinking place, accommodations	83	[32]	0.8	259	3.2
Medical health care and welfare	447	[356]	4.5	530	8.4
Education and learning support	621	[319]	6.2	255	24.4
Combined services	319	[73]	3.2	72	44.3
Services	451	[121]	4.5	754	6.0
Public service	1,166	[463]	11.6	230	50.7
Other industries	54	[16]	0.5	–	–

Source: *Survey of Labour Unions*, 2005, Ministry of Health, Labour and Welfare

Notes: 1) The total number of unit labor unions

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

3) Figures in brackets represent female union members

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.

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

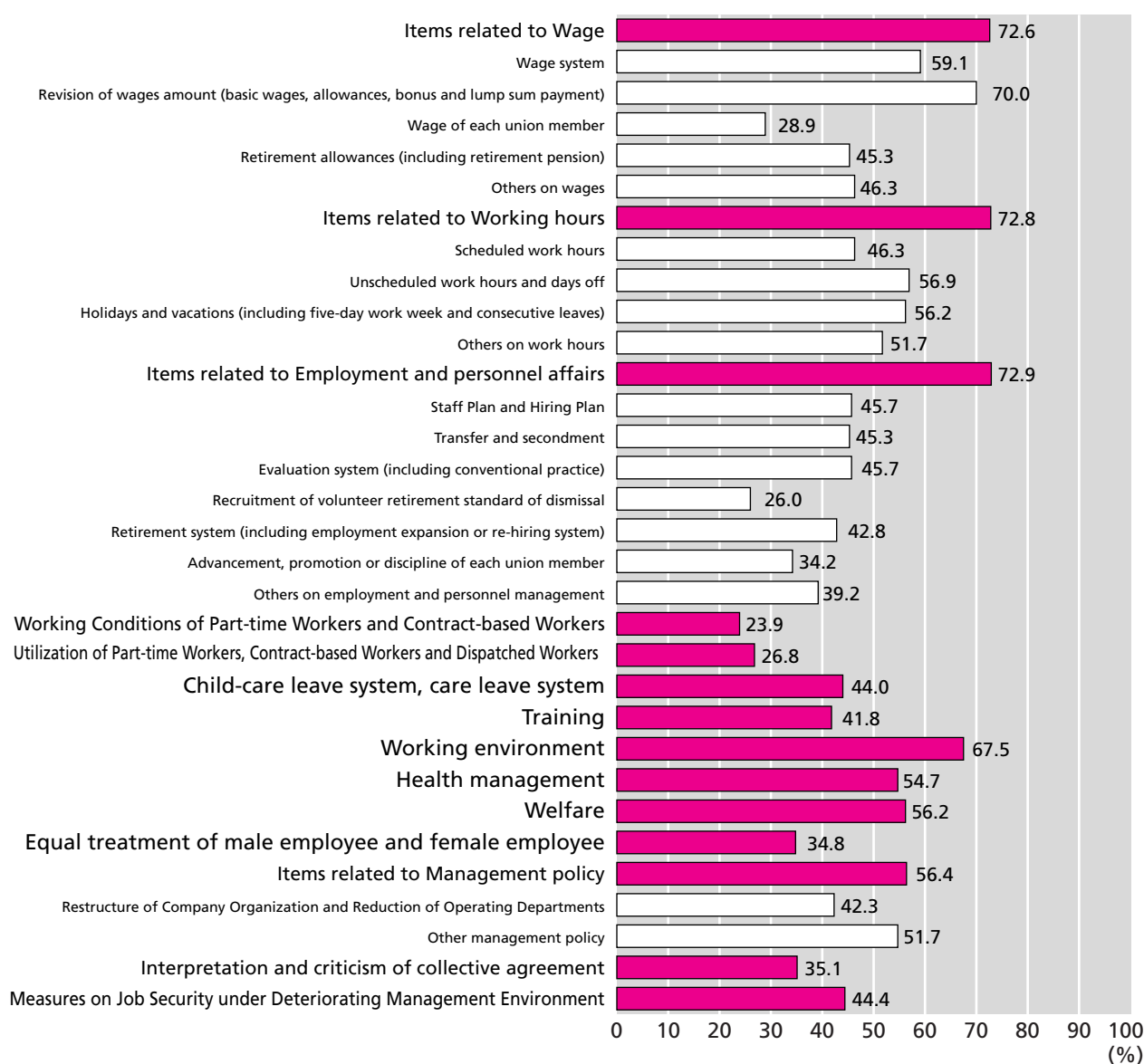
Japan's labor-management relations are basically cooperative, but labor disputes do occur occasionally. In Figure IV-6, 6.0% of labor unions "have had labor disputes" between labor unions and employers in the last three years representing a decline from the figure of the previous survey. Looking at the ratio of labor

unions with labor dispute by their size, while labor unions of all sizes were in the range of 5% to 6%, labor unions with 1,000 to 4,999 members alone marked a lower rate of 3.2%. Furthermore, in industrial trade unions, more labor disputes occurred in the transport and communication industry than in other

industries. Most labor disputes take place in enterprises.

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

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) Total Labor Unions=100, M. A.



Source: *Japanese Labour Unions Today II*—Survey Results on Collective Bargaining and Labour Disputes, Policy Planning and Research Department (2003).

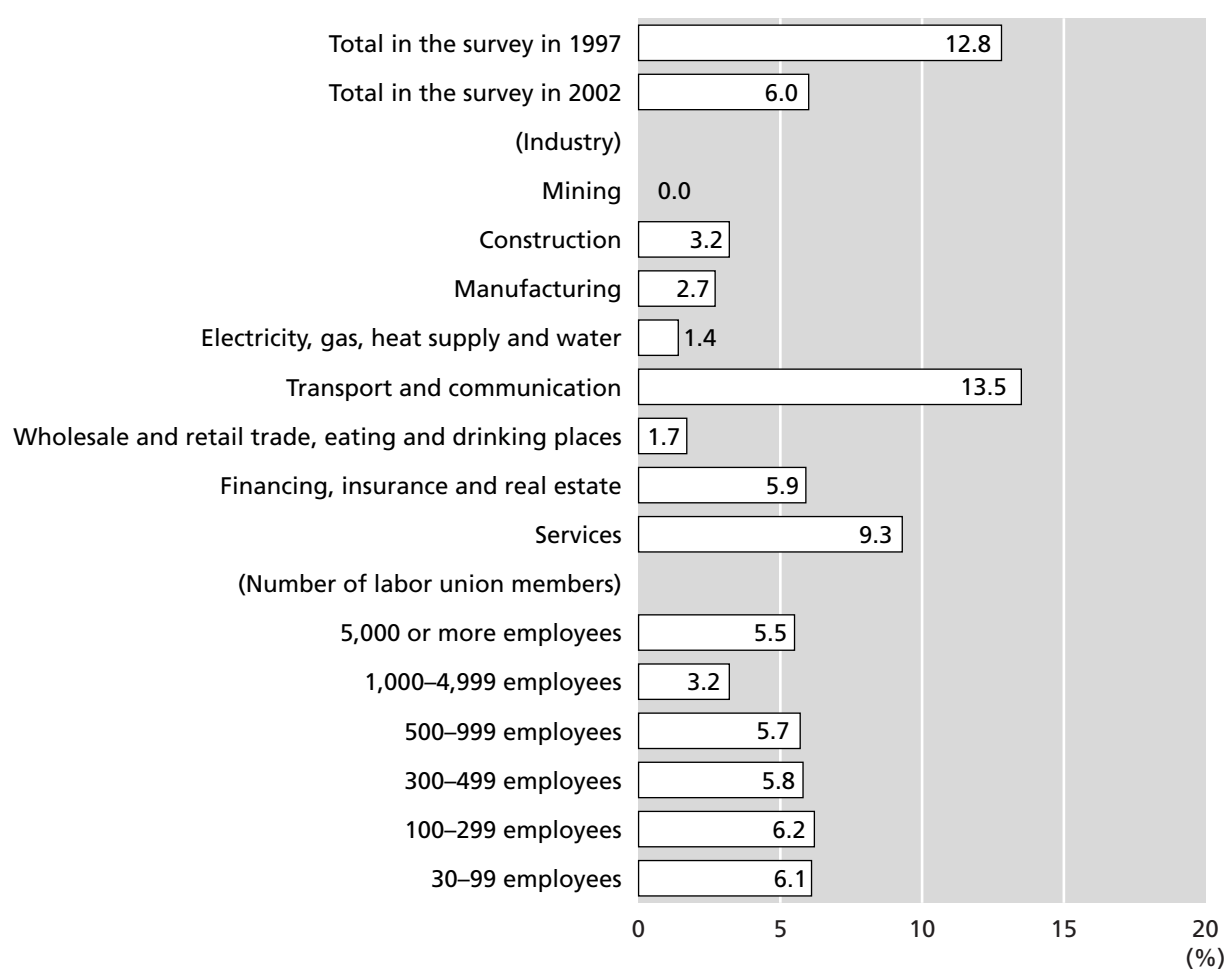
Note: The last 3 years means from July 1, 1999 to June 30, 2002.

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.

IV-6 Ratio of Labor Unions by Existence of Labor Disputes (in the past 3 years)



Source: *Japanese Labour Unions Today II*—Survey Results on Collective Bargaining and Labour Disputes, Policy Planning and Research Department 2003.
 Note: The last 3 years means from July 1, 1999 to June 30, 2002

3 Shunto: Spring Wage Offensive

What is Shunto?

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

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

An End to Rapid Growth and a Shift in Shunto Policy

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

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

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

Shunto in the Post-bubble Era

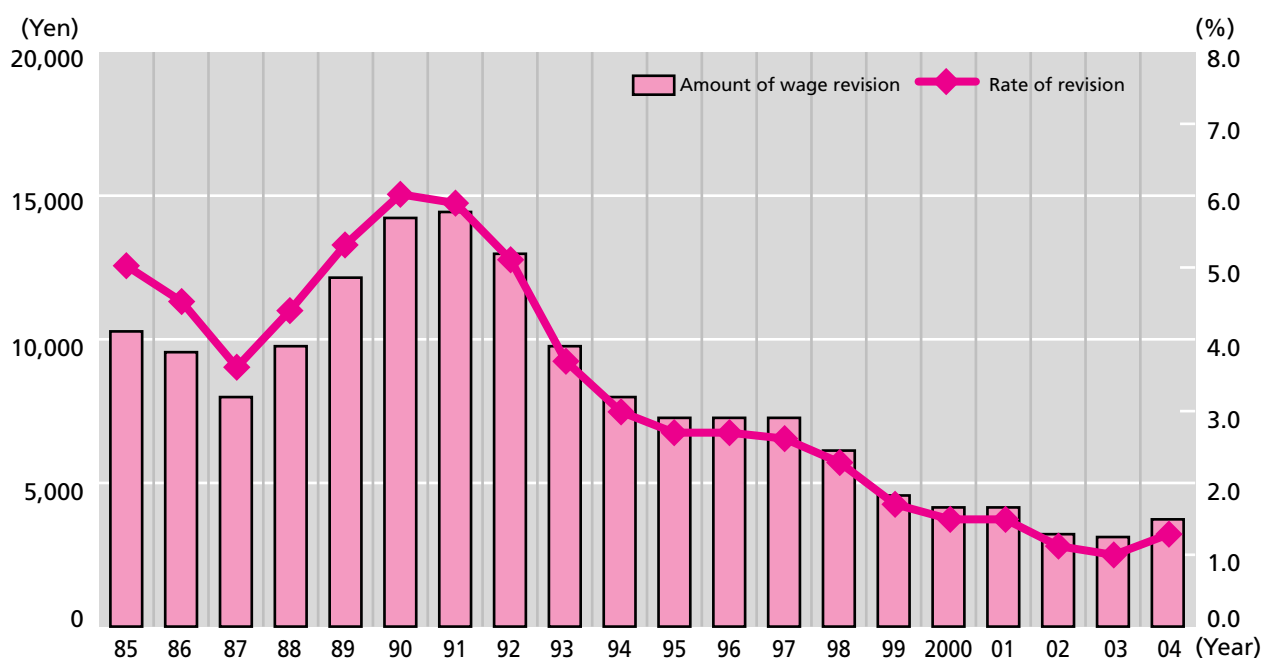
The collapse of the bubble economy resulted in Japan falling into a recession which has become known as the “lost decade.” From the latter half of the 1990s deflationary tendencies intensified, and the labor-side’s demand structure of “annual pay increases + commodity price increases + improvements in living standards” at Shunto lost effectiveness, due to the fact that they had been premised on continuous economic growth. The wage increase rate accordingly slumped (see IV-7).

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

base pay, and the phenomenon of Shunto ceasing to seek wage hikes continued. Management has thus declared that “Shunto is dead” in that industry-wide settlements for hikes in base pay have come to an end. However, with regard to the themes of extending employment beyond the age of 60, and the issue of balancing family and career, the relevance of Shunto-

style negotiations remains. Shunto certainly have had receded from its use of dispute measures such as strikes and union action, but its role will continue as before as a forum for negotiation and consultation on working conditions, including the issue of wage increases.

IV-7 Fluctuations in Revisions to Average Per Capita Wage and Rate of Revision (weighted average)



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

Notes: 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).

Declining Collective Labor Disputes and Increasing Individual Labor Disputes

Given the impact of the diversification of forms of employment due to changes in the socio-economic structure, among other reasons, the labor unionization rate continues to fall each year, resulting in a trend whereby unionized dispute settlement functions are weakening and collective dispute settlements (resolution of unfair labor practices and dispute reconciliation) are declining.

According to the Labour Committee Annual Report, the number of cases of unfair labor practices resolution (opening of cases in a private sector company) now number no more than 400 cases annually. In addition, the number of labor dispute reconciliation cases stands at around 600 per year. Comparing these figures with those around the time of the oil shock, we see that the former stood at around 1,000 annual cases, and the latter amounted to around 2,000 annual cases, clearly demonstrating the declining trend.

On the other hand, the diversification of forms of employment and the individualization of employment management this has resulted in increased individual labor-management disputes. This phenomenon makes the establishment of a system capable of dealing with this changed reality an important issue in both practical and policy terms.

In FY2005 the number of consultations directed to the comprehensive labor consultation service, which is part of the administrative system, exceeded 907,800 separate enquiries (“Status of Implementation of Individual Labor Dispute Resolution Systems in FY2005,” Ministry of Health, Labour and Welfare, announced 25 May 2006). In addition, the number of cases raised as standard civil actions in district courts in 2005 stood at 2,446. (“Status of Civil/Administrative Actions Pertaining to Labour Disputes in FY2005,” Administrative Bureau, General Secretariat, Supreme Court of Japan, 2006, p. 108 onwards of Vol. 58 Issue 8 of Lawyer Association Journal).

Individual Labor Dispute Resolution System

In the legal system relating to the resolution of individual labor disputes, there are a number of means of resolution through administrative structures and also through judicial structures.

(1) Administrative Structures

The administrative structure pertaining to individual labor dispute resolution is based on the Act on Promoting the Resolution of Individual Labour Disputes, which was enacted in 2001. This act is significant in that it provides for integrated, systemized, cooperative measures in resolving disputes, including measures to lead to resolution of disputes by cooperation among the various administrative organizations, centered on the prefecture labour bureaus, as well as the establishment of a “one-stop consultation service” on labor issues in general. In addition, disputes that are the subject to resolution efforts cover a wide range of grievances and issues, comprising the initiation of employment, carrying out of work, and termination of employment, as well as issues of discrimination or dismissal (including dismissal due to restructuring and dismissal of fixed-term contract workers) such as issues at time of hiring, reversal of informal decision of employment, job location transfer, temporary transfer, permanent transfer, change in working conditions, and sexual harassment in the workplace. This system can therefore be seen to have high potential for utilization.

The individual dispute resolution system set out by the above-mentioned act, can be said in simple terms to provide a three-step system to resolution, namely “information provision and consultation” at the consultation service, followed by “advice and guidance” by the head of the labour bureau in question in the case that an independent resolution cannot be achieved between the labor and management counterparts, and finally “conciliation” by the Dispute Reconciliation Council (see IV-8).

In FY2005 the operational status of the dispute

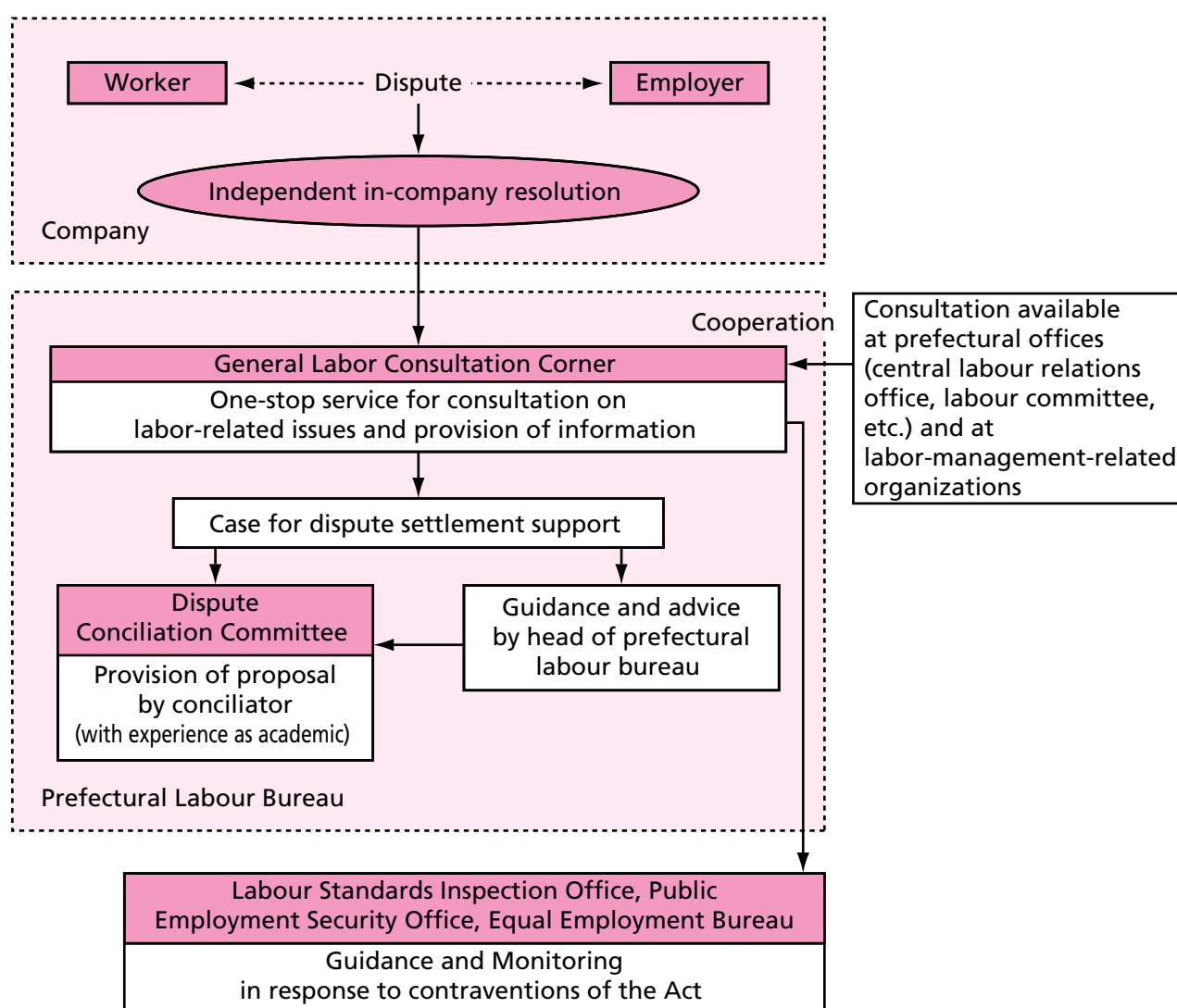
resolution system was as follows:

Consultation: The number of consultations amount to approximately 907,800 cases, representing a 10.2% increase on the previous year. Of these, the number of consultations regarding individual civil labor disputes (including dismissal not related to contravention of labour Acts, and lowering of working conditions) amounted to 176,000 cases, a year-on-year increase of 10.2% (see IV-9). The further breakdown of these individual civil labor disputes shows that the most common consultation was in regard to

“dismissal” at 26.1%, followed by “lowering of working conditions” at 14%, “bullying or harassment” at 8.9% and “inducement toward retirement” at 7.2% (the breakdowns for the Guidance and Advice, and Conciliation categories was very similar) (see IV-10).

Guidance and Advice: the number of cases received that requested guidance or advice from the head of prefectural labour bureaus amounted to 6,369, a 20.5% year-on-year increase. In terms of the scale of the company from which the application for advice or guidance were made, 32.5% were from

IV-8 Flowchart for Dispute Settlement According to the Act on Promoting the Resolution of Individual Labor Disputes



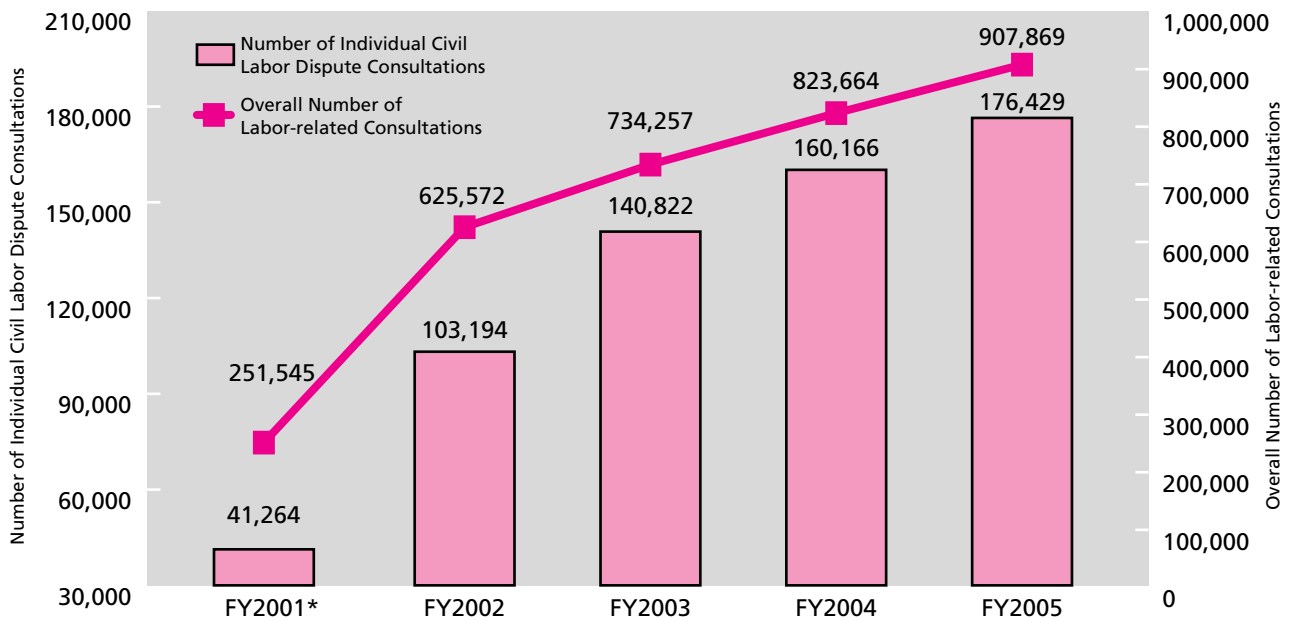
Source: Status of Implementation of Individual Labor Dispute Resolution Systems in FY2005, 25 May 2006 Ministry of Health, Labour and Welfare

companies with 10 to 49 employees, 23.9% were from companies with less than 10 employees, and 10.4% were from companies with 100 to 299 employees. In addition, the proportion of applications

received from workers of companies at which there was no labor union amounted to 70.4% (the same trends were witnessed in the Conciliation category).

