

# Labor Situation in Japan and Analysis: General Overview 2009/2010



# 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 labor 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 labor 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 Labor Policies

The following research projects are now being conducted.

- (1) Research and Study of a Society in which All Demographics Could Participate in a Time of Population Decline
- (2) Research on Factors Changing the Regional Structure for Employment / Unemployment
- (3) Research on response to diversification of employment formats and establishment of working conditions toward the realization of balancing work and private life
- (4) Comprehensive Research for Building Stable Labor and Management Relations in Individualized Labor Relations
- (5) Research on Human Resource Development and Career Support in the New Economic Society
- (6) Research and Development on the Strengthening of Supply and Demand Control Function and Career Support Function in the Labor Market

The Institute will also engage in collection and coordination of information on labor 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 Labor Affairs

Using the results of the above mentioned research projects, the institute will provide training programs for personnel in charge of labor 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 labor 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 labor policies, newsletters and on the web site with an eye to contributing to the planning and drafting of labor policies and the stimulation of policy discussions among different strata of the populace. At the same time, the Institute will organize labor policy forums and other events to provide opportunities for open discussion on policies

Copyright © The Japan Institute for Labour Policy and Training, 2009  
First published 2009

For rights of reproduction or translation, application should be made to the International Affairs Department JILPT (Rights and Permissions), The Japan Institute for Labour Policy and Training, 8-23, Kamishakujii 4-chome, Nerima-ku, Tokyo 177-8502, JAPAN (Telephone +81-3-5903-6316 Facsimili +81-3-3594-1113).  
Your inquiry is welcomed. Please do not hesitate to contact us.

# Foreword

The Japan Institute for Labour Policy and Training (JILPT) was established in October 2003 with the objective of contributing to the planning of labor policies and working toward their effective and efficient implementation. 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, 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 joint study 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 explanations of concrete labor measures, and JILPT International Affairs Department is responsible for compilation and editing.

In principle, this publication is issued alternately as “General Overview” and “Detailed Exposition” editions. The Detailed Exposition 2009/2010 issued in March 2009, and provides recent write-ups by JILPT researchers dealing mainly with important labor issues. The publication takes up specific topics and introduced recent trends concerning these as well as the relevant analyses. Consequently, as opposed to the Detailed Exposition, this General Overview 2009/2010 edition provides an exhaustive range of write-ups that covered basic points on issues related to labor issues and labor policies in Japan.

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

December 2009

The Japan Institute for Labour Policy and Training

# Contents

<b>Chapter I Japanese Economy and Labor Situation</b>	
1 Japanese Economy: Current Situation and Outlook .....	2
2 Recent Features of Labor Situation in Japan .....	7
<b>Chapter II Labor Market</b>	
1 Population and Labor Force .....	16
2 Employment and Unemployment Trends .....	21
3 Trends in Regional Employment .....	26
4 Changes in Employment Structure .....	31
5 Diversification in Forms of Employment .....	35
6 Employment of Youth, Older Persons, Women, and Foreign Workers .....	40
<b>Chapter III Human Resource Management</b>	
1 Long-Term Employment System .....	60
2 Recruiting and Hiring .....	62
3 Allocation and Transfer of Human Resources .....	67
4 Resignation, Mandatory Retirement and Dismissals .....	70
5 Career Development through In-house Training and Education .....	73
6 Wage Systems .....	77
7 Working Hours .....	79
8 Company Welfare .....	83
<b>Chapter IV Labor-Management Relations</b>	
1 Labor-Management Relations in Japan .....	88
2 State of Unionization and Labor Union Structure .....	91
3 Shunto: Spring Labor Offensive .....	96
4 Labor Disputes and Resolution Systems .....	99
<b>Chapter V Labor Administration and Legislation</b>	
1 Overview of Employment Measures .....	112
2 Employment Measures for Young People .....	114
3 Policies Designed to Secure Employment for Older and Disabled Workers .....	116
4 Policy on Equal Employment Opportunity between Men and Women .....	124
5 Promotion of Part-Time Work Policies .....	125
6 Fixed-Term Employment Measures .....	127
7 Measures regarding Dispatched and Subcontracted Workers .....	129
8 Public Employment Service .....	131
9 Employment Measures for Foreign Workers .....	132
10 Promotion of Measures to Assist Work-Life Balance .....	136
11 Minimum Wages .....	138
12 Industrial Safety and Health Measures and Workers' Accidents Compensation Insurance System .....	141
13 Public Vocational Training Policies .....	145
<b>Chapter VI Social Security System</b>	
1 Subject of Japan's Social Security System .....	148
2 Income Security System (Pensions, Public Assistance, and Child Allowances) .....	154
3 Medical Insurance and Long-Term Care Insurance .....	157
<b>Appendix (International Comparisons)</b> .....	<b>162</b>
<b>Index</b> .....	<b>169</b>
<b>Contributing Authors</b> .....	<b>172</b>

# Contents for Tables and Figures

## Chapter I

I-1	GDP Growth (Real GDP and Nominal GDP) and Unemployment Rate .....	5
I-2	Trends in Prices .....	5
I-3	Real GDP Growth Rate and Contributors to Growth Since 2002 (Seasonally Adjusted Annual Rates) .....	6
I-4	Vicious Cycle of Financial Crisis and Worsening of the Real Economy in the West .....	6
I-5	Trends in Unemployment Rate and Ratio of Active Job Openings .....	11
I-6	Labor Force Outlook .....	12
I-7	Situation regarding Freeters and NEETs .....	13
I-8	Laspeyres Wage Index .....	14
I-9	Polarization of Working Hours .....	14
I-10	Enhancement of Safety Net for Non-Regular Employees .....	15

## Chapter II

II-1	Japan's Population in 50 Years .....	18
II-2	Changes in Registered Alien Population by Nationality .....	18
II-3	Composition of Labor Force .....	19
II-4	Labor Force Participation Rate by Sex and Age .....	20
II-5	Breakdown of Employed Persons (2008 Averages) .....	23
II-6	Proportion of Employees by Type of Employment .....	23
II-7	Breakdown of Non-Agricultural/Forestry Industry Employees by Working Hours .....	24
II-8	Trends in Unemployment Rate and Long-Term Unemployment Rate .....	24
II-9	Trends in Structural/ Frictional Unemployment Rate and Demand Shortage Unemployment Rate .....	25
II-10	Ratios of Active Job Openings and Unemployment Rates by Prefecture (2008) .....	29
II-11	Proportion of Employees by Industry in Depressed Regions and Buoyant Regions .....	30
II-12	Trends in Number of New Plants and Employees to Be Employed .....	30
II-13	Year-on-Year Difference in the Number of Employed by Principal Industries .....	31
II-14	Trends of Employed by Three Industry Divisions .....	32
II-15	Year-on-Year Difference in the Number of Employed by Major Occupation (Male and Female) .....	33
II-16	Number of Employed by Major Occupation (Male and Female) .....	34
II-17	Proportion of Workers by Form of Employment .....	35
II-18	Change in the Number of Non-Regular Employees .....	36
II-19	Trends in Proportions of Non-Regular Employees by Age and Sex .....	37
II-20	Reasons for Employment of Non-Regular Employees .....	38
II-21	Reasons for Non-Regular Employees' Choice of Present Form of Employment .....	39

II-22	Trends in Youth Unemployment Rates .....	40
II-23	Status of Employment of 15-to-24-Year-Olds .....	41
II-24	Paths between Status of Employment among Males Aged 25-29 .....	42
II-25	Labor Force Participation Rates among Older Age Groups .....	43
II-26	Unemployment Rates among Older Age Groups .....	44
II-27	Profile of Active Job Opening Ratios by Age Group .....	45
II-28	Trends in Number and Proportion of Women among All Employees .....	46
II-29	Trends in Number of Female Graduates of Four-Year Colleges in Employment by Occupation .....	47
II-30	International Comparison of Female Employment Rates by Educational Background (25- to 64-Year-Olds) .....	48
II-31	Comparison of Forms of Employment of Men and Women (excluding Executives of Companies and Corporations) .....	48
II-32	Ratio of Employees by Type of Employment and Age .....	49
II-33	Breakdown of 25- to 44-Year-Olds Not Seeking Employment by Sex, Educational background, and Reason for Not Wanting to Work .....	49
II-34	Breakdown of Companies by Type of Positive Action Taken or Planned (Multiple Answers) .....	51
II-35	Trends in Numbers of Foreign Workers by Status of Residence .....	53
II-36	Trends in Number of Registered Foreigners by Country of Origin .....	54
II-37	Numbers of Foreign Workers by Occupation and Prefecture .....	54
II-38	Policies on Employment of Foreign Workers (N=730) .....	55
II-39	Reasons for Employing Foreign Workers .....	56

### Chapter III

III-1	Breakdown of Employees by Employee Tenure .....	60
III-2	Average Employee Tenure (by Sex and Number of Employees of Company) .....	60
III-3	Current Ratio of Hiring for New Graduates (Multiple Answers) .....	62
III-4	Current Ratio of Hiring for Mid-Career Workers .....	62
III-5	Methods of Recruiting New College Graduates and Mid-career Hires (Multiple Answers) .....	63
III-6	Methods of Screening New College Graduates (Multiple Answers) .....	64
III-7	Points Considered Important when Hiring Recent College Graduates (Up to 3 Multiple Answers) .....	65
III-8	Points Considered Important When Hiring Mid-Career Workers (Up to 3 Multiple Answers) .....	66
III-9	Objectives of Transfers by Companies (Multiple Answers) .....	67
III-10	Promotion Criteria at Japanese Companies (Multiple Answers) .....	69
III-11	Trends of the Number of Regular Employees and Non-Regular Employees .....	74
III-12	Current Situation of Formal OJT Implementation .....	75
III-13	Current Situation of Off-JT Implementation .....	76
III-14	Wage Differences in Manufacturing according to Employee Tenure (2002) .....	77
III-15	Percentages of Companies Making Changes to Wage Systems in Preceding Three Years and Types of Change .....	78
III-16	Trends in Annual Total of Hours Actually Worked by Regular and Part-Time Workers .....	79

III-17	Trends in Annual Non-Scheduled Working Hours of Regular Workers and Percentage Change in Real GDP from Previous Year .....	80
III-18	Days of Annual Leave Given and Taken and Percentage Consumed .....	81
III-19	Trends in Monthly Benefit Costs and Retirement Benefits per Employee .....	83
III-20	Breakdown of Welfare Expenses in FY2007 (All-Industry Monthly Average per Employee) .....	84
III-21	Percentages of Enterprises with Retirement Benefit (Lump Sum/Annuity) Schemes and Breakdown by Type .....	86

#### Chapter IV

IV-1	Changes in the Number of Union Members and the Estimated Unionization Rate for Part-Time Workers (Unit Labor Union) .....	90
IV-2	Changes in the Number of Employees and Union Members, and the Estimated Unionization Rate (Unit Labor Union) .....	91
IV-3	Unionization Rate by Size of Enterprise .....	92
IV-4	Unionization by Industry (Unit Labor Union) .....	92
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, Multiple Answers .....	94
IV-6	Fluctuations in Revisions to Average per Capita Wage and Rate of Revision (Weighted Average) .....	98
IV-7	Number of Unfair Labor Practice Cases (First Examinations) .....	101
IV-8	Number of Unfair Labor Practice Cases (Reexaminations) .....	101
IV-9	Number of Pending and Concluded Adjustment Cases .....	102
IV-10	Grievances Giving Rise to New Pending Labor Dispute Adjustment Cases (All Labour Relations Commission) .....	103
IV-11	Labor Dispute Adjustment Case Resolution Rate (excluding Specified Independent Administrative Agencies, All Labour Relations Commission) .....	103
IV-12	Average Length of Labor Dispute Adjustment Cases (All Labour Relations Commission) .....	104
IV-13	Flowchart for Dispute Settlement according to the Act on Promoting the Resolution of Individual Labor Disputes .....	105
IV-14	Number of Consultations (FY2007) .....	106
IV-15	Breakdown of Civil Consultation Cases (FY2007) .....	106
IV-16	Overview of the Labor Tribunal System .....	108
IV-17	Number of Newly Received, Disposed, and Pending Ordinary Civil Litigation Cases concerning Labor Relations (District Courts, 1998-2007) .....	109
IV-18	Number of Newly Received Ordinary Civil Litigation Cases concerning Labor Relations by Party and Type of Claim (District Courts, 2003-2007) .....	110
IV-19	Number of Newly Received Labor Tribunal Cases by Type of Case (District Courts, 2007-2008) .....	111
IV-20	Number of Disposed Labor Tribunal Cases by Reason for Conclusion (District Courts, 2007-2008) .....	111

## Chapter V

V-1	Overview of the Act to Partially Amend the Act concerning Stabilization of Employment of Older Persons (Promulgated June 11, 2004) .....	117
V-2	Mandatory Action to Employ Older Workers under Revised Act concerning Stabilization of Employment of Older Persons .....	118
V-3	System of Employment Measures for Older Workers in FY2009 .....	119
V-4	Employment Situation for Disabled Persons at Private Enterprise .....	121
V-5	System of Employment Measures for Persons with Disabilities .....	122
V-6	Situation of Employment Placement of Persons with Disabilities at Public Employment Security Offices .....	123
V-7	Changes in the Number of Employment Cases and of New Applications for Employment .....	123
V-8	Outline of Revised Part-Time Work Act .....	125
V-9	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 .....	126
V-10	Outline of Guidelines on Improvement of Employment Management of Fixed-Term Contract Workers .....	128
V-11	Categories of Foreigners Working in Japan .....	134
V-12	Basic Approach to Employment Measures for Foreigners .....	135
V-13	Minimum Wages (Weighted National Average) .....	139
V-14	Methods Used to Set Minimum Wages (Minimum Wages Set through Minimum Wage Council Investigation and Deliberation) .....	140
V-15	Outline of Workers' Compensation Insurance System .....	142
V-16	Trends in Industrial Accidents .....	144

## Chapter VI

VI-1	Social Security System by Life Stage .....	149
VI-2	International Comparison of Social Expenditures and National Burden Ratios .....	150
VI-3	Changes in Social Security Benefits by Category .....	150
VI-4	Outlook on Social Security Benefits and Cost Burden .....	151
VI-5	Closing of Income Gap through Income Redistribution (Gini Coefficient for Equivalent Incomes) .....	152
VI-6	International Comparisons of Income Disparities (Gini Coefficients of Equivalent Disposable Income) .....	153
VI-7	Pension System .....	154
VI-8	Annual Trends of the Number of Public Pension Subscribers and the Number of Public Pension Beneficiaries .....	155
VI-9	Medical Insurance System .....	158
VI-10	Long-Term Care Insurance System .....	161

## Appendix (International Comparisons)

Appendix 1	Population, Labor Force and Labor Force Participation Rate by Sex and Age (2007) .....	162
------------	--	-----



Appendix 2	Ratio of Part-Time Workers to Number of Employed .....	164
Appendix 3	Unemployment Rate (Officially Published National Sources) .....	165
Appendix 4	Wages, Manufacturing .....	166
Appendix 5	Working Hours per Year (Estimated Value, Manufacturing, Production Employee in Principle) .....	167
Appendix 6	Trade Union Membership and Density Rates (National Official Statistics) .....	168

### 1 Japanese Economy: Current Situation and Outlook

#### 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 on-

wards, amid a substantial underlying current account surplus, trade friction has intensified. Furthermore, since the transition 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 (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 ef-

fect of deflation. Amid the deflationary situation (when prices were continuously declining), 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.

### **Japan’s Longest Postwar Recovery and the Economy Amid the Global Financial Crisis**

The recovery that began when the economy hit bottom in January 2002 lasted 69 months until October 2007 (which preliminary figures show to be the peak of the business cycle), making it the longest period of recovery in the postwar period. The length of the recovery was due in large part to the progress made in dealing with the negative legacy of the bubble economy and almost completely eliminating the “three excesses”—excess employment, excess capacity, and excess debt—assisted by continued and prolonged economic growth overseas, which boosted companies’ profitability. Moves to address the structural problems that weighed down the economy, such as the restoration of the non-performing loan situation to normality by leading financial institutions, also played a part. The main features of the recovery were as follows: (1) It was an export-led recovery, with exports’ contribution to the real GDP growth rate being the highest during any recovery since World War II. The buoyant growth in exports is attributable primarily to the sustained healthy growth of the global economy and the general weakness of the

yen. (2) Buoyed by the strong growth in exports, the corporate sector registered solid growth in sales revenues and capital investment showed steady growth. The state of the recovery varied according to industry and company size, however, with the improvement among small and medium non-manufacturers being overshadowed by the buoyant performance of large manufacturers. (3) The general weakness of the recovery in personal consumption meant that the recovery in domestic demand lacked momentum. This was due to the limited impact of the recovery on the household sector due especially to the stagnation of employees' wages. (4) The recovery occurred at a time of deflation when the real GDP growth rate was low (averaging between 2% to 3% during the period), as a result of which nominal GDP stagnated. Compounded by the variation in corporate revenues and the weak impact on the household sector, many people did not really feel the benefits of the recovery. While deflation did come to a halt, upward pressure on prices did not become apparent until around 2007.

