

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.

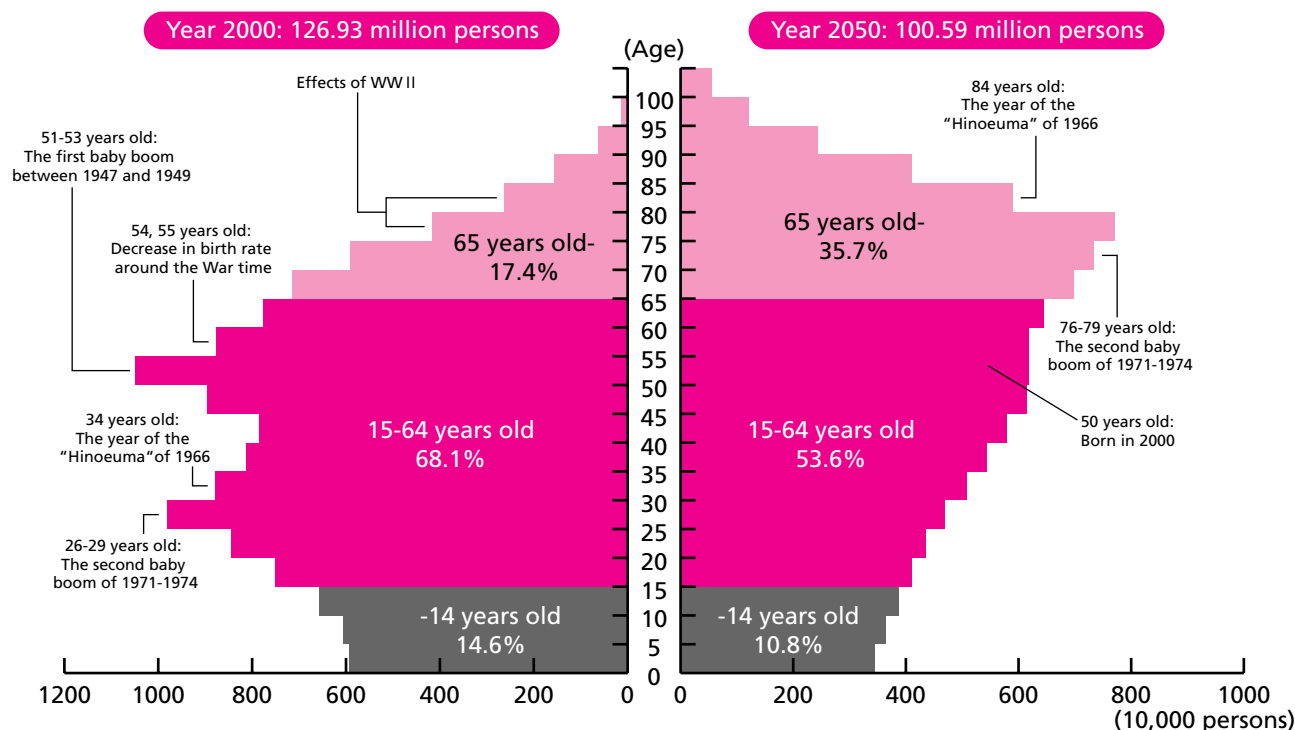
Total Population Peaked in 2004, and thereafter Decline

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.