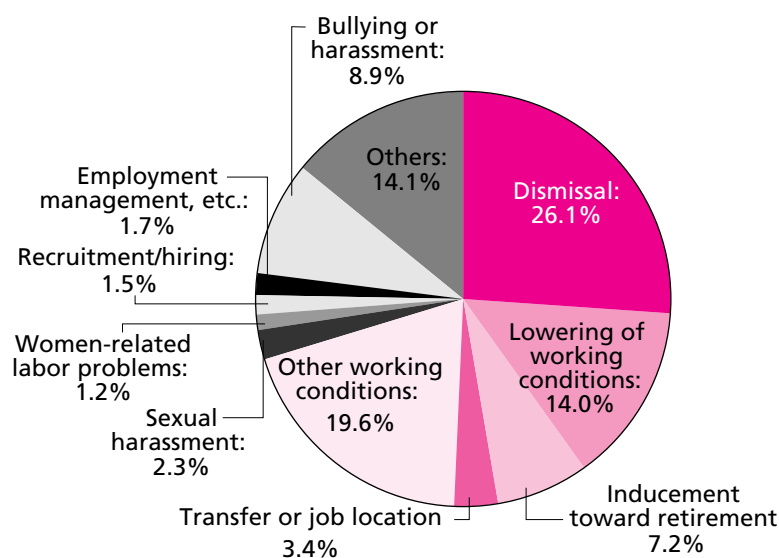
Of the applications received, 6,345 cases had been

IV-9 Number of Consultations (FY2005)



Source: *Status of Implementation of Individual Labour Dispute Resolution Systems in FY2005*, 25 May 2006, Ministry of Health, Labour and Welfare
 Note: The number of cases for FY2001 is for the latter half only (1 October 2001 to 31 March 2002).

IV-10 Breakdown of Civil Consultation Cases (FY2005)



Source: *Status of Implementation of Individual Labour Dispute Resolution Systems in FY2005*, 25 May 2006, Ministry of Health, Labour and Welfare

processed by March 2006, and 6,011 cases resulted in guidance or advice being provided (94.3%). 95.6% of all cases were dealt with within the period of one calendar month.

Conciliation: the number of cases received that requested conciliation amounted to 6,888, a 14.5% year-on-year increase.

Of the applications for conciliation received, 6,856 have been processed, with 2,961 cases (43.2%) resulting in agreement between the parties, 450 cases (6.6%) being withdrawn, and 3,406 cases (49.7%) resulting in conciliation being broken off due to the non-participation of one or the other of the parties in dispute. The time required for conciliation was less than one calendar month in 63.5% of cases and one to two calendar months for 27.9% of cases.

(2) Judicial Structures

Resolution by use of judicial structures is naturally conducted through recourse to action in courts, and the number of labor-related law suits brought each year is continuing to increase. In 2005, 2,446 labor-related standard civil lawsuits were brought to district courts in Japan, of which 2,303 cases were in the form of employee as plaintiff and employer as defendant. Of these 2,303 cases, the most frequent cases concerned claimed regarding wages at 1,437 cases, following by claims for determinations on continuation/discontinuation of employment contracts at 507 cases, and claims for damages at 236 cases, among others.

On the other hand, in 2005 district courts in Japan handed down a ruling in 2,365 cases, with the average time for deliberations being 11.2 months. 786 cases (33.2%) were concluded in less than six months, 699 cases (29.6%) were concluded within

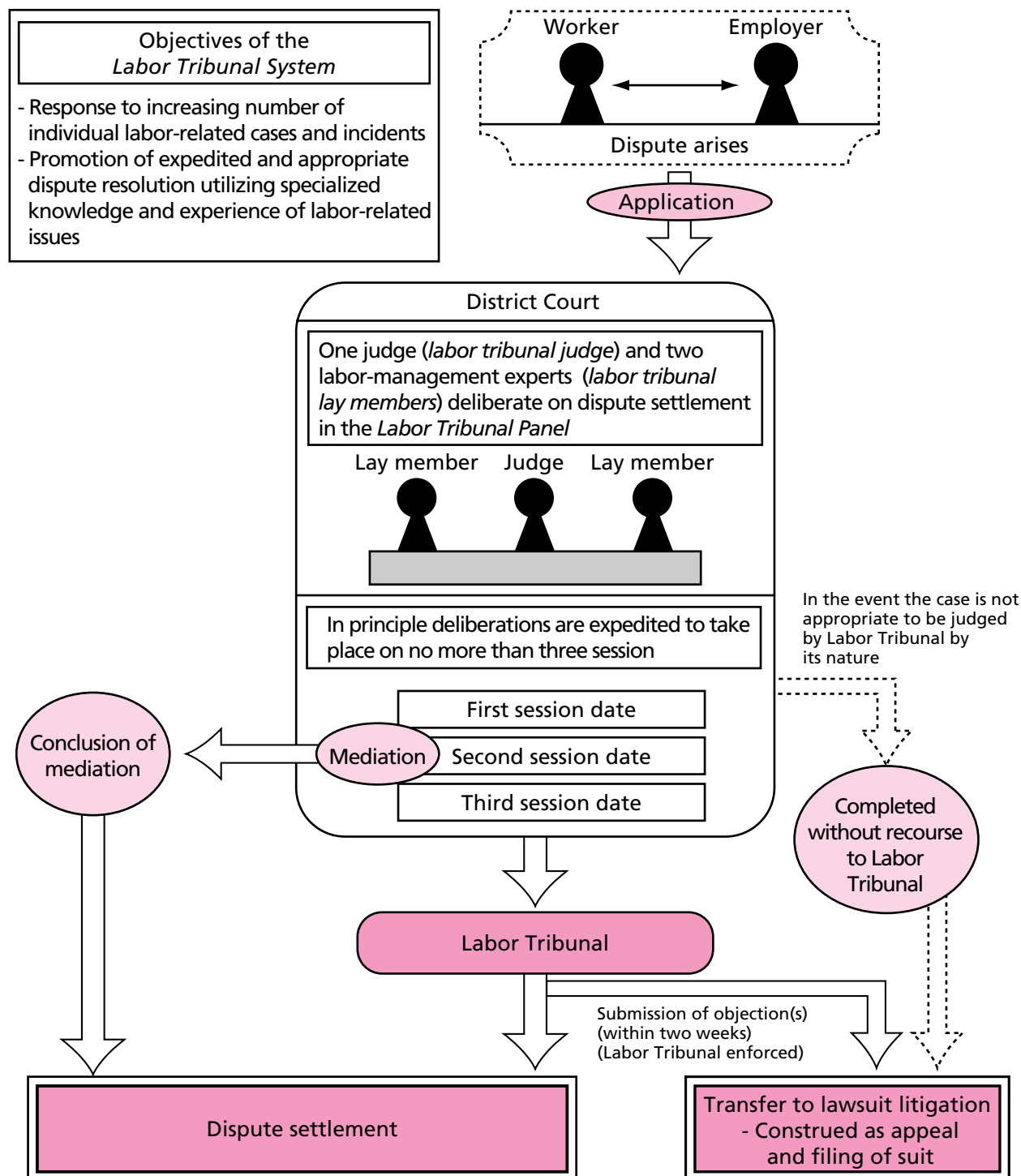
one year, and 708 cases (29.9%) were concluded in less than two years. Approximately 93% of all cases take no longer than two years to conclude. Over the past five years the time required for deliberation has been gradually reducing.

With regard to dispute resolution as described above in the standard civil proceedings, a labor tribunal system is in force and is operated under the stipulations of the Labor Tribunal Act. The labor tribunal system framework can be described thus (see IV-11).

The labor tribunal system is aimed at disputes concerning legal obligations in individual labor cases (individual labor-related civil disputes), and in contrast to a standard civil lawsuit, procedures for dispute resolution are accelerated by the existence of the tribunal panel composed of a judge (labor tribunal judge) and labor-management experts (labor tribunal lay members). This tribunal panel attempts to arrive at a settlement, yet if no settlement can be reached, then the by mediation hands down a ruling (in principle, it is concluded in within three session). Furthermore if there is any objection to the decision, then proceedings automatically transfer to become a standard civil lawsuit.

This system can be expected to accelerate the process of dispute resolution and ensure justifiable satisfaction among disputing parties, in addition to the fact that it promotes consensus-oriented resolution among the dispute parties based on mutual concessions. On the other hand, it will be necessary to watch with great care to see if the system lives up to these expectations and can be operated in this manner.

IV-11 Overview of the Labor Tribunal System



Source: The Prime Minister of Japan and his Cabinet website

1

Employment Measures and Relief for the Unemployed

The Japanese Government implements employment policies to respond to changes in economic and social conditions. High priority is assigned to measures designed to provide employment opportunities, prevent unemployment, and facilitate re-employment so that all workers can make maximal use of their abilities.

As an indicator of the direction of mid-term employment policies, in August 1999 the Cabinet approved the “Ninth Project for the Stabilization of Employment and Creation of New Employment Opportunities,” which will remain in effect until 2009. To respond accurately to structural changes in the labor market, the goals of the project are to stabilize employment and create new employment opportunities while motivating workers and enabling them to make effective use of their skills. To achieve those goals, a concerted effort will be made to promote the following comprehensive measures:

- (1) Stabilization of employment and the creation of new jobs in accurate response to changes in economic and industrial structures.
- (2) Along with the upgrading of workers’ skills, promoting human resource training to support socioeconomic development.
- (3) Aiming for the realization of a society in which people can make the most of their ambition and abilities.
- (4) Developing employment policies from a global perspective.

The Labor Situation 2005

The employment and unemployment situation for 2005 was boosted by the news in December that the jobs-to-applicants ratio exceeded 1.03 for the first

time in 13 years and three months since September 1992. The annual average for 2005 also rose by 0.12 points to stand at 0.95, in addition to which the overall unemployment rate in December fell to 4.4%, with the annual average marking a 0.3 percentage point decrease to rest also at 4.4%. This would suggest that the results of economic recovery and the effect of employment measures are bringing about improvements in the employment situation, although some difficulties still exist.

However, looking at the employment situation by region, although improvements were registered in all regions in the jobs-to-applicants ratio and total unemployment rate from 2004 to 2005, regional disparities in employment still remain. For example, there were regions in which the jobs-to-applicants ratio exceeded 1.0 and total unemployment stood between 3.0 to 3.5% (in the Tokai region, the average figures for 2005 were 1.41 and 3.2%, respectively, and for Hokuriku 1.06 and 3.3%). On the other hand, there were also regions where the jobs-to-applicants ratio stood between 0.5 and 0.6 and the unemployment rate was over 5% (in Hokkaido these figures were 0.57 and 5.3% respectively, for Kyushu they stood at 0.67 and 5.3% and in Tohoku at 0.68 and 5.0%)

Looking at employment by age in 2005, the jobs-to-applicants ratio for the 15 to 24 year age bracket rose for the first time since 2002 (1.46) to 1.49, and the total unemployment rate for this age bracket decreased year-on-year by 0.8 percentage points to 8.7%, the first time since 1998 (7.7%) it has dropped below 9%. However, given that the average unemployment rate for all ages stood at 4.4%, this high figure would suggest that employment mismatches continue to persist at a high level.

In addition, the jobs-to-applicants ratio for regular employees in December 2005 stood at 0.65 (primary figure), which, although a year-on-year increase of 0.07, still compares unfavorably to the overall jobs-to-applicants ratio (1.03).

Given these circumstances, the government has formulated the following measures:

- (1) Enhancement of support measures for local employment creation, based on the concept of regions where employment disparities exist engaging in self-help measures. Priority will be placed on regions where improvements in the employment situation are late in appearing and support will be implemented through selection by contest to municipalities which are engaging in projects that have a high employment creation effect, among other efforts.
- (2) In order to ensure to reverse the trend where the number of freeters (persons not in fixed or permanent unemployment) is increasing, in addition to promoting Regular Employment Plan for 250,000 Freeters efforts will also be made to provide specialized consultation services to young people, by expanding the “Wakamono Jiritsu Juku” (school of independence for youth) scheme which aims to enhance the desire and ability to work in young people, including those not in education, employment or training (NEETs). This will be further supplemented by the establishment of Regional Youth Support Stations which will form the core of a regional young persons support network, the creation of a structure to provide counseling services by trained personnel at the Public Employment Security Offices nationwide, and the

setting up of Internship Combined Vocational Training.

- (3) Revise and enhance services provided at the Public Employment Security Offices, including the provision of individualized services responding to need, such as a service aimed at persons specifically seeking employment as regular employees, etc.
- (4) Improve employment promotion measures aimed at the elderly, including the smooth enactment of the revised Elderly Persons Employment Security Law towards the creation of an environment in which anyone, at any age can continue to contribute to society, and can continue, if they so desire and are able to do so, until they reach at least the age when they become eligible for pension benefits.
- (5) Promotion of measures to promote employment of persons with disabilities, including enhancement of guidance to companies which have yet to comply the employment rate of persons with disabilities and the provision of comprehensive job consultation, etc.

It was also in 2005 that the total population of Japan started to decline. In an environment in which the working population is therefore declining, in order to ameliorate this decline and maintain and promote a vibrant society and economy, it will be important to ensure that all people with the desire and capability to do so can become supporters of society. To that end, measures to enhance the employment environment for the young, women and the elderly will continue to be advanced.

Measures for Elderly Workers

The rapid aging of Japan's population is a phenomenon as yet unobserved anywhere else in the world. And also in 2007, the baby boom generation will be entering its sixth decade. In terms of total population, approximately one person in three will be over 60 years of age, while in the labor force that ratio will be approximately one person in six (2015). To maintain socioeconomic vitality under these circumstances, it will be necessary for as many elderly as possible to take an active part in supporting society and the economy. To realize this in the future, we need to create a society in which motivated and able persons can continue to work, regardless of age.

Recognizing the above situation, in 2004 the government revised the Elderly Persons Employment Security Act, to ensure employment opportunities until 65 years of age, and to promote reemployment for the middle-aged and older working population, among other measures.

The revised Elderly Persons Employment Security Act aims to ensure stable employment opportunities for elderly persons by obligating employers to ensure employment opportunities to 65 through one of the following: raising retirement age; introducing a structure for continued employment; or abolishing retirement age. In addition, the Law aims to enhance measures to promote reemployment for middle-aged and older workers (45 to 65), and enhance measures to ensure temporary or short-term employment opportunities for retirees and other persons.

The revisions to the Act concerning promotion of reemployment for middle-aged and older workers and securing of employment opportunities up to the age of 65 went into effect from December 1, 2004 and April 1, 2006, respectively.

In accordance with the passage of the revised Act, from FY2005, the following measures for promoting employment in the elderly population have been prioritized.

Securing Employment for Persons Up to Age 65 to Benefit from Their Knowledge and Experience

Looking towards the smooth enactment of the Act, aid and guidance is being provided to employers by public employment security offices, which are engaged in awareness-raising activities.

From FY2005, in order to promote employment for persons up to age 65, the Project for the Employment of Older Persons Up to the Age of 65 has been implemented, which offers advice and guidance through business owners' associations concerning revisions to wage and personnel systems and the promotion of continuous employment structures.

In addition subsidies are being provided to promote the adoption of continuous employment practices, aimed at employers who have raised their retirement age, and introduced a system of continuous employment.

Assisting and Promoting the Reemployment of Middle-Aged and Older Workers

In order to promote the reemployment of middle-aged and older workers, guidance and awareness-raising activities are being provided, mainly at public employment security offices, concerning career consultations for middle-aged and older workers, job introduction and searching for candidates, and relaxing age restrictions for candidates.

In addition to guidance for the compilation of a job-seekers' manual being provided to business owners, they are also being provided with consultation services and assistance for the establishment of reemployment support measures, and subsidies are being provided to those who have already put such measures in place.

Regarding the reemployment of middle-aged workers, such as the heads of households, for whom reemployment is particularly urgent, reemployment support has been implemented in the form of active

promotion of trial employment with the aim that workers will be able to make the transition from trial employment to regular employment.

Promoting Diverse Work and Social Participation for the Elderly

In order to respond to diverse employment and job needs for people in advanced years Silver Human Resource Centers are being promoted, which provide local community-based work for elderly persons who desire to do temporary or short-term or other light jobs after their retirement. In addition, Silver Human Resource Center members are implementing various childcare support projects, including caring for infants and taking children to and from child-care facilities. Furthermore, in cooperation with business owners' associations and Public Employment Security Offices, at the Federation of Silver Human Resource Centers, Senior Work Programs are being carried out which sponsor skills training, group interviews, etc.,

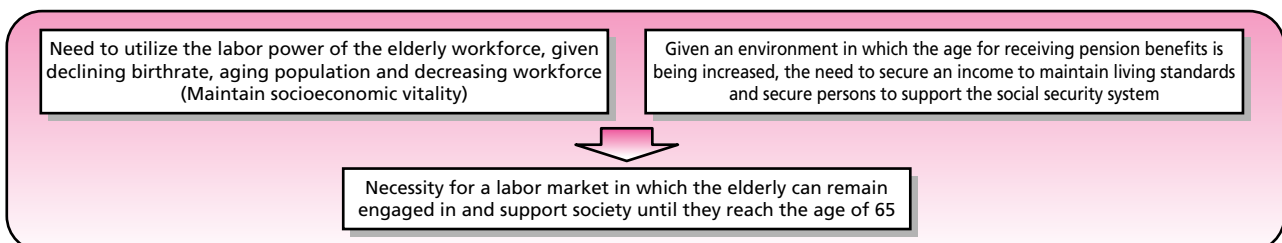
in an integrated manner. (As of the end of March 2005, there were a total of 1,820 Silver Human Resource Centers with approximately 770,000 members.)

Development of recruitment opportunities and job interview sessions designed to meet the diverse needs of the elderly are carried out in tandem with activities to inform business owners of the advantages of employing elderly workers. Such steps are implemented particularly in areas where there are large numbers of retired workers as part of the overall activities for establishment of a society where people can work even after 65 years of age.

Moreover, in the event that three or more persons over the age of 45 jointly launch a business together, support is being given to such middle-aged and elderly entrepreneurs who are using their experience to employ middle-aged and older persons, and establish and operate continuous employment politics, by subsidizing a part of the cost of the business launch.

V-1 Overview of the Act to Partially Amend the Act Concerning Stabilization of Employment of Older Persons (promulgated June 11, 2004)

【Background】



【Content of the Revision】

(1) Securing employment opportunities up to age 65

- ▶ Raising retirement age up to 65 and introducing systems for continuous employment are required.
- ▶ However, the system will be designed so that standards concerning workers subject to the continuous employment system through labor-management agreements might not be applied to all candidates.
- ▶ A certain period after the enactment of the revision shall be determined with an ordinance (three years for large companies and five years for SMEs) for the formulation of employment standards and regulations, rather than a labor-management agreement
- ▶ Age for introduction of the system for continuous employment shall be raised together with increase in age at which pensions are payable, rising incrementally until FY2013.

(2) Promoting reemployment of middle-aged and older workers

- ▶ Requirement that employers provide a reason for setting a maximum age when recruiting/hiring new workers.
- ▶ Requirement that if elderly workers are forced to retire because of circumstances within the employer's control, the employer must provide them with a document detailing their work achievements and skills

(3) Securing diverse employment opportunities

- ▶ Establish a special exception (granting permission) for labor dispatch projects that involve temporary, short-term and light work assignments provided by Silver Human Resource Centers.

【Date for Entry into Force】

(1) entered into force on 1 April 2006, and (2) and (3) entered into force on 1 December 2004.

V-2 System of Employment and Labor Measures for the Elderly

1. Securing employment opportunities up to age 65 in order to take advantage of workers knowledge and experience

- Raising retirement age and promotion of measures to introduce systems for continuous employment
 - Guidance, counseling and assistance to employers provided by public employment security offices
 - Revision of wages and human resource benefit systems in collaboration with local economic organizations and strengthening of guidance and assistance for advanced introduction of systems for continuous employment (projects for introduction of employment up to age 65)
 - Subsidy measures for employers who have raised retirement age and introduced systems for continuous employment (subsidies for establishment and promotion of continuous employment)

2. Assistance and promotion of re-employment of middle-aged and older workers

- Guidance and assistance to employers who provide support for re-employment of middle-aged and older workers who are forced to retire
 - Assistance measures implemented by employers for middle-aged and older workers who are scheduled to retire (provision of appropriate information and guidance with regard to the obligation imposed on employers to create and distribute job search support documents)
 - Subsidy measures for employers who provide re-employment assistance to workers scheduled to retire (labor mobility)
- Guidance and educational activities for relaxing of age restrictions when recruiting and employing workers.
- Employment counseling and job placement services at public employment security offices
- Promotion of projects for trial employment of middle-aged and older workers

3. Advancement of diverse employment and social participation of the elderly

- Promotion of projects by Silver Human Resource Centers
 - Promotion of local-community based projects for child-raising support, etc.
 - Senior Work Programs (skill training, group interviews and on-the-job training seminars implemented in cooperation with business owners' associations)
- Establishment of an environment where people can work even after 65 years of age
 - Educational activities that inform business owners of the advantages of employing people over 65 years of age, development of recruitment opportunities, implementation of job interview sessions (re-employment assistance projects for retired employees)
- Support for establishment of business by middle-aged and elderly persons
 - Provision of assistance for business establishment by three or more middle-aged and elderly persons (subsidies for creation of joint employment opportunities for elderly persons)

Employment Measures for Persons with Disabilities

Of the policies designed to support persons with disabilities, the following deal with support for employment measures: the Basic Programme for Persons with Disabilities (FY2003 to FY2012) was formulated in December 2002 and provides a basic direction for measures for disabled persons over a ten-year period. Based on that Programme the government has also formulated the Five-Year Plan for Implementation of Priority Measures (FY2003 to FY2007) which incorporates specific priority measures. In addition the Ministry of Health, Labour and Welfare formulated in March 2003 the Fundamental Policy for Employment Measures for Disabled Persons (FY2003 to FY2007). Specifically, the goal in the Five-Year Plan for Implementation of Priority Measures is to “aim to increase the number of persons with disabilities who can find jobs through Public Employment Security Office to 30,000 in one fiscal year by fiscal year of 2007, and the number of persons with disabilities who are hired as noted in the employment survey of persons with disabilities of fiscal year of 2008 to 600,000 through promotion of trial hiring, job coaches, and various grants and implementation of job training.” Towards the achievement of this goal employment measures for persons with disabilities are being actively advanced. Furthermore, in FY2005, the Act for Employment Promotion, etc., of the Disabled was partially revised and this revision is being smoothly implemented from April 2006 in line with the Act for Promotion of the Independence of Persons with Disabilities (see endnote).

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, pursuant to the amended Act, persons with mental disabilities (those holding a Health Welfare Handbook for Persons with Mental Disabilities) are included in the employment quotas of companies.

The current legal employment quotas are:

- Private corporations: 1.8%
- Special government corporations: 2.1%
- National and local public corporations: 2.1%
- Designated school boards: 2.0%

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 are collected from companies that fail to fulfill the employment quota, and distributed as bonuses 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.

Future Direction of Measures for the Employment of Disabled Workers

The number of disabled persons finding work through the Public Employment Security Offices has exceeded 38,000, recording growth for three consecutive years, and steady growth is also being seen in the private sector real employment rate which increased 0.03 percentage points to 1.49%. However, the number of disabled persons seeking work remains high at 150,000 people and given that only around 40% of

V-3 System of Employment Measures for Persons with Disabilities

Comprehensive promotion of employment measures for disabled persons, aiming at the realization of a society in which persons with disabilities and persons without can participate similarly in their places of employment, according to ability and aptitude.