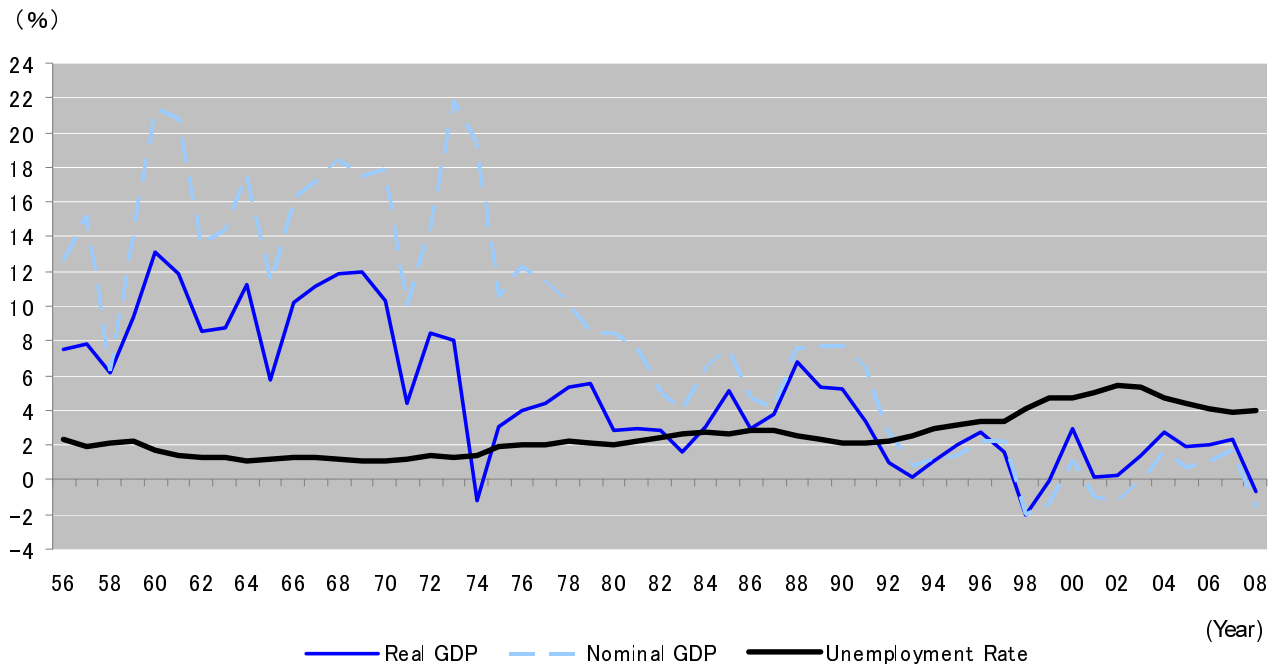
However, the decline in exports caused by the global slowdown arising out of the subprime loan crisis and sharply rising crude oil and raw material prices in the latter half of 2007 caused the Japanese economy to enter a downturn in October 2007.

Although the downturn was initially modest, the global financial crisis triggered by the collapse of Lehman Brothers in September 2008 plunged the world into a recession that caused the state of the Japanese economy to deteriorate rapidly from the end of 2008. Due to the export-

dependent structure of manufacturing, the severe slump in world demand for the consumer durables and capital goods in which Japanese manufacturers excelled caused exports to plummet and production, too, to fall sharply. Corporate earnings and capital investment also dropped considerably. Personal consumption flagged and the employment situation deteriorated rapidly. Real GDP declined by an annualized rate of at least 10% in both the October-December quarter of 2008 and January-March quarter of 2009, the biggest declines of the postwar period. The Government responded by unveiling three economic stimulus measures in the latter half of 2008, followed by the announcement of a package of measures to combat the economic crisis in April 2009. While the Japanese economy is in a severe state (as of June 2009), there are signs of an upturn in exports and production prompted by policy action by governments around the world and inventory adjustment at home and abroad. Coupled with the effects of the above economic measures, therefore, conditions are expected to recover. However, concerns remain due to the risk of a further worsening of employment conditions and worries over the impact of the global financial crisis and downside risks to the global economy.

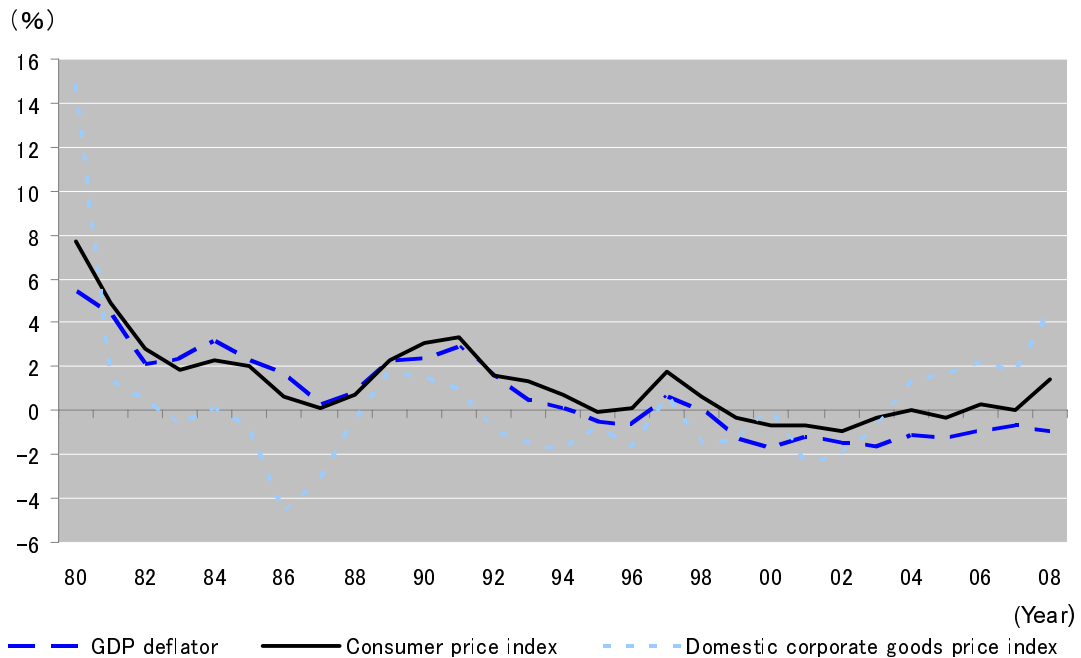
A key challenge for the Japanese economy in the mid- to long-term will be to achieve increases in productivity and develop an expanding presence in new fields of industry in order to create a sustainable, secure, and dynamic economy under conditions of demographic decline.

### I-1 GDP Growth (Real GDP and Nominal GDP) and Unemployment Rate



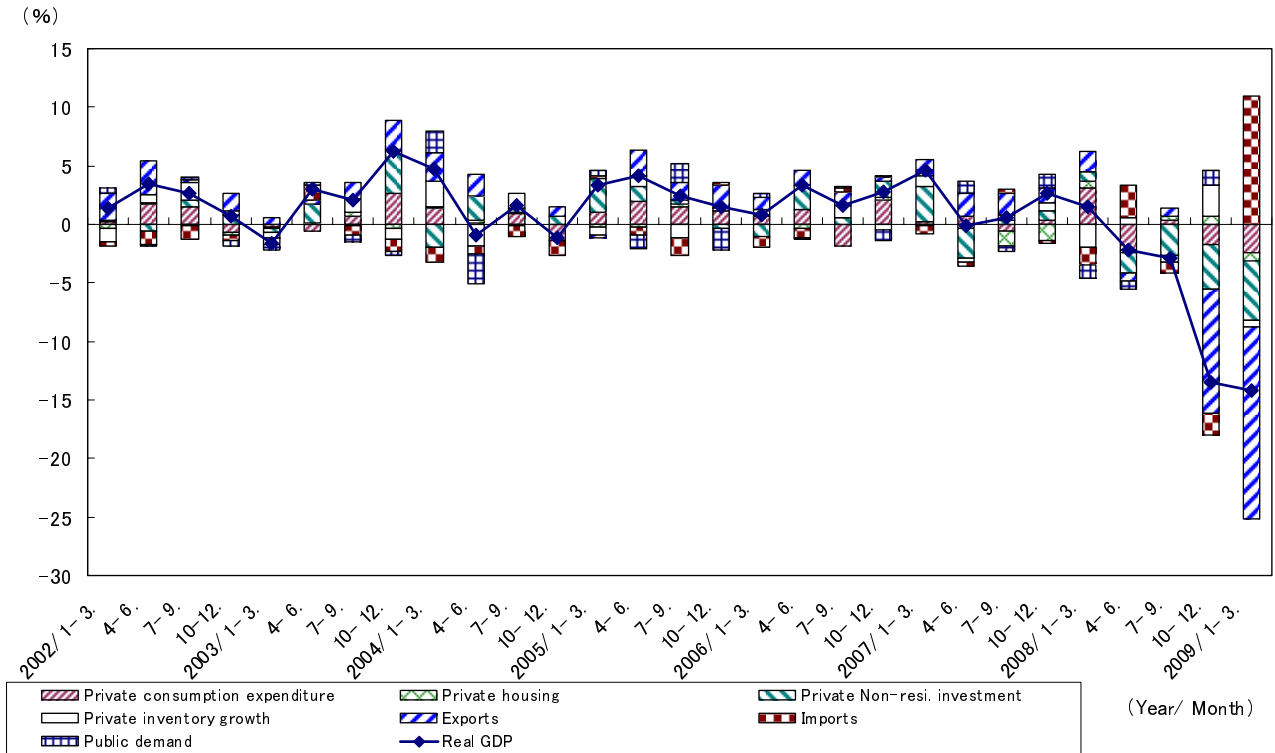
Sources: Cabinet Office, *National Accounts*, Statistics Bureau, Ministry of Internal Affairs and Communications, *Labour Force Survey*  
 Note: Regarding the real economic growth rate, up to and including 1980, 1990 Basis Revised National Accounts(68SNA), from 1981 to 1994, 1995 Basis Revised National Accounts (93SNA) and from 1995 onwards, 2000 Basis Revised National Accounts (93SNA, chain-linking method)".

### I-2 Trends in Prices



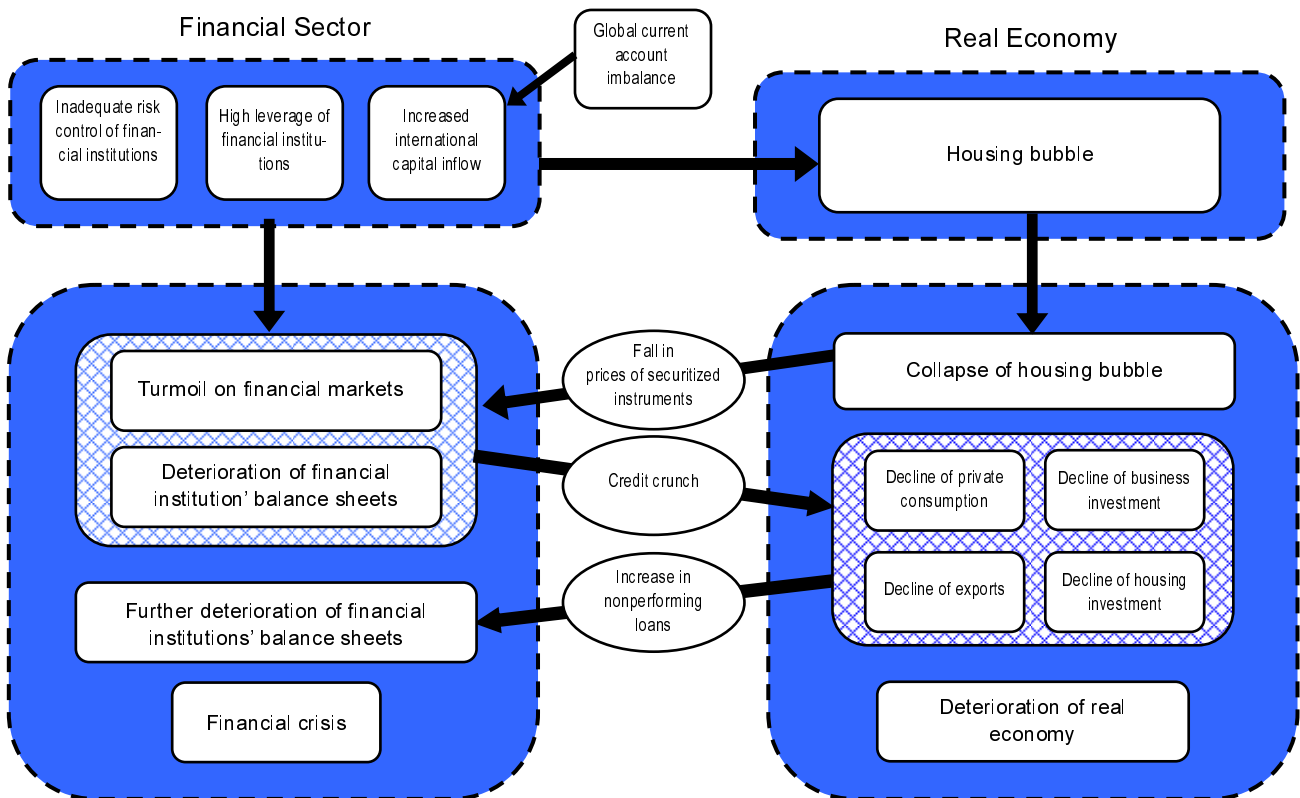
Sources: Cabinet Office, *National Accounts*, Statistics Bureau, Ministry of Internal Affairs and Communications, *Consumer Price Index*, Bank of Japan, *Corporate Goods Price Index*

### I-3 Real GDP Growth Rate and Contributors to Growth Since 2002 (Seasonally Adjusted Annual Rates)



Source: Cabinet Office, Quarterly Estimates of GDP.

### I-4 Vicious Cycle of Financial Crisis and Worsening of the Real Economy in the West



## 2 Recent Features of Labor Situation in Japan

From the end of the 1990s to the beginning of the present decade, the “three excesses” —excess capacity, excess employment, and excess debt—were eliminated through a process of rigorous restructuring, and the Japanese economy emerged from its post-bubble recession as exports to the United States and China picked up. The economic uptrend lasted a record 69 months from February 2002 to October 2007, exceeding the 57-month period of high growth during the late 1960s. Whereas growth in GDP during the high-growth period reached 10% in real terms, however, growth this time round remained at just 2%.

The global economic crisis precipitated by the collapse of U.S. investment bank Lehman Brothers on September 15, 2008, transformed the mood of the Japanese economy. With the situation appearing chaotic, two years of negative real growth in GDP have been projected for FY2008 and FY2009.

Looking back at the employment situation during this period, unemployment in the wake of the collapse of major financial institutions in 1997 created a deepening problem as the unemployment rate reached a record 5.5% in April 2003. Subsequently in 2006 during the recovery, the situation improved as unemployment fell to 4.1% and the ratio of active job openings to active job applicants stood at 1.06.

However, the firestorm unleashed by the global recession caused unemployed conditions to deteriorate with unprecedented speed, causing unemployment to reach 4.8% and the ratio of active job openings to active job applicants to reach 0.52 in March 2009. While the Government is taking a variety of steps in response, the outlook remains impossible to project.

### Changes Affecting Employment and Labor

As the economy went through the adjustment of prolonged recession and then began to expand,

changes occurred in the employment and labor situation that brought several issues to the fore.

One was the increase in non-regular employees and widening of the wage gap. Factors including moves by companies to cut fixed costs and diversifying outlooks among workers caused the proportion of non-regular employees to rise to the point that they now account for over 30% of employees. A serious problem was the sudden decrease in the proportion of young people in regular employment from the mid-1990s. Many of those who were unable to find regular employment during the employment “ice age” during the recession remain in non-regular employment or without jobs altogether. The number of “freeters” (job-hopping part-time workers) declined for four years in a row up to 2003, but there has been no marked improvement in the situation of “long-term freeters,” whose numbers remain high.

This situation has given rise to a variety of problems. Lacking much financial leeway, most non-regular employees are poorly placed to plan their lives, and there are concerns that their number could hasten the decline of the birthrate due to their tendency to marry later or not at all. They have fewer opportunities to undergo education and training, widening the gap in vocational skills between regular and non-regular employees, and there is evidence of a broadening wage gap among young people that, it is feared, could increase further and become entrenched. One consequence of the rise in non-regular employment has been the emergence of the problem of the “working poor,” i.e., people on low incomes of not more than 1.50 million yen a year who now account for at least 20% of employed workers.

A second issue concerns regular employees. As companies have narrowed down their regular workforces, many such employees now find themselves having to work longer hours. To take a specific example, around 20% of 30-year-old males work 60-hour weeks or more. Japanese

men spend less time on housework and with their children than their North American and European counterparts, placing a consequently greater burden on their spouses. For women, being a regular employee means having to make a choice between either remaining in employment or leaving the workforce to marry and have children, a factor that is regarded as contributing to the decline of the birthrate. This is also an issue that can have implications for mental health and even lead to death through overwork.

Although the annual number of hours actually worked per employed worker in Japan is shrinking, a more detailed breakdown shows that this has generated an increase in part-time workers (the majority of whom are non-regular employees), as a consequence of which there has been no conspicuous shortening of regular employees' working hours. Instead, working hours are becoming polarized around each end of the spectrum.

While regular employees enjoy strong job security, they tend to have to follow their employers' wishes as regards, for example, working hours and place of work. Thus while they enjoy security, they are also restricted to a considerable degree. Non-regular employees, on the other hand, face fewer restrictions in terms of overtime and so forth, but do suffer a lack of job security. The existence of a rigid barrier between regular and non-regular employment has drawn severe criticism on the grounds that it prevents a diversity of human resources, such as women, older people, and the young, from exercising their abilities and impedes their use. Establishing mechanisms to ensure continuity of treatment and greater mobility between regular and non-regular employment so that workers do not have to choose between the two has consequently emerged as a priority.

A third characteristic is the lag in improvement in wages compared with the improvement in corporate earnings during the present recovery. An examination of changes in wages over time in all industries combined according to the Laspeyres wage index (a weighted average index employing

fixed attributes in each year that is used to compare the wage levels of workers of the same age profile in each year) calculated by the Japan Institute for Labour Policy and Training (JILPT) reveals that while wages increased continuously from 1986 to 2001 before declining in 2002 and then leveling out according to the simple wage index, the rate of growth in the Laspeyres index was zero in 1998, since then it has declined continuously. This reflects companies' efforts to improve their financial soundness in the face of growing globalization, which has led to their adopting an aggressive approach to curbing personnel expenditures.

Workers have thus not felt the full benefits of economic growth in their everyday lives, and it is due in part to this that growth in consumption expenditure has been lackluster and the recovery has, with the exception of capital investment, tended to be driven largely by growth in exports. And it is due to this export dependence that the Japanese economy, which should have already surmounted the financial crisis, suffered one of the highest negative rates of growth of any developed economy.

Fourthly, companies have since the 1990s pursued changes to their wage systems for regular employees as well as greater employment of non-regular employees in order to reduce their overall personnel expenditures. Many have opted, for example, to link bonuses to corporate results, introduce performance- and results-based pay, and downsize or discontinue regular wage hikes. Midway through the present decade, however, there emerged a recognition that the introduction of performance- and results-based pay had been taken too far and a corrective trend emerged. Nevertheless, arrangements for determining wages and forms of treatment taking into consideration individual workers' performance, results, personal approach to work, and vocational skills are now more widespread than they were before. Japanese companies are pursuing a course of individualizing the collective labor relations until now regarded as typical by rethinking their wage systems. This has also played a part in forcing the Shunto spring wage offensive, the distinctive



Japanese system of determining wages, to change and adapt.