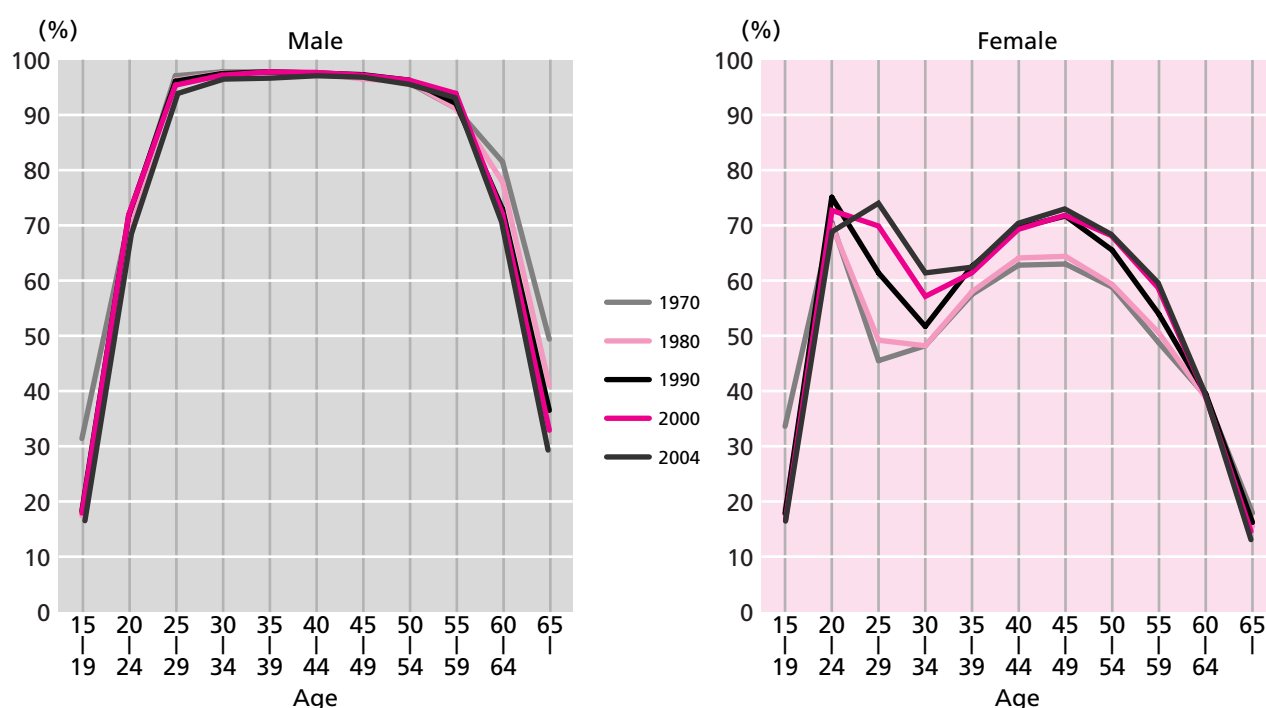
The ratio of the labor force to the general population aged 15 and older is called the “labor force ratio” (or the “labor force population ratio”). In 1960, Japan’s labor force ratio was 69.2%, but it declined to 62.9% in 1976 after the first oil crisis, and has remained quite stable at this level until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

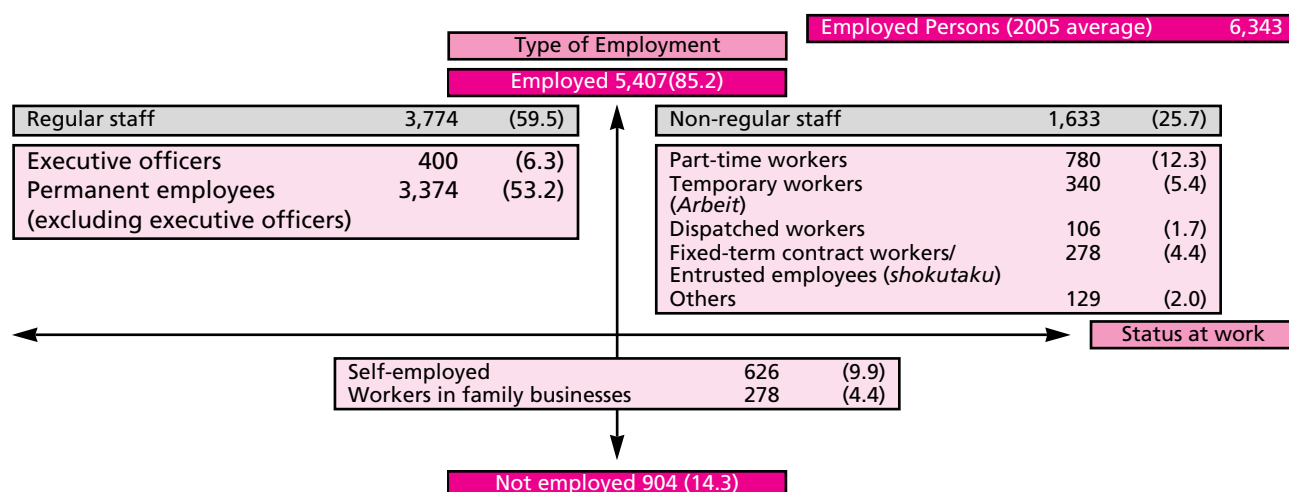
Mismatches between Employers and Job-seekers

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.