Basic Plan for Persons with Disabilities and Five-Year Plan for Implementation of Priority Measures

The Fundamental Policy for Employment Measures for Disabled Persons

Comprehensive Promotion of Employment Measures for Persons with Disabilities

(1) Guidance and assistance for business owners

- **Employment quota system for disabled persons**
 - Stipulated employment rate
Private enterprise: General—1.8%, Special government corporations—2.1%
National, Local government: 2.1% (selected school boards—2.0%)
 - Guidance in fulfilling quotas through order to prepare “A Plan for Hiring Disabled Persons”
- **Support, etc. for employers through the system of levy and grant system for employing persons with disabilities.**
 - Adjustment of the imbalance of economic burden between employers by levy and grant system for employing persons with disabilities
 - Support for employers who improve facilities, equipment and so on for disabled employees; assign assistants; give consideration toward housing and transportation; and continue to employ persons who become disabled while on the job
 - Assistance in paying wages through bounty for the employment development for specified job applicants
- **Establishment of a system to support working at home by persons with disabilities**
 - Payment of special allowance to business owners who outsource jobs to persons with disabilities working at home
- **Provision of expertise regarding employment for persons with disabilities**
 - Provision of positive examples and employment administration expertise regarding employment for persons with disabilities

(2) Implementation of occupational rehabilitation based on the characteristics of each persons with disabilities

- Offer of advice, referrals, and guidance for adaptation to the workplace according to the needs of persons with disabilities, at Public Employment Security Offices
- Provision of specialized occupational rehabilitation services to persons with disabilities (e.g. performance evaluations) at vocational centers for persons with disabilities (operated by the Japan Organization for Employment of the Elderly and Persons with Disabilities)
 - Personal support by Job Coaches for adjustment in the workplace
- **Enhancement and strengthening of support through linking employment with welfare**
 - Advancing a shift from welfare-type jobs in local communities to ordinary employment
 - Promotion of integrated employment and lifestyle support
- **Promotion of development of diversified and effective vocational capabilities**
 - Promotion of vocational training at schools for development of vocational capabilities of persons with disabilities
 - Vocational training outsourced to various private institutions and other entities in local communities

(3) Education related to employment of persons with disabilities

- Creation of an opportunity for enterprises to employ persons with disabilities through trial employment
- Institution of a promotional month for the employment of persons with disabilities
- Cooperation with the disabled groups in public information and education activities

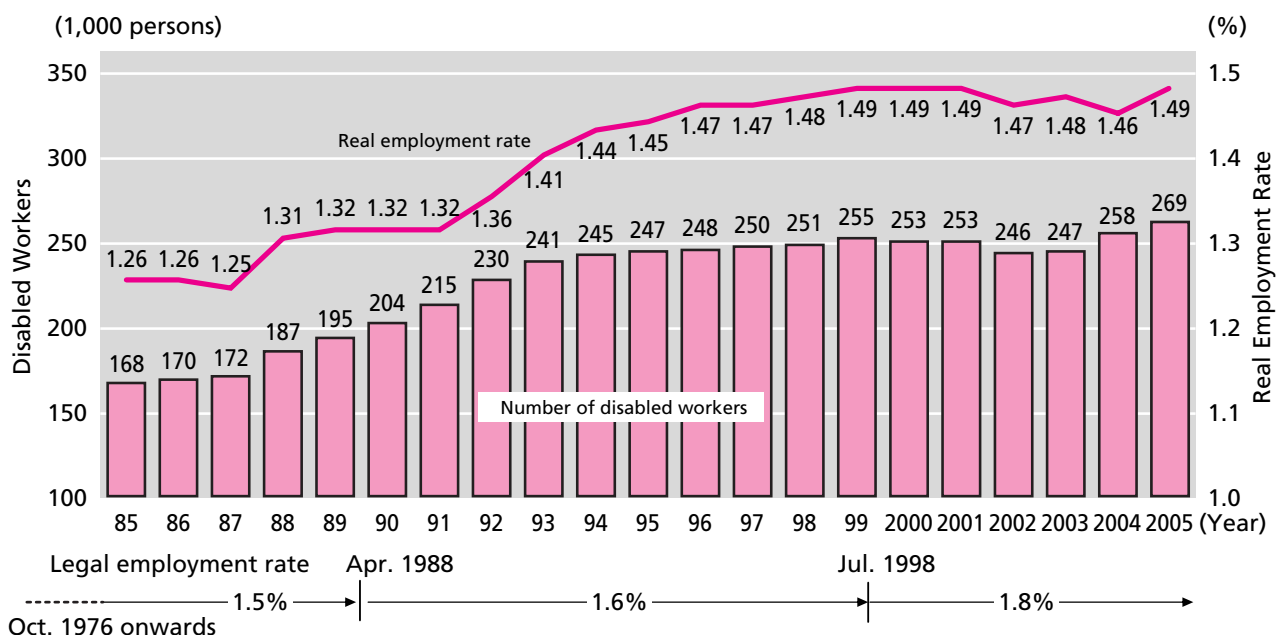
companies achieve their employment quotas for persons with disabilities, there is much room for continued improvement.

In FY2005, given the advancing participation in society of disabled persons and in order to promote independence in working lives for disabled persons given the heightened desire among disabled persons to seek work, the Act for Employment Promotion, etc., of the Disabled was revised. The revision makes the following changes to the Act: (1) strengthening of employment measures for persons with mental dis-

abilities through including persons with mental disabilities (those holding a Health and Welfare Handbook for Persons with Mental Disabilities) in the employment quota of companies, (2) employment opportunities for disabled persons are expanded through support for working from home, and (3) reinforcing of cooperation with welfare policies. Based on this revision the government aims to expand employment opportunities for disabled persons in order to support those who are already working and those who seek to work.

V-4 Employment Situation for Disabled Persons at Private Enterprise

Fluctuations in the employment rate and the disabled workers



Source: *Reports on Employment Situation for Disabled Persons*, Ministry of Health, Labour and Welfare

Notes: Figures for companies with employment obligations (those with more than 56 regular employees): are collective.

The collective totals are for the following disabled categories:

- to 1987 Physically disabled persons (double count for those with severe physical disabilities)
- 1988 to 1992 Physically disabled persons (double count for those with severe physical disabilities)
Persons with intellectual disabilities
- From 1993 Physically disabled persons (double count for those with severe physical disabilities)
Persons with intellectual disabilities (double count for those with severe disability)
Severely physically disabled persons as short-term workers
Severely intellectually disabled persons as short-term workers

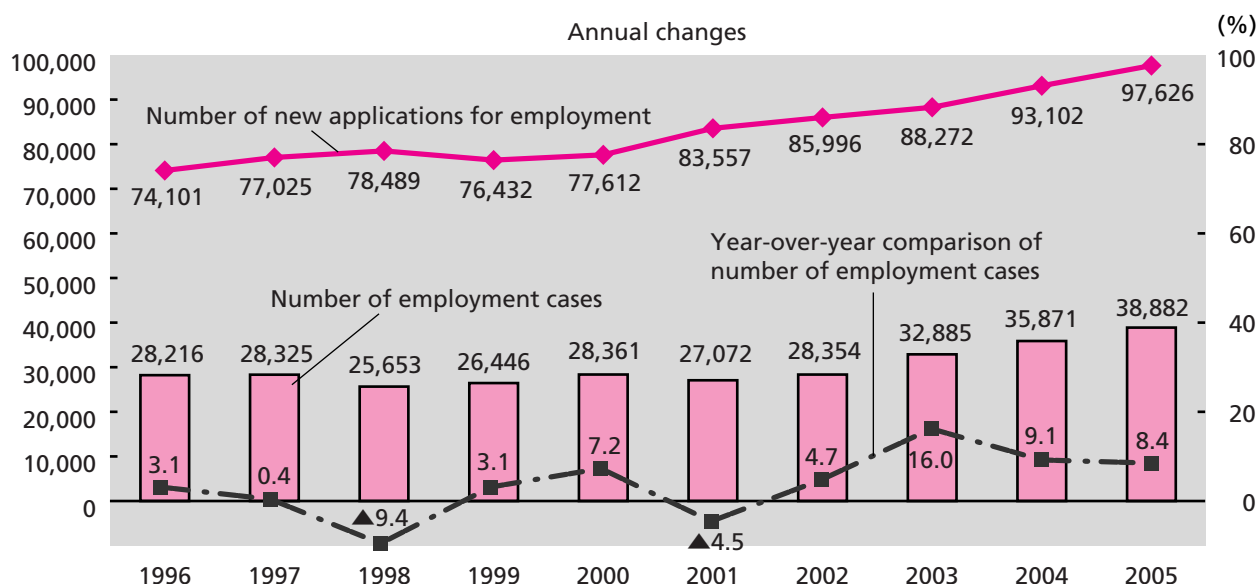
V-5 Situation of Employment Placement of Persons with Disabilities at Public Employment Security Offices

(Persons, %, % points)

Year	Number of new applications for employment		Number of valid applicants for employment		Number of employment cases		Employment rate	
		YoY		YoY		YoY		YoY
1998	78,489	1.9	115,848	12.8	25,653	△9.4	32.7	△4.1
1999	76,432	△2.6	126,254	9.0	26,446	3.1	34.6	1.9
2000	77,612	1.5	131,957	4.5	28,361	7.2	36.5	1.9
2001	83,557	7.7	143,777	9.0	27,072	△4.5	32.4	△4.1
2002	85,996	2.9	155,180	7.9	28,354	4.7	33.0	0.6
2003	88,272	2.6	153,544	△1.1	32,885	16.0	37.3	4.3
2004	93,182	5.6	153,984	0.3	35,871	9.1	38.5	1.2
2005	97,626	4.8	146,679	△4.7	38,882	8.4	39.8	1.3

Source: Employment Security Services Statistics, Ministry of Health, Labour and Welfare

V-6 Changes in the Number of Employment Cases and of New Applications for Employment



Source: Employment Security Services Statistics, Ministry of Health, Labour and Welfare

3 Employment Measures for the Youth

Against the backdrop of changes such as in the perception of the youth as regards work, as well as the changing personnel needs of corporations, the current employment environment surrounding the youth stands in a severe condition: While the unemployment rate is rising at the high rate of 8.7% (in 2005), at the same time the numbers continue to rise as compared to before for job hopping part-time worker-“freeters” who do not work as full-time employees but engaged instead in employment models such as part-time work and for people not in education, employment or training-numbering respectively at 2.01 million and 640,000 (in 2005). In addition to the obvious influence that the continued existence of this situation will have by causing a hindrance for young people themselves in accumulating occupational skills, it also holds major repercussions for the economy and social security of Japan in the future. Due to this, there is a need to swiftly undertake measures to meet the situation.

Strengthening and Promotion of the Youth Independence and Challenge Plan

Taking into account the present scenario of a rise in the number of freeters and young people who are not employed or are between jobs, the Youth Independence and Challenge Plan was formulated in June 2003, at the Strategy Council to Foster a Spirit of Independence and Challenge in Youth that comprises all concerned ministers. The objective of this was to stimulate the desire for working amongst the youth, while at the same time to also reverse the trend of the rise in the number of unemployed youth by promoting the occupational independence of all motivated young people.

The Action Plan for Youth Independence and Challenge was compiled in December 2004 in order to raise the effectiveness and efficiency of this plan. Based on this, the government has been collaborating closely with the Cabinet Office and relevant ministries and is in the process of promoting comprehen-

sive measures to raise both the motivation to work as well as the capabilities of the youth.

Specifically, the government is involved in the following types of initiatives:

- (1) Commissioning the organizing, etc. of seminars for employment and introducing work opportunities through collaborative effort with the Public Employment Security Offices at the One-Stop Service Centers for Youth (usually referred to as Job Cafés) that are set up through the proactive initiatives undertaken by the different local governments.
- (2) In order to support job attainment of unemployed youth, etc., starting especially with those with inadequate work experience, expertise or knowledge such as freeters or school/university graduates with no employment, the government is involved in trying to lessen the gap between the standards of abilities that are demanded by companies and the present conditions of the youth through the means of short-term trial employment, and, while ascertaining the aptitude and whether or not that work can be followed through, is implementing the Trial Employment Project for Youth to encourage a shift to regular employment after the completion of the trial employment.
- (3) Implementation of Japanese-style dual system of education that links on-the-job experiential training and classroom education.
- (4) Implementation of “Wakamono Jiritsu Juku” (school of independence for youth) that targets NEET and other youths to evoke and improve their confidence and motivation to work through a training camp involving vocational training, work experience, etc.
- (5) Regarding the employment problem of the youth, the government is promoting a National Campaign to Increase Young People’s Human Capabilities where the economic world, labor circles, education world, mass media, local commu-

nities, government, etc. come together to endeavor with the purpose of raising the interest of all the various segments of the society regarding the problem, to infuse a sense of significance to the youth regarding work and to raise their capabilities and motivation to work.

In addition to this, taking into account the situation wherein the number of freeters was increasing by approximately 100,000 every year, in May 2005 the government set the target to shift 200,000 freeters each year to regular employment, and has developed the Plan to Find Permanent Employment for 200,000 Freeters with the purpose of promoting all the employment support measures to maximum effectiveness. In FY2006, the target figure of the plan for shifting freeters to regular employment was raised from 200,000 to 250,000 based on the Action Plan for Youth Independence and Challenge revised version (Strategy Council to Foster a Spirit of Independence and Challenge in Youth, January 2006). Together with taking steps to enhance and strengthen employment support, the government will coordinate closely with municipal authorities, health and welfare agencies, educational institutions, etc. in order to raise the capabilities and motivation to work of the youth such as NEET, and will continue to take measures such as setting up Community Youth Support Station to support the occupational independence of youth such as the NEET.

In this manner the government will continue to promote the enhancement and strengthening of the measures for the employment of young workers with the purpose of resolving the employment problem facing the youth.

Major Employment Measures for the Youth in FY2005

(1) Providing support for job attainment and workplace commitment amongst new graduates and graduates with no employment.

1. Job attainment support for new graduates

- ① Support for fresh graduates from universities, etc.
 - * Providing job placement information, career counseling, job referral and job interview ses-

sion, etc. through the Comprehensive Support Centers for Student Employment and the Student Employment Centers, etc.

- ② Support for fresh junior high school and high school graduates or graduates who are not employed
 - * Promoting recruitment development, career counseling, and job referrals in collaboration with schools
 - * Supporting recruitment development, individual consultations, and work commitment through youth job supporters
- 2. Enhancing measures to promote workplace commitment

(2) Strengthening job attainment support for freeters, etc.

- 1. Specialized service information desks to improve confidence and the motivation to work
 - * Providing one-stop service centers for the youth
 - * Setting up career exchange plazas especially for the youth
- 2. Implementing hands-on skill development
 - * Promoting regular employment through trial employment project for youth
 - * Promoting a Japanese-style dual system, training by public parties, etc.
 - * Establishing intensive course on basic employment capacities
- 3. Promoting the Public Employment Security Offices operations that support freeters to obtain full-time employment

(3) Promoting employment awareness among the youth

- 1. Support for university students, etc.
 - * Conducting seminars, etc. aimed at career counselors at universities
 - * Promoting internship programs for university students, etc. in collaboration with economic organizations.
- 2. Support for elementary, junior high, and high school students
 - * Providing opportunities for job experience through such means as career search programs and junior internships

3. Develop employability strengthening projects (Job Passport Program) through non-compensated work experience, etc.

(4) Setting up one-stop service centers for the youth (re-mentioned)

Delegating employment support activities, etc. through plans made proactively by the youth to One-Stop Service Centers for the Youth (usually referred to as Job Cafés), and supporting parallel activities with the Public Employment Security Offices.

(5) Promoting the National Campaign to Increase Young People's Human Capabilities

Raise the interest of all the various segments of the society regarding the problem of youth employment, in addition to which the representatives from relevant people from different arenas such as the economic world, labor circles, education world, mass media and local communities, etc. come together with the purpose of raising the capabilities of the youth and their motivation to work and start a national campaign to strive for such endeavors as holding a conference at a national level as well as educational activities.

Basic Mindset on the Acceptance of Foreign Workers

The acceptance of foreign workers does not merely stop at being the acceptance of “labor power,” and leverages an immense amount of impact on the overall socioeconomics of the country, including not the least with the impact on the lives of citizens. In addition to this, the issue is also relevant to the core of the modalities of a nation, a fact that can be seen from the examples of the many developed nations which have a long history and experience of accepting such workers, and is a serious national issue that is capable of dominating the national political scene.

With regard to the issue of foreign workers as viewed from the perspective of the revitalization of the Japanese socioeconomy as well as further internationalization, the government should promote the acceptance of foreign workers in specialized and technical areas more proactively.

On the other hand, there also exists the sentiment that the acceptance of foreign workers, including unskilled workers, should be expanded taking into view the future decline in the labor force population. However, it is not appropriate to simply consider the acceptance of foreign workers as a means to counter the quantitative labor shortage. It is of foremost importance to create an environment wherein the workers within the country are able to flourish. It is possible to raise the labor force participation rate and reduce the decline rate of the labor force population by creating an employment environment that allows people such as the youth, senior citizens or women to be active. In addition to this, it is also considered possible to fill the gap created by the decline in the labor force by improving productivity through such means as technological innovations.

From the point of view of the impact on the domestic labor market, it is necessary to give adequate consideration to such issues as the fact that increasing the number of accepted foreign workers would result in a decrease in the employment oppor-

tunities available to senior citizens, women and young people within a scenario where a large number of unemployed people exist already, and a loss of the opportunity to leverage the latent capabilities of young people such as the part-timers called “freeters” or NEET (those not in education, employment or training).

In addition to this, the acceptance of foreign workers will be accompanied by “social costs” such as education of the children and kin of foreign workers, housing, and public security, etc. Who and how to solve such burden will certainly become a vital issue that has to deal with.

Whatever the case may be, the problem of accepting foreign workers remains a national issue that exerts a tremendous influence on the socioeconomy and life of the people of Japan, and needs to be discussed and studied comprehensively as well as cautiously while also adequately reflecting the views of all segments of the population.

Promoting the Employment Measures for Foreigners

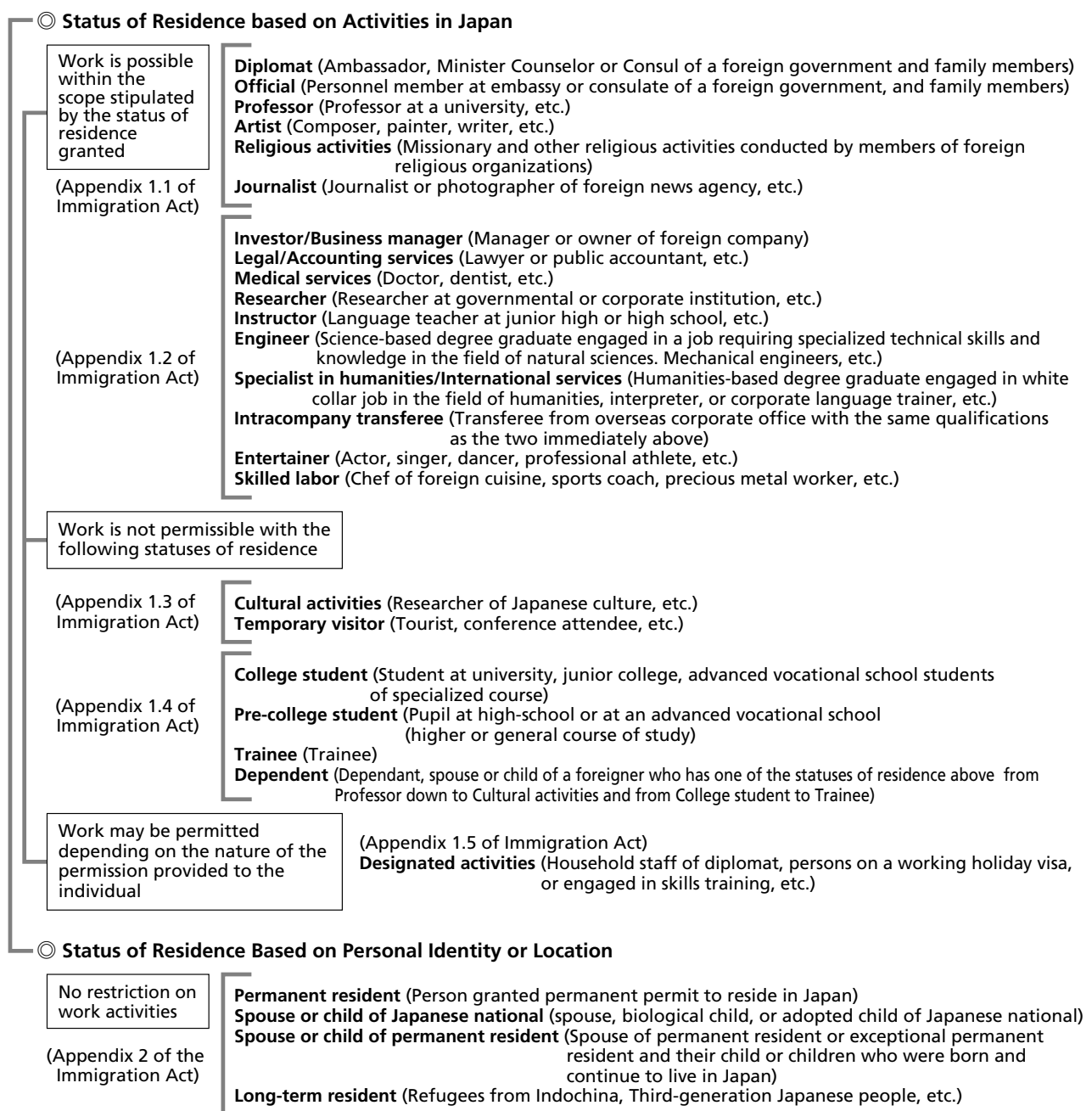
With the number of foreign workers in employment in Japan on an increase by the year, issues such as the proper acceptance of foreign workers, preventing illegal working, and securing the correct employment and labor conditions for foreigners who can work legitimately are gaining importance.

Taking this into account, in addition to making efforts to understand the business climate for the employment of foreign workers, the government is also making efforts towards job introduction and career counseling services to foreigners seeking employment through the Public Employment Security Offices, and in the further structuring and enhancement of the framework. In addition to this, it is also seeking to further enhance the training, assistance, etc. to employers in order to improve employment management.

Regarding measures to counter illegal working, in addition to strengthening coordination with the related administrative agencies, the government is also taking steps such as disseminating information

regarding the policies and systems etc. of Japan for accepting foreign workers in order to promote proper working within Japan.

V-7 Overview of Statuses of Residence for Foreigners



Notes: 1) "College student," and "Pre-college student" are statuses of residence that do not allow for employment, however, if the holder applies for permission to engage in activities other than those previously granted, it is possible to engage in work within a stipulated scope (Article 19.2 of the Immigration Act).

2) Although not a recognized status of residence under the Immigration Act, with regard to persons who have been granted permanent residence in Japan as "special permanent residents" according to the Special Act for Immigration Management of Persons who Discarded Their Japanese Nationality based on Peace Treaties signed with Japan, the rights of such people shall be the same as permanent residents, and there are no restrictions on work or period of stay.

3) Examples are listed within the parentheses for statuses of residence.

V-8 Measures for Foreign Workers

Overview

The Ninth Basic Plan for Employment Measures

① Understanding employment conditions of foreign workers

- Implementation of the System for Reporting on the Employment Situation of Foreigners (a system requiring employers to report about the employment situation of foreign workers once a year to Public Employment Security Office)

② Appropriate response to foreigner job applicants

- Employment Services Section for Foreign Workers (Established within 81 Public Employment Security Offices) Providing vocational counseling and referral to employment supported by interpreters
- Employment Services Centers for Foreign Workers (In Tokyo and Osaka)
Providing vocational counseling, referral to employment and employment information exclusively for foreign students and foreigners in professional or technical fields
- Nikkeijin Employment Service Centers (In Tokyo and Nagoya)
Providing vocational counseling, referral to employment and labour consultation to foreign workers of Japanese descent
- Nikkeijin Occupational Life Counseling Office (In Tochigi, Gunma, Chiba, Shizuoka and Osaka)
Providing vocational counseling, referral to employment and labour consultation to foreign workers of Japanese descent
- Japan-Brazil Employment Service Center (In Sao Paulo, Brazil)
Providing job information and vocational counseling to Japanese-descent Brazilians seeking jobs in Japan
- Providing employment guidance and implementing other programs to promote employment by non-attendant, jobless young people of Japanese descent

③ Awareness-raising guidance and employment management assistance to employers

- Instruction to employers to improve employment management
 - Dissemination of the Guidelines Concerning Employment and Working Conditions for Foreign Workers
 - Group guidance and information provision by conducting Foreign Worker Employment Management Seminars
 - Counseling and guidance for individual establishment by implementing the Foreign Worker Employment Management Adviser System
- One-Month Campaign on Foreign Workers' Affairs (June every year)

④ Promotion of legal employment

- Program to establish legal employment procedure
To prevent illegal employment, seminars are held in home countries of many illegal foreign workers, where Japan's policy and system about accepting foreigners are explained.
- Effective measures to cope with illegal employment
In cooperation with related administrative organizations including Measures for illegal Foreign Workers Council, etc.