The fifth characteristic that may be identified is the individualization of these labor relations. While collective labor disputes between employers and labor unions are down sharply compared with in the past, individual labor disputes between employers and individuals are rising. Recent developments in this area include the entry into effect in 2001 of the Act on Promoting the Resolution of Individual Labor-Related Disputes, which concerns the provision of advice, proposals, and conciliation services by prefectural labor bureaus, the establishment in 2006 of the labor tribunal system, which is founded on labor arbitration involving judges and law experts in labor relations, and the entry into effect in 2008 of the Labor Contract Act.

One development to be noted in this context is the downward trend in the unionization rate. This has fallen to below 20%, and, despite the sharply rising number of non-regular employees, unionization of part-time workers remains at a mere 4% or so. While Japanese labor legislation establishes minimum legal standards, it leaves it to employers and employees to negotiate working conditions in excess of these standards. For small enterprises with low unionization rates and non-regular employees, this approach is growing increasingly inadequate, and there is emerging a need to develop systems of collective labor relations that reflecting the interests of this class.

### **Measures to Reverse Birthrate Decline and Promotion of the Work-life Balance**

In view of these changing circumstances, the primary focus of Government action has been the decline of the labor force. Japan's birthrate is declining rapidly and the population went into decline in 2005. If this trend continues, people aged 65 and over may account for approximately 30% of the total population in 2017, and 40% in 2055. The declining birthrate is causing growing public anxiety about the sustainability of Japan's society and economy. Raising the employment rate and productivity will be crucial to maintaining

Japan's social and economic dynamism under conditions of demographic decline.

In 2008, the Government announced its "New Employment Strategy," subtitled "Creating a 'Society in Which Everyone Plays a Part.'" This designates the next three years as an "intensive period" of support for expanding employment of people in three categories: the young, women, and the old. Regarding firstly the young, the aim is to create stable employment for the young people who were unable to find regular employment during the employment ice age and to generate regular employment for one million people. Regarding women, the aim is to swiftly develop the conditions to enable the children of the baby boomers to raise children while remaining in employment in order to turn round the birthrate. The number of women in employment aged between 25 and 44 will be increased by up to 200,000. Regarding lastly older people, the aim is to have one million more older people in employment with the focus on steadily pursuing continued employment up to the age of 65.

A key element of strategy to help workers to achieve a better work-life balance is a charter established in 2007 and now being promoted by the Government. Balancing work and personal life is considered essential to enabling workers to lead rich social lives, and is also argued to be necessary to preventing harm to health, slowing the decline in the birthrate and maintaining social security, raising the employment rate, and increasing productivity through the promotion of more efficient ways of working.

### **Development of Safety Net and Employment Adjustment Subsidies**

The financial panic emanating from the U.S. spread almost instantaneously to affect the real economy, causing the global economy to contract and employment conditions to rapidly deteriorate. Japan did not escape its effects, and the conspicuous heavy job losses among the non-regular employees who have grown rapidly in number over the past decade are the most distinguishing feature of the present contraction (forecasts re-

leased by the Ministry of Health, Labour and Welfare predict that over 200,000 non-regular employees will lose their jobs between October 2008 and June 2009). Broken down by form of employment, dispatched workers account for the largest number at over 130,000, followed by fixed-term contract employees and other contract employees at over 40,000. The recession has dealt a direct blow to the export industries, such as automobile and electrical and electronics manufacturing, that were the mainstay of the Japanese economy, and it is in manufacturing that the problem of unemployment among temporary agency workers first became prominent, leading to terms such as *hakengiri* (dismissal of dispatched workers) and *yatoidome* (non-renewal of contracts) gaining common currency in the media.

The Government has put together a budget worth approximately two trillion yen to implement employment measures over the next three years, and has announced its intention to provide basic support for the employment of a total of 1.60 million workers.

One pillar of policy is expansion of the employment safety net, whose inadequacy has become apparent as a result of the surge in the number of unemployed. The employment insurance system had required that people be “expected to be employed for at least one year” in order to enroll, thus excluding many dispatched workers. The system was therefore revised to ease the standard for application to non-regular employees to “expected to be employed for six months or more” from March 31, 2009. At the same time, the requirement that people should have been “enrolled in insurance for a total of at least 12 months in the two years prior to becoming unemployed” in order to receive unemployment benefits was changed to “at least six months in the year prior to becoming unemployed.” In the case of difficulty finding another job, the benefit period is extended by 60 days provided that certain conditions are met. For non-regular employees who are still excluded from the revised employment insurance system

and the long-term unemployed whose benefit period has expired, a fund has been set up to pay living expenses as long as they are receiving vocational training.

A second main pillar is the expansion of employment adjustment subsidies. Employment adjustment subsidies (“SME emergency employment stabilization subsidies” in the case of small and medium enterprises) are subsidies provided by central government to companies that have to downsize due to recession or other factors but that nevertheless maintain jobs by giving their employees leave, education, training and temporary transfers, and they were launched in 1975 modeled on the German *Kurzarbeit* subsidy program. The qualification conditions were eased in December 2008, and they were also substantially expanded in terms of their content. The maximum period for which companies could receive subsidies was increased from 200 days in one year to 300 days in three years, and the subsidization rate for SMEs was raised from two thirds to four fifths of wages. The amount of subsidies for education and training costs was also increased from 1,200 yen to 6,000 yen per day.

## Economic Crisis and Japanese-style Employment Systems

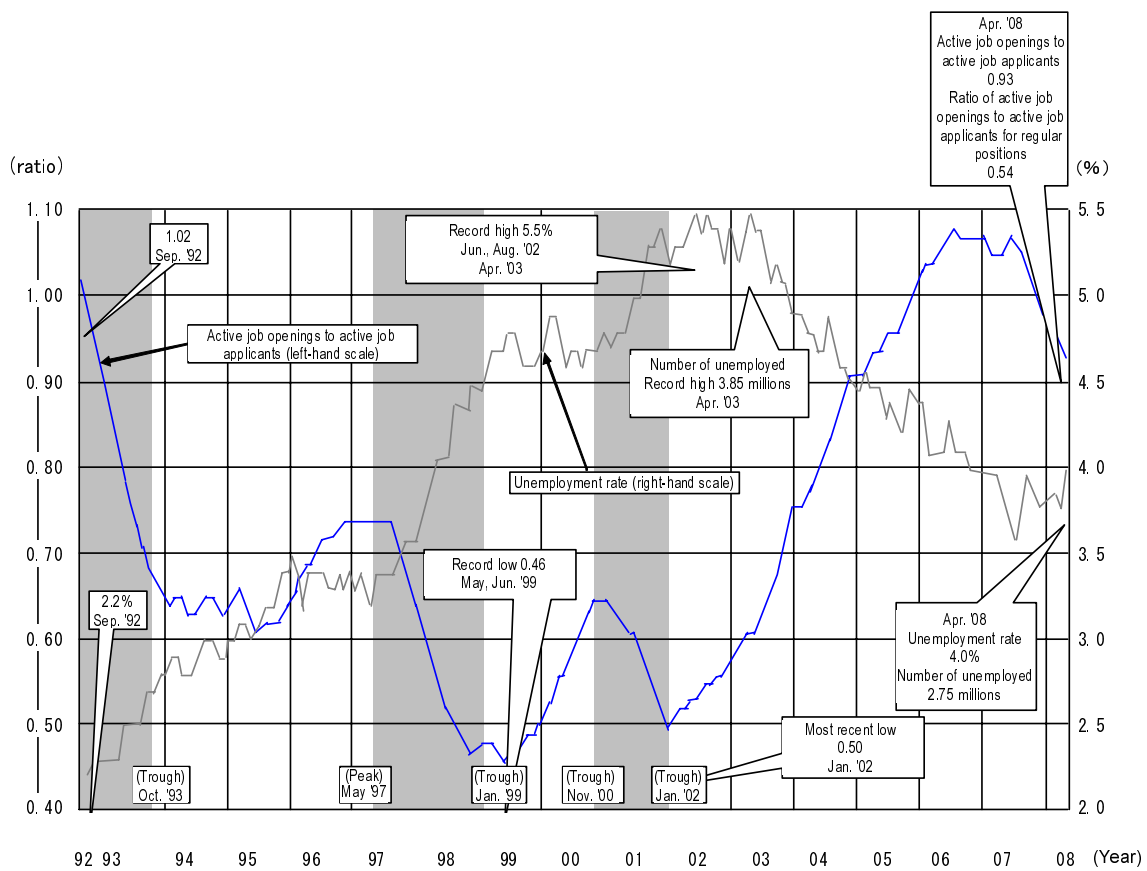
The assessment of “Japanese-style employment systems”, which revolve around the practice of long-employment, wavered during this period. Going back slightly earlier, the Japan of the 1970s and 1980s maintained stable growth at a time when Europe and North America were mired in a prolonged slump, and Japan became the world’s largest trading nation. Following the Plaza Accord drawn up in response, Japan enjoyed unprecedented but unsustainable prosperity. In the 1980s, commentators, both at home and abroad, sought to discover the secret to the Japanese economy’s prosperity in contrast to the West, and one area to attract interest was Japan’s employment systems, which revolved primarily around the practice of long-term employment, seniority-based wages, and enterprise unions.

During the recession of the 1990s, however, the view of Japanese-style employment systems suddenly became more critical. As the economy recovered, though, companies regained their management confidence and opinion surveys of workers, too, suggested that the perception of long-term employment practices and seniority-based wages was also recovering. The sense of solidarity with the organization and career development premised on continued employment at the same company, which had been widely criti-

cized as weaknesses of Japanese-style employment, are also being increasingly viewed in a positive light.

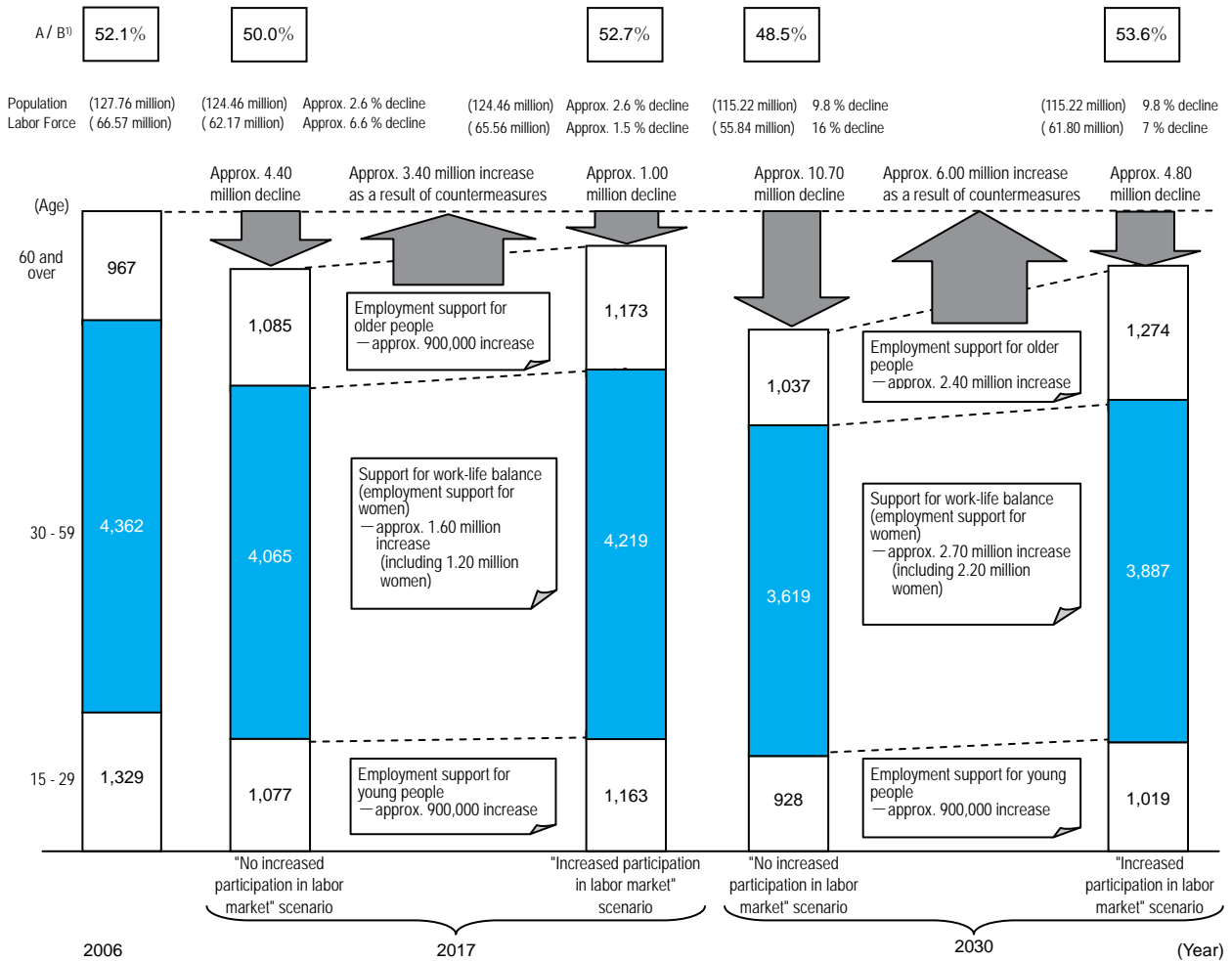
Nevertheless, employment patterns are undoubtedly changing, and non-regular employees now account for over 30% of employees. The question that Japan now faces is how to preserve what is best about its distinctive employment systems (including dealing with the problem of non-regular employees) at a time of unprecedented economic crisis.

I-5 Trends in Unemployment Rate and Ratio of Active Job Openings



Source: Ministry of Internal Affairs and Communications, *Labour Force Survey*.  
 Ministry of Health, Labour of Welfare, *Report on Employment Service. Corporate Goods Price Index*  
 Note: The shaded sections indicate periods of economic downturn.

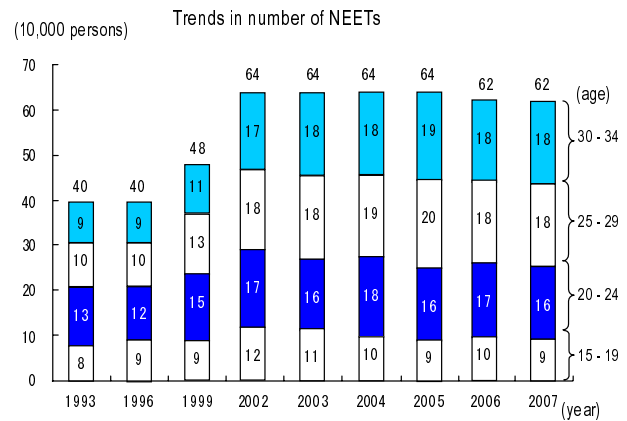
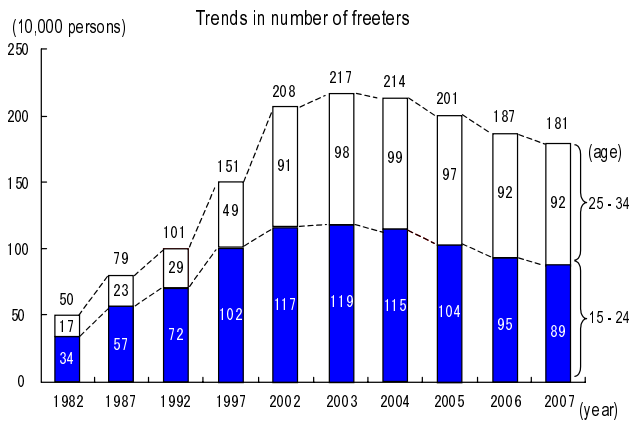
### I-6 Labor Force Outlook



Sources: Statistics on total population are from Ministry of Internal Affairs and Communications, Statistics Bureau, *Population Estimates* (2006) and National Institute of Population and Social Security Research, *Population Projections for Japan (2017, 2030)* (estimated December 2006). Labor force statistics are estimates from Ministry of Internal Affairs and Communications, Statistics Bureau, *Labour Force Survey* (2006) and Japan Institute for Labour Policy and Training, *Fiscal 2007 Supply and Demand Estimation Workshop* (2017, 2030).

- Notes: 1) A / B = Labor force / Population  
 2) The "increased participation in labor market" scenario assumes more people will be able to work as a result of implementation of a variety of countermeasures.  
 3) The percentages next to the estimates of total population and labor force in 2017 and 2030 are in comparison with the total-population and labor force in 2006.

## I-7 Situation regarding Freeters and NEETs



Sources: Ministry of Internal Affairs and Communications, Statistics Bureau, Employment Status Survey Ministry of Labour, *Policy Research Division special tabulations* (up to 1997), Ministry of Internal Affairs and Communications, Statistics Bureau, *Labour Force Survey (Detailed Tabulation)* (from 2002).

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

Notes: The figures for freeters from 2002 represent the total number of male graduates and single female graduates aged 15-34 who are:

1. employed and called "part-time workers" by their employers;
2. unemployed and looking for "part-time work" ; or
3. not members of the labor force, want to do part-time work, and are not attending school or helping at home.

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

## I-8 Laspeyres Wage Index

(Average annual growth rate)

(%)

Year	All industries		Construction industry		Manufacturing industry	
	Laspeyres wage index	Simple average index	Laspeyres wage index	Simple average index	Laspeyres wage index	Simple average index
1985	2.3	3.3	1.6	2.6	1.8	2.9
1986	1.2	2.6	2.1	4.1	1.1	2.1
1987	2.6	2.4	2.7	2.0	2.1	2.6
1988	3.0	4.3	4.8	5.7	2.9	3.6
1989	4.6	5.4	6.1	6.5	4.4	5.4
1990	4.1	4.5	4.5	5.9	4.3	4.9
1991	3.4	3.4	5.6	5.1	3.2	3.7
1992	1.6	2.1	2.7	1.7	1.6	2.8
1993	1.4	2.6	1.4	2.1	1.3	3.2
1995	0.1	1.0	0.2	0.8	0.1	0.7
1996	0.5	1.5	-0.5	-0.9	0.6	1.8
1997	0.3	1.1	0.1	1.8	0.6	1.2
1998	0.0	0.1	-1.5	-1.1	0.6	0.8
1999	-0.7	0.5	-0.1	1.0	-1.1	0.5
2000	-0.7	0.5	-1.4	0.0	-0.4	0.7
2001	-0.2	1.2	-0.2	1.6	0.2	1.5
2002	-1.2	-1.1	-3.3	-3.7	-1.1	-0.4
2003	-0.6	-0.1	0.0	1.0	-0.7	0.0
2004	-0.5	-0.1	-0.2	0.8	-1.3	-1.2
2005	-0.3	0.0	-0.6	1.2	1.3	2.3
2006	-0.1	-0.1	0.4	0.6	1.5	2.6

Source: Ministry of Health, Labour and Welfare, *Basic Survey on Wage Structure*, The Japan Institute for Labour Policy and Training, *Useful Labor Statistics 2008*.