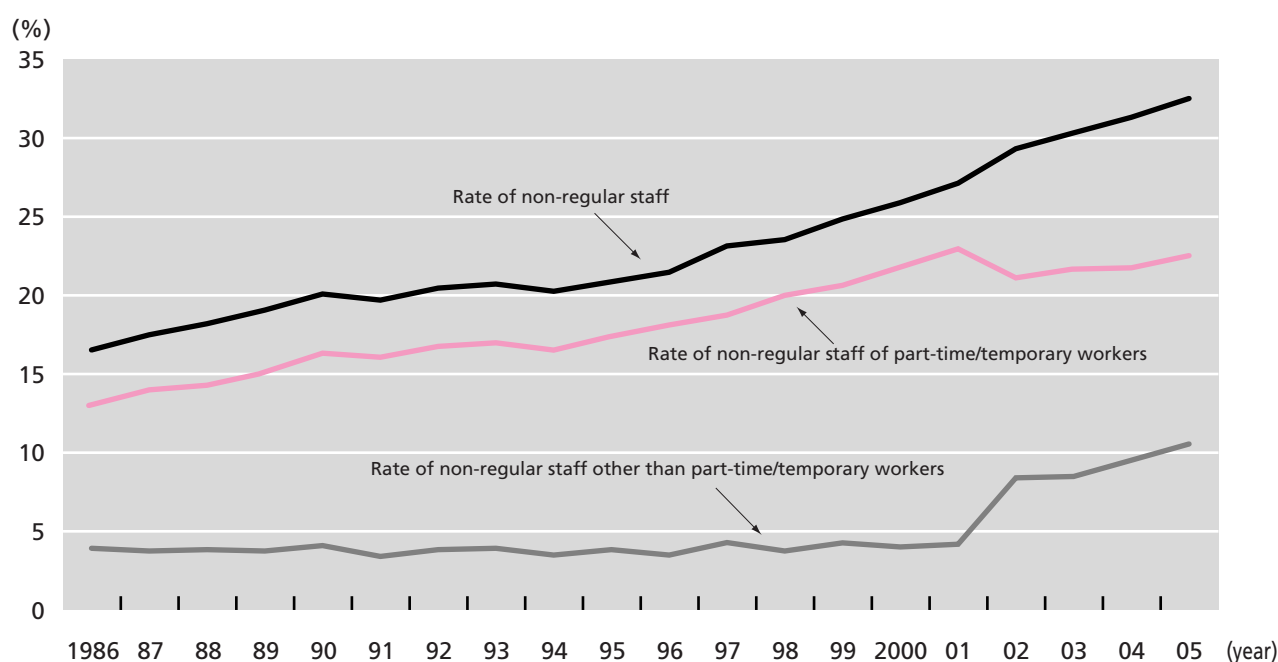
II-5 Breakdown of Employed Persons (2005 Average)