Source: Annual Reports on Health, Labour and Welfare, 2006, Ministry of Health, Labour and Welfare

V-9 Number of New Entrant Workers to Japan According to Status of Residence (2005)

	Status of residence	Total number
Specialized and technical areas	Professor	2,253
	Artist	245
	Religious activities	846
	Journalist	248
	Investor/Business manager	604
	Legal/Accounting services	2
	Medical services	2
	Researcher	607
	Instructor	2,954
	Engineer	4,718
	Specialist in humanities/International services	6,366
	Intracompany transferee	4,184
	Entertainer	99,342
	Skilled labor	3,059
Statuses of residence not permitting work in principle	Subtotal	125,430
	Cultural activities	3,725
	Temporary visitor	5,748,380
	College student	23,384
	Pre-college student	18,090
	Trainee	83,319
Statuses of residence without restrictions on activities	Dependent	15,027
	Designated activities	16,958
	Spouse or child of Japanese national	24,026
	Spouse or child of permanent resident	990
	Long-term resident	33,756
Total		6,093,085

Source: Immigration Bureau, Ministry of Justice

V-10 Number of Registered Foreigners According to Status of Residence (2005 year-end)

	Status of residence	Total number of registered foreigners
Foreign residents with work purpose (specialized and technical areas)	Professor	8,460
	Artist	448
	Religious activities	4,588
	Journalist	280
	Investor/Business manager	6,743
	Legal/Accounting services	126
	Medical services	146
	Researcher	2,494
	Instructor	9,499
	Engineer	29,044
	Specialist in humanities/International services	55,276
	Intracompany transferee	11,977
	Entertainer	36,376
	Skilled labor	15,112
Statuses of residence not permitting work in principle	Subtotal	180,369
	Cultural activities	2,949
	Temporary visitor	68,747
	College student	129,568
	Pre-college student	28,147
	Trainee	54,107
Statuses of residence without restrictions on activities	Dependent	86,055
	Designated activities	87,324
	Permanent resident	349,804
	Special permanent resident	451,909
	Spouse or child of Japanese national	259,656
Total	Spouse or child of permanent resident	11,066
	Long-term resident	256,639
	Others	36,119
	Total	2,011,555
Illegal foreign residents		207,229
Grand Total		2,218,784

Source: Immigration Bureau, Ministry of Justice

5 Public Job Introduction System

The basic purposes of Public Employment Security Offices, which are located in approximately 600 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 Comprehensive Employment Information 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.

(1) Bank of Human Resources

The Public Employment Security Offices established 18 Banks of Human Resources in major cities to introduce able personnel to medium- and small-sized companies and to promote the employment of the elderly. The Bank of Human Resources deals primarily with administrative, professional, and technical positions.

(2) Part-time Job Bank

The Public Employment Security Offices established 109 Part-time Job Banks in convenient areas, such as station terminals in major cities, in order to offer comprehensive job introduction services for part-time employment.

(3) Mothers' Hello Work

The Public Employment Security Offices estab-

lished in FY2006 "Mothers' Hello Work," a new structure to replace the existing Hello Work to Support Combining Work and Family. Mothers' Hello Work provides comprehensive and thorough support to parents who wish to combine child rearing with early return to employment. Specific support measures include the following: establishment of a system that facilitates parents to bring children to their workplace, and provision of vocational guidance by experts and of information useful for child-rearing through cooperation with local authorities and other entities to parents who are prepared to start searching for jobs and wish to reenter employment immediately.

(4) Hello Work Plaza

The Public Employment Security Offices began establishing Hello Work Plazas in each prefecture in 1999 to help job seekers find employment.

Job seekers may easily and effectively find job information by using searchable devices for themselves at the Hello Work Plazas.

(5) Comprehensive Support Center for Student Employment, Student Employment Centers and Counseling Offices.

The Public Employment Security Offices established these institutions for the specific purpose of providing employment support to graduating students as well as unemployed graduates. These institutions offer employment counseling to provide not only a variety of employment information but also to offer supplemental assistance to job introduction services offered by universities and other institutions.

V-11 The Organization and Functions of the Public Employment Service Institutions (as of March 31, 2005)

The Public Employment Security Offices

Main offices (470 offices)

Branch offices (102 offices)

**Supplementary offices
(20 offices)**

- Employment counseling and assistance, job introduction (for the general public, the elderly, graduates, the disabled, day workers, etc.)
- Job instruction (providing employment information, implementing vocational aptitude tests, etc.), instruction about vocational training
- Instruction to improve employment management (providing and managing employment information, continued employment system for the elderly, employment of the disabled, securing personnel for small and medium-sized businesses, etc.)
- Providing information on employment, job seeking, and the labor market
- Business transactions concerning employment insurance (applicability and payment)
- Business transactions concerning subsidies

Institutions to provide specific services

**Bank of Human Resources
(18 Banks)**

The Bank of Human Resources introduces able personnel to small and medium-sized companies and promotes the employment of the elderly. The Bank of Human Resources focuses primarily on administrative, professional, and technical positions, offers job consultation, provides information, etc.

**Part-time Job Bank
(109 Banks)**

The Part-time Job Bank implements job introduction, job consultation, information sharing, and vocational training for the benefit of part-time workers.

**Mothers' Hello Work
(12 institutions)**

The Mothers' Hello Work implements job introduction, job consultation, information sharing, and other services to those who have the willingness and the ability to work, but cannot do so immediately because of responsibilities for child care, nursing care, and other duties.

**Hello Work Plaza
(47 institutions)**

Job seekers can find a wide range of job information by using searchable devices at the Hello Work Plaza.

**Comprehensive
Support Center
for Students Employment
(1 center),**

**Student Employment Centers
(6 centers),**

**Counseling Offices
(40 centers)**

These institutions implement job introduction, job counseling, information sharing, vocational aptitude tests, etc. for the benefit of newly graduating students as well as unemployed graduates.

Note: In addition to the institutions listed above, there are Local Region Employment Support Centers and Employment Service Centers for Foreigners.

Working Hours

During the era of rapid economic growth, annual working hours steadily declined due to a tight labor market and higher productivity. In the mid-1970s, this trend leveled off. Since the revised Labor Standards Act became effective in 1988, establishing a 40-hour workweek as the norm, working hours have continued to decrease.

In FY2004, scheduled working hours remained at 1,685 (a decrease of 21 hours over the previous fiscal year) while overtime working hours were 149 (an increase of 2 hours over the previous fiscal year), so that total working hours decreased by 19 to 1,834 hours.

However, taking a closer look at these figures shows that the percentage of people “working less than 35 hours per week” has increased from 18.2% in 1993, to 23.6% in 2004. In addition, that of “working more than 60 hours per week” has also increased from 10.6% in 1993 to 12.2% in 2004. Conversely the proportion of people “working more than 35 and less than 60 hours per week” has decreased, indicated that the so-called “polarization of working hours” is advancing. Furthermore, looking at the actual working hours of full time and part time workers shows that in 2004 each category worked 2,015 hours and 1,171 hours respectively, a proportion that has remained largely unchanged over ten years. The major cause for the overall reduction in scheduled working hours is largely as a result of the increase in persons with shorter working hours.

With regard to trends in paid holidays and vacation days, the usage rate is showing a declining trend, with workers using on average only 46.6% of their entitlement in FY2004. The average workers was entitled to 18.0 days paid annual leave, but generally used only 8.4 days.

In FY2004 91.2% of all workers worked a five-day week, but looking by type we see that only 60.4% of employers have totally adopted this system, with small and medium-sized businesses making par-

ticularly little progress in this direction.

Administration Efforts Concerning Working Hours

In economic plans and other policies, the government has adopted a goal of reducing working hours to a 1,800-working-hour year, and is making efforts to that end.

However, with intensifying competition and diversification of working styles, there has been an increase in both workers working long hours and those working short hours, meaning that a common goal for all workers will not be realizable. Furthermore, various new issues are arising with regard to working hours, including the worsening situation of health problems due to long working hours and difficulty in finding time for other activities, including childcare, nursing case or self-improvement activities, etc.

In order to respond to such issues the Act concerning Temporary Measures for the Promotion of Shorter Working Hours was amended to become the Act on Special Measures for Improvement of Working Time Arrangements. This amended act was entered into force on 1 April 2006.

The aim of this law is not merely to reduce working hours, but to improve working hours, paid holidays and vacation days in response to the diverse situations for workers and in consideration of the individual health and lifestyle of each worker.

The shortening of working hours will be promoted through efforts that place emphasis on workers taking their allocated annual paid leave and the dissemination of planned holiday systems, and measures to curb excessive out-of-hours working time.

The revised Labor Standards Act prescribes that legal working hours be gradually shortened in 1988.

Accordingly, all but exempt businesses would shift to a 40-hour work week beginning in April 1997.

The government has encouraged the adoption of the Variable Scheduling System (note 1) and the

Discretionary Scheduling System (note 2) in some sectors, to limit working hours to 40 per week.

Notes: 1) Variable Scheduling System

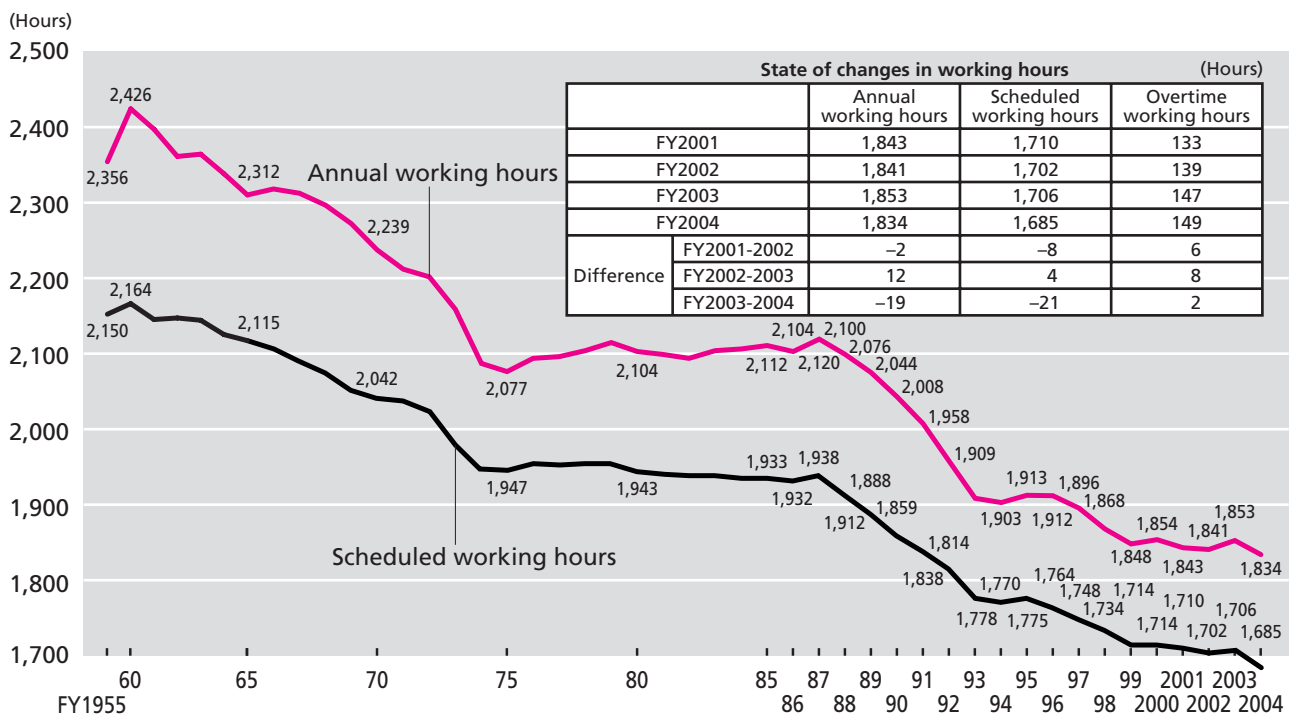
This system involves distributing working hours over a fixed time period, thus accommodating business priorities and ensuring that the total number of

hours worked per week does not exceed 40.

2) Discretionary Scheduling System

Working hours are determined in this system based on a collective agreement rather than setting a fixed schedule, when the duties in question require significant worker discretion. It can apply to both specialized work and creative work.

V-12 Shifts in Average Total Annual Working Hours per Worker (FY, finalized)



Source: *Monthly Survey of Labour Statistics*, Ministry of Health, Labour and Welfare

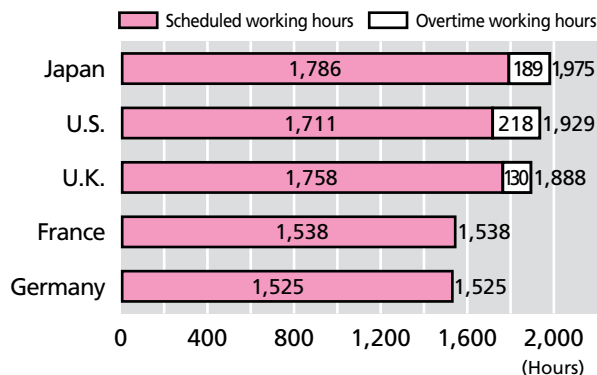
Notes: 1) This study was limited to businesses that employ more than 30 workers.

2) Figures were obtained by multiplying monthly averages by 12 and round off to unit.

3) Overtime working hours were obtained by subtracting prescribed scheduled working hours from annual working hours.

4) Figures from FY1983 and earlier were obtained by adding up all monthly figures.

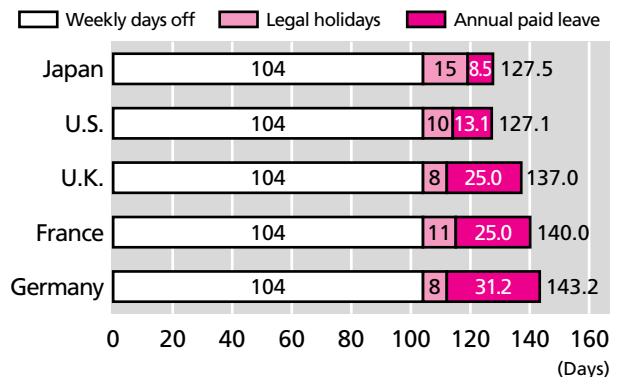
V-13 International Comparison of Annual Working Hours (workers in the manufacturing industry: 2003)



Sources: Estimates were made by the Working Hours Division, Working Hours Department, Labour Standards Bureau, Ministry of Health, Labour and Welfare, based on reports issued by the EU and the other nations listed above.

Note: Figures for Germany and France were total annual working hours.

V-14 International Comparison of Annual Holidays



Sources: Working Conditions. Estimates based on statistics from the EU and reports from other nations, compiled by the Working Hours Division, Working Hours Department, Labour Standards Bureau, Ministry of Health, Labour and Welfare.

Notes: 1) "Weekly days off" refers to company-prescribed weekly days off, e.g., Saturday and Sunday, under the assumption that employees are allowed two days off per week.

2) "Annual paid leave" refers to the number of vacation days granted to employees. Figures for some countries were estimated by the Working Hours Division. Figures for Japan represent the number of vacation days granted.

3) Survey dates for annual paid leave are as follows.

Japan	2004
U.S.	1997
U.K.	2001
France	1992
Germany	1996

7 The Minimum Wage System

The Minimum Wage Act

With the enactment of the Minimum Wage Act, drafted to improve working conditions and guarantee a minimum wage to low-paid workers, Japan's minimum wage system came into being in 1959. The law also sought to promote the sound development of the national economy by raising the quality of the labor force and fostering fair competition among companies.

Setting Minimum Wages

Minimum wages are determined in Japan through (1) Minimum Wages Councils, composed of members representing labor, management, and the public interest, that set minimum wages subsequent to research and deliberation; and (2) local minimum wages set by collective agreements.

The majority of minimum wages are set as described in (1) above (296 cases). Only two cases have been set in accordance with (2).

When minimum wages are determined by (1) above, details such as how much the minimum wage should be, and how widely it should be applied, will be decided based on discussion by a Minimum Wages Council composed of members representing labor, management, and the public interest.

In its deliberations, a Minimum Wages Council will examine statistical data to ascertain the current wages earned by workers under consideration for a particular minimum wage. Its members also visit and inspect workplaces to investigate prevailing working conditions and wages. They ask workers and their employers for their opinions. The Council makes a decision after considering the local cost of living, starting salaries paid to new graduates, any collective agreement on minimum wage, the distribution of workers along the wage scale, and the effects of setting a minimum wage.

Since FY1978, the Central Minimum Wages Council has been providing guidelines to prefectural Minimum Wages Councils for minimum wage described below increases to ensure national unifor-

mity. The local councils, in turn, use the guidelines to revise minimum wages to accord with the local situation.

Types of Minimum Wage

Minimum Wages Councils rule on two types of minimum wage-local and industry-specific minimum wages.

One local minimum wage is determined for each prefecture, regardless of the type of industry or occupation. Usually, the minimum wage in a given prefecture applies to all workers in all workplaces in that prefecture, and to all employers who have one or more workers.

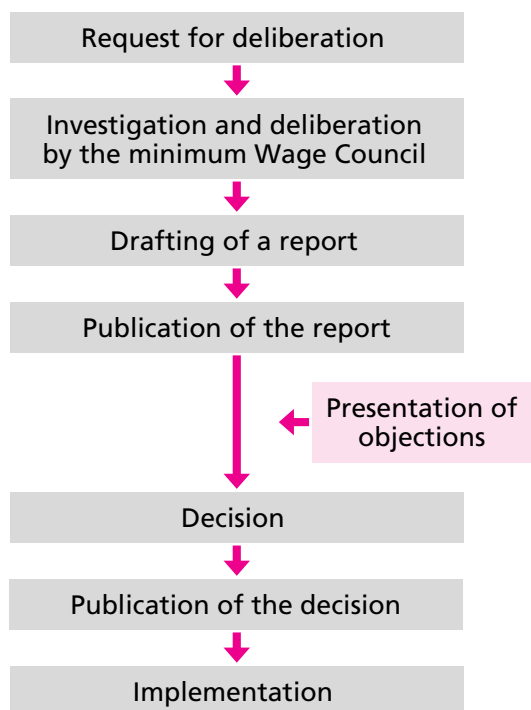
There are two types of industry-specific minimum wages: prefectural and national. The prefectural industry-specific wage is determined by prefectural labor authorities for certain industries, while the national industry-specific minimum wage applies nationwide. Both are limited to particular industries, as the terms imply.

Minimum Wages vs. Actual Wages

The current minimum wages are determined at the Local Minimum Wages Council, based on the guidelines on wage increase amount issued by the Central Minimum Wages Council, and by comprehensively calculating three elements: workers' cost of living, wages earned by other workers engaged in similar employment, and employers' ability to pay. Currently, regional minimum wages are all set only by hour. However, industrial minimum wages may be divided into those set by hour alone or by both day and hour.

Of the minimum wages set as mentioned above, minimum wages set only by hour apply to all workers. Minimum daily wages set both by day and hour apply mainly to workers who are paid according to methods other than by the hour (e.g. day or month), and minimum hourly wages apply mainly to workers who are paid by the hour.

V-15 Methods Used to Set Minimum Wages (minimum wages set through minimum wage council investigation and deliberation)



V-16 Minimum Wages (weighted national average)

(As of March 31, 2006; yen)

	Hourly rate
Minimum wage by prefecture	668
Minimum wage by industry	761

8 Industrial Safety and Health

Occupational Accidents

Though industrial accidents have steadily been decreasing in a long run, there are still approximately 540,000 cases annually.

The number of deaths in these cases was 1,620 in FY2002, a decrease of 8 compared with FY2003, resulting in the seventh consecutive year with fewer than 2000 deaths.

According to the results of periodical health screening test, more than 40% of all workers have some positive-findings. It is also observed that there are more than 60% of workers who feel some kind of stress on their job.

Present Conditions and Issues in Industrial Safety and Health Measures

Since 1958, the Ministry of Labour has implemented nine 5-year plans to prevent industrial accidents. In accordance with the Tenth Industrial Accident Prevention Plan (2003-2007), we are striving toward the following goals:

- (1) Eradication of fatal accidents at the workplace
- (2) Assuring safety and health in small and medium-scale enterprises
- (3) Promotion of health security measures responding to the increase, etc. of work-related physical and mental burden
- (4) Development of managerial methods for safety and health to decrease risks
- (5) Response to the diversification of employment formats and fluctuation of employment

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 V-17).

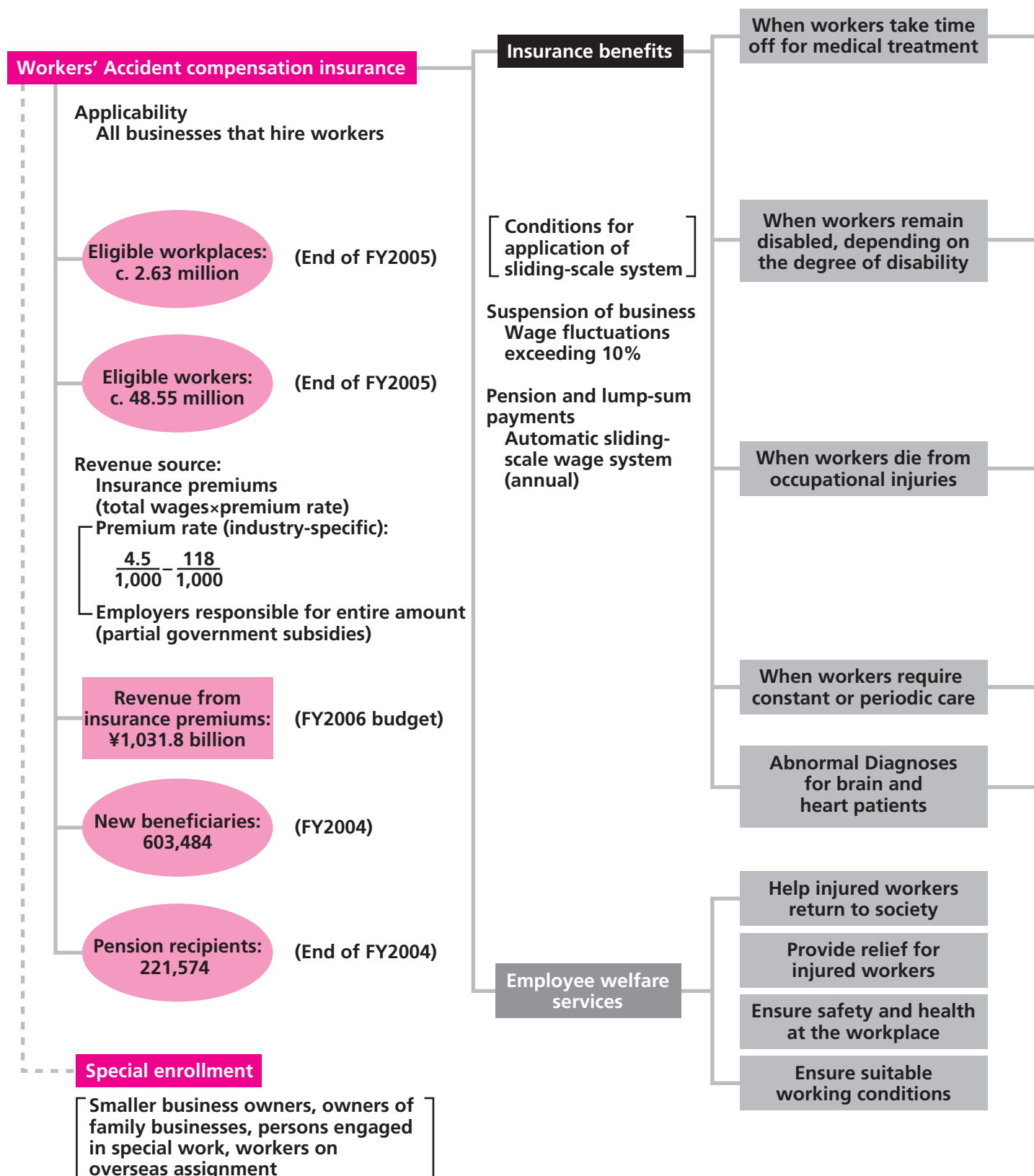
(1) Eligibility

Any business that employs workers may participate in the Workers' Compensation Insurance System, excluding government employees (except local government part-time workers engaged in bluecollar labor) and seamen who are eligible for the Mariners Act. Certain businesses engaged in agriculture, forestry or fishery, and employing five or fewer workers may be eligible on a temporary basis. Additionally, special enrollment may be granted to smaller business owners and their family employees, sole proprietorships, and workers dispatched on overseas assignments. In those cases, they are entitled to receive benefits for injuries sustained at the workplace and, in some circumstances, for injuries sustained while commuting to or from the workplace.