## I-9 Polarization of Working Hours

(million persons)

Working hours per week	1993	2005	2006	2007
Less than 35 hours	92.9 18.2%	126.6 24.0%	120.5 22.5%	134.6 24.9%
30 and more, less than 60 hours	362.5 71.1%	338.4 64.1%	355.3 66.4%	348.2 64.5%
More than 60 hours	54.0 10.6%	61.7 11.7%	58.0 10.8%	55.4 10.3%
Total	509.9	528.0	535.3	539.8

(Males in Their Thirties Working at Least 60 Hours per Week)

	1993	2005	2006	2007
More than 60 hours	15.3 20.3%	19.9 23.4%	18.8 21.7%	17.6 20.2%

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

Note: The top table gives the figures for employees. As it was not possible to obtain information on "Male in Their Thirties Working at Least 60 Hours per Week" for employees only due to statistical constraints, however, the bottom table was produced based on statistics for all workers, including the self-employed workers in family businesses.

### I-10 Enhancement of Safety Net for Non-Regular Employees

#### Background to Revision

- Growing trend of adjusting employment by not renewing the contracts of fixed-term contract employees as an effect of the worsening of employment and unemployment conditions made it necessary to enhance the safety-net function of the employment insurance system.
- In order to discourage people from leaving their jobs without careful thought, insured persons are required to be enrolled for at least 12 months (6 months in the case of dismissal or bankruptcy, etc.) in order to qualify for benefits. However, the non-renewal of fixed-term contract employees' contracts against their wishes made it necessary for workers insured for shorter periods (less than 1 year) to also be able to receive necessary benefits.

#### Details of Changes

##### Easing of Qualification Requirements

- Reduction of qualification period to 6 months (as in the case of dismissal and bankruptcy, etc.) for fixed-term contract employees who lose their jobs due to non-renewal of their contracts.

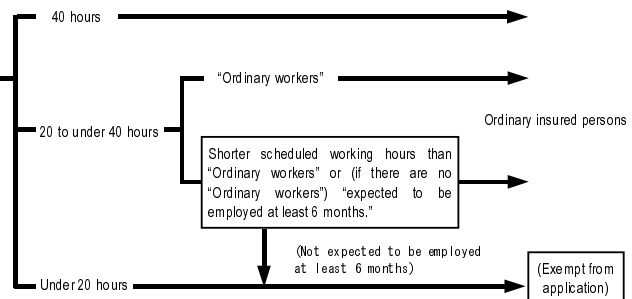
##### Provisional Extension of Benefit Period

- In light of present employment and unemployment conditions, the benefit period for fixed-term contract employees whose contracts are not renewed will be placed on a par with those who lose their jobs due to dismissal, etc. (provisional measure lasting for 3 years).

##### Revision of Guidelines for Application of Employment Insurance

- Criterion for application of employment insurance to workers working shorter hours eased from "Expected to be Employed for at Least 1 Year" to "Expected to be Employed for at Least 6 Months."

Weekly scheduled working hours under principal employment relationship



Source: Ministry of Health, Labour and Welfare

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

#### **Total Population Peaked in 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 Ja-



pan over the postwar years shows one striking pattern—the shift from non-urban areas (farming villages) to major cities during the period of high economic growth in the 1950s and 1960s. With the exception of the eldest sons of families engaged in agriculture, people moved from farming areas (where employment opportunities were limited) to cities, where they could easily find work in the rapidly developing secondary and tertiary industries. This shift brought about the serious problems of depopulation in the countryside and overcrowding in urban centers. A subsequent shift saw a migration within urban boundaries from congested city centers to the suburbs. Geographic shifts in population finally began to subside with the 1973 oil crisis and the subsequent tapering off of economic growth.

### **Concentration of Population in the Greater Tokyo Area**

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

The concentration has been increasing yearly, and as of 2005 (national census), approximately

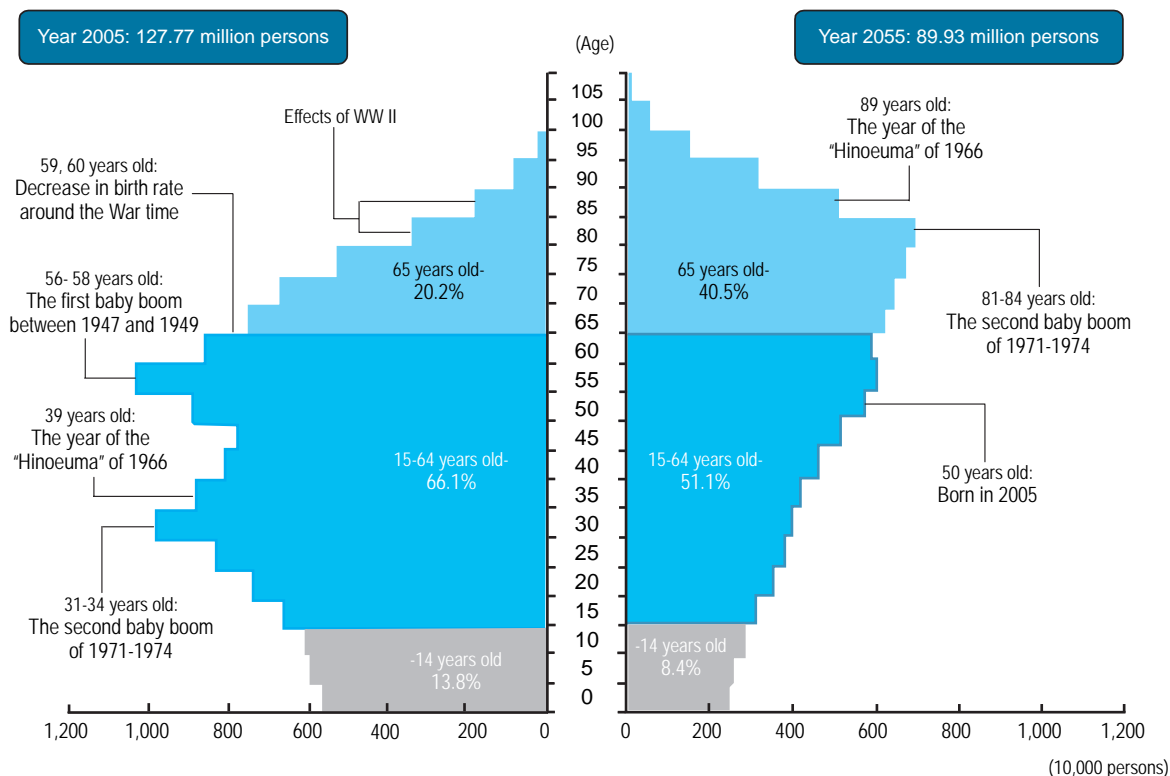
27% of Japan’s population centers in the four prefectures of Saitama, Chiba, and Kanagawa, and Tokyo.

### **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 2007, they accounted for 27.6% 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 began to gather speed during the bubble economy of the late 1980s. The Chinese population in Japan, in particular, has been increasing greatly to No.1 since 2000 and has made up 28.2% of the foreign population overtook North and South Korea by the end of 2007. The number of registered aliens has increased steadily as well, reaching an all-time high of 2.153 million persons in the end of 2007. The percentage of foreigners in the total population is about 1.69%.

### II-1 Japan's Population in 50 Years



Source: The figures in 2005 are based on Report of Population Census, Statistics Bureau, Ministry of Internal Affairs and Communications. 2055 are on Population Projections for Japan [Medium-variant fertility (with Medium-variant mortality)], National Institute of Population and Social Security Research.

Note: "Hinoeuma" is one of the sign in the Oriental Zodiac. It is superstitiously believed that females born to this sign will create evil and many people avoided to give birth on this year.

### II-2 Changes in Registered Alien Population by Nationality

(Year end figures)

	1990	1995	2000	2005	2008
<b>Total</b>	1,075,317	1,362,371	1,686,444	2,011,555	2,217,426
North/South Korea	687,940	666,376	635,269	598,687	655,377
Distribution (%)	64.0	48.9	37.7	29.8	29.6
China	150,339	222,991	335,575	519,561	589,239
Distribution (%)	14.0	16.4	19.9	25.8	26.6
Brazil	56,429	176,440	254,394	302,080	312,582
Distribution (%)	5.2	13.0	15.1	15.0	14.1
Philippines	49,092	74,297	144,871	187,261	210,617
Distribution (%)	4.6	5.5	8.6	9.3	9.5
Peru	10,279	36,269	46,171	57,728	59,723
Distribution (%)	0.9	2.7	2.7	2.9	2.7
U.S.	38,364	43,198	44,856	49,390	52,683
Distribution (%)	3.6	3.2	2.6	2.5	2.4
Others	82,874	142,800	225,308	296,848	337,205
Distribution (%)	7.7	10.5	13.4	14.8	15.2

Source: Immigration Bureau of Japan, *Statistics on Aliens in Japan, 2007*.

## 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 2005, this number had jumped to 110.49 million (Labour Force Survey).

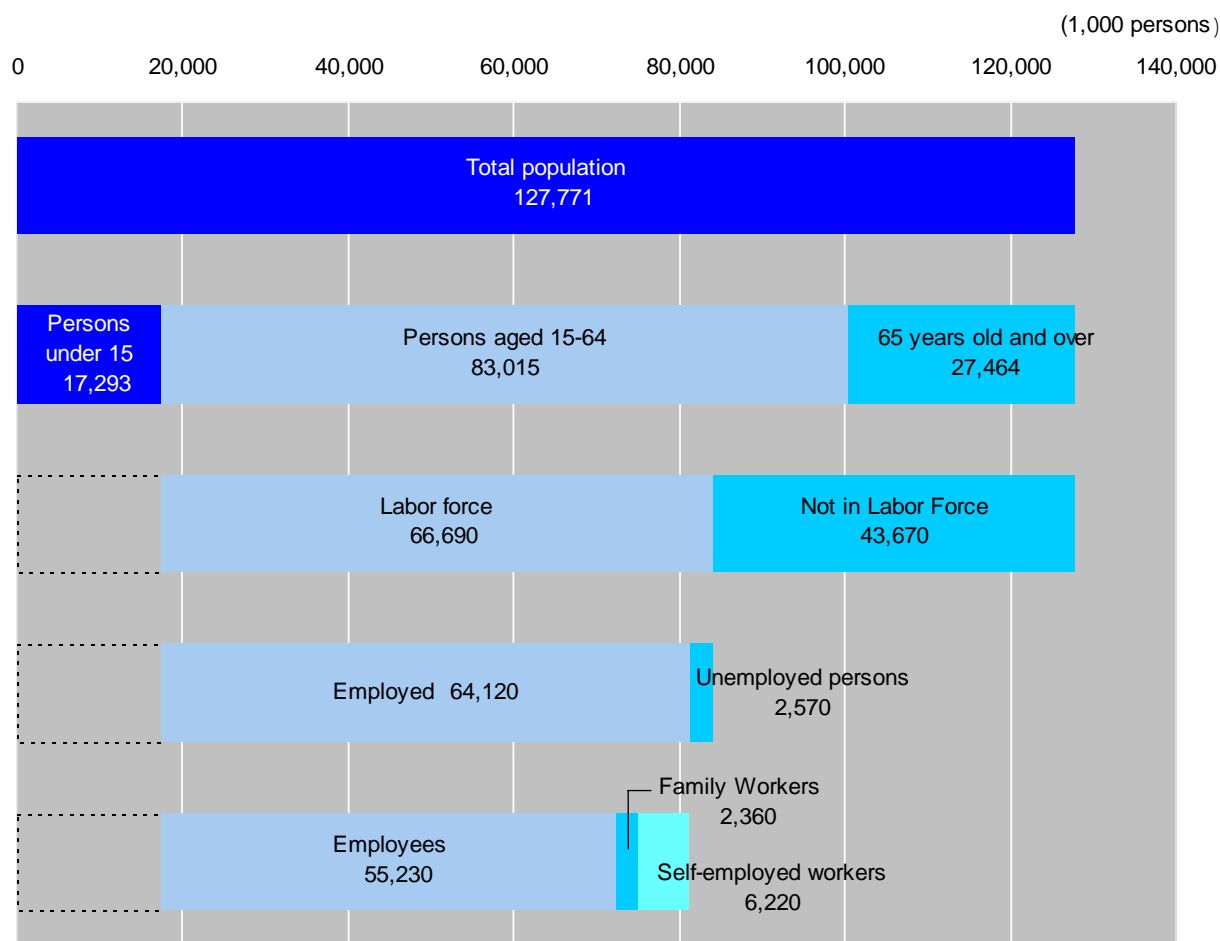
The labor force includes those people aged 15 and older who actually hold jobs and therefore qualify as “workers”, as well as “completely unemployed persons” who want and seek jobs, but are not currently engaged in any work.

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%).

### II-3 Composition of Labor Force



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

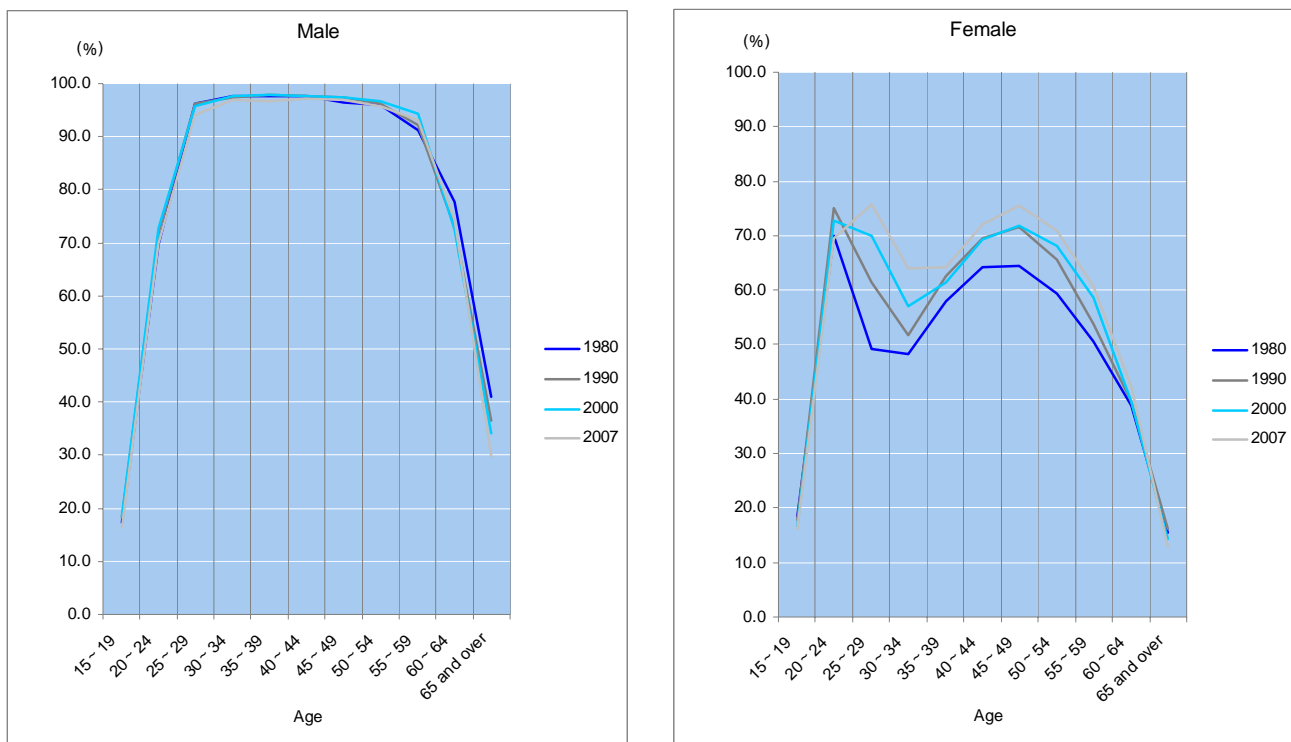
## Features of Japan Visible in the Labor Force Ratio

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 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.

II-4 Labor Force Participation Rate by Sex and Age



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

## Factors Behind the Labor Force Ratio

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

(1) 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.

(2) 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 of Employment

One of the most obvious changes over the medium term in Japan's employment landscape has been the marked diversification of employment. In terms of form of employment, the proportion of all employees (excluding company directors) who were regular employees had fallen below two thirds to 65.9% in 2008. Compared with during the 1980s, when over 80% were regular employees, the scale of the increase in non-regular employment since the collapse of the economic bubble in the 1990s is evident.

A breakdown of non-regular employment shows that part-timers account for the largest proportion of all employees (excluding company directors), though their share has grown only slightly in recent years (from 14.5% in 2002 to 15.9% in 2008). Instead, there has been large growth over the same period in the proportions of contract and "entrusted" shokutaku employees (from 4.7% to 6.2%) and dispatched workers (from 0.9% to 2.7%).

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

This diversification of forms of employment is attributable firstly to the long-term growth in the size of the service sector in the economy. Tertiary industry's share of employment, which was less than 60% in the late 1980s, had grown to account for 69.4% of employed persons and 71.6% of employees by 2008. The growth of the service sector has created increased opportunities to enter non-regular forms of employment. For example, the 2007 edition of the "Employment Status Survey" conducted once every five years by the Statistics Bureau of the Ministry of Internal Affairs and Communications (MIC), providing a useful source of data for examining employment patterns in detail, indicates that the proportion of all employees (excluding company directors) ac-

counted for by non-permanent employees is considerably higher in tertiary industry (69.2% in the food, beverage, and hotel industries, 47.2% in the wholesale and retail industries, 41.6% in other service industries that cannot be categorized, and 35.8% in the medical and welfare industries) than in manufacturing (27.2%). In these industries, there is strong demand for non-regular employment due to the nature of the work, such as the fluctuating level of demand for services and the need to provide services beyond ordinary working hours.

At the same time, the diversification of forms of employment and ways of working has been propelled in part by the needs of workers themselves. As more women in particular have entered the workforce, those with childcare or other responsibilities in the home often themselves choose to work on a non-regular basis as this enables them to work more flexible hours (both in terms of the number of hours worked and the times that they work).