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

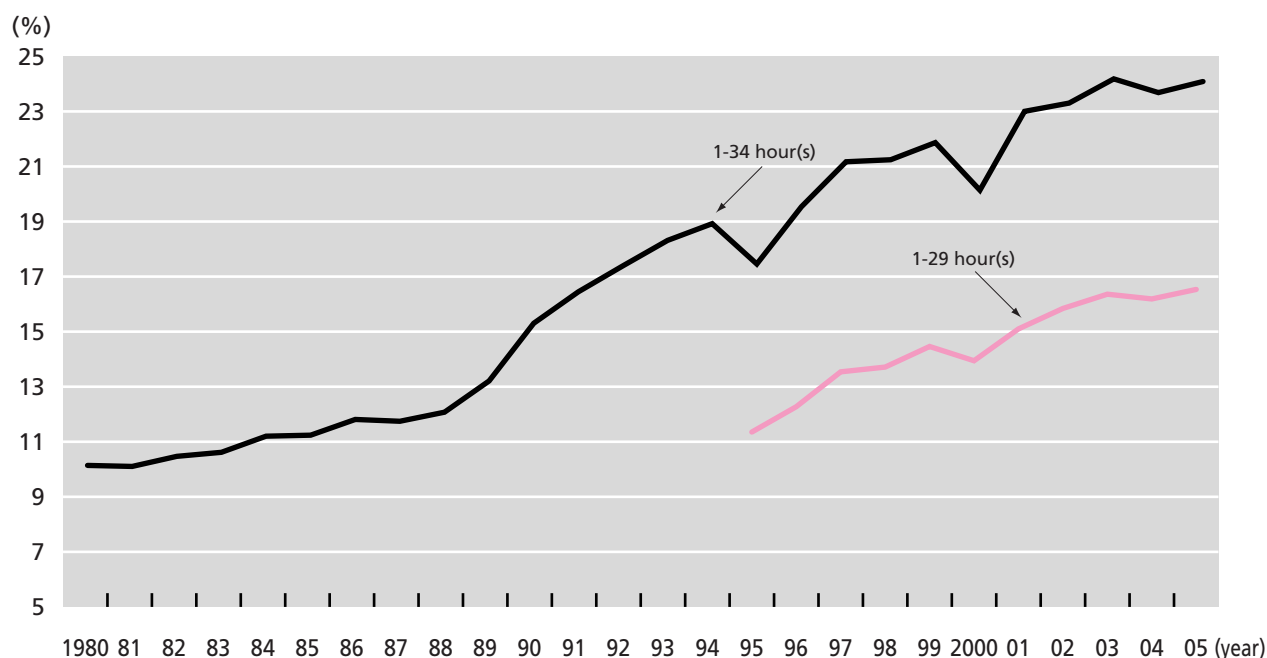


Sources: Special Survey of Labour Force Survey (February survey) (1986-2001) and Labour Force Survey (Detailed Tabulation) (2002-2005), Statistics Bureau, Ministry of Internal Affairs and Communications