(2) Insurance Premiums and the Burden of Expenses

Employers are required to pay insurance premiums, which are calculated by multiplying total payable wages by the accident rate determined for each business category (5/1,000-129/1,000). 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.

V-17 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]	
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 ¥104,970 for constant care and ¥52,490 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]	
		+ Additional special benefits * Special benefits for missed work * Special lump-sum payments * Special pensions

(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)

(Compensation for unpaid wages)

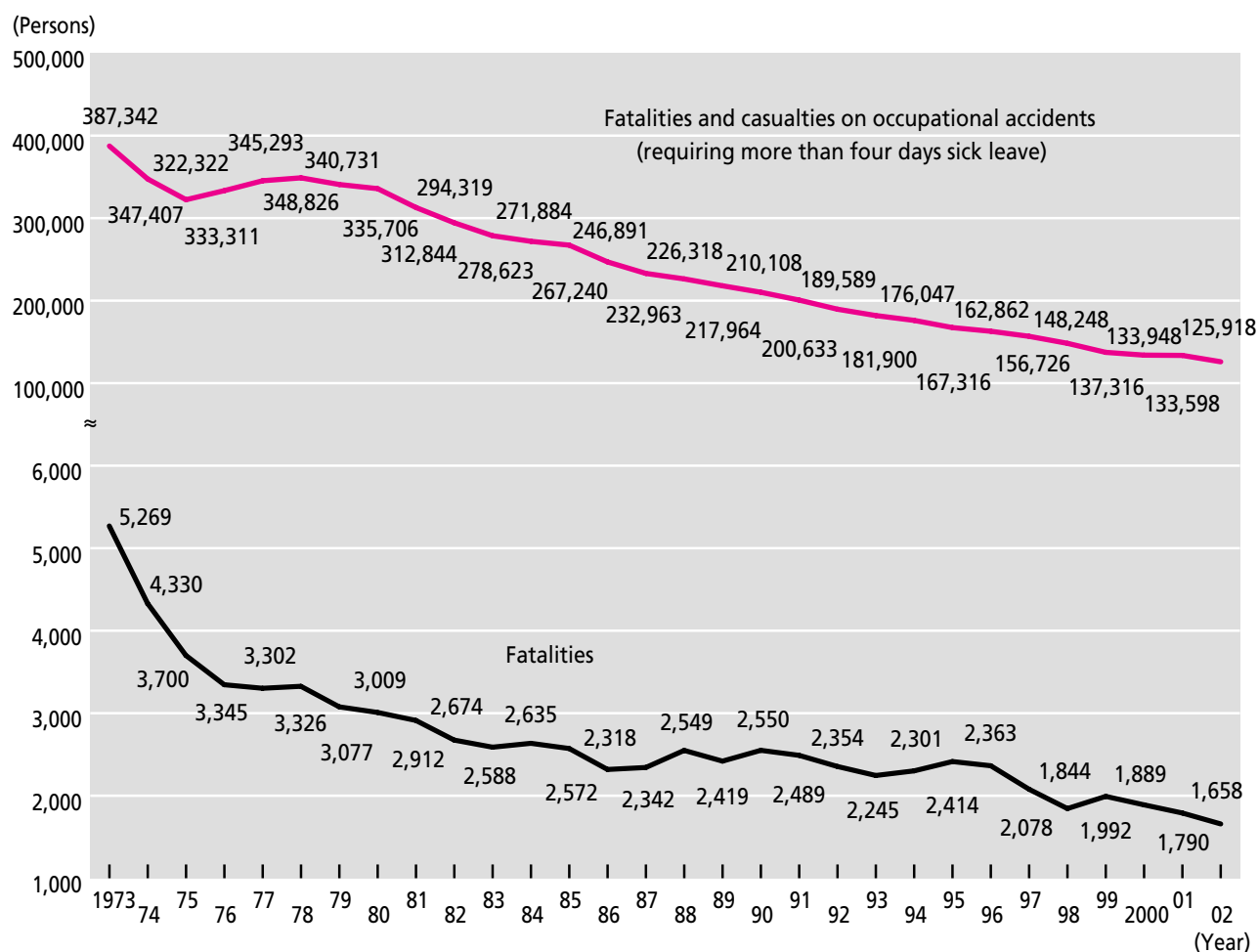
Source: Ministry of Health, Labour and Welfare

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: ¥4,080).

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).

V-18 Changes in Reported Cases of Occupational Accidents



Sources: Research done by Labour Standards Bureau, Ministry of Health, Labour and Welfare

9 Gender Equal Employment Policies

Japan is presently faced with a scenario wherein a rapid decline in the birth rate and progressive ageing is leading to the advent of a society with a declining population. Given this scenario, it has become a vital issue to create an environment for employment where workers can leverage their abilities to the fullest without facing discrimination on account of gender and where motherhood is given due respect.

Based on this, the Equal Employment Subcommittee of Labour Policy Council began a discussion in September 2004 as part of the measures to further promote equal employment opportunities between men and women, resulting in a series of proposals presented to the Minister of Health, Labour and Welfare in December 2005 regarding future measures for ensuring equality of employment opportunities between men and women.

The Ministry of Health, Labour and Welfare submitted to the Diet a bill for Partial Amendments of the Equal Employment Opportunity Act, containing among other things, the (1) strengthening of antidiscrimination regulations, including a ban against indirect discrimination, (2) strengthening of regulations against the unfair treatment of workers for reasons such as pregnancy or childbirth, (3) strengthening of an employee's commitment towards preventing sexual harassment, and (4) the relaxation of regulations regarding the underground (pit) work done by women.

The act will be enforced in April 2007.

As part of the effort to ensure the implementation of the Equal Employment Opportunity Act, the Equal Employment Offices of the prefectural labour bureaus that have been set up within the prefectural governments as local agencies of the Ministry of Health, Labour and Welfare conduct the following services:

- (1) Active dissemination of information regarding the Equal Employment Opportunity Act, and consultation regarding discriminatory treatment against women employees as regards recruitment, hiring, assignment, promotions, education and training, uniform welfare packages, mandatory retirement, voluntary withdrawal from the workforce or dismissal, as well as sexual harassment at the workplace.
- (2) Advice, guidance and recommendations by the head of the Prefectural Labour Bureaus for the speedy resolution of individual disputes between women employees and employers, as well as mediation by the Equal Opportunity Mediation Commission.
- (3) Proactive guidance etc. based on the Equal Opportunity Act for the thorough enforcement of equal treatment between male and female employees as well as assessment of the actual conditions regarding a corporation's employment management.

In addition to the above, in order to promote positive action by corporations to remove the actual gaps that exist between men and women employees due to a system of employment management that is rooted in customary practices and fixed perceptions regarding the division of roles and responsibilities, the government has been involved, in addition to providing information through the means of corporate awards and seminars, in creating the Positive Action Promotion Council in collaboration with the employers' associations in order to promote proactive and voluntary action by employer organizations to deal with positive action.

It is believed that the rapid progression of the declining birth rate will have a substantial impact on Japan's future society and economy, such as by reducing the labor force population and affecting social security programs.

Measures have been taken to cope with the declining birth rate from various angles, but these have not yet brought about a change in the downward trend. Although the number of children accepted at day-care centers has increased, there are still on the waiting list. In addition, efforts have not been made enough for reconsidering the way people work, such as deep-rooted tendencies like giving priority to one's workplace and working long hours.

For this reason, in June 2004 the Japanese Government formulated the Promotion of Measures Against Declining Birth Rate, which serves as comprehensive set of policy guidelines for responding to the declining birth rate. This was done in order to forcefully advance various kinds of measures so as to alter the trend toward a declining birth rate. Based on this outline in December of the same year the government also formulated the Child and Child Rearing Support Plan as a concrete implementation plan for its priority policies.

This plan addresses, as one of its priority issues, support for balancing work and family as well as reconsiderations of the way people work. It focuses on a variety of policies with the aim of realizing a desirable society with an outlook of roughly 10 years into the future.

Moreover, in order to work towards supporting the development of the next generation intensively and systematically, the "Act for Promote Measures to support the Development of the Next Generation" were

fully brought into effect beginning in April 2005. The Act stipulates setting a framework for local public entities, enterprises, and other such organizations formulate action plans regarding support for the development of the next generation. On the basis of this Act, efforts for supporting the development of the next generation are being made at local public entities, enterprises, and the like.

Furthermore, in order to further advance support for efforts like balancing work and childrearing, a bill to amend the Child Care and Family Care Leave Act was enacted in December 2004 and has been in effect since April 2005. The bill was formulated with contents such as expanding the workers subject to child care and family care leave, extending the period for child care leave, easing restrictions on acquiring family care leave multiple times, and establishing a system for nursing leave.

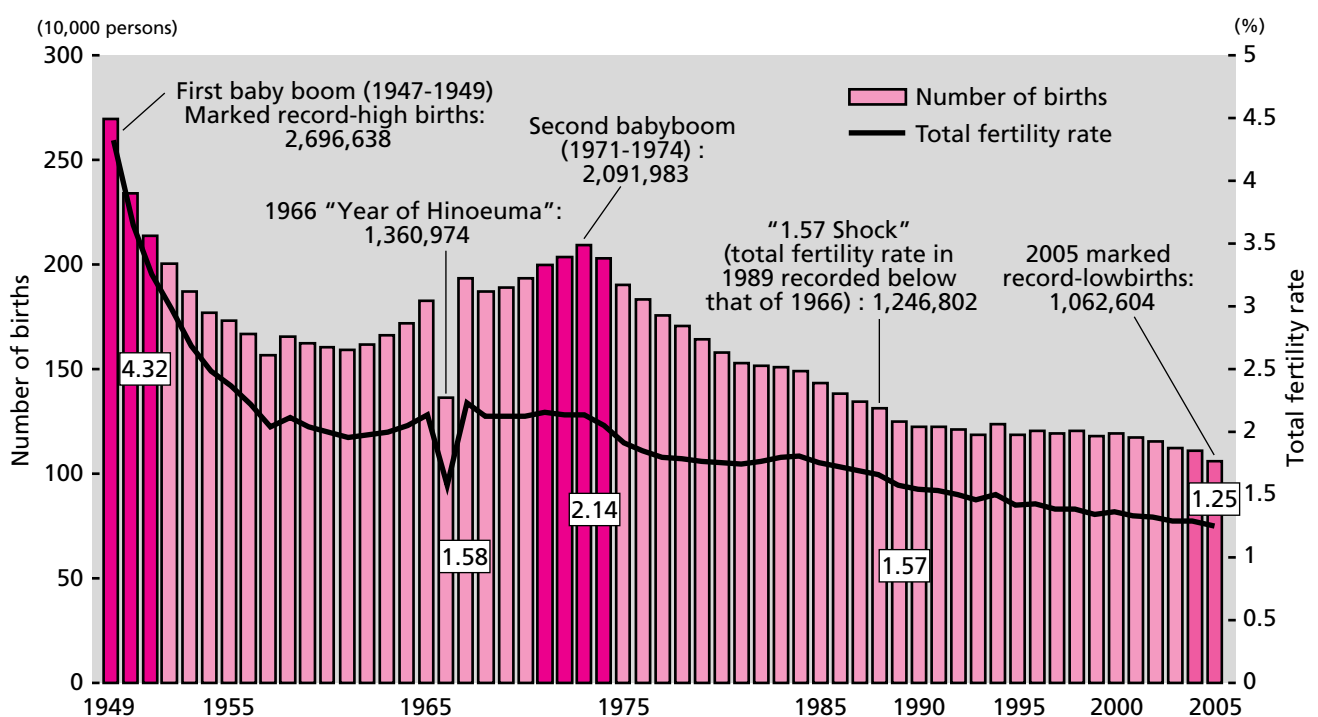
The MHLW is aiming for the attainment of a society in which everyone who so wishes can work with peace of mind while performing activities such as childrearing. In addition to thoroughly publicizing the Child Care and Family Care Leave Act, the MHLW is engaged in activities such as supporting the formulation and implementation of action plans by enterprises based on the Next Generation Act, implementing various subsidy measures for enterprises striving to support balancing work and family, and further popularizing and facilitating "family friendly enterprises" where one can engage in a flexible manner of working that gives consideration to balancing work and family. Through these, the Ministry is striving to create an environment in which it is easy to balance both work and family.

V-19 Aspects of the Society We Should Aim for in the Child and Child Rearing Support Plan (excerpt)

Item	Target Value	FY2005	FY2004
Percentage of men taking child care leave	10%	0.50%	0.56%
Percentage of women taking child care leave	80%	72.3%	70.6%
Diffusion rate of measures such as work hour reduction until the child starts attending primary school	25%	16.3%	10.5%

Note: The figure for FY2004 and FY2005 are based on the *Basic Survey on Employment for Women*, Ministry of Health, Labour and Welfare.

V-20 Annual Trend of Number of Births and Total Fertility Rate



Source: *Vital Statistics*, Ministry of Health, Labour and Welfare

Notes: 1) Total fertility rate is the total rate of women's fertility of each age between 15-49 and indicates the assumed number of children a woman of each categorized age will give birth in all her life.

2) "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.

1. Current Status of Part-time Workers

The number of part-time workers has been on a significant rise in these past few years. At 12.37 million, the figure for such part-time workers (those working for under 35 hours per week) reached as much as approximately a quarter of the total working population in 2004. With this increase in numbers, part-time workers have, over time, taken over such core responsibilities as management positions, and have come to become indispensable from the point of view of corporate management in their role as an important working force that supports the Japanese economy.

However, a look at the benefits provided to part-time employees shows that under present conditions there has been inadequate improvement of the employment management for this category, which is indicated by such facts as the trend of a widening gap in wages as compared to full-time employees.

Viewed from the perspective of the need for seeking out the necessary labour force within the scenario of a society that is faced with a declining population, it is expected that the significance of a part-time model of working, which makes is comfortable even for women or senior citizens to be employed, will continue to grow in leaps and bounds in the future as well. Taking this development into account, it has become a critical issue to position part-time work as an appealing model of employment that allows for an effective utilization of the abilities of part-time workers by removing unreasonable disparities in employment benefits as compared to full-time employees.

2. Current Measures for Part-time Workers

(1) Guidelines for part-time work

The government has set down the Guidelines for Part-time Work on the basis of the Part-Time Work Act with the objective of improving the employment benefits of part-time workers. The guidelines cite measures that ought to be undertaken by employers regarding part-time workers, such as approaching the idea of employment ben-

efits (equal compensation) while taking into account such factors as the actual work conditions and the balance with full-time employees, putting into place the conditions for changing the status to full-time employee, and implementing provisions for promoting dialogue between labor and management.

As part of a tangible approach towards balancing the benefits with full-time employees, the guidelines stipulate that employers should incorporate the following types of approaches: 1) With respect to the part-time workers who are involved in the same work as the full-time workers and for whom the system and practice of the utilization of human resources, etc. are not substantially different from those of full-time employees, measures—such as using the same decision-making method (e.g. using the same pay scale or aligning the standards for the issuing, appraisal or ability-rating of wages)—should be taken to secure balance with regular workers 2) With respect to the part-time workers who are involved in the same work as the full-time workers but for whom the system and practice of the utilization of human resources, etc. are different from those of full-time employees, efforts should be exerted to secure balance with regular workers by taking such steps as setting up a mechanism for compensating with benefits in accordance with their enthusiasm, ability, experience, performance, etc..

(2) Tangible Efforts by the Government towards Providing “Balanced Treatment”

The government has been undertaking a series of measures with the objective of spreading and instilling the idea of a “balanced treatment” of full-time and part-time workers as stipulated in the Guidelines for Part-time Work across the society so that the idea becomes true.

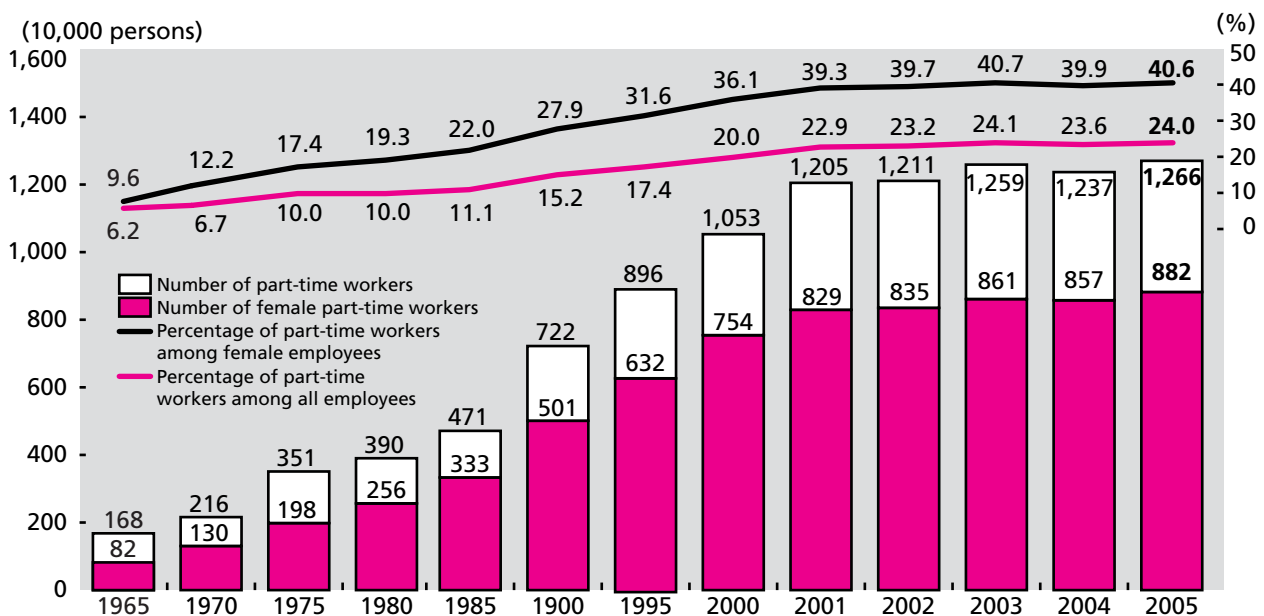
First, the Equal Employment Offices of the prefectural labour bureaus organize efforts such as 1) holding briefing sessions for employers with the

purpose of instilling the objectives of the Part-time Work Act and the Guidelines for Part-time Work and 2) recommending the appointment of “part time employment managers” for each workplace where the employers employ ten or more part-time workers for managing issues concerning obtaining the correct working conditions for part-time workers and for improving their employment management.

In addition to this, the government is also involved in such activities as 1) providing subsidies to employers that promote the improvement of benefits provided to part-time workers, 2) providing information and consulting sessions

through advisors, 3) supporting the review of the benefits system through such measures as the dispatch of personnel management experts (consultants on equal treatment practices) or the holding of conferences for employers and 4) an online “self-diagnosis” system where the employer can check for himself/herself whether it has made adequate efforts towards providing balanced treatment. These government efforts are made through the Japan Institute of Workers’ Evolution, a designated corporation found under the Part-time Work Act, in order to support employers who are undertaking efforts towards establishing balanced treatment.

V-21 Changes in the Number and Percentage of Part-time Workers (people who work less than 35 hours per week) in Industries besides Agriculture and Forestry



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

Notes: Excludes employees on leave.

Percentage of women among part-time workers 69.7%

Percentage of part-time workers among female employees 40.6%

Percentage of part-time workers among all employees 24.0%

The term “public vocational training,” in a narrow sense, refers to vocational training conducted at public human resources development facilities. However, more broadly, public vocational training includes the disbursement of subsidies to defray educational expenses, and is based on the following three policies:

- (1) Providing vocational training at public human resources development facilities (the narrow definition of public vocational training).
- (2) Encouraging employers and employer associations in the private sector to offer vocational training by awarding subsidies, disseminating information, and providing consulting services.
- (3) Motivating workers to acquire skills voluntarily by granting subsidies and providing informational and consulting services.

Table V-23 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.

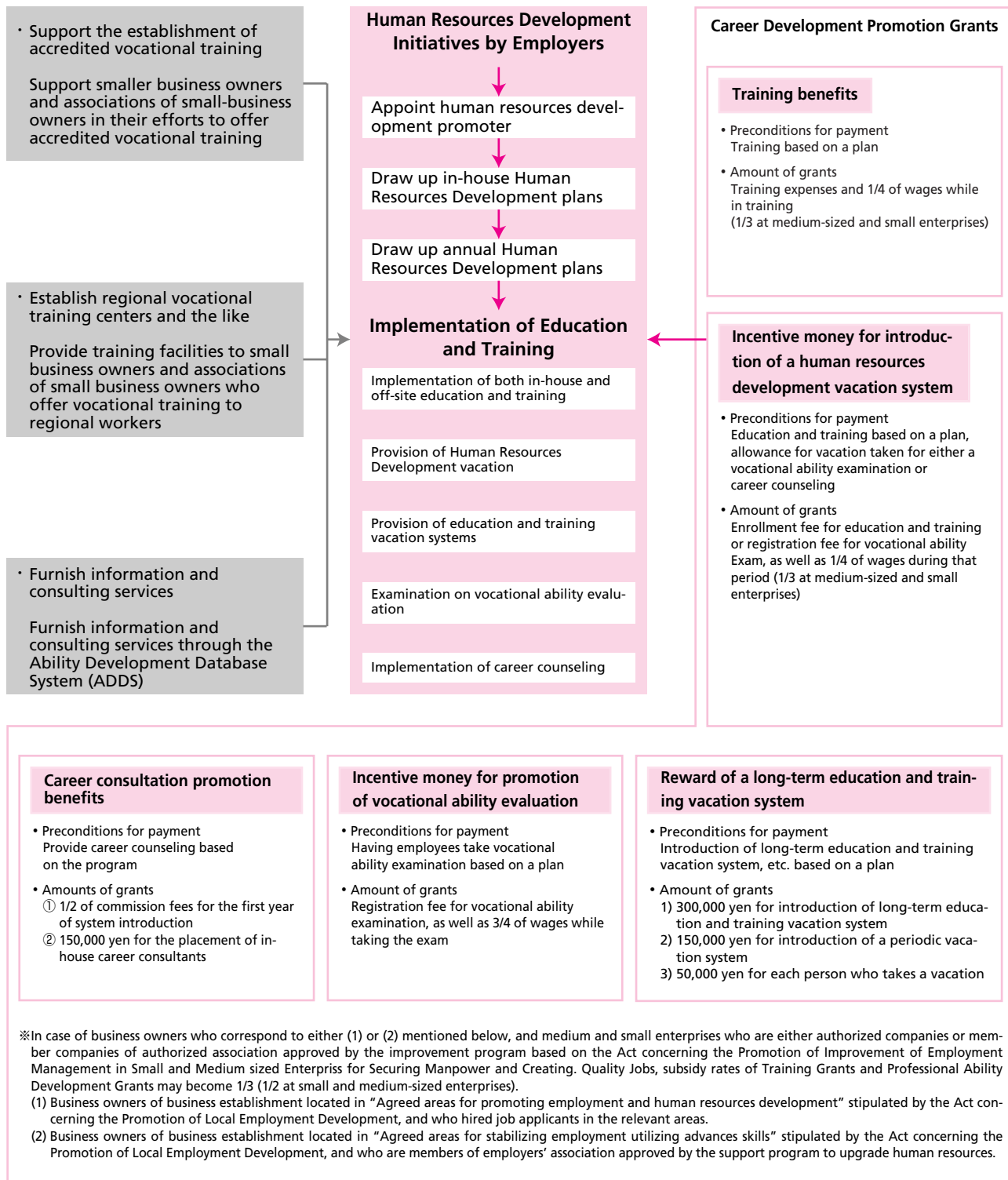
Furthermore, among the facilities illustrated in Table V-23 is the Lifelong Human Resources Development Center, which acts as a central base facility for the human resource development of white-collar workers.