In addition to these basic factors, other salient factors have fueled the recent rapid increase in non-regular employment. One has been employers' curbing of regular employment and use instead of non-regular employees to cut labor costs in response to the severe economic and employment conditions faced since the collapse of the bubble in the 1990s. The second consists of institutional changes, including legal amendments, in 1999, and the increased use of dispatched workers in association with the deregulation of the temporary staffing business (broadening the scope of work that could be performed by dispatched workers).

While forms of employment have thus rapidly grown more diverse in recent years, a number of issues have simultaneously attracted concern, including firms' reduced ability to build up skills and technologies in their workforces, the emergence of a large gap in wages and other treat-

ment between regular and non-regular employees with the increased overlap of functions performed by the two, and the underdeveloped state of the safety net for non-regular employees who become unemployed, which often happens to workers on fixed-term contracts. The present economic recession triggered by the financial crisis in the United States has brought these issues to the fore, particularly the lack of a well-developed safety net.

### **Growth in Unemployment**

A second recent feature of employment in Japan has been the upward trend in unemployment. From the 1970s to the end of the 1980s, the overall unemployment rate remained between around 2% and 3% as it bobbed around slightly behind trends in the business cycle. Following the collapse of the bubble at the beginning of the 1990s, however, the economy entered a protracted slump and, after declining to a low of 2.1% in 1992, unemployment continued to rise for the next decade to reach its most recent peak of 5.4% in 2002. The economy then entered a prolonged, if modest, period of recovery during which unemployment declined. However, the speed of the decline slowed as unemployment approached around 4% until it reached its most recent low of 3.9% in 2007, then proceeding to rise again as the economy faltered during the present financial crisis.

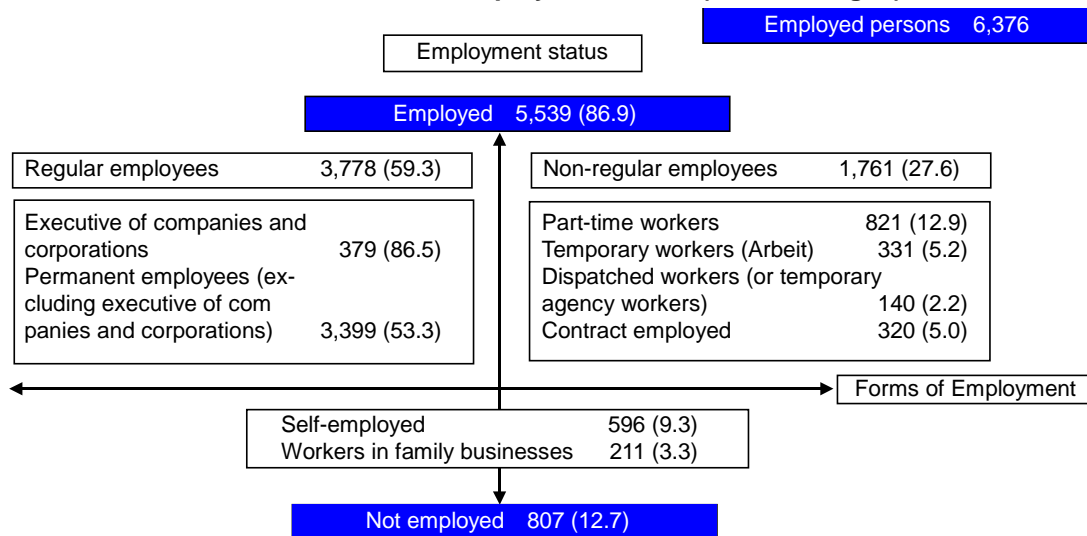
These movements suggest that the underlying level of unemployment in Japan has shifted upwards from around 2% in the 1980s to around 3% in the 1990s and around 4% in the present decade. Estimated trends in structural/frictional unemployment (equal to the equilibrium rate of

unemployment, i.e., the level of unemployment when supply and demand for labor presently manifest on the labor market are in equilibrium assuming the present structure of the labor market) based on a U-V analysis support this interpretation.

This underlying upward trend in the unemployment rate may be seen as a reflection of the general trend in Japan's economic growth. However, the purpose of economic growth is to satisfy people's economic needs, and it is not necessarily worth single-mindedly pursuing growth in a mature economy such as Japan's. If the underlying upward trend in unemployment is to be curbed, there will have to be a shift in the future to employing gains in productivity made possible by technological innovation to reduce working hours rather than pursuing further quantitative growth.

One structural problem concerning unemployment is the particularly high rate among younger age groups. In 2008, unemployment was higher among 15- to 19-year-olds (8.0%), 20- to 24-year-olds (7.1%), and 25- to 29-year-olds (6.0%) than among all age groups combined (4.0%). The period of transition from school to work is one during which young people are searching for the right job, and the unemployment rate has traditionally been higher around this age, but this has been accentuated in recent years by reduced hiring of school leavers as permanent employees. This has resulted in more people having to start their working lives in non-regular employment and more people changing jobs, thus pushing up the unemployment rate.

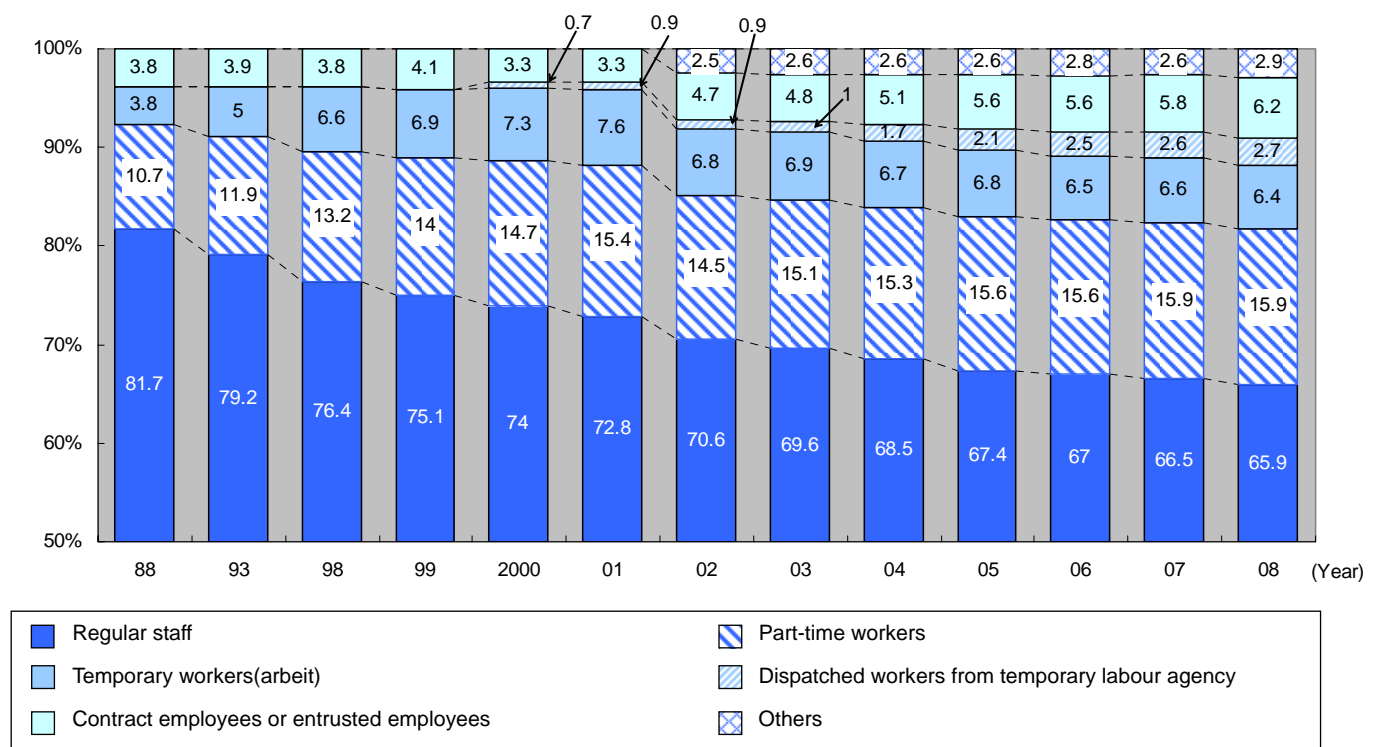
### II-5 Breakdown of Employed Persons (2008 Averages)



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

Note: Figures not in parentheses indicate the numbers of employed persons in tens of thousands. Those in parentheses indicate the percentages of employed persons in the overall population.

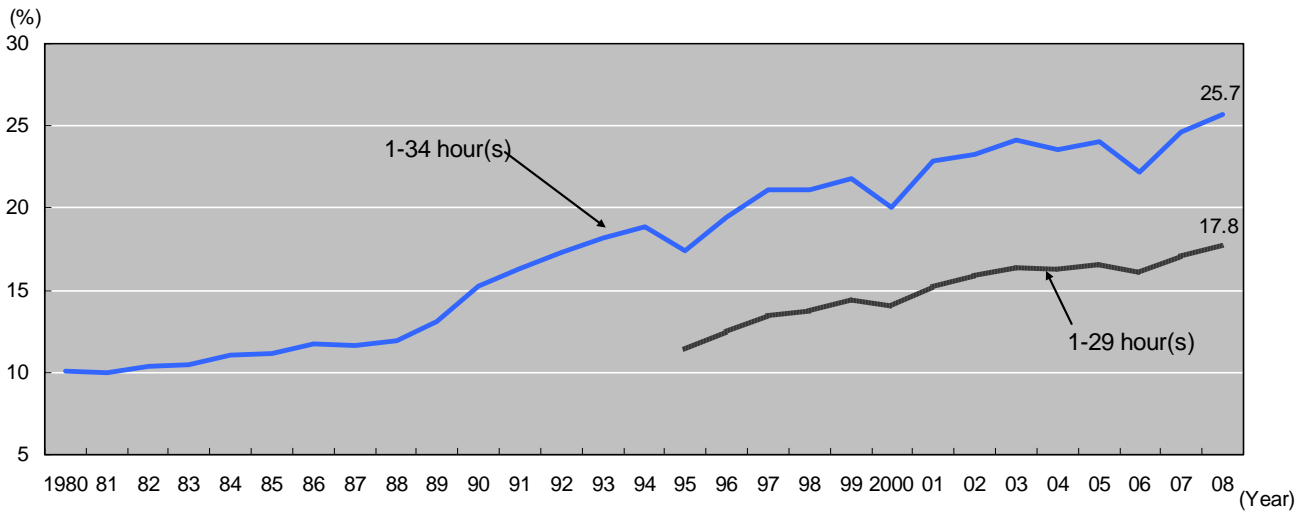
### II-6 Proportion of Employees by Type of Employment



Notes: Data source is "The Special Survey of the Labour Force Survey" from 1984 to 2001, "Labour Force Survey (Detailed Tabulation)" since 2002. Because there is difference such as survey methods and reference period, attention need to be paid to the time series comparison.

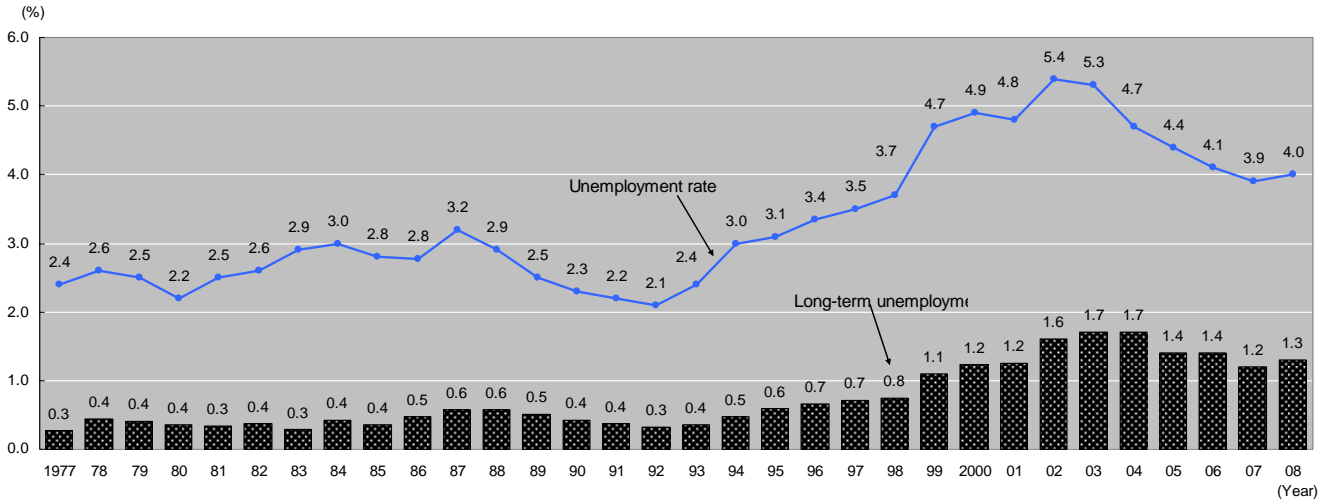
- 1) The data classified "Entrusted, Other" prior to Aug. 2001, except Aug. 2000 and Feb. 2001 ["Other (entrusted, etc)"]. The data subdivided "contract employee or entrusted employee" and "Other" since Aug. 2001.
- 2) Rates are to the totals shown in breakdown of "Employee, excluding executive of company or corporation".

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



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

### II-8 Trends in Unemployment Rate and Long-Term Unemployment Rate

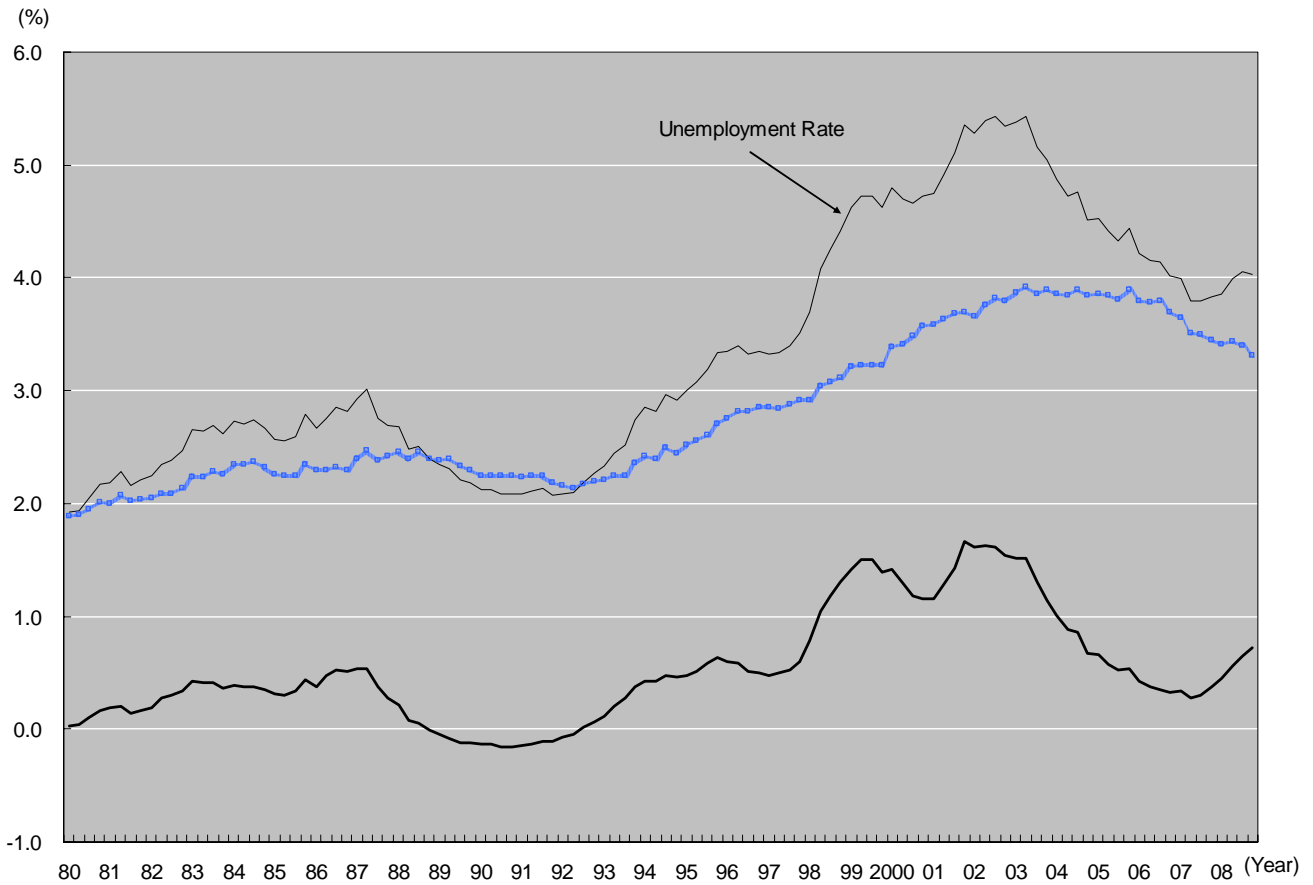


Sources: Statistic Bureau, Ministry of Internal Affairs and Communications, *Labour Force Survey*, *Special Survey of Labour Force Survey (1977-2001)*, *Labour Force Survey (Detailed Tabulation) (2002-2008)*.

- Notes:
1. Long-term unemployment rate = persons unemployed for 1 year or more / labor force population
  2. The values are for each March up to and including 1982 and for each February from 1983 to 2001, and are yearly averages from 2002 to 2008.



## II-9 Trends in Structural/ Frictional Unemployment Rate and Demand Shortage Unemployment Rate



Sources: Estimated by the JILPT based on the method employed by the Labour Policy Director's Office in MHLW, *White Paper on the Labour Economy 2005*, based on MHLW, *Employment Security Operations Statistics* and Statistic Bureau, Ministry of Internal Affairs and Communications, *Labour Force Survey*.

Note: It should be borne in mind that estimates of the structural/frictional unemployment rate are inherently limited due to the effects of changes in economic conditions.

### 3 Trends in Regional Employment

#### Widening of Regional Divide

Steered by the structural reform policy of the Koizumi Administration and restructuring in the corporate sector, the Japanese economy bottomed out and returned to the path to recovery in 2002. It then continued to enjoy moderate growth until it was engulfed in the global slump in the first half of 2008. From 2003, the number of employees took an upward turn. However, the process of economic recovery also exposed a growing regional divide.