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

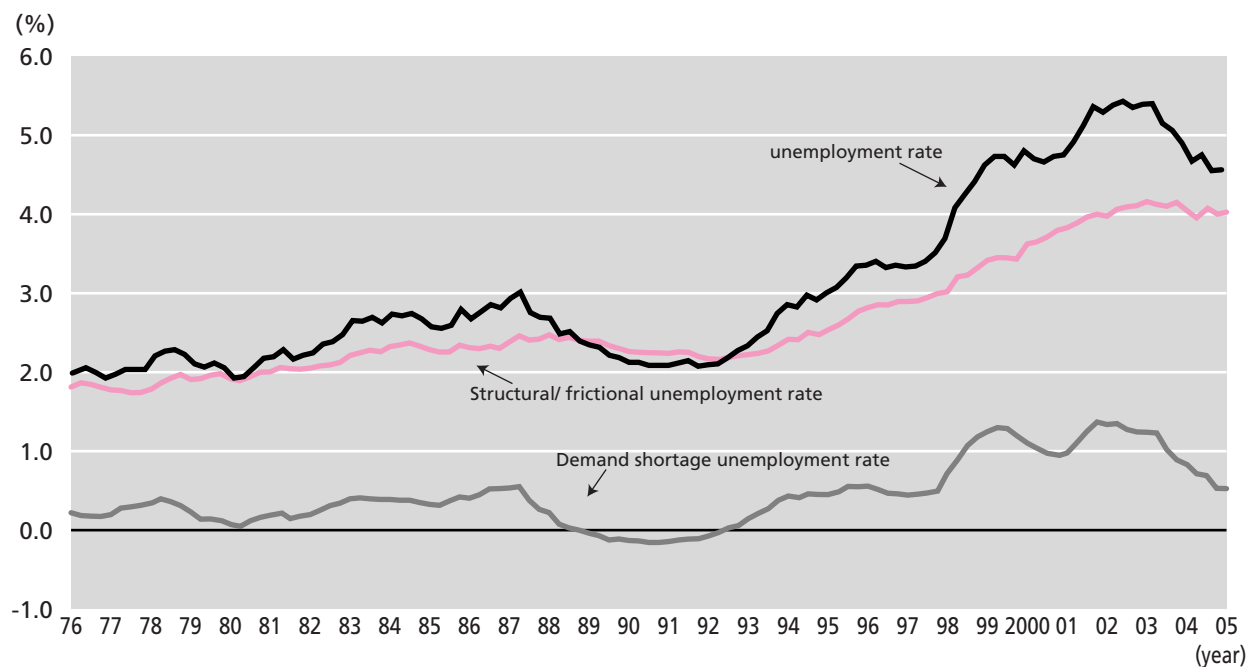


Sources: *Labour Force Survey*, *Special Survey of Labour Force Survey* (1977 - 2001), *Labour Force Survey (Detailed Tabulation)* (2002-2005) Statistics Bureau, Ministry of Internal Affairs and Communications

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

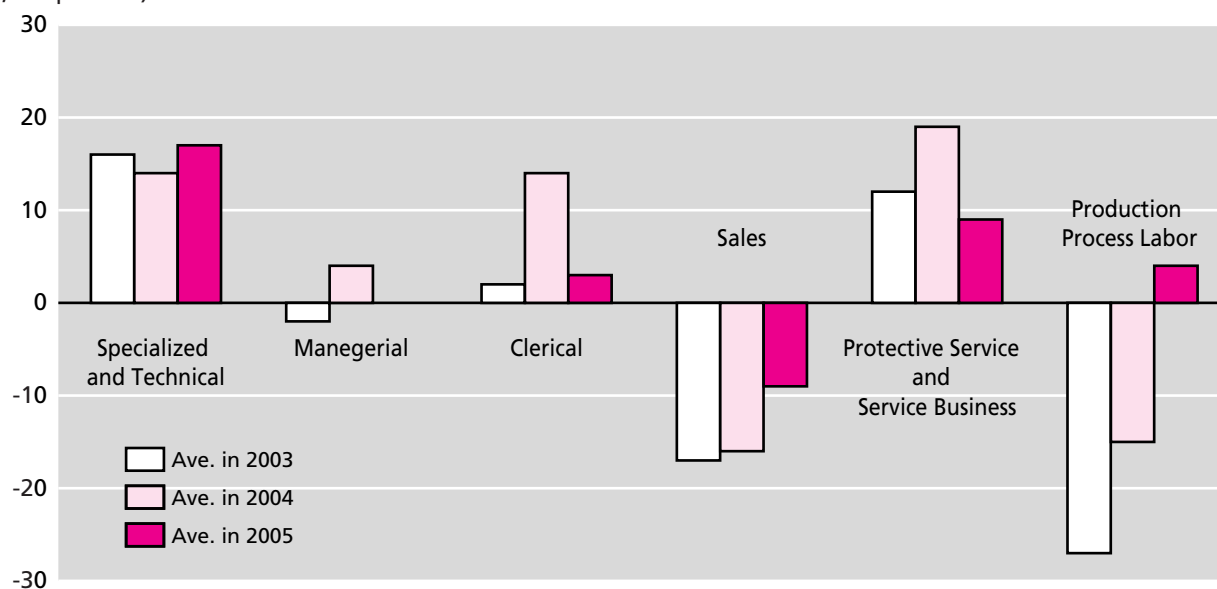
Notes: 1) Primary industry means Agroforestry and Fishery.