Steps taken to promote education and training in the private sector are outlined in Figure V-22. Career development promotion grants appearing therein is intended to promote effective career development for employees within the organization. Employers will be subsidized to cover part of the wages and expenses associated with the conduction of educational and training activities they provide, based on a plan created within the business, for the workers employed there. The financial resources for Career development promotion grants come from a separate body established under the employment insurance umbrella and, being funds collected universally from business owners, shall be returned (again, universally) to Employers in the form of subsidies for education and training.

In terms of support for self-education, there is the Education and training grants system introduced in December 1998. This is for workers who have been enrolled in employment insurance for at least three years, and provides assistance to the amount of 40% of class expenses with a maximum of 200,000 yen (and in the case of an employment insurance period of at least three years and less than five years, assistance of 20% with a maximum of 100,000 yen) paid by workers who attended and completed education or training designated by the Minister of Health, Labour and Welfare.

As of October 2005, eligible courses numbered 8,807 at 2,552 facilities, and it has become possible to receive benefits for many courses, such as in computers and bookkeeping, as well as preparation for a variety of certifications. Furthermore, starting in April 2002, we are trying to launch the construction

V-22 Outline of Self-education and Training in the Private Sector



V-23 Status on Implementation of Public Vocational Training

1. Number of public human resource development facilities (As of 1 April 2005):	288
National (Employment and Human Resources Development Organization of Japan, EHRD):	73
Polytechnic University:	1
Prefectural facilities:	194
Municipal facilities:	1
Human Resources Development Centers for the Disabled	19

2. Status and Program of Implementation of Public Vocational Training

(Persons)

Type of training/provider	FY2003 result	FY2004 result	FY2005 plan
For unemployed workers	182,763	191,321	228,329
outsourced	100,609	128,088	153,854
EHRD	135,558	140,733	156,441
outsourced	75,245	94,380	114,946
Prefectural	47,205	50,588	71,888
outsourced	25,364	33,708	38,908
For employed workers	161,345	174,675	213,830
EHRD	95,464	113,217	123,800
Prefectural	65,881	61,458	90,030
For graduates from school	24,206	23,655	36,170
EHRD	7,490	7,599	6,980
Prefectural	16,716	16,056	29,190
Total	368,314	389,651	478,329
EHRD	238,512	261,549	287,221
Prefectural	129,802	128,102	191,108

Note: Figures in FY2004 results and FY2005 programs for commissioned trainings and for graduates respectively include the number of people receiving the Dual Program with outsourced Trainings and the Dual Program with Specialized/Regular Courses.

Short-term IT training (outsourced)	222,436	—	—
EHRD	207,257	—	—
Prefectural	15,179	—	—

(Persons)

Training for the disabled	FY2003 result	FY2004 result	FY2005 plan
For unemployed workers (in-house)	1,895	2,099	3,250
For unemployed workers (outsourced)	454	3,110	6,000
For employed workers	488	450	1,000
Total	2,837	5,659	10,250

Source: Ministry of Health, Labour and Welfare

of a new system for human resources training-Pushing ahead with Leading Efforts to Create a human resources superpower-with cooperation, etc. of industry, academia, and the government.

In addition, the Comprehensive Employment Measures were laid down in September 2001; the three main Programs are creation of employment opportunities by fostering the development of new markets and new industries, corrections in employment mismatches, and improvement of the employment safety net. On the development of professional ability, certain measures have already been put into effect. For example, the promotion of professional capacity development, making use of all educational and training resources such as private education and

training institutions, universities and graduate schools, business owners and non-profit organizations. Another measure is the placement at public employment security offices of advisors to support development of abilities. These advisors will do such things as provide consultation for job seekers on capacity development connected with the job search process, based on understanding their work experience and aptitude. Additionally, there will be placement of further advisors who clarify the abilities required to provide such services to job seekers as consultation support operations for the promotion of information disclosure on the required professional ability.

1 The Subject of Japan's Social Security System

Dwindling Birthrates and Aging Population

The social security system draws upon tax and social insurance for its revenue, and is a system that carries out social welfare programs to cope with the various risks in life faced by people such as those whose health has been damaged by illness or disability, and those who have been deprived of their source of income as a result of job loss or retirement. Japan's social security system is similar to those in Europe and the U.S. in that, to satisfy each stage of people's lives, it is composed of such elements as medical insurance, public health services, social welfare services, income maintenance, and employment measures (see VI-1). Of these, medical insurances, health care programs for the elderly, 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 the elderly, for the physically disabled, and for the poor as well as public health services are all public policies provided with funds drawn from taxes.

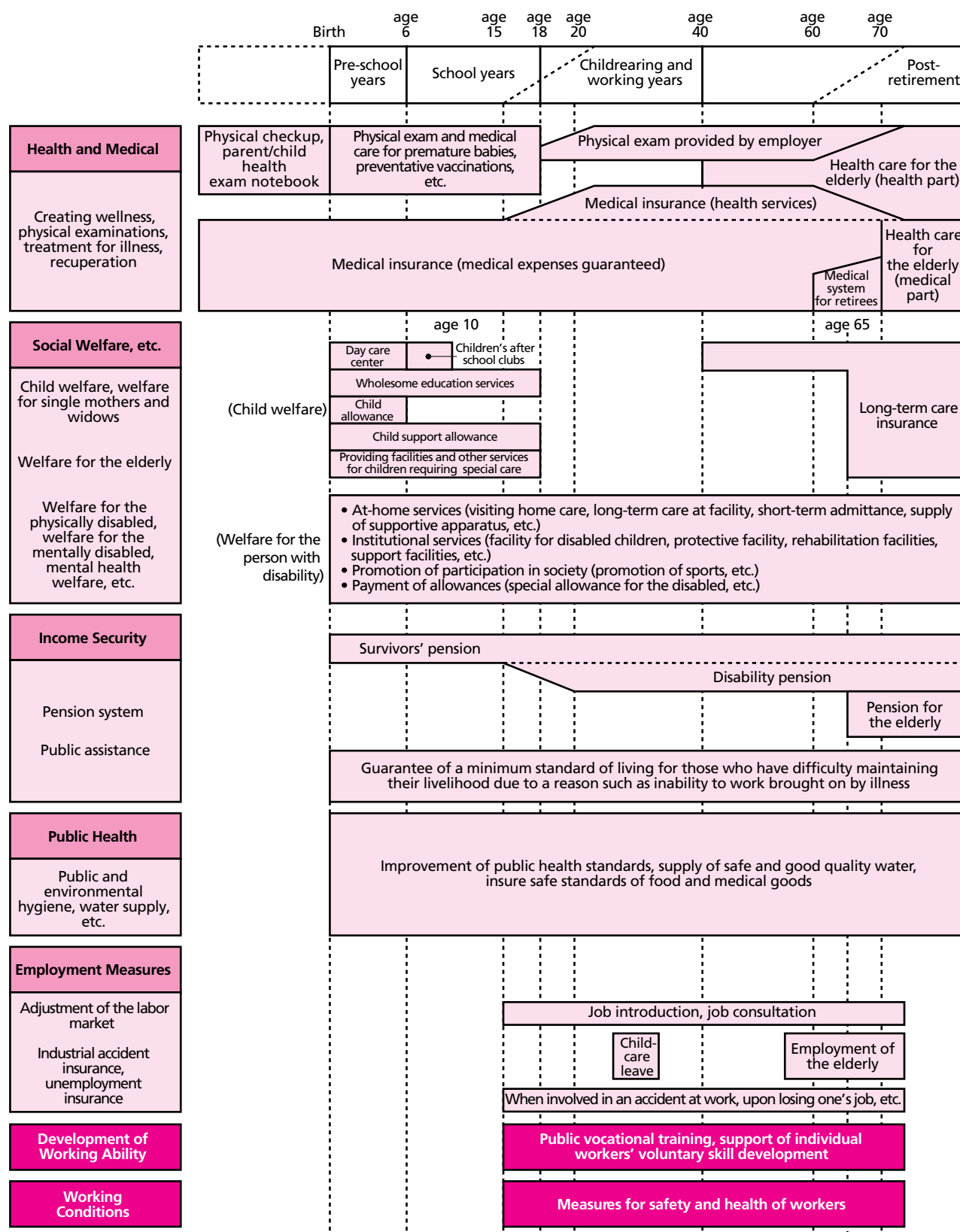
The Benefits and Cost Burden of Social Security

In order to make an international comparison on the trend of social security, the Organisation for Economic Co-operation and Development (OECD) is disclosing information on indices of social expenditure that includes pension funds, medical care and welfare for the poor, child allowance that gets transferred, social security benefits from expenditures on welfare services and expenditures such as expenses

for facility development that do not get transferred directly to individuals (OECD Social Expenditure Database 2001). Looking at the percentage of social expenditure occupying the national income, Japan's ratio is lower than European countries, but higher than the U.S. (see VI-2). In contrast, 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 VI-3). Japan's total fertility rate was 2.13 in 1970, which is close to the replacement-fertility level but lowered to 1.29 by 2003. Consequently, according to the 2005 National Census, the population growth rate of Japan's total population of 127.76 million was 0.7%, the worst growth rate since WWII, and the proportion of elderly persons (population aged 65 and over/total population $\times 100$) was 19.5%. The percentage of the elderly in the total population is forecast to increase into the future, reaching the 25% mark in 2014, so that one out of every four persons in Japan will be aged 65 or older (January 2002 Future Population Projection, National Institute of Population and Social Security Research).

Since the medical benefit per persons is approximately 5 times for the elderly compared to the generations still working, the progress of an aging society became a factor in the increase in social security benefits, as can be seen in Figure VI-4. Placing a premise for future movements in social security reforms and the trends in economic factors, the Advisory Council on Social Security released in 2005 an estimate regarding Japan's future social security benefits and cost burden (see VI-5). How to adjust such growth in the benefits and burden of social security and to cre-

VI-1 The Social Security System by Life Stage



Source: Annual Reports on Health, Labour and Welfare, Figure 3-1-1, 2001, Ministry of Health, Labour and Welfare

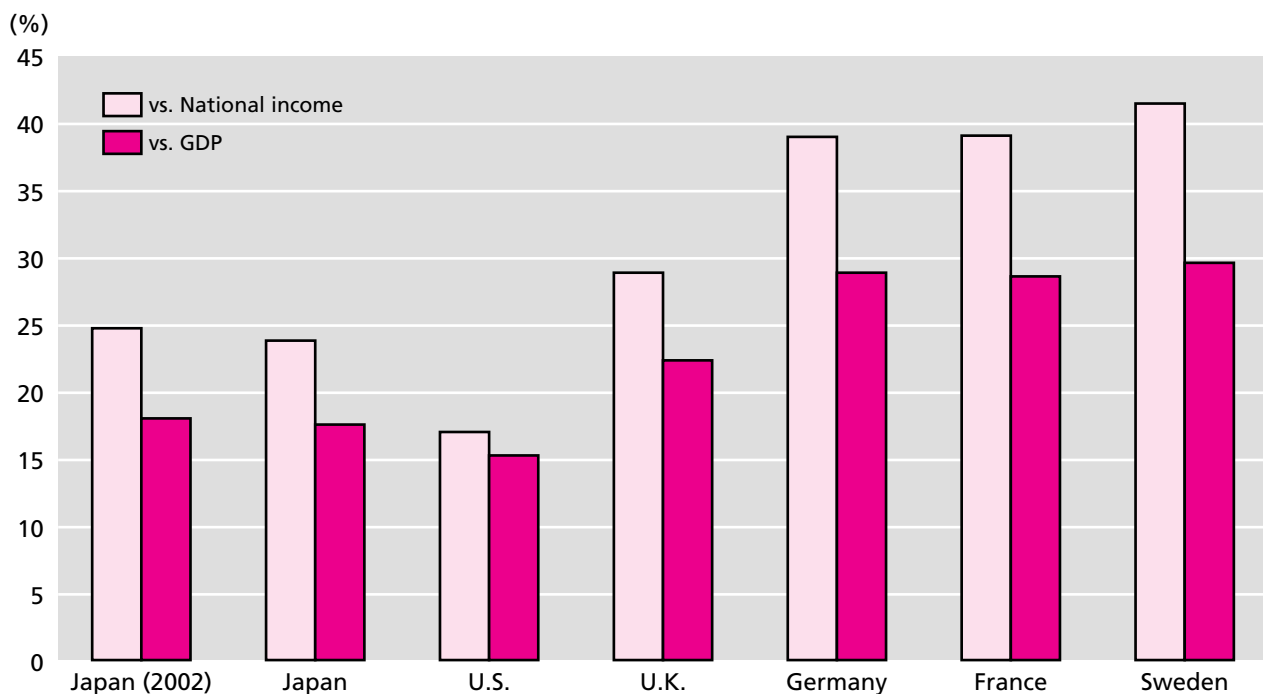
ate a sustainable social security system in the future when the working generations will decrease has become a challenge faced in Japan.

Social Security Cost Burden Based on the Increase in Income Difference and Burden Capacity

Looking at the trends in the Gini index, the index for measuring income inequality based on the Income Redistribution Survey, due to the increase in income disparity in the 1990s (see Gini index of initial income in VI-6), the need to increase income redistribution through social security in response to this has been heightening (see Redistribution Effects by Social Security in VI-6).

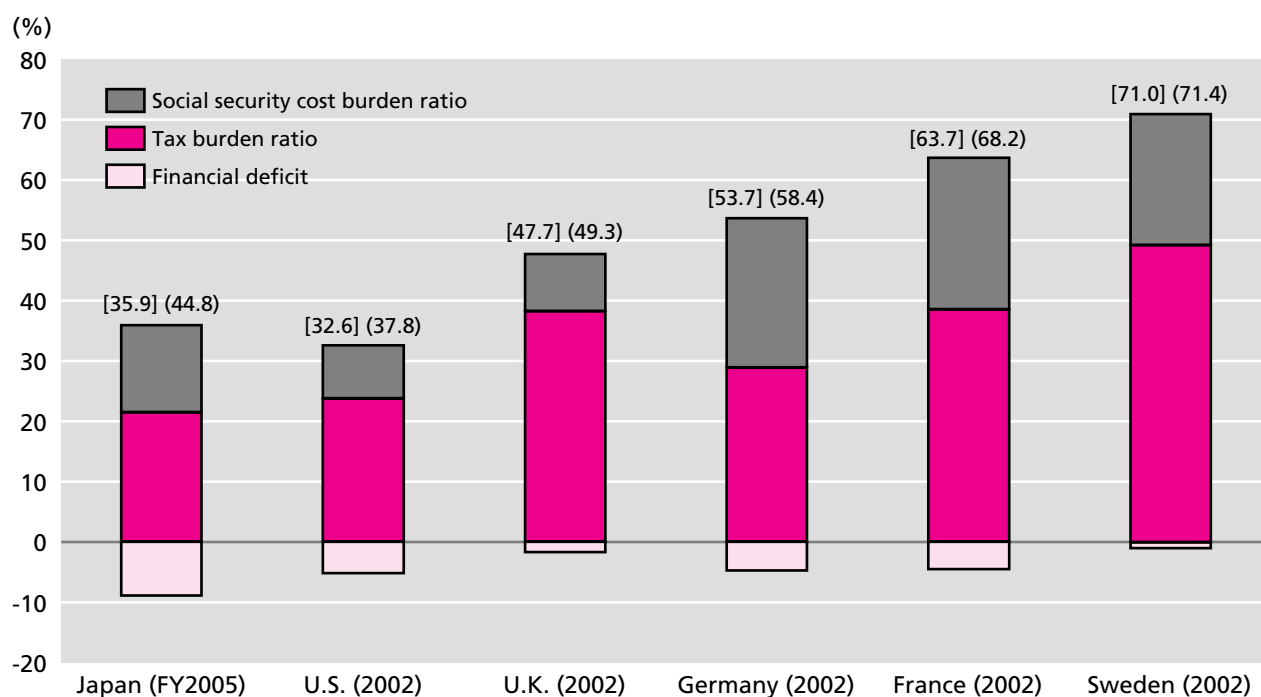
According to the OECD's international comparative study regarding income disparity, comparing the Gini index of the household equivalent disposable income, after-tax and social security (disposable) income (see VI-5), Japan's Gini index is larger than Western European countries, and smaller than the U.S. and U.K. Since there is a necessity to correct income disparity as the social security cost burden increases, the opinion report by the Advisory Council on Social Security (June 2003) points out that "there are disparities in income and property between each and every citizen, and a careful response based on such disparities is necessary," and "appropriate cost burdens should be even expected from elderly persons if they have income and property."

VI-2 Ratios of Social Expenditures Accounting for National Income and GDP



Sources: *The Cost of Social Security in Japan 2003 (Reference Figure 1 International Comparison of the Social Expenditures vs. National Income and the GDP Ratios (2001))*, National Institute of Population and Social Security Research, <http://www.ipss.go.jp/>

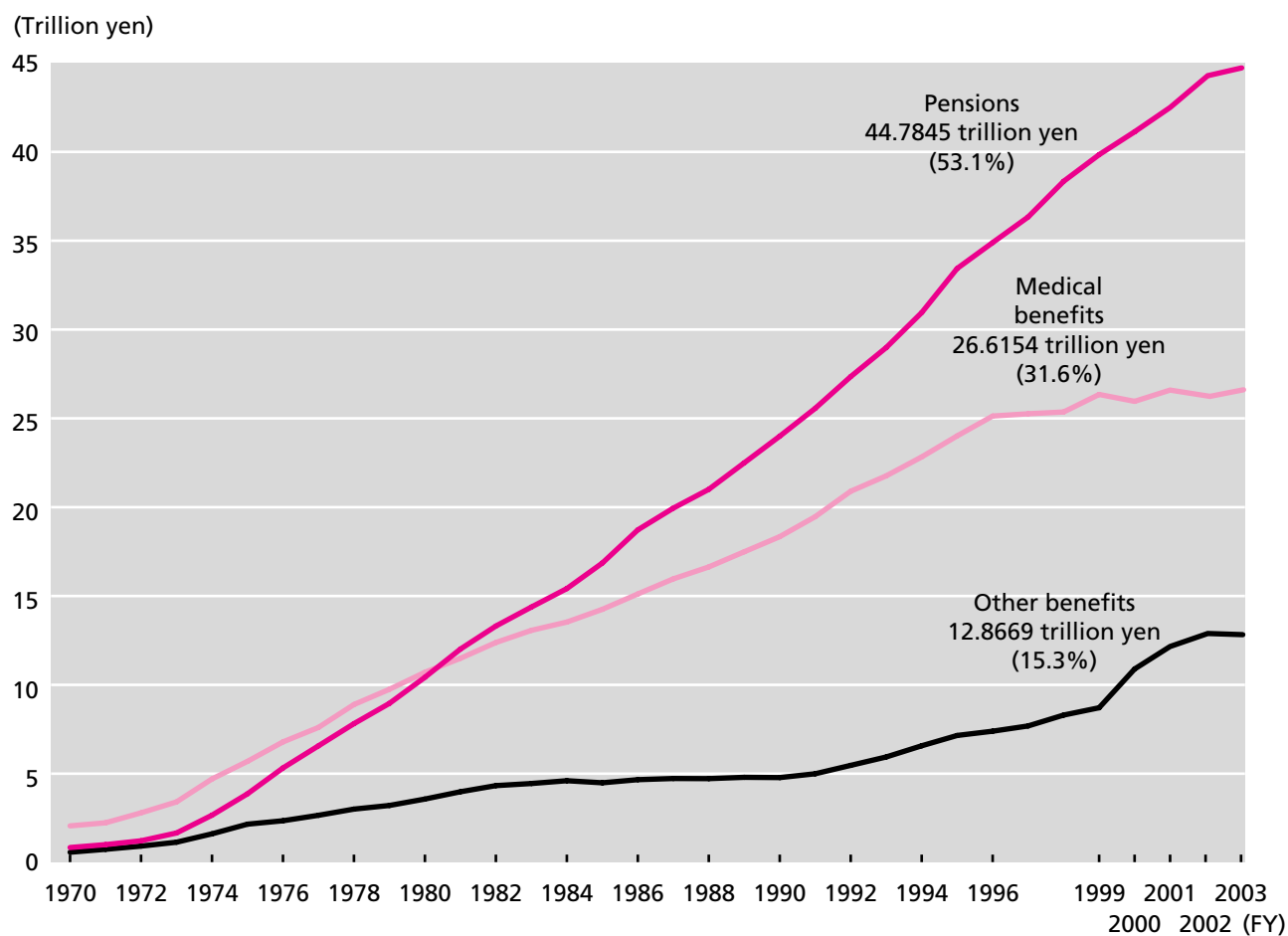
VI-3 International Comparison of the Breakdown of the National Burden Ratio



Source: Created from Data of Japan's National Tax System and the Overall Financial Status (National Burden Ratio of OECD Countries (including social insurance cost burden ratio; vs. national income)), October 2005, Ministry of Finance, <http://www.mof.go.jp/jouhou/syuzei/siry-ou/238.htm>

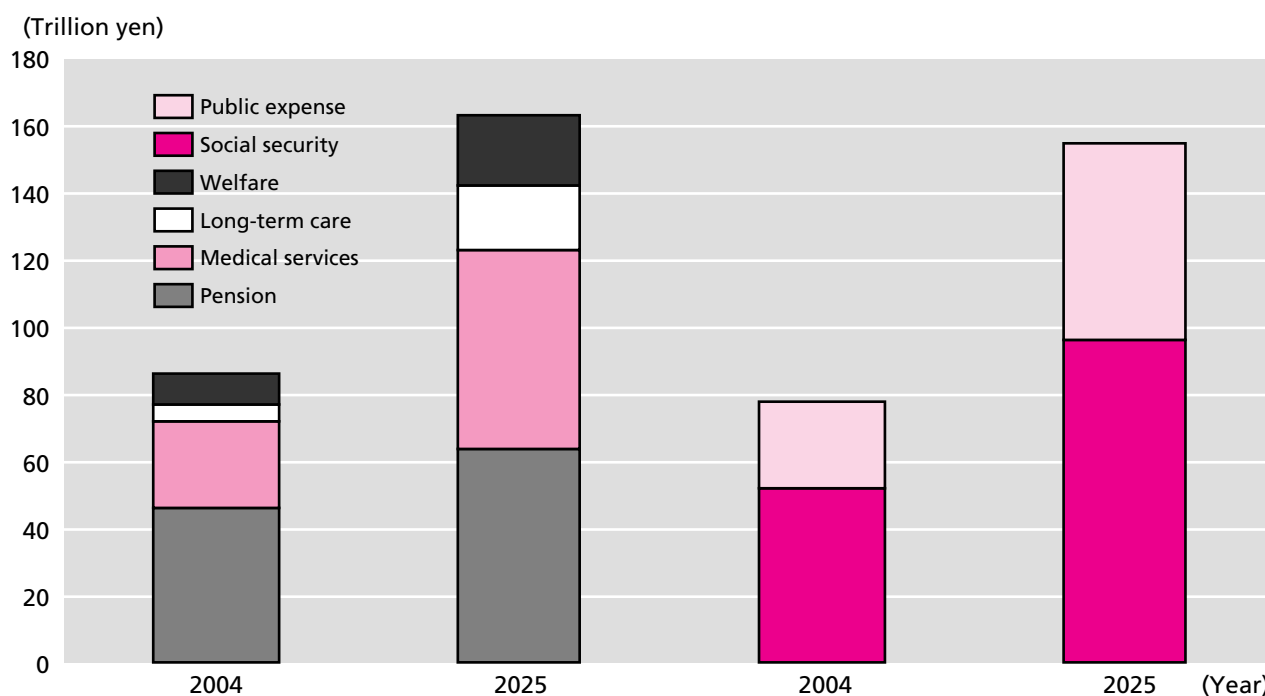
- Notes: 1) Figures in [] are the National Burden Ratio (Social security cost burden ratio + tax burden ratio, vs. national income ratio)
 2) Figures in () are the Potential National Burden Ratio including Financial Deficit (Social security cost burden + tax burden ratio + ratio of financial deficit, vs. national income ratio)
 3) Figures based on FY2005 budget for Japan, and the "Revenue Statistics 1965-2003" and "National Accounts 1991-2002," OECD, for other countries.
 4) The tax burden ratio is the total figure of national tax and regional tax. Income tax includes taxes on property income.
 5) Figures for financial deficits in Japan and the U.S. are based on general government deficit excluding social security funds, and other countries are based on general government deficit.
 6) Due to rounding off, there are instances where the sum of the count for each item does not match the total figure.
 7) Figures for elderly population ratio in Japan is based on the estimated figure of 2005 ("Population Projections for Japan: 2001-2050," estimated in January 2002, National Institute of Population and Social Security Research) and other countries are based on figures from 2000 ("World Population Prospects: The 2004 Revision Population Database," U.N.)
<http://www.ipss.go.jp/>

VI-4 Changes in Social Security Benefits by Category



Source: *Social Security Benefit Costs, 2001*, National Institute of Population and Social Security Research
<http://www.ipss.go.jp/>

VI-5 Outlook on Social Security Benefits and Cost Burden



Source: *Outlook on Social Security Benefits and Cost Burden*, estimated in May 2004, Counsellor for Social Security, Office of the Director-General of Policy Planning and Evaluation, Ministry of Health, Labour and Welfare

VI-6 Current Condition of Income Disparity and Redistribution Effects by Social Security (Gini Index)

	Initial income	Income after redistribution		Income after tax redistribution (Initial income - tax)		Income after social security redistribution (Initial income + benefit in kind + social security benefits - social insurance premium)	
	Gini index (A)	Gini index (B)	Improvement rate $\left(\frac{A-B}{A}\right)$	Gini index (C)	Improvement rate $\left(\frac{A-C}{A}\right)$	Gini index (D)	Improvement rate $\left(\frac{A-D}{A}\right)$
			%		%		%
1990	0.4334	0.3643	15.9	0.4207	2.9	0.3791	12.5
1993	0.4394	0.3645	17.0	0.4255	3.2	0.3812	13.2
1996	0.4412	0.3606	18.3	0.4338	1.7	0.3721	15.7
1999	0.4720	0.3814	19.2	0.4660	1.3	0.3912	17.1
2002	0.4983	0.3812	23.5	0.4941	0.8	0.3917	21.4

Sources: *Study Report on Income Redistribution*, Counsellor for Policy Evaluation, 2002, Office of the Director-General of Policy Planning and Evaluation, Ministry of Health, Labour and Welfare

Note: The benefit in kind before 1999 is only for medical care, while medical care, long-term care, and child care are included in 2002.