Until the 1990s, government expenditures on public works and other projects in the provinces ensured that any regional divide remained stable and did not widen further. As the budget deficit deepened, however, large cuts were made to spending on public works in the provinces from 2000 onward, causing the regional divide to widen. The government budget for public works-related spending shrank to a total of 7.8 trillion yen in FY2006, equivalently to around half (52.4%) of what it was at its peak (14.9 trillion yen in 1998).

This widening divide is also evident in labor market indices such as the unemployment rate and the ratio of active job openings to active job applicants (a ratio calculated by dividing the number of job openings by the number of job seekers at public employment security offices that, when in excess of 1, indicates that there is a labor shortage). Figure 1 shows the relationship between the unemployment rate and the ratio of active job openings to active job applicants in each prefecture in 2008, from which it can be seen that employment and unemployment conditions differ hugely according to region.

The regions located in the upper right of the graph are those where employment conditions are good (i.e., unemployment rates are low and ratios of active job openings to active job applicants are high), and consist of the prefectures making up the Nagoya region (23 Aichi along

with 24 Mie, 21 Gifu, 25 Shiga, 22 Shizuoka, 18 Fukui, 17 Ishikawa, and 20 Nagano), the Tokyo area (13 Tokyo along with 10 Gunma, 9 Tochigi, etc.), and certain other prefectures, such as 33 Okayama, 37 Kagawa, and 35 Yamaguchi).

The Nagoya area is the location of a cluster of machinery manufacturers that has Toyota and other automotive manufacturers at its hub. The Tokyo area has a concentration of tertiary industries, and is also characterized as a region by the concentration of manufacturing industries in the surrounding area. The other regions are somewhat distant from the major urban areas, but are all the locations of manufacturing clusters. (It should be noted that employment conditions in the Kinki area around 27 Osaka, which forms one of the three major urban areas of Japan, are poorer than in the other two (Nagoya and Tokyo) due in part to the slow pace of transition in its industrial structure.)

The regions in the bottom left, on the other hand, are those where employment conditions are severe. In other words, unemployment rates are high and ratios of active job openings to active job applicants are low. The prefectures in this part of the graph are 47 Okinawa at the southernmost tip of Japan, 2 Aomori, 1 Hokkaido, 5 Akita, 4 Miyagi, and 3 Iwate in the north, and 39 Kochi, 40 Fukuoka, 46 Kagoshima, 42 Nagasaki, and 45 Miyazaki in the south. These regions are at the margins of the narrow Japanese archipelago stretching north to south, and are far removed from the major urban areas.

#### Regional Divide in Industrial Structure

Implicit in employment and unemployment conditions is a major regional divide that is due in large part to the regionally uneven distribution of industries. As can be seen from II-10, which examines how the industrial structures of regions differ, a comparison of the breakdowns of employees by industry in regions where employ-

ment and unemployment conditions are extremely depressed and regions where they are buoyant reveals quite large differences.

Seven regions where employment conditions are particularly severe (Hokkaido, Aomori, Akita, Kochi, Nagasaki, Kagoshima, and Okinawa) were chosen for the depressed regions, and 10 regions excluding the major urban areas of Tokyo and Nagoya were chosen for the buoyant regions (Gunma, Tochigi, Shizuoka, Gifu, Mie, Toyama, Fukui, Okayama, Hiroshima, and Kagawa).

Comparing the breakdowns of employees in depressed and buoyant regions reveals that the main industries accounting for high proportions of employment in depressed regions are agriculture, forestry, and fisheries (+0.7 points), construction (+1.7 points), the wholesale and retail trades (+1.9 points), eating/drinking establishments and accommodations (+1.1 points), and medical health care and welfare (+3.1 points). In contrast, the corresponding industry in buoyant regions is manufacturing (+13.1 points).

These differences in industrial structure between depressed and buoyant regions in terms of numbers of employees may be safely ascribed to differences in the relative scale of manufacturing in these regions. In regions where employment conditions are severe, there is little clustering of manufacturing activity. Tertiary industries, such as the wholesale and retail trades, eating/drinking establishments and accommodations, and services, and industries dependent on government spending, such as construction contractors involved in public works, medical health care and welfare service providers involved in health and long-term care insurance, account for a high proportion of employment. Insofar as industrial structure is concerned, the regional disparity in employment and unemployment conditions in provincial areas is strongly affected by whether manufacturing or tertiary and government-dependent industries account for high proportions of employment.

## Return of Manufacturers to Japan and Job Creation

Having thus shown that differences in industrial structure between depressed and buoyant regions arise primarily from differences in the relative scale of manufacturing activity, we consider next the now clear homeward return of Japanese manufacturers who, in the 1990s, had rushed to move their production operations offshore to China and elsewhere, causing domestic employment to fall sharply and generating concerns about a “hollowing out” of domestic industry.

The number of people employed in manufacturing went into decline after peaking at 15.69 million in 1992, and had shrunk to 11.42 million in 2005. During this period, the number of employed persons actually declined by 4.27 million, and it is fair to say that the majority of the unemployed who exploded in number from the late 1990s spilled out from manufacturing.

The need to respond swiftly and flexibly to the rapid progress of technological innovation and fluctuations in production has, however, created a growing trend toward the manufacture in Japan of cutting-edge products and products that go through frequent model changes. Most of the key components inside products assembled into the finished article at production plants overseas are also manufactured and supplied from Japan. As the pace of technological innovation accelerates and the model change cycle shrinks, therefore, the more possible it becomes to manufacture in Japan those parts and products that are directly affected by these changes.

As has already been shown, the number of employed persons began to trend upward after bottoming out in 2002, and it is Japanese manufacturers’ return home that has propelled this trend. According to the Ministry of Internal Affairs and Communications’ Labor Force Survey, employment in manufacturing, which had declined continuously since 1993, began to increase again in the October-December quarter of 2005 due to the recovery of the economy and return of manufacturers to Japan, and this upward trend

has since continued. Insofar as the statistics by industry are concerned, the recent rise in employment has been as much due to manufacturing as to the medical health care and welfare and service industries that had hitherto driven the increases in employment. The job creation effect generated by the start of the return home of Japanese manufacturing, which it had been feared was being hollowed out by the movement overseas of production operations, is having a considerable impact.

The return of manufacturing to Japanese shores is clearly apparent from recent trends in the number of new plants being established in Japan. II-11 shows the number of plants being built in Japan and their job creation effect, from which it can be seen that both declined from 1992, but then began to follow an upward trend after hitting bottom in 2002. The upward trend in the number of new plants has been particularly marked, and it appears that small and medium establishments are following the trend set by large enterprises.

### **Headwind Created by Global Recession**

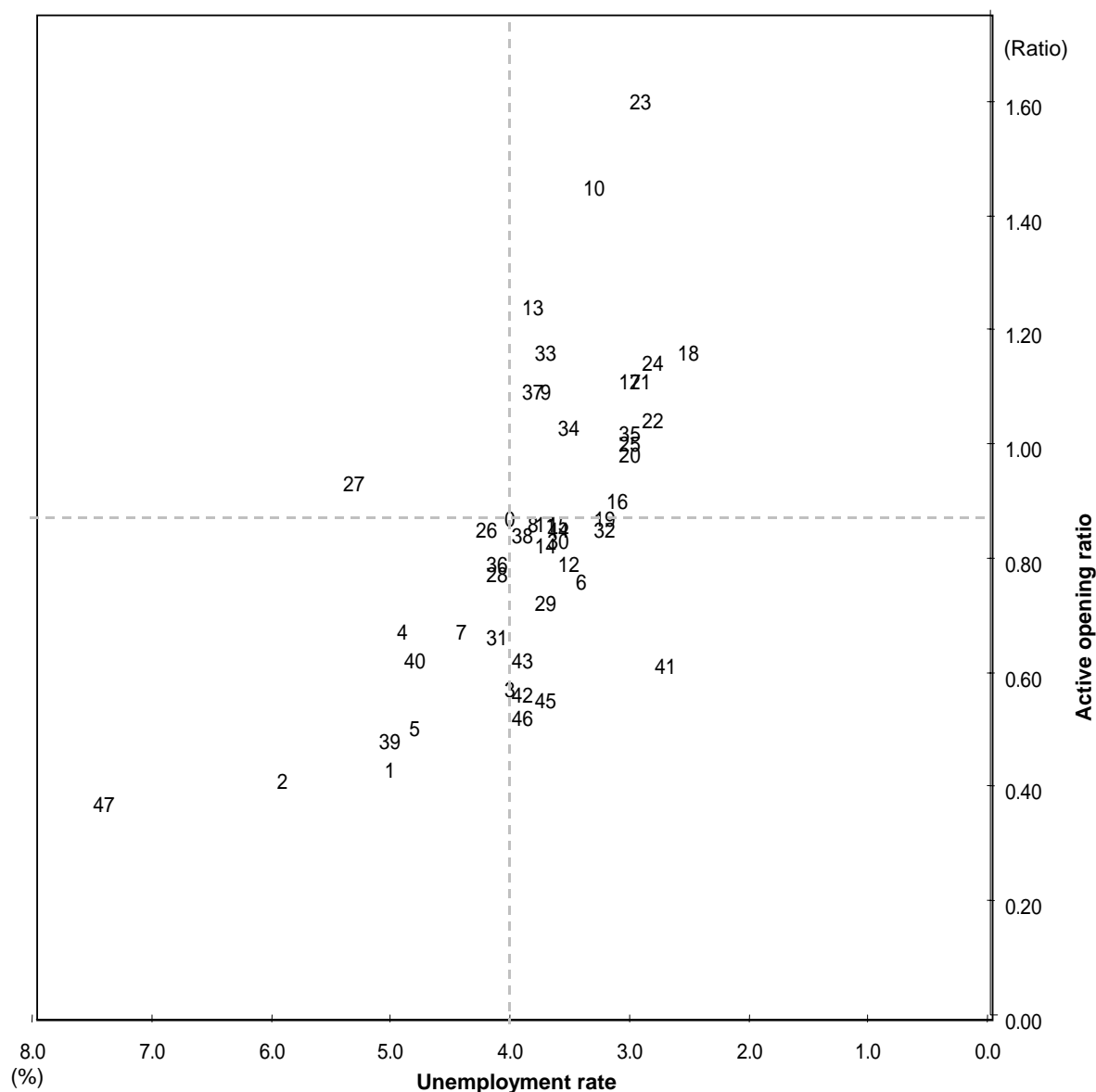
The economic recovery since 2003 was brought to a halt by the rapid deterioration of the economy from the summer of 2008 due to the worldwide slump precipitated by the financial crisis in the United States, and Japan has now entered a serious recession. The rapid contraction of the global economy has dealt a severe

blow to the export industries, such as automakers and electrical machinery manufacturers, that had been the engines of the Japanese economy, and the opposite situation to that observed during recoveries to date is developing during the present recession.

In other words, the areas outside the major urban areas that most aggressively courted investment by export-related industries such as the automobile and electrical machinery industries are those that have suffered the most from negative growth and the deterioration of employment conditions. In and around Aichi Prefecture, home to a clustering of automotive industries, there have been large-scale layoffs of dispatched workers and other non-regular employees since the second half of last year, and employment conditions have worsened with dramatic speed.

The recession deepened further at the beginning of 2009. There were more days of plant stoppages, and the number of companies applying for employment adjustment subsidies from the government to help pay the wages of employees during temporary shutdowns rose sharply. While employers have somehow managed to avoid laying off regular employees by such means as work sharing using employment adjustment subsidies, the unemployment rate is beginning to rise sharply as the recession deepens. The unemployment rate in March 2009 was 4.8%, 0.4 points higher than in the previous month.

## II-10 Ratios of Active Job Openings and Unemployment Rates by Prefecture (2008)



0 National average	16 Toyama	32 Shimane
1 Hokkaido	17 Ishikawa	33 Okayama
2 Aomori	18 Fukui	34 Hiroshima
3 Iwate	19 Yamanashi	35 Yamaguchi
4 Miyagi	20 Nagano	36 Tokushima
5 Akita	21 Gifu	37 Kagawa
6 Yamagata	22 Shizuoka	38 Ehime
7 Fukushima	23 Aichi	39 Kochi
8 Ibaragi	24 Mie	40 Fukuoka
9 Tochigi	25 Shiga	41 Saga
10 Gunma	26 Kyoto	42 Nagasaki
11 Saitama	27 Osaka	43 Kumamoto
12 Chiba	28 Hyogo	44 Oita
13 Tokyo	29 Nara	45 Miyazaki
14 Kanagawa	30 Wakayama	46 Kagoshima
15 Niigata	31 Tottori	47 Okinawa

Sources: Unemployment rate is from "Labour Force Survey" by the Ministry of Internal Affairs and Communications. Active opening ratio is from "Employment Stabilization Statistics" by the Health, Labour and Welfare Ministry

## II-11 Proportion of Employees by Industry in Depressed Regions and Buoyant Regions

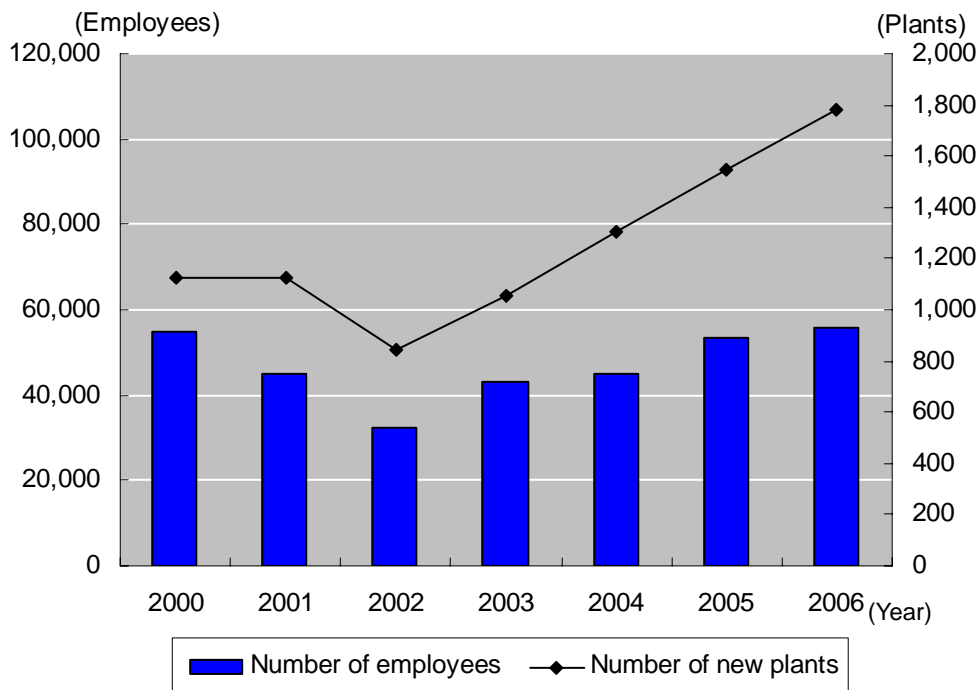
(%)

	Agriculture, forestry, and fisheries	Mining	Construction	Manufacturing	Electricity, gas, heat supply and water	Information and communication	Transport	Wholesale and retail trade
Japan (Nationwide)	0.4	0.1	7.0	16.9	0.5	2.8	5.0	21.2
Depressed regions	1.2	0.1	9.1	10.1	0.5	1.6	4.9	21.9
Buoyant regions	0.5	0.1	7.4	23.2	0.5	1.3	4.8	20.0

	Finance, insurance	Real estate	Eating and drinking place, accommodations	Healthcare, welfare	Education and learning support	Compound services	Services (not elsewhere classified)
Japan (Nationwide)	2.5	1.8	8.3	9.5	5.0	1.2	14.8
Depressed regions	2.3	1.4	8.7	12.2	5.1	1.8	14.0
Buoyant regions	2.1	1.2	7.6	9.1	4.6	1.3	13.5

Sources: Compiled based on Ministry of Internal Affairs and Communications, 2007 Establishment and Enterprise Census.

## II-12 Trends in Number of New Plants and Employees to Be Employed



Source: Compiled based on Ministry of Economy, Trade and Industry, Survey of Trends in Locations of New Plants.

## References:

Japan Institute for Labour Policy and Training, *Chiiki Koyô Sôshutsu no Shin Chôryû* (New Trends in Regional Job Creation) (2007).Japan Institute for Labour Policy and Training, *Chiiki Ken ni Okeru Koyô Sôshutsu no Kenkyû* (Research on Job Creation in the Regions) (2008).

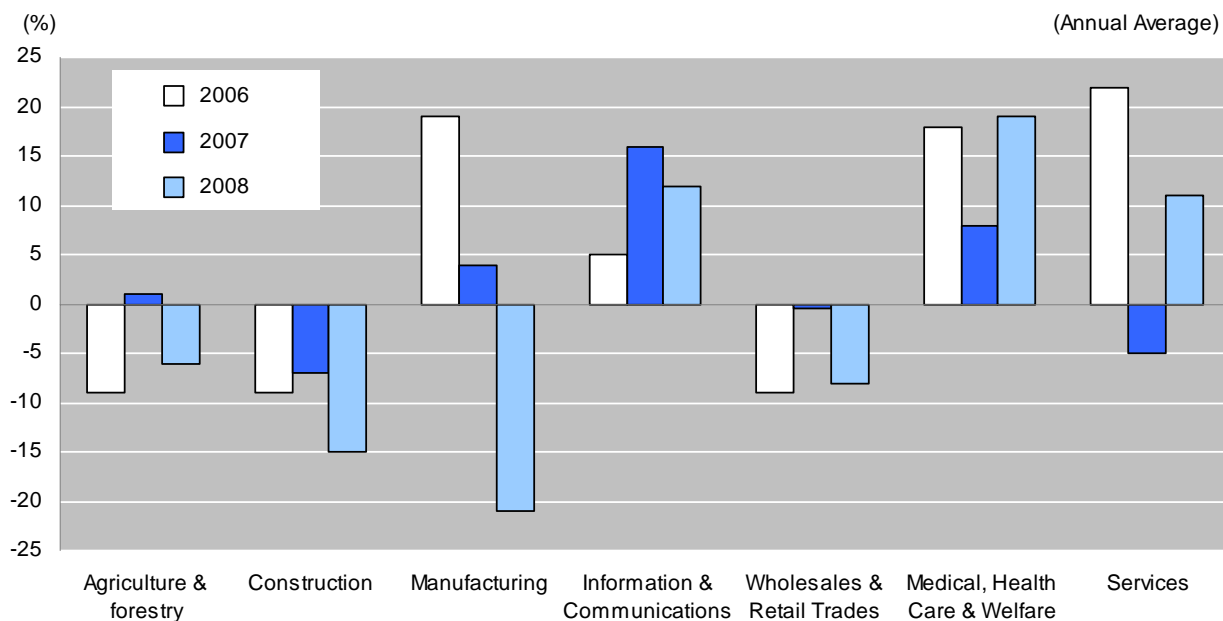
## 4 Changes in Employment Structure

### Continuous Decline in Number of People Employed in Agriculture and Forestry

An examination of recent changes in the employment structure by industry reveals that the number of people employed in primary industry (agriculture, forestry, and fisheries) has continued to decline, falling to 2.45 million in 2008 (equivalent to 3.8% of the total number of employed persons). A more detailed examination of the long-term longitudinal statistics for agriculture and forestry, which is the main category of primary industry, shows that whereas 14.87 mil-

lion people (37.8% of the total) were employed in this category in 1953 when the Labor Force Survey was first conducted in its present form, the migration of labor from rural to urban areas during the postwar recovery of the Japanese economy and the subsequent high-growth period has caused a non-stop decline in the number of persons employed in agriculture and forestry, with the number falling below the 10-million mark to 9.70 million in 1967 and below 10% of the total to 9.6% (5.32 million) in 1980. In 2008, the number stood at 2.45 million, or 3.8% of the total (see II-13 and 14).