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

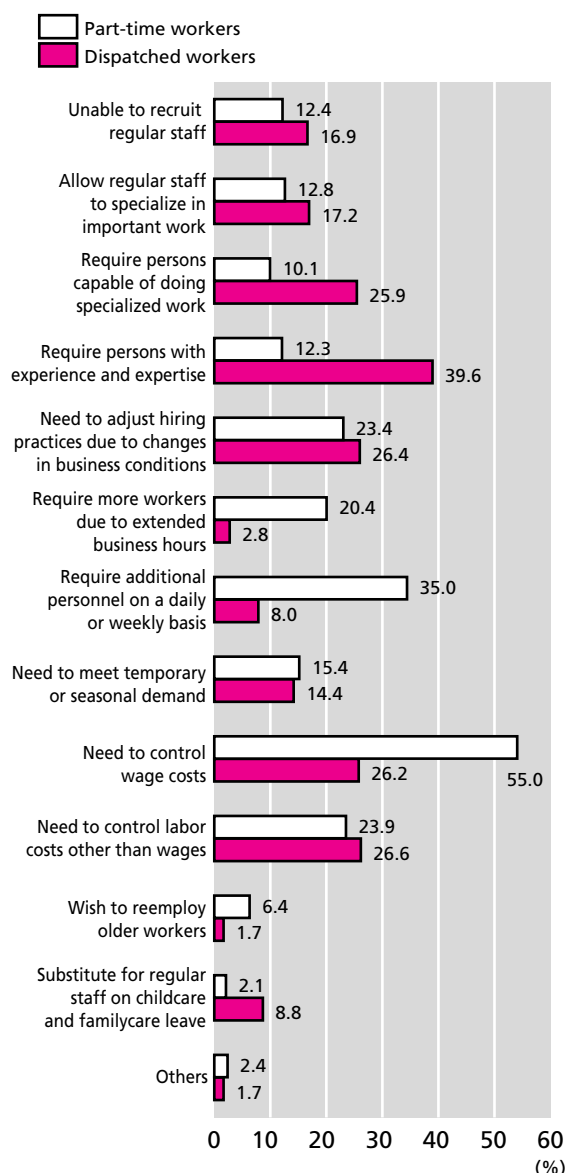
	Part-time Workers	
	Number (10,000 persons)	Proportion to Employees (Excluding executives) (%)
1987	561	13.9
1988	599	14.5
1989	656	15.4
1990	710	16.3
1991	734	16.2
1992	782	16.8
1993	801	16.9
1994	800	16.8
1995	825	17.3
1996	870	18.0
1997	945	19.0
1998	986	19.9
1999	1,024	20.8
2000	1,078	22.0
2001	1,152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

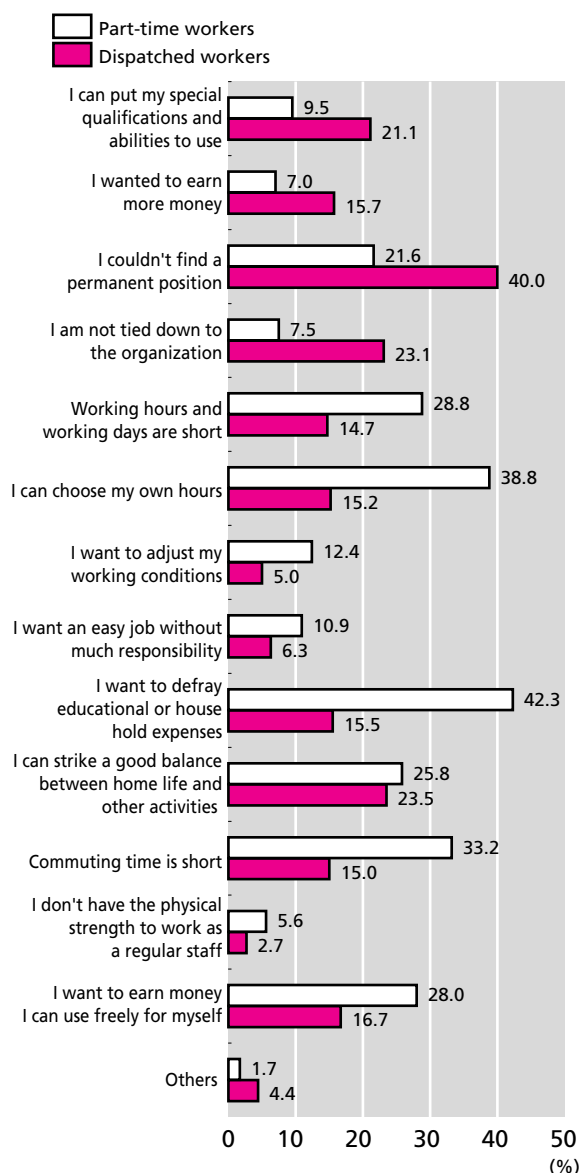
2) Part-time workers refer to all persons who are referred to as "part-timers" or similar phraseology at the workplace, regardless of working hours or working days.

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.