2 Pension System

All Japanese citizens are insured in the medical insurance and pension systems, which are run under the principle (insurance for all, pensions for all) that medical services or pension benefits be receivable upon becoming ill or reaching old age. Within Japan's pension system (see VI-7) is a basic pension; all citizens (persons aged 20 to 59) become members of this basic pension plan and receive pension benefits upon reaching the age for payment of benefits to begin (age 60 at present, age 65 for men from 2013, and age 65 for women from 2018). For salaried workers and government employees, respectively, there are employees' pensions and mutual aid pensions to provide pension benefits proportionate to salaries in addition to the basic pension.

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. The basic pension premiums for the self-employed are a fixed amount (13,300 yen per month in 2004). On the other hand, the pension premiums for salaried workers and government employees are covered equally by the labor and management, and is 13.58% of the total compensation combining the salaries and bonuses (in 2004).

There is a survivors' pension for the bereaved of the subscriber and beneficiary of the pensions system, and in case the subscriber has or become physically

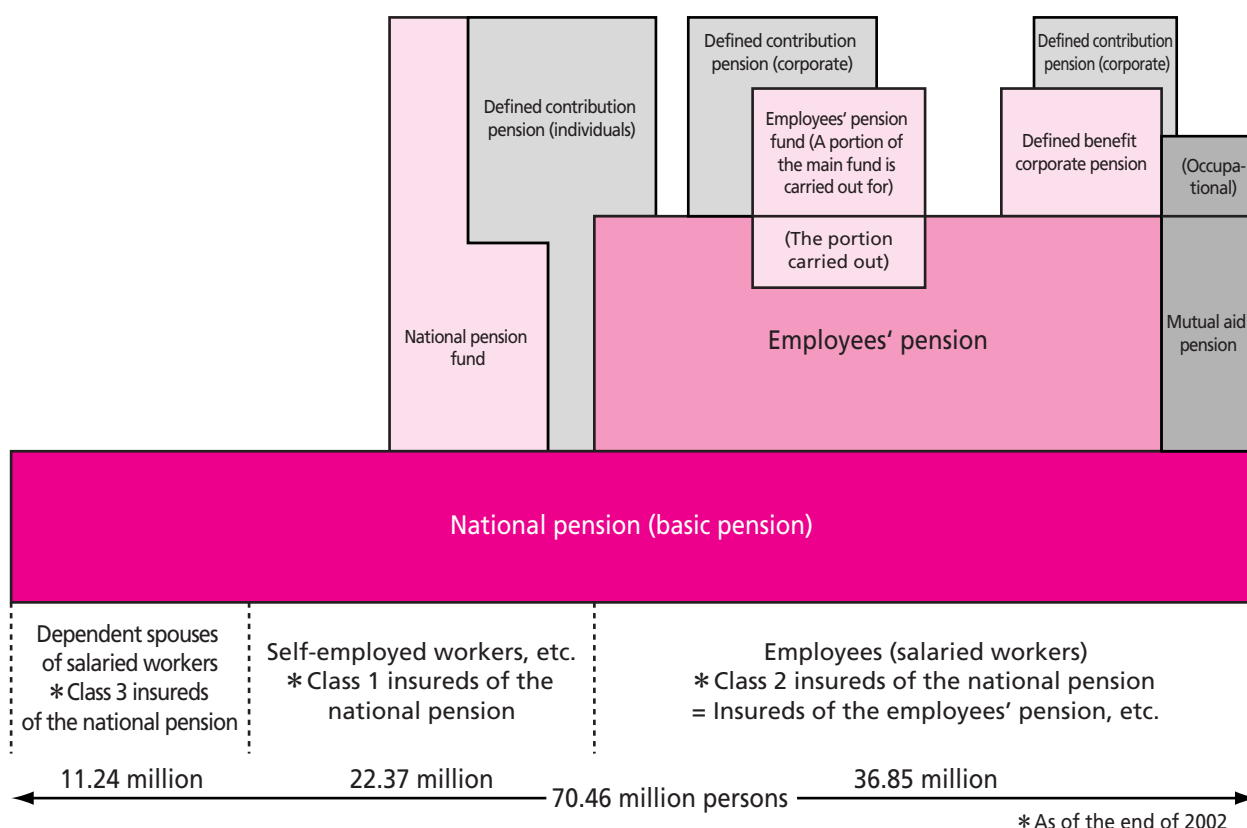
disabled, a disability pension is provided under specific conditions. The trends of the number of beneficiaries of the pension and the amount of benefits paid can be seen in Table VI-8. Due to the pension reform of FY2004, ever since October 2004 the benefits for the basic pension has been 65,075yen per month, and the amount of old-age pension of employees' pension was 230,700 yen when combining the married couples' basic pension and the husbands' earnings-related component.

For the corporate pension that compensates such public pensions, there has been the employees' pension fund and the tax-qualified pension targeting salaried workers. However, since there were problems in protecting vests and the portability of reserves, the defined benefit corporate pension and the defined contribution corporate pension were introduced in 2001 to solve such problems. Furthermore, there is the national pension fund as a pension supplementing the basic pension, for self-employed workers.

The characteristic of Japan's pension system relating to the labor market is the point that it cooperates with unemployment insurance. That is, for older workers between ages 60 and 64, elderly employment continuation benefits and elderly re-employment benefits are provided when wages fall below 85% of his or her wage around 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).

VI-7 The Pension System



Source: Revised Points of the Pension System Pension Bureau, 2004, Ministry of Health, Labour and Welfare

VI-8 Annual Trends of the Number of Public Pension Subscribers and the Number of Public Pension Beneficiaries

(1,000 persons)

FY	Insured persons					Number of Beneficiaries				
	Total	Basic pension (Self-employed workers, etc.: Class 1 insureds)	Basic pension (Full-time house wife: Class 3)	Employees' pension	Mutual aid association	Total	Basic pension	Basic pension by national pension before 1986	Employees' pension	Mutual aid association
1987	64,105	15,823	9,268	28,216	5,299	22,523	1,118	8,959	8,910	1,488
1990	66,313	17,579	11,956	31,493	5,285	25,001	1,905	9,096	10,647	964
1995	69,952	19,104	12,201	33,275	5,372	32,363	6,898	7,853	14,254	400
2000	70,491	21,537	11,531	32,192	5,231	40,906	13,070	6,234	13,070	137
2003	70,292	22,400	11,094	32,121	4,677	46,901	16,865	5,246	16,865	62

Source: Annual Reports on Health, Labour and Welfare-References, 2005, Ministry of Health, Labour and Welfare

Within Japan's medical insurance there is association-managed health insurance for employees (and their families) of workplaces of five or more workers, government-managed 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 VI-9, upper part). 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. Moreover, the health insurance association, government-managed health insurance association, and national health insurance have an elderly insurance system for elderly aged 65 or over requiring long-term care and for all elderly aged 70 or over. In this system (see VI-9, lower part), the medical cost burden borne by the elderly is mitigated by contributions from the respective insurance associations, according to the number of elderly subscribers to each system; the fewer the elderly subscribers, the greater the contributions.

As seen in Figure VI-3, although medical expenses increased in the 1990s, the increase has become modest in recent years (the ratio of national medical expenses to national income has been shifting between 8.0%-8.9% since 2003). However, a reform of high-cost medical care system is being discussed since the amount of contributions from the national health insurance and the health insurance association to the elderly insurance system has increased due to the aging society, and is making medical insurance financing difficult. Given such backgrounds, the elderly insurance system's self-pay ratio for general elderly persons became 10% starting October 2002, and that of high-income elderly persons were brought up to 20% in accordance with the guidelines for the outline of elderly medical care. Furthermore, in April

2003 the self-pay ratio of the health insurance targeting workers was raised from the 20% of medical benefits to the 30%, the same as in national health 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 elderly and other elderly 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, citizens aged 40 and older pay long-term care insurance premium. In return, persons 65 and older who need long-term care may receive specific long-term care services, such as the dispatch of a home helper, according to the assessment of committees established locally to approve the necessity of long-term care. While the insurance premiums and standards for approval of long-term care necessity are determined uniformly by the national government, the above-mentioned local committees do the approving based on these standards.

For the provision of long-term care services as benefits in kind, selection by the person requiring long-term care shall be regarded highly; services will be carried out by a provider chosen by the recipient of the care from a list of locally approved long-term care service providers (see VI-10). Users with certification of long-term care need are responsible for 10% of the care service expenses. However, there are limits to the amount for which the users are held responsible so that the burden does not become a significant amount, and for amounts exceeding this limit, the high long-term care service cost is provided by the municipalities, as their insurers.

The Long-term Care Insurance Act was revised in 2005 upon the introduction of the long-term care insurance system (2002) that stipulated to reconsider it 5 years later. With this, efforts were decided to be made in the framework of the long-term care insur-

VI-9 The Medical Insurance System

(As of April 2006)

Plan			Insurer (As of 31 March 2005)	Subscribers (As of 31 March 2005) and subscriber's dependents (Unit: 1,000 persons)	Insurance Benefits				Financial resources	
					Medical Benefits			Cash Benefits	Insurance premiums	Government subsidies
Health insurance	Ordinary employees	Government-managed	National government	35,616 18,931 16,686	30% with following exceptions Aged less than 3: 20%; 70 and over: 10% (20 % for those whose income exceeds certain level)	Maximum amount paid by the patient: (Low income persons) 35,400 yen (Average income persons) 72,300 yen + (medical costs – 241,000 yen) x 1 % (High income persons) 139,800 yen + (medical costs – 466,000 yen) x 1 %	(Standard amount paid by the patient)	• Sickness benefits • Lump-sum payment for childbirth, child care etc.	8.2%	13.0% of benefits (16.4% of benefits for the elderly)
		Association-managed	Health insurance associations 1,584	29,990 14,787 15,203		* Average income persons: 260 yen/day	Same as above (additional benefits)	—	Subsidies (Budgetary Aid)	
	Insured parties, as stipulated in Article 3, Par. 2, Health Insurance Law		National government	28 17 11		* Low income persons: 210 yen/day for 1-90 days	• Sickness benefits • Lump-sum payment for childbirth, child care etc.	Daily rate (Class 1) ¥150 Daily rate (Class 13) ¥3,010	13.0% of benefits (16.4% of benefits for the elderly)	
Seamen's insurance		National government	175 66 109	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: (Low income persons) 24,600 yen (Average income persons) 40,200 yen (High income persons) 77,700 yen		Same as above	9.1%	Subsidies		
Mutual aid insurance	National government employees	Mutual aid associations (21)	9,711 4,449 5,262	Burden reduction for patients with diseases requiring long-term high-cost medical care The amount that patients with hemophilia or with chronic kidney failure undergoing dialysis treatment, etc. need to bear is: 10,000 yen per month Those aged 70-74: same as elderly insurance		* Low income persons: 160 yen/day for 91 days and over	Same as above (additional benefits)	—	None	
	Local government employees	Mutual aid associations (54)				—				
	Private school instructors	Mutual aid associations (1)				—				
National health insurance	Farmers; the self-employed	Municipalities 2,531	51,579	Municipalities 47,609		Those aged 70-74: same as elderly insurance	Those aged 70-74: same as elderly insurance	• Lump-sum payment for childbirth, child care • Funeral Expenses etc. (conditional benefits)	Each household is assessed a fixed amount based on ability to pay Calculations vary somewhat according to insurer	43% of benefits
		Health insurance associations 166	32–55% of benefits							
	Retired workers eligible for employees' insurance benefits		Municipalities 2,531							Health insurance associations 3,970	None
Health and Medical Service Act for the Aged			[Administrator] Municipalities	As of the end of February 2005 14,532 Employees' insurance 2,676 National Health insurance 11,857	10% (20% for those whose income exceeds a certain level)	(Very low income among low income persons) 15,000 yen (Low income persons) 24,600 yen (Average income persons) 40,200 yen (Persons with income exceeding a certain income) 72,300 yen + (medical cost – 361,500 yen) x 1 % (In case of frequent reimbursement) (40,200 yen)	Outpatient care (per person) 8,000 yen 8,000 yen 12,000 yen 40,200 yen	Same as above Low income persons with exceptionally low income: 300 yen/day	[Bearer of expenses] • Insures 54% • Public 46% (Breakdown of public expenses) National : Prefectures : Municipals 4 : 1 : 1 (from October 2005 to end of September 2006)	

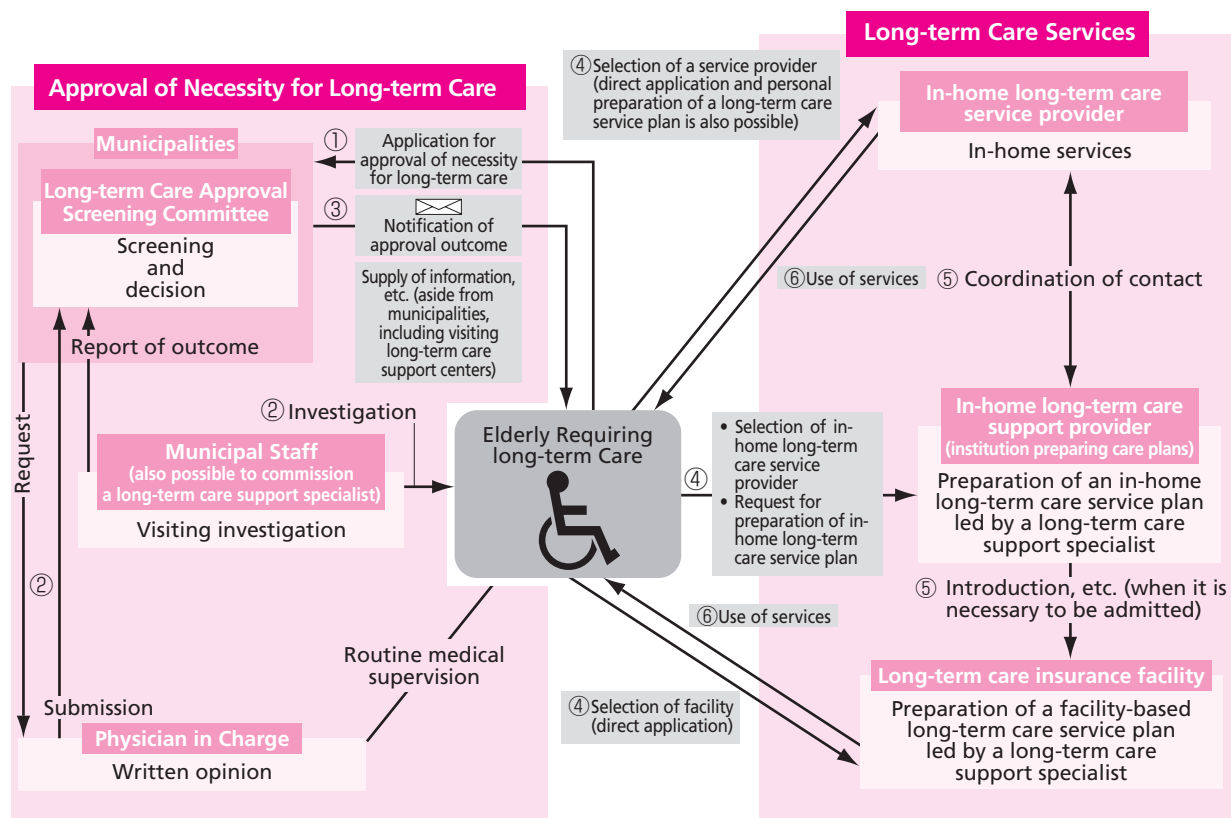
Sources: Annual Reports on Health, Labour and Welfare, 2006, Ministry of Health, Labour and Welfare

- Notes: 1) Persons eligible for health and medical care services for the Aged are the subscribers of any health care insurance aged 75 or older (persons who turned 70 on or before 30 September 2002 are also included as exceptions) as well as those aged 65-74 who are bedridden.
- 2) The proportion of government subsidy provided to the subscribers and their families through the national health insurance association will be the same as that of government-managed health insurance if they have obtained approval for health insurance eligibility exemption and re-subscribed anew on 1 September 1997 onwards.
- 3) Low income person means those who fall under the household exempted of municipal tax.
- 4) Figures for association-managed health insurance, mutual aid insurance, national health insurance, and Health and Medical Service for Aged are preliminary figures.

ance to prevent a condition where care is necessary, to establish comprehensive regional support centers to provide community based service, and to strengthen the coordination between medical and nursing cares. The number of insured persons of the long-term care insurance as of the end of FY2002 was

42.65 million for those aged 40 to 64, and 28.63 million for those aged 65 and above. As of the end of FY2002, the number of recipients of long-term care (support) services at home was 2.32 million, and that of long-term care services at institutions was 750,000 persons.

VI-10 Long-term Care Insurance: Approval of the Necessity for Long-term Care and Method of Using Services



Source: Annual Reports on Health and Welfare, 1999, Ministry of Health and Welfare

Appendix (International Comparisons)

Appendix 1 Population, Labor Force and Labor Force Participation Rate by Gender and Age

(1,000 persons, %)

JAPAN (2004) (15+)									
Age group	Total			Men			Women		
	Total population	Active population	Activity rate	Total population	Active population	Activity rate	Total population	Active population	Activity rate
Total	127670	66420	52	62290	39050	62.7	65380	27370	41.9
Total (15+)	109910	66410	60.4	53190	39030	73.4	56740	27360	48.2
0-14	17770	.	.	9110	.	.	8660	.	.
15-19	6820	1110	16.3	3500	570	16.3	3320	540	16.3
20-24	7750	5330	68.8	3970	2720	68.5	3790	2610	68.9
25-29	8840	7450	84.3	4500	4230	94	4340	3210	74
30-34	9790	7760	79.3	4940	4770	96.6	4850	2980	61.4
35-39	8620	6870	79.7	4340	4200	96.8	4280	2670	62.4
40-44	7880	6600	83.8	3960	3850	97.2	3920	2760	70.4
45-49	7870	6680	84.9	3940	3820	97	3920	2860	73
50-54	9440	7740	82	4700	4500	95.7	4740	3240	68.4
55-59	9530	7270	76.3	4710	4390	93.2	4830	2880	59.6
60-64	8590	4700	54.7	4160	2940	70.7	4430	1760	39.7
65-69	7360	2530	34.4	3490	1590	45.6	3870	930	24
70-74	6440	1380	21.4	2940	860	29.3	3500	520	14.9
75+	10980	990	9	4040	590	14.6	6950	400	5.8

UNITED STATES (2004) (16+)									
Age group	Total			Men			Women		
	Total population	Active population	Activity rate	Total population	Active population	Activity rate	Total population	Active population	Activity rate
Total	... 147401	.	.	... 78979	.	.	... 68422	.	.
16-19	16222	7114	43.9	8234	3616	43.9	7989	3498	43.8
20-24	20197	15154	75	10125	8057	79.6	10072	7097	70.5
25-29	18985	15569	82	9478	8618	90.9	9506	6952	73.1
30-34	19954	16638	83.4	9879	9180	92.9	10075	7457	74
35-39	20573	17169	83.5	10135	9397	92.7	10438	7772	74.5
40-44	22653	18989	83.8	11121	10142	91.2	11532	8847	76.7
45-49	21886	18310	83.7	10729	9581	89.3	11158	8729	78.2
50-54	19359	15448	79.8	9432	8054	85.4	9927	7394	74.5
55-59	16327	11603	71.1	7916	6139	77.6	8411	5463	65
60-64	12592	6410	50.9	5978	3408	57	6614	3002	45.4
65-69	9800	2710	27.7	4573	1490	32.6	5227	1220	23.3
70-74	8381	1280	15.3	3721	721	19.4	4660	560	12
75+	16429	1007	6.1	6391	576	9	10038	431	4.3

UNITED KINGDOM (2004) (16+)									
Age group	Total			Men			Women		
	Total population	Active population	Activity rate	Total population	Active population	Activity rate	Total population	Active population	Activity rate
Total	58494.701	29369.392	50.2	28513.074	15825.883	55.5	29981.627	13543.509	45.2
0-9	6966.131	.	.	3566.643	.	.	3399.488	.	.
10-15	4637.682	.	.	2373.708	.	.	2263.974	.	.
16-19	3044.802	1770.291	58.1	1550.865	912.422	58.8	1493.937	857.869	57.4
20-24	3612.643	2718.980	75.3	1785.374	1431.443	80.2	1827.269	1287.537	70.5
25-34	7744.095	6445.519	83.2	3770.657	3465.030	91.9	3973.438	2980.489	75.0
35-49	12891.802	10937.798	84.8	6342.076	5817.720	91.7	6549.726	5120.078	78.2
50+	19597.546	7496.804	38.3	9123.751	4199.268	46.0	10473.795	3297.536	31.5