II-13 Year-on-Year Difference in the Number of Employed by Principal Industries



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

Note: Services means "Other Services".

## II-14 Trends of Employed by Three Industry Divisions

year	Real Count (10,000 persons)				Year-on-Year Difference (10,000 persons)				Year-on-Year Difference (%)				Proportion (%)			
	Total	Primary Industry	Secondary Industry	Tertiary Industry	Total	Primary Industry	Secondary Industry	Tertiary Industry	Total	Primary Industry	Secondary Industry	Tertiary Industry	Total	Primary Industry	Secondary Industry	Tertiary Industry
1994	6,453	373	2,157	3,894	3	-10	-19	31	0.0	-2.6	-0.9	0.8	100.0	5.8	33.4	60.3
1995	6,457	367	2,125	3,940	4	-6	-32	46	0.1	-1.6	-1.5	1.2	100.0	5.7	32.9	61.0
1996	6,486	356	2,121	3,979	29	-11	-4	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
2006	6,382	272	1,723	4,318	26	-10	10	31	0.4	-3.5	0.6	0.7	100.0	4.3	27.0	67.7
2007	6,412	272	1,721	4,342	30	0	-2	24	0.5	0.0	-0.1	0.6	100.0	4.2	26.8	67.7
2008	6,385	268	1,684	4,357	-27	-4	-37	15	-0.4	-1.5	-2.1	0.3	100.0	4.2	26.4	68.2

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

- Notes: 1) Primary industry means Agriculture forestry and Fisheries.  
 2) Secondary industry means Mining, Construction and Manufacturing.  
 3) Tertiary industry means industries other than above, excluding those non-categorizable.

### Number of People Employed in Manufacturing Also Now Declining

The number of people employed in secondary industry (mining, construction, and manufacturing) continued to increase from the end of World War II, peaking at 21.94 million in 1992. It then went into decline, and stood at 16.84 million (26.4% of the total) in 2008. A more detailed analysis of the situation in manufacturing, which represents the largest category of secondary industry, shows that the number, which stood at 7.20 million (18.4%) in 1953, surged during the 15-year period of manufacturing-driven high economic growth beginning in the late 1950s, and had doubled to 14.43 million (27.4%) in 1973. When the economy slowed and entered a period of stable growth following the 1974 oil crisis, however, the number declined for several years. The number then entered a modest upward trend at the beginning of the 1980s to reach a peak of 15.69 million (24.3%) in 1992. The collapse of the so-called bubble economy in the same year, however, plunged the economy into a protracted recession. The number of employed persons began to decrease, falling to 11.44 million (17.9%) without ever subsequently increasing again. Among the reasons for the long-term decline in the num-

ber of people employed in manufacturing following the high-growth period were (1) the movement of plants overseas, especially by electrical and automobile manufacturers, and (2) the revolution in microelectronics in the 1980s and introduction of information technology from the 1990s, which led to the increased mechanization and automation of production processes. The decline was thus not due to any significant decline in manufacturing's position in the economy as a whole, and, as we examine in detail in another chapter, the view is widely held that manufacturing should remain at the heart of the Japanese economy.

### Conspicuous Growth in Information and Telecommunications and Medical Health Care and Welfare

The number of people employed in tertiary industry (comprised of industries other than primary and secondary industry) has gradually increased since 1953, increasing from 35.8% (14.38 million) of all employed persons in that year to over 50.5% (26.46 million), i.e., more than half, in 1974. The proportion continued to grow, reaching over 60% (60.3% or 38.94 million in 1994) and almost 70% (68.2% or 43.57 million) in 2008.



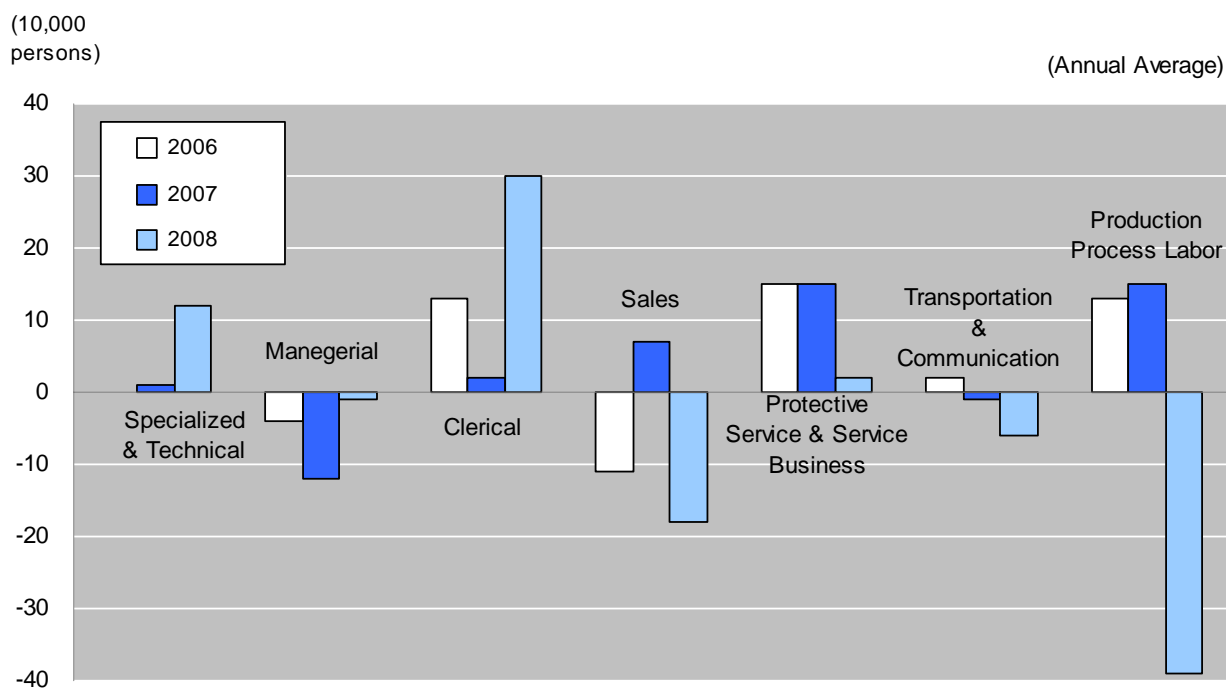
Looking at trends in the main components of tertiary industry, one finds that while the wholesale and retail trades and eating drinking establishments made up 46.3% of tertiary industry as a whole in 1953, their share began to decline in 1961 at the start of the high-growth period, and stood at 34.8% in 2002. While the revision of the Japan Standard Industrial Classification renders direct comparisons between 2003 onward and earlier years impossible, the statistics show that the wholesale and retail trades' share of tertiary industry declined from 27.6% in 2002 to 25.4% in 2008. Until 2002, transport and telecommunications were classified together and exhibited continued modest growth. Reclassified separately into "transport" and "information and telecommunications," transport held steady from 2002, but the number of people employed in information and telecommunications rose from 1.59 million (3.8% of tertiary industry as a whole) in 2002 to 2.09 million (4.9%). In other categories of tertiary industry, there was conspicuous growth in the number of people employed in medical health

care and welfare, which rose from 4.75 million (11.4%) in 2002 to 5.98 million (13.7%).

### Specialist and Technical Workers

Looking next at a breakdown of the employment structure by occupation, the proportion of employed persons accounted for by agricultural, forestry, and fishery workers shrank from around 10% in 1980 to 4.4% (2.64 million) in 2008, reflecting changes in the industrial structure. Accompanying the downward trend in the number of people employed in manufacturing, the proportion of craftsmen, machinists and construction workers among employed persons also declined to 21.9% (14.01 million) in 2008. The upward trend in both the proportion and number of specialist and technical workers, on the other hand, continues despite the dramatic changes in economic trends since 1953, rising from 4.4% and 1.73 million in that year to 14.9% and 9.50 million in 2008. This trend is expected to continue into the future (see II-15 and 16).

**II-15 Year-on-Year Difference in the Number of Employed by Major Occupation (Male and Female)**



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

## II-16 Number of Employed by Major Occupation (Male and Female)

		Total	Specialized & Technical	Managerial	Clerical	Sales	Protective Service & Service Business	Agriculture, Forestry & Fisheries	Transportation & Communication	Production Process Workers A+B	Manufacturing, Production, Operation & Construction (A)		Workers (B)
Real Count (10,000 persons)	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	
	2006	6,382	937	185	1,260	881	772	269	206	1,802	1,432	370	
	2007	6,412	938	173	1,262	888	787	269	205	1,817	1,441	376	
2008	6,385	950	172	1,292	870	789	264	199	1,778	1,401	377		
Year-on-Year Difference (10,000 persons)	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	
	2006	26	0	-4	13	-11	15	-10	2	23	16	7	
	2007	30	1	-12	2	7	15	0	-1	15	9	6	
2008	-27	12	-1	30	-18	2	-5	-6	-39	-40	1		

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

## 5 Diversification in Forms of Employment

### Non-regular Employees Comprise More Than One Third of Total Employees

During the long-term economic stagnation that began in the 1990s, Japan's economic environment changed enormously, including the development of economic services, the intensification of international competition and advances in IT. Worker values have also evolved and diversified over this period. 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 2007, non-regular staff comprise 34.6% of all workers, with a large number of women in this category (see II-17). In addition, the largest group among these non-regular employees were part-time workers (22.5%), followed by dispatched workers (4.7%), and contract workers (2.8%).

II-17 Proportion of Workers by Form of Employment

(%)

Category	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	62.2	37.8	2.8	1.8	1.2	4.7	0.6	22.5	4.3
	(100.0)	(65.4)	(34.6)	(2.3)	(1.4)	(1.5)	(2.0)	(0.8)	(23.0)	(3.4)	
Industry											
Mining	( 0.1)	100.0	85.0	15.0	1.0	3.2	2.3	0.9	0.6	3.1	3.9
Construction	( 6.8)	100.0	85.7	14.3	2.2	1.9	1.2	2.8	0.4	2.8	3.0
Manufacturing	( 23.1)	100.0	70.3	29.7	1.5	1.7	1.1	9.8	0.3	10.9	4.3
Electricity, gas, heat supply, and water	( 0.5)	100.0	90.8	9.2	0.7	2.4	1.4	2.2	0.0	1.5	1.1
Information and telecommunications	( 3.4)	100.0	74.5	25.5	5.0	1.1	2.5	9.9	0.2	4.8	2.1
Transportation	( 6.7)	100.0	71.7	28.3	3.9	4.0	1.3	4.1	1.0	11.6	2.6
Wholesale and, retail trade	( 21.9)	100.0	52.2	47.8	2.4	1.1	0.7	1.7	0.6	36.9	4.4
Finance and insurance	( 3.6)	100.0	73.5	26.5	3.4	2.2	1.7	9.5	0.0	7.8	1.8
Real estate	( 0.9)	100.0	64.0	36.0	3.4	4.5	3.8	3.0	0.5	17.3	3.6
Restaurants and hotels	( 7.1)	100.0	31.9	68.1	1.5	0.7	0.7	2.0	0.9	55.6	6.7
Medical health care and welfare	( 8.9)	100.0	67.3	32.7	3.9	1.8	0.3	1.1	0.5	21.4	3.6
Education and learning support	( 2.6)	100.0	55.4	44.6	9.6	1.7	0.5	2.6	0.2	25.3	4.6
Compound service	( 0.7)	100.0	76.4	23.6	2.3	2.0	0.7	1.2	0.9	6.1	10.4
Service, not elsewhere classified	( 13.7)	100.0	54.3	45.7	3.6	2.1	2.1	4.0	1.1	27.4	5.4
Establishment size											
1,000 persons and over	( 5.3)	100.0	74.2	25.8	3.1	1.4	1.5	11.3	0.5	4.2	3.8
500 ~ 999	( 6.0)	100.0	66.3	33.7	3.9	1.8	2.2	10.5	0.6	11.2	3.5
300 ~ 499	( 4.3)	100.0	62.5	37.5	3.6	1.9	1.4	8.8	0.4	16.9	4.5
100 ~ 299	( 16.5)	100.0	61.6	38.4	3.6	2.5	1.6	6.9	0.4	18.6	4.8
50 ~ 99	( 17.6)	100.0	59.5	40.5	2.9	2.1	1.1	4.3	0.7	23.9	5.4
30 ~ 49	( 8.8)	100.0	63.2	36.8	2.8	2.0	1.1	3.1	0.7	23.4	3.7
5 ~ 29	( 41.5)	100.0	61.3	38.7	2.2	1.3	0.8	2.2	0.6	27.8	3.8
Gender											
Male	( 58.6)	100.0	76.0	24.0	2.3	2.3	1.6	3.9	0.4	10.2	3.3
Female	( 41.4)	100.0	42.6	57.4	3.6	1.0	0.5	5.8	0.8	40.0	5.7

Source: Ministry of Health, Labour of Welfare, *Survey of the Diversification of Employment Status, 2007*.

- 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-18 Change in the Number of Non-Regular Employees

Year	Number of Non-regular Employees (10,000 persons)	Proportion to Employees Excluding Executives (%)
1990	881	20.2
1991	897	19.8
1992	958	20.5
1993	986	20.8
1994	971	20.3
1995	1001	20.9
1996	1043	21.5
1997	1152	23.2
1998	1173	23.6
1999	1225	24.9
2000	1273	26.0
2001	1360	27.2
2002	1451	29.4
2003	1504	30.4
2004	1564	31.4
2005	1633	32.6
2006	1677	33.0
2007	1732	33.5
2008	1760	34.1

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

- Notes: 1) The figures up to 2001 are based on the *Labour Force Survey-Special Survey* that was taken every year in February, and from 2002 based on the *Labour Force Survey (Detailed Tabulation)* which figures are the average taken between January and March each year.
- 2) Non-regular employees refer to all persons who are referred to as part-time workers, dispatched workers (or temporary agency workers), contract workers, entrusted workers(shokutaku), and similar phraseology.

Next we examine the trend in the number of non-regular employees since 1990. According to the Ministry of Internal Affairs and Communications' (MIC) Special Survey of the Labor Force Survey and Labor Force Survey (Detailed Tabulation), the proportion of all employees (excluding executives of companies and corporations) accounted for by non-regular employees (the combined total of part-time workers, entrusted workers (shokutaku), dispatched workers, and non-regular employees that are not otherwise classified) has steadily risen, and exceeded 30% in 2003. Their share of employment has continued to increase since then, and in 2007 they accounted for one third of all employees.

A similar examination of trends broken down by sex and age group based on MIC's Special Survey of the Labor Force Survey and Labor Force Survey (Detailed Tabulation) shows that the proportion of non-regular employees was higher in all age groups in 2008 than in 1985. This trend is particularly evident among women of all ages and in young and older age groups (see

II-19).

### Characteristics of Non-regular Employees in Japan

Non-regular employment can take a variety of forms. However, the largest proportion of non-regular employees work as part-time workers, who appear to consist to a large extent of housewives.

Non-regular employees are distributed unevenly across a whole range of fields. Part-time workers, for example, who account for a large proportion of the total, are found in largest numbers in eating/drinking establishments and accommodations, followed by the wholesale and retail trades, services, and medical health care and welfare (see II-17). 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-20).

## II-19 Trends in Proportions of Non-Regular Employees by Age and Sex

(%)

		1985	1995	2005	2008
Male	15-24	4.7	9.2	17.5	28.6
	25-34	3.2	2.9	5.7	14.2
	35-44	3.1	2.3	1.8	8.2
	45-54	5.0	2.9	2.5	8.0
	55-64	19.2	17.4	9.8	27.6
	65 and over	34.7	48.3	33.3	67.9
Female	15-24	8.3	16.3	26.2	35.4
	25-34	24.3	26.6	25.5	41.2
	35-44	44.4	48.9	43.5	55.0
	45-54	37.4	46.8	47.8	57.5
	55-64	38.1	43.6	50.8	64.0
	65 and over	45.8	48.6	51.7	70.1

Sources: Ministry of Internal Affairs and Communications, *The Special Survey of the Labour Force Survey and Labour Force Survey*.

Notes: The proportion of non-regular employees is the proportion of all non-agricultural/forestry employees excluding executives of companies and corporations who are part-time workers, entrusted workers, dispatched workers, or not otherwise classified. The figures for 15- to 24-year-old age group in 2005 and 2008 excludes registered students.

Moreover, 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-21).

Turning our attention to contract employees, the reasons given by workplaces for employing such workers (“to perform specialist work” and “to hire people with experience and expertise”) and by contract employees for choosing such employment (“to put specialist skills and qualifications to use”) provide evidence of their quite different style of work compared with the part-time workers described above, even though both are subsumed under the same category of “non-regular employees.”

### Concerning 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).

Many workplaces report that their main reason for hiring dispatched workers is they “require persons capable of doing specialized work” and “unable to recruit regular employees”, although there are also many who respond that they “need to adjust hiring practices due to changes in business conditions” and “to allow regular employees to specialize in important work” (see II-20). 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.