GERMANY (2004) (15+)									
Age group	Total			Men			Women		
	Total population	Active population	Activity rate	Total population	Active population	Activity rate	Total population	Active population	Activity rate
Total	82491.000	40047.000	48.5	40330.000	22232.000	55.1	42161.000	17814.000	42.3
Total (15+)	70667.000	40048.000	56.7	34267.000	22232.000	64.9	36402.000	17814.000	48.9
0-9	7497.000	.	.	3848.000	.	.	3648.000	.	.
10-14	4327.000	.	.	2216.000	.	.	2111.000	.	.
15-19	4695.000	1347.000	28.7	2410.000	776.000	32.2	2285.000	571.000	25.0
20-24	4715.000	3253.000	69.0	2416.000	1764.000	73.0	2300.000	1489.000	64.7
25-29	4448.000	3535.000	79.5	2261.000	1932.000	85.4	2186.000	1603.000	73.3
30-34	5226.000	4484.000	85.8	2653.000	2508.000	94.5	2573.000	1976.000	76.8
35-39	6697.000	5872.000	87.7	3407.000	3268.000	95.9	3290.000	2604.000	79.1
40-44	6852.000	6098.000	89.0	3498.000	3338.000	95.4	3355.000	2760.000	82.3
45-49	6025.000	5309.000	88.1	3038.000	2864.000	94.3	2987.000	2445.000	81.9
50-54	5671.000	4722.000	83.3	2807.000	2533.000	90.2	2864.000	2188.000	76.4
55-59	4680.000	3327.000	71.1	2356.000	1892.000	80.3	2324.000	1434.000	61.7
60-64	5762.000	1647.000	28.6	2842.000	1071.000	37.7	2920.000	576.000	19.7
65-69	5437.000	304.000	5.6	2609.000	188.000	7.2	2828.000	117.000	4.1
70-74	3761.000	95.000	2.5	1708.000	63.000	3.7	2054.000	31.000	1.5
75+	6698.000	55.000	0.8	2262.000	35.000	1.5	4436.000	20.000	0.5

FRANCE (2004) (15+)									
Age group	Total			Men			Women		
	Total population	Active population	Activity rate	Total population	Active population	Activity rate	Total population	Active population	Activity rate
Total	... 27447.400	.	.	... 14771.100	.	.	... 12676.300	.	.
Total (15+)	49584.900	27447.400	55.4	23811.000	14771.100	62.0	25774.000	12676.300	49.2
15-19	3904.500	452.700	11.6	1991.800	288.000	14.5	1912.700	164.700	8.6
20-24	3940.800	2225.400	56.5	1992.300	1218.700	61.2	1948.500	1006.600	51.7
25-29	3741.000	3156.300	84.4	1878.300	1704.500	90.7	1862.700	1451.800	77.9
30-34	4274.400	3735.800	87.4	2142.000	2042.300	95.3	2132.400	1693.500	79.4
35-39	4305.100	3804.600	88.4	2140.900	2045.000	95.5	2164.200	1759.600	81.3
40-44	4351.100	3891.200	89.4	2147.000	2045.000	95.2	2204.100	1846.300	83.8
45-49	4213.400	3705.400	87.9	2068.100	1948.600	94.2	2145.400	1756.900	81.9
50-54	4156.600	3481.400	83.8	2047.300	1858.100	90.8	2109.300	1623.300	77.0
55-59	3879.800	2400.400	61.9	1920.800	1299.500	67.7	1959.000	1100.900	56.2
60-64	2666.900	468.800	17.6	1306.300	247.900	19.0	1360.500	220.800	16.2
65-69	2583.700	85.100	3.3	1213.900	50.300	4.1	1369.800	34.900	2.5
70-74	2527.600	24.700	1.0	1119.800	15.200	1.4	1407.800	9.400	0.7
75+	5040.000	15.600	0.3	1842.500	8.000	0.4	3197.600	7.600	0.2

ITALY (2003) (15+)									
Age group	Total			Men			Women		
	Total population	Active population	Activity rate	Total population	Active population	Activity rate	Total population	Active population	Activity rate
Total	57478.000	24229.000	42.2	27952.000	14765.000	52.8	29525.000	9465.000	32.1
Total (15+)	49207.000	24229.000	49.2	23697.000	14764.000	62.3	25513.000	9465.000	37.1
0-9	5414.000	.	.	2780.000	.	.	2634.000	.	.
10-14	2856.000	.	.	1476.000	.	.	1379.000	.	.
15-19	3006.000	446.000	14.8	1540.000	273.000	17.7	1466.000	173.000	11.8
20-24	3466.000	1836.000	53.0	1751.000	1059.000	60.5	1716.000	777.000	45.3
25-29	4321.000	3170.000	73.4	2177.000	1793.000	82.4	2144.000	1377.000	64.2
30-34	4665.000	3716.000	79.7	2357.000	2197.000	93.2	2308.000	1519.000	65.8
35-39	4709.000	3796.000	80.6	2378.000	2276.000	95.7	2332.000	1520.000	65.2
40-44	4132.000	3260.000	78.9	2075.000	1989.000	95.9	2057.000	1271.000	61.8
45-49	3777.000	2886.000	76.4	1884.000	1784.000	94.7	1893.000	1102.000	58.2
50-54	3915.000	2634.000	67.3	1941.000	1679.000	86.5	1974.000	955.000	48.4
55-59	3319.000	1420.000	42.8	1625.000	931.000	57.3	1694.000	489.000	28.9
60-64	3461.000	712.000	20.6	1661.000	527.000	31.7	1801.000	185.000	10.3
65-69	3072.000	207.000	6.7	1425.000	156.000	10.9	1647.000	51.000	3.1
70-74	2776.000	84.000	3.0	1215.000	61.000	5.0	1561.000	23.000	1.5
75+	4588.000	62.000	1.4	1668.000	39.000	2.3	2920.000	23.000	0.8

(1,000 persons, %)

REPUBLIC OF KOREA (2004) (15+)									
Age group	Total			Men			Women		
	Total population	Active population	Activity rate	Total population	Active population	Activity rate	Total population	Active population	Activity rate
Total	...	23417.000	.	...	13727.400	.	...	9689.600	.
Total (15+)	37716.900	23417.200	62.1	18311.700	13727.300	75.0	19405.200	9689.500	49.9
15-19	3070.300	300.500	9.8	1582.000	135.400	8.6	1488.300	165.100	11.1
20-24	3277.700	1911.300	58.3	1374.500	716.300	52.1	1903.200	1194.900	62.8
25-29	3792.600	2778.200	73.3	1926.300	1586.400	82.4	1866.300	1191.800	63.9
30-34	4363.200	3163.000	72.5	2213.700	2079.800	94.0	2149.500	1083.200	50.4
35-39	4150.400	3214.400	77.4	2119.700	2018.900	95.2	2030.700	1195.500	58.9
40-44	4253.800	3417.400	80.3	2146.500	2036.700	94.9	2107.300	1380.700	65.5
45-49	3774.900	2936.000	77.8	1902.500	1761.900	92.6	1872.400	1174.000	62.7
50-54	2700.500	1969.500	72.9	1355.900	1213.800	89.5	1344.600	755.700	56.2
55-59	2215.100	1442.700	65.1	1105.800	893.600	80.8	1109.300	549.000	49.5
60-64	1924.000	1032.400	53.7	913.700	593.500	65.0	1010.300	438.800	43.4
65-69	1734.800	735.800	42.4	773.800	416.400	53.8	961.000	319.400	33.2
70-74	1155.600	336.800	29.1	479.300	182.600	38.1	676.300	154.200	22.8
75+	1304.000	179.200	13.7	418.000	92.000	22.0	886.000	87.200	9.8

SINGAPORE (2003) (15+)									
Age group	Total			Men			Women		
	Total population	Active population	Activity rate	Total population	Active population	Activity rate	Total population	Active population	Activity rate
Total	...	2150.000	.	...	1188.000	.	...	962.000	.
Total (15+)	...	2152.000	.	...	1189.000	.	...	963.000	.
15-19	...	36.000	.	...	18.000	.	...	18.000	.
20-24	...	217.000	.	...	87.000	.	...	130.000	.
25-29	...	297.000	.	...	132.000	.	...	165.000	.
30-34	...	313.000	.	...	159.000	.	...	154.000	.
35-39	...	304.000	.	...	173.000	.	...	131.000	.
40-44	...	301.000	.	...	180.000	.	...	121.000	.
45-49	...	267.000	.	...	164.000	.	...	103.000	.
50-54	...	211.000	.	...	132.000	.	...	79.000	.
55-59	...	116.000	.	...	79.000	.	...	37.000	.
60-64	...	54.000	.	...	38.000	.	...	16.000	.
65-69	...	23.000	.	...	17.000	.	...	6.000	.
70-74	...	9.000	.	...	7.000	.	...	2.000	.
75+	...	4.000	.	...	3.000	.	...	1.000	.

THAILAND (2004) (15+)									
Age group	Total			Men			Women		
	Total population	Active population	Activity rate	Total population	Active population	Activity rate	Total population	Active population	Activity rate
Total	65197.400	36291.200	55.7	32474.900	20040.100	61.7	32722.500	16251.100	49.7
Total (15+)	49447.700	36291.200	73.4	24497.200	20040.100	81.8	24950.500	16251.100	65.1
0-14	15749.700	.	.	7977.700	.	.	7772.000	.	.
15-19	5518.100	1733.300	31.4	2794.000	1040.200	37.2	2724.100	693.100	25.4
20-24	5753.000	4151.700	72.2	2918.700	2330.300	79.8	2834.300	1821.400	64.3
25-29	5796.700	5093.200	87.9	2949.000	2816.600	95.5	2847.700	2276.600	79.9
30-34	5572.900	5046.700	90.6	2838.600	2742.500	96.6	2734.300	2304.200	84.3
35-39	5171.000	4716.300	91.2	2599.800	2526.200	97.2	2571.200	2190.100	85.2
40-49	8992.800	8035.500	89.4	4443.300	4296.400	96.7	4549.500	3739.100	82.2
50-59	6195.100	4998.100	80.7	3008.500	2756.700	91.6	3186.600	2241.400	70.3
60+	6448.100	2516.400	39.0	2945.300	1531.200	52.0	3502.800	985.200	28.1

Source: LABORSTA, ILO

Appendix 2 Ratio of Part-time Workers to Number of Employed

(%)

Country		1980	1985	1990	1995	2001	2002	2003	2004
JAPAN	Total	15.7	16.6	19.2	20.1	24.9	25.1	26.0	25.5
	Men	7.5	7.8	9.5	10.0	13.7	14.0	14.7	14.2
	Women	28.6	30.0	33.4	34.9	41.0	41.2	42.2	41.7
UNITED STATES OF AMERICA	Total	14.2	14.4	13.8	14.1	13.4	13.3	12.8	13.0
	Men	8.1	8.4	8.3	8.4	8.0	8.0	8.0	8.1
	Women	21.9	21.5	20.0	20.3	18.0	18.5	18.8	18.8
CANADA	Total	14.4	17.0	17.0	18.6	18.1	18.8	18.9	18.5
	Men	6.8	8.8	9.1	10.6	10.5	11.0	11.1	10.9
	Women	25.9	28.2	26.8	28.2	27.0	27.7	27.9	27.2
UNITED KINGDOM	Total		19.7		22.3	22.7	23.0	23.3	24.1
	Men		4.3	5.3	7.3	8.3	8.9	9.6	10.0
	Women		41.1		40.7	40.3	40.1	40.1	40.4
GERMANY	Total		11.0	13.4	14.2	18.3	18.8	19.6	20.1
	Men		1.7	2.3	3.4	5.1	5.5	5.9	6.3
	Women		25.4	29.8	29.1	35.0	35.3	36.3	37.0
FRANCE	Total		11.2	12.2	14.2	13.8	13.7	12.9	13.4
	Men		4.3	4.4	5.6	5.1	5.2	4.7	4.8
	Women		20.3	21.7	24.3	24.4	24.1	22.7	23.6
ITALY	Total		7.5	8.8	10.5	12.2	11.9	12.0	14.9
	Men		3.5	3.9	4.8	5.4	4.9	4.9	5.9
	Women		16.0	18.2	21.1	23.7	23.5	23.6	28.8
SWEDEN	Total			14.5	15.1	13.9	13.8	14.1	14.4
	Men			5.3	6.8	7.3	7.5	7.9	8.5
	Women			24.5	24.1	21.0	20.6	20.6	20.8
REPUBLIC OF KOREA	Total			4.5	4.4	7.3	7.6	7.7	8.4
	Men			3.1	2.9	5.2	5.4	5.3	5.9
	Women			6.5	6.7	10.4	10.6	11.2	11.9
AUSTRALIA	Total	18.1	20.4	22.6	25.0	27.2	27.5	27.9	27.1
	Men	8.3	10.1	11.3	13.5	15.8	16.3	16.5	16.1
	Women	34.9	36.9	38.5	40.2	41.7	41.4	42.2	40.8

Source: Labour Force Statistics, OECD

The figures from 2001 to 2004 are based on OECD Employment Outlook 2005

Notes: "Part-time workers" refers to those who usually work less than 30 hours per week in their main job. However, figures for Australia are based on actual working hours. Figures for Japan are for those who have less than 35 actual working hours per week. Figures for the United States of America are for wage and salaried workers.

Appendix 3 Unemployment Rate (official release)

(%)

Country	1985	1990	1995	2002	2003	2004
JAPAN	2.6	2.1	3.2	5.4	5.3	4.7
UNITED STATES OF AMERICA ²⁾	7.2	5.6	5.6	5.8	6.0	5.5
CANADA ¹¹⁾	10.5	8.1	9.5	7.7	7.6	7.2
UNITED KINGDOM ^{2), 4)}	—	6.9	8.8	5.1	4.8	4.6
GERMANY ^{1), 4)}	8.2	6.4	10.1	8.7	10.03	11.04
FRANCE ⁴⁾	10.2	8.9	11.4	8.9	9.72	9.9
ITALY	10.3	11.0	11.3	9.0	8.7	—
SWEDEN ^{2), 3)}	2.8	1.6	7.7	4.0	4.9	5.5
RUSSIA ^{2), 4)}	—	—	9.5	7.9	8.0	7.8
CHINA ^{4), 5)}	1.8	2.5	2.9	4.0	4.3	4.2
CHINA, HONG KONG SAR ¹²⁾	3.2	1.3	3.2	7.3	7.92	6.8
TAIWAN	2.9	1.7	1.8	5.2	5.0	—
REPUBLIC OF KOREA	4.0	2.4	2.0	3.3	3.6	3.7
SINGAPORE ^{4), 6)}	4.1	1.7	2.7	5.2	5.4	—
MALAYSIA ^{2), 7)}	6.9	5.1	2.8	3.5	3.6	—
THAILAND ^{2), 3), 4)}	3.7	3.5	1.7	1.8	1.5	1.5
INDONESIA ⁴⁾	—	2.8	7.2	9.1	—	—
PHILIPPINES ⁴⁾	6.1	8.1	8.4	10.2	10.2	10.9
AUSTRALIA ⁸⁾	8.3	6.9	8.4	6.4	6.0	5.6
NEW ZEALAND ^{3), 9)}	4.0	7.8	6.3	5.2	4.7	3.9
BRAZIL ^{2), 4), 10)}	3.4	3.7	6.1	9.2	9.7	—

Sources: *Yearbook of Labour Statistics*, ILORussia and Indonesia: Cabinet Office *Overseas Economic Data*Japan: *Labour Force Survey*, Bureau of Statistics, Ministry of Internal Affairs and Communications*Labour Market Trends*, United Kingdom National StatisticsThe figures for 2002 and 2004 are based on *LABORSTA*, ILO

Notes: 1) 1985 and 1990 figures are for the former West Germany.

2) Ages: United States Of America and United Kingdom, 16 and above; Thailand, 13 and above; Brazil, 10 and above; Sweden, 16–64; Russia, 15–72; Malaysia, 15–64; all other countries, 15 and above.

3) 1985 ages: Sweden, 16–74; Thailand, 11 and above; New Zealand, 15–60.

4) Figures: China, as of December; Singapore, as of June; Philippines, as of October (fourth quarter in 1985); Brazil, as of September; Thailand, as of August; Indonesia, as of May; Russia, as of October; France, Prior to 2003: March of each year, UK, as March - May of each year, Germany, as of April in 2002, May in 2003, March in 2004.

5) Figures in urban areas.

6) 1990 figures are based on population survey.

7) Figures obtained by subtracting employment rate from 100%.

8) 1985 figures include unpaid family business working less than 15 hours 1995 figures are estimates based on national census.

9) 1985 figures include students on vacation seeking jobs.

10) Average among the six largest cities.

11) Excl. residents of the Territories and indigenous persons living on reserves. Excl. full-time members of the armed forces.

12) Methodology revised.

Appendix 4 Wages (manufacturing industries)

(Total Men/Women)

Country, Region		1985	1990	1995	2000	2001	2002
JAPAN (E) ²⁾	(Yen/month)	299,531	352,020	390,600	406,707	406,089	401,469
	(Yen/day)	14,129	17,006	19,727	20,645	20,719	20,483
	(Yen/hour)	1,667	1,909	2,383	2,469	2,493	2,451
UNITED STATES OF AMERICA (E) ³⁾	(Dollars/hour)	9.54	10.83	12.37	14.37	14.83	15.30
CANADA (E) ⁴⁾	(Dollars/hour)	11.64	14.20	16.62	18.29	18.58	19.10
UNITED KINGDOM (E) ⁵⁾	(Pounds/hour)	3.64	6.05	7.85	9.86	10.49	11.08
GERMANY (E) ⁶⁾	(Marks/hour)	16.20	20.07	25.48	27.78	14.42	14.72
FRANCE (E) ⁷⁾	(Francs/hour)	37.75	45.46	52.78	—	—	1,563
ITALY (R) ⁸⁾	(1990 figure = 100)	—	100.0	128.7	113.1	115.2	104.2
SWEDEN (E) ⁹⁾	(Kroners/hour)	58.58	87.33	106.95	111.30	114.90	118.20
RUSSIA (E) ¹⁰⁾	(Rubles/month)	—	—	464,792	—	—	—
CHINA (E)	(Yuan/month)	92.58	172.25	430.75	729.00	—	916.75
CHINA, HONG KONG SAR (R)	(Dollars/day)	98.3	179.5	278.0	335.4	342.6	326.1
REPUBLIC OF KOREA (E) ¹¹⁾	(Won/month)	270.00	590.8	1,123.9	1,601.5	1,702.4	1,907.0
SINGAPORE (E) ¹²⁾	(Dollars/month)	—	1,395	2,157	3,036	3,117	3,054
THAILAND (R) ¹³⁾	(Baht/month)	2,826	3,357	4,994	—	—	—
PHILIPPINES (E) ¹⁴⁾	(Pesos/month)	1,951	4,263	6,654	—	—	—
INDIA (E)	(Rupees/month)	740.2	988.4	1,211.0	—	—	—
AUSTRALIA (E) ¹⁵⁾	(Dollars/hour)	9.45	12.89	15.59	—	—	20.45
NEW ZEALAND (E) ¹⁶⁾	(Dollars/hour)	8.36	13.31	14.78	16.98	17.53	18.00
BRAZIL ¹⁷⁾	(Real/month)	1,607.20	26.08	631.00	762.55	846.00	901.85

Sources: *Yearbook of Labour Statistics*, 2003, ILO

Monthly Labour Survey, 2003, Ministry of Health, Labour and Welfare

Notes: 1) (E) = Actual wages (R) = Wage ratio

2) Regular employees at establishments with more than 30 employees according to the Monthly Labour Survey. Special wages such as bonuses are included. Working hours are the total actual working hours.

3) Manufacturing and construction workers on a non-management level in the private sector (from 1985). From 1988 the industrial classifications were changed.

4) Employees paid an hourly wage.

5) Figures for April each year, showing the wage ratio for adult, full-time employees, excluding Northern Ireland, but including quarry workers (1985).

6) Figures prior to 1998 are for the former West Germany, including family allowances paid directly by the employer. Years 2000 and prior based on marks. 1 euro = 1.95583 marks.

7) Figures for October each year. Years 1999 and prior based on francs/hour. 1 euro = 6.55957 francs.

8) Using 1990 = 100, from 1996, December 1995 = 100.

9) Figures are for adult employees in the second quarter each year, and before 1996 include holiday allowances, allowances for sick leave and appraisal value for wages in kind. From 1993 the industrial classifications were changed.

10) Figures for 1997 based on 1995 result and on new ruble from 1997. 1 new ruble = 1,000 old rubles.

11) In units of 1,000 (from 1985). Includes appraisal value for wages in kind and family allowances. From 1993 the industrial classifications were changed.

12) From 1998 the industrial classifications were changed.

13) Figures for March each year. Wage ratio against fixed working hours, excluding publicly owned enterprises (from 1994).

14) Companies with more than 10 employees. Calculation based on annual salary. Targets corporations with 20 persons and over (from 1998).

15) Figures for May each year for full-time non-management staff (from 1990). Figures for 1985 are for November. In 1994 and from 1996 the industrial classifications were changed.

16) Companies with more than 0.5 (equivalent) full-time employees (from 2000). Figures from 1989 to 1999 are for companies with more than 1 (equivalent) full-time employee. Figures prior to 1988 are for companies with more than 2 (equivalent) full-time employees. From 1994 the industrial classifications were changed.

17) Figures based on value in December every year and on Cruzeiro for years 1994 and prior. 1 cruzeiro = 2,750 × 1,000 reals.

Appendix 5 Working Hours per Year (estimated value, manufacturing, production employee in principle)

(Hours)

Year	Japan	US	UK	Germany	France
1980	2,162 (209)	1,893 (146)	1,883 (125)	1,719 (104)	1,759
1985	2,168 (230)	1,929 (172)	1,910 (161)	1,663 (83)	1,644
1990	2,124 (219)	1,948 (192)	1,953 (187)	1,598 (99)	1,683
1995	1,975 (152)	1,986 (234)	1,943 (198)	1,550 (88)	1,680
1996	1,993 (168)	1,986 (234)	1,929 (182)	1,517 (68)	1,679
1997	1,983 (179)	2,005 (250)	1,934 (187)	1,517 (68)	1,677
1998	1,947 (152)	1,991 (239)	1,925 (177)	1,525 (57)	1,672
1999	1,942 (155)	1,991 (239)	1,902 (151)	1,525 (57)	1,650
2000	1,970 (175)	1,986 (239)	1,902 (151)	1,538	1,589
2001	1,948 (159)	1,943 (203)	1,888 (135)	1,529	1,554
2002	1,954 (171)	1,952 (213)	1,888 (135)	1,525	1,539

Sources: *Monthly Labour Survey*; Ministry of Health, Labour and Welfare, statistics of EU and other countries; estimates by Wages and Working Hours Division, Labour Standards Bureau, Ministry of Health, Labour and Welfare.

Notes: 1) Figures in parentheses are hours worked out of fixed working hours. The figures for this is not available for Germany and France.

2) The scale of enterprises included is in Japan: companies with over 5 employees, in the USA: all companies, and in other countries: companies with over 10 employees.

Appendix 6 Unionization Rate

(1,000 persons, %)

Country		1985	1990	1995	2001	2002	2003	2004
JAPAN	Members	12,418	12,265	12,614	11,212	10,801	10,531	10,309
	Unionization Rate	28.9	25.2	23.8	20.7	20.2	19.6	19.2
UNITED STATES OF AMERICA	Members	16,996	16,740	16,360	16,275	16,107	15,776	—
	Unionization Rate	18.0	16.1	14.9	13.4	13.2	12.9	—
UNITED KINGDOM	Members	—	8,835	7,309	7,550	—	—	—
	Unionization Rate	—	38.1	32.1	29.1	—	—	—
GERMANY ¹⁾	Members	9,324	9,619	11,242	9,400	9,200	—	—
	Unionization Rate	41.9	37.7	36.0	27.0	26.6	—	—
REPUBLIC OF KOREA	Members	1,004	1,887	1,615	1,569	1,538	1,550	1,537
	Unionization Rate	12.4	18.4	13.8	14.5	13.7	13.0	12.4
SINGAPORE	Members	—	—	235	338	—	—	—
	Unionization Rate	—	—	13.8	16.5	—	—	—
THAILAND	Members	—	309	242	—	—	—	—
	Unionization Rate	—	3.8	2.3	—	—	—	—
PHILIPPINES	Members	—	3,055	3,587	3,836	3,889	—	—
	Unionization Rate	—	—	—	—	26.0	—	—
AUSTRALIA	Members	—	2,660	2,252	1,903	—	—	—
	Unionization Rate	—	41.0	32.7	24.5	—	—	—

Sources: Japan: *Basic Survey of Labour Unions*, Ministry of Health, Labour and Welfare

Republic of Korea: Korea: Labor Institute website (<http://kli.re.kr>)

United States of America: *Bureau of Labor Statistics (BLS)*, U.S. Department of Labor

Others: *Kaigai Jousei Houkoku*, Ministry of Health, Labour and Welfare

Note: 1) Prior to 1990 data refer to F.R. of Germany.

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