As the Ministry of Health, Labour and Welfare’s (MHLW) Manpower Dispatching Business Report shows, dispatched workers grew in number from 144,000 in 1986 to approximately 3.81 million in FY2007. However, the economy then stalled in the wake of the Lehman shock in autumn 2008, prompting manufacturers to adjust their workforces, and it is subcontracted workers and dispatched workers who have borne the brunt of this adjustment. Between October 2008 and June 2009, some 192,000 non-regular employees reportedly lost their jobs nationwide (MHLW, “The Situation Regarding Non-renewal of Non-regular Employees’ Contracts, etc.”), and the need for action to enable them to lead secure

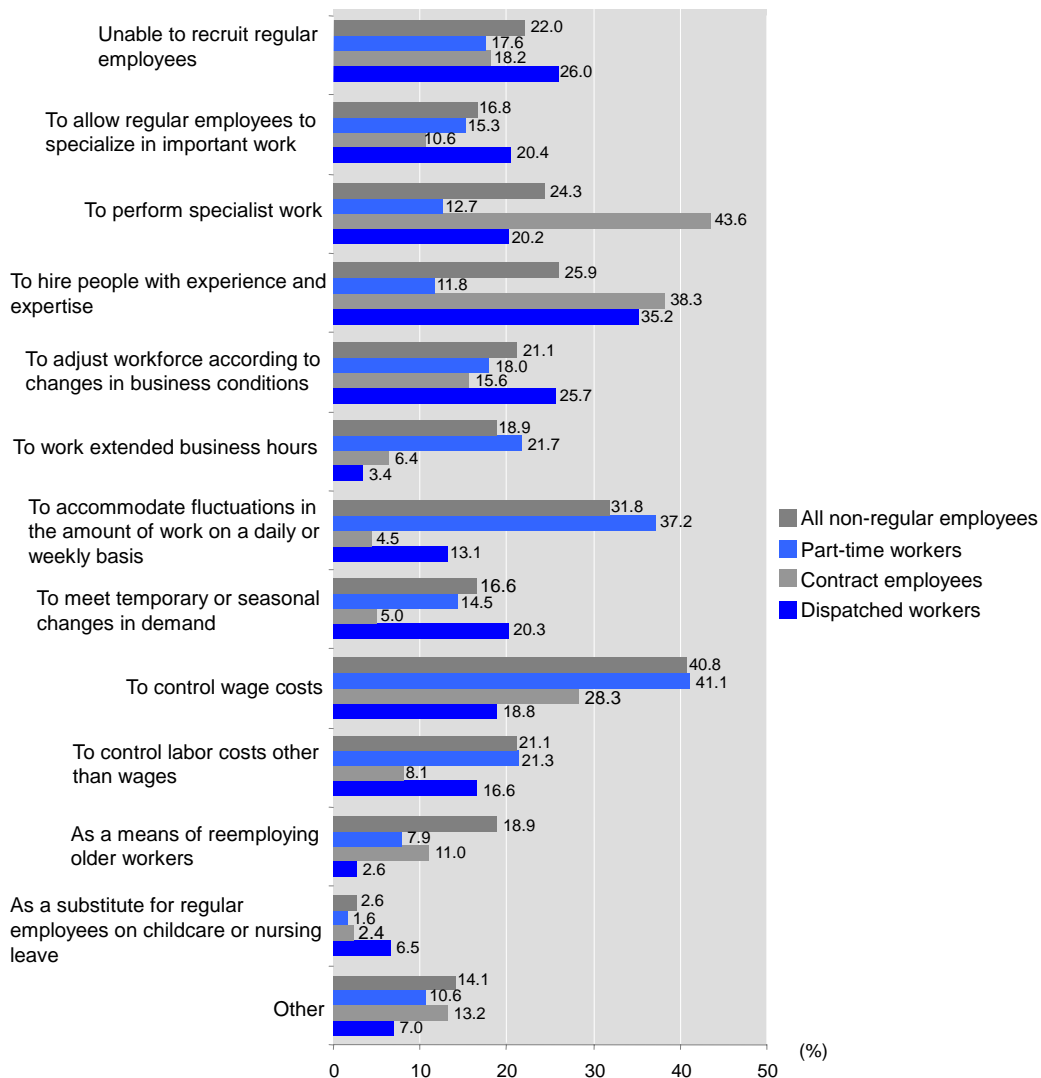
working lives is likely to grow.

### Future Challenges for Non-regular Employees

Thus have non-regular employees come to account for around one third of Japan's labor market. While the deterioration of the economy has led to dismissals and non-renewal of contracts of non-regular employees in some industries, Japanese business management would be near impossible without access to non-regular employees, who are likely to continue to account for a certain

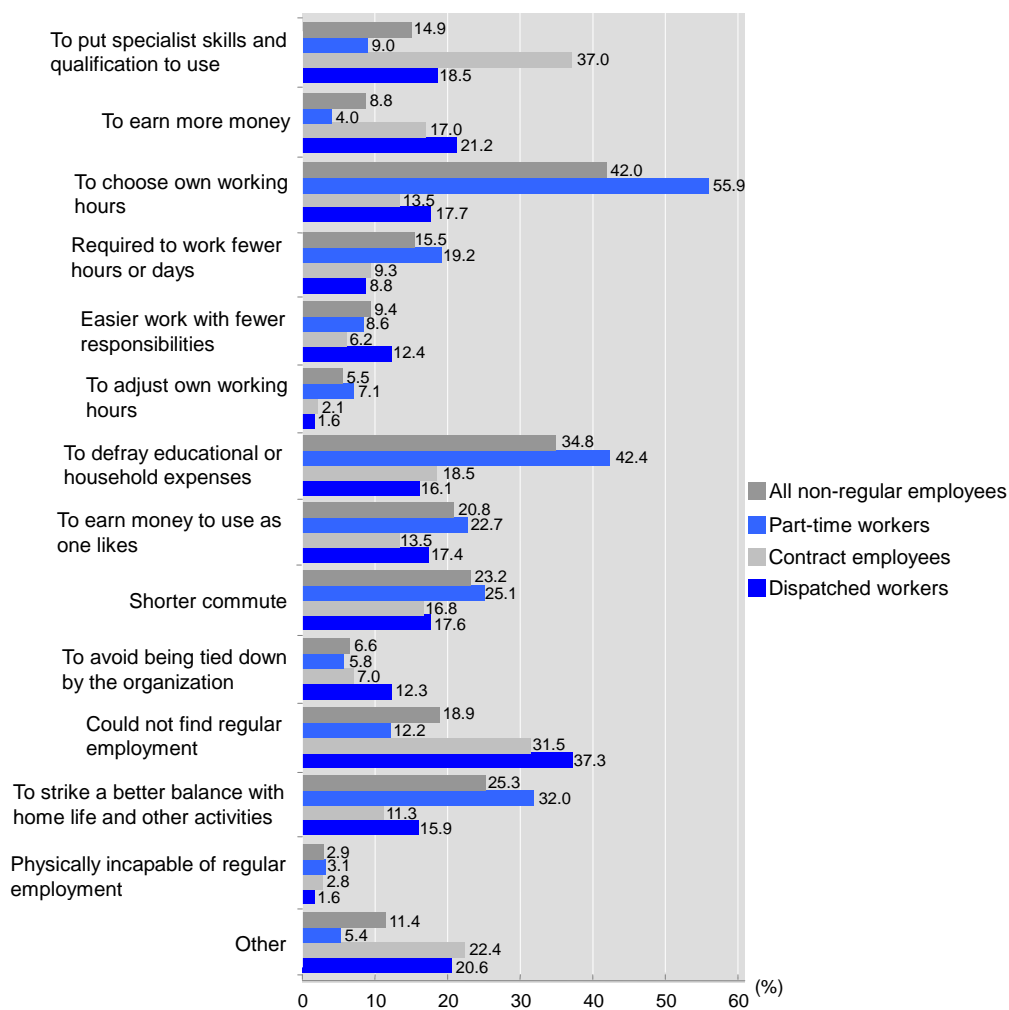
proportion of the market. As non-regular employees have a variety of work preferences and wishes concerning their career development, implementing uniform measures may not be the most efficient approach. In order to enable as many workers as possible to lead secure lives, however, employment management systems will have to be enhanced on the employer side by, for example, making working conditions clearer, developing employment regulations, enrolling workers in social insurance, and providing opportunities for their education and training.

II-20 Reasons for Employment of Non-Regular Employees



Source: Ministry of Health, Labour and welfare, *Survey of the Diversification of Employment Status, 2007*.

## II-21 Reasons for Non-regular Employees' Choice of Present Form of Employment



Source: Ministry of Health, Labour and welfare, *Survey of the Diversification of Employment Status, 2007*.

## 6 Employment of Youth, Older Persons, Women, and Foreign Workers

### Youth Employment

#### Present Situation and Future Outlook

Up until the early 1990s, Japan was known as a country where the transition from school to work was smooth and youth unemployment was low. This was ascribed not only to vigorous demand for labor, but also to the practice among firms of hiring young workers on the basis of their trainability and the existence of well-developed support for high school graduates to smooth the path from school to work.

In the latter half of the 1990s, however, the situation changed dramatically. The youth unemployment rate rose and unstable employment patterns gained ground among younger age groups. For over a decade from the mid-1990s, Japan's youth labor market continuously deteriorated.

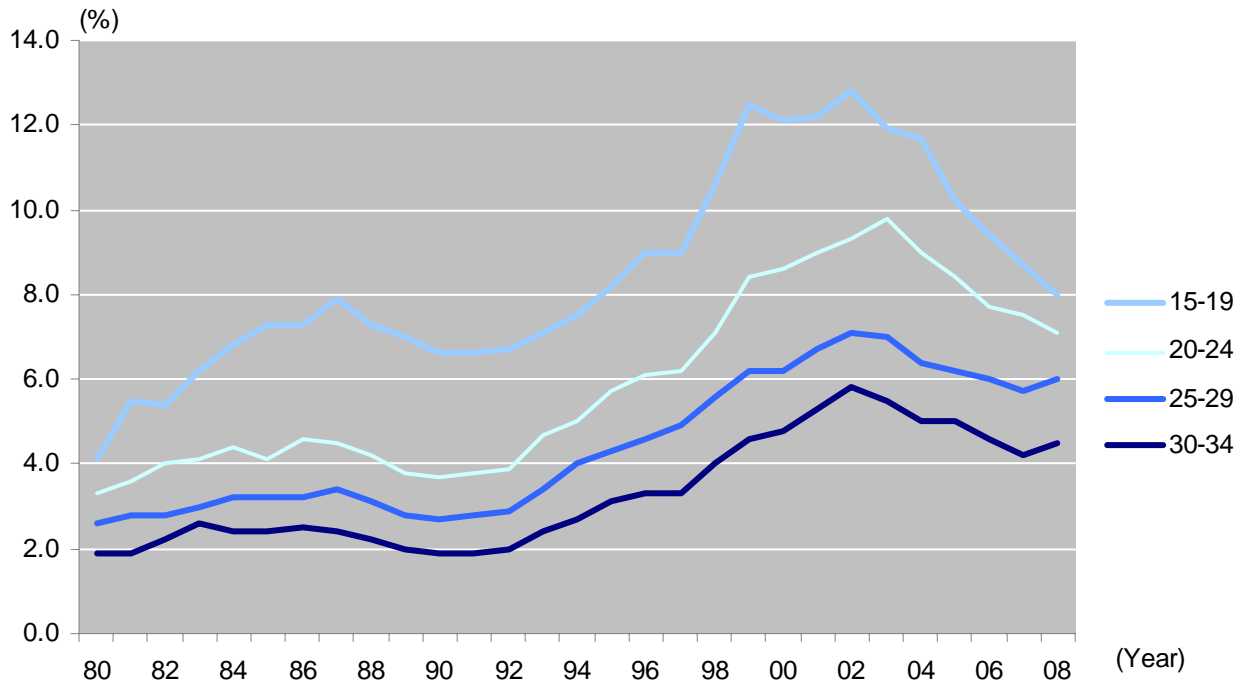
While the economic upturn from 2002 generated some improvement in employment conditions for the young, the labor market became polarized, even during the recovery, it was difficult for those who entered the labor market during the downturn to find stable employment.

The financial crisis in 2008 appears to have again depressed demand for younger workers, and a close eye will have to be kept on future developments.

#### Movements in Youth Unemployment Rates

Youth unemployment rates were low in the 1980s, but then rose sharply until the end of the 1990s before declining as the economy recovered. Now, however, there are indications that unemployment is again on the increase.

II-22 Trends in Youth Unemployment Rates



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



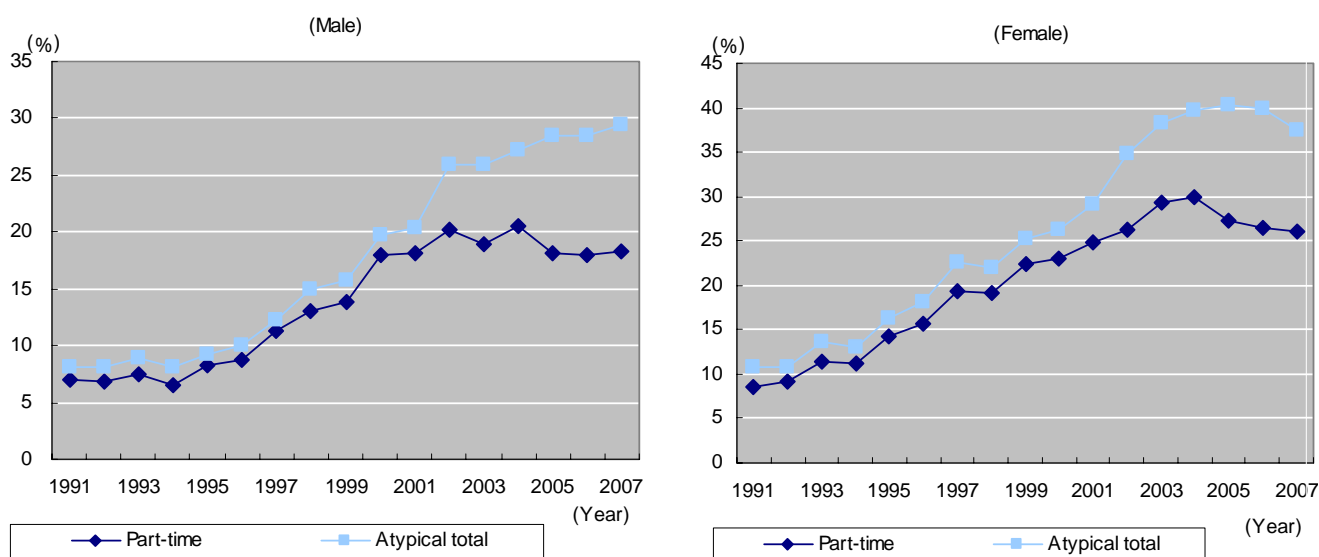
## Changes in Status of Employment

II-23 shows the changes in status of employment in the 15- to 24-year-old age group. From the mid-1990s, the proportions of young part-time workers (collectively called “freeters”) and “atypical” employees (i.e., people employed other than as permanent employees) increased continuously before dropping slightly in 2006 because of economic recovery and demand for

workers to replace retiring baby-boomers. In 2007, however, the rate for males increased, freeters only slightly. Up until 2002, moreover, while the bulk of

atypical employees consisted of part-time workers the proportion of indirectly employed workers, such as dispatched workers (or temporary agency workers), contract workers, and entrusted workers (shokutaku), increased.

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



Sources: Ministry of Internal Affairs and Communications, *Special Survey of Labour Force Survey (February of each year)* and *Labour Force Survey (Detailed Tabulation) (January to March, 2002-2007)*. Number of non-agricultural/forestry industry employees (excluding directors) = 100.

## Polalization of the Labor Market

The bulk hiring of fresh graduates that characterizes the hiring practices of large firms in Japan has been regarded as reducing opportunities to become a permanent employee unless hired as one straight out of school or university, and the recession has made becoming a permanent employee even more difficult. Various surveys show that the proportion of young people

who move from non-permanent to permanent status has declined.

II-24 shows the paths taken between status of employment by males aged 25 to 29 grouped based on the results of the “Youth Workstyle Survey” of 2,000 young people in Tokyo conducted in 2001 and 2006 by the Japan Institute for Labour Policy and Training (JILPT).

## II-24 Paths between Status of Employment among Males Aged 25-29

	High school graduates		University graduates	
	2001	2006	2001	2006
Regular employees fixation	21	21.6	61	47.6
Regular employees turnover	17	11.5	12	10.1
Regular to atypical	3	8.9	2	4.8
Regular(temporarily other)	13	9.5	6	3.7
Continuously atypical	9	14.9	7	13.2
Other to regular	24	16.9	8	11.6
Self-employed or family business	11	12.8	3	6.3
Unemployed/ without occupation	1	3.4	0	2.6
Other	1	0.7	1	0.0
Total	100	100.0	100	100.0

Sources: Compiled from JILPT, "Youth Employment Behavior and Transition Processes in Major Cities," Labor Policy Research Report No. 72 (2006).

Note: No actual figures or fractions are given for 2001 due to reweighting of the data.

Among male high school graduates, the proportion of "regular employees fixation; workers who became regular employees and were still regular employees of the same employer at the time of the survey) was almost unchanged. However, there were large declines in the proportions of "regular employees turnover; workers who became regular employees immediately after leaving school and were still regular employees at the time of the survey, though with a different employer) and "other to regular" (workers who entered some form of employment other than regular immediately after leaving school but were regular employees at the time of the survey). There was also a large increase in the "continuously atypical" group (those who entered atypical or were unemployed or without occupation immediately after leaving school, or were self-employed or family employees, and were still in atypical employment at the time of the survey).

Among male university graduates, too, there was a large decline in the "regular employees fixation" group and an increase in the "continuously atypical" group, though not to the extent witnessed among high school leavers. At the

same time, the increase in "continuously atypical" and decrease in "other to regular" indicate that opportunities to move from atypical to regular status of employment have narrowed, and the tendency for school graduates to remain trapped in atypical employment appears to continue.

The labor market has thus increasingly exhibited polarization. Career opportunities have differentiated into the employment of regular and atypical when leaving school, and this situation has persisted even during the recovery period.

### Trends in Japan's NEET Class

Japan's NEETs—young people Not in Education, Employment, or Training—are defined as young persons aged 15 to 34 who are not enrolled in education, are single, are not homemakers or carers, and are not seeking employment. According to the Ministry of Internal Affairs and Communications' (MIC) Employment Status Survey, their number declined from 690,000 in 2002 during the recession to 630,000 in 2007, when conditions were better. As a proportion of the young population, however, there was a slight increase from 2.0% to 2.1%.

## Employment of Older Persons

### Relatively Stable Trends of Employment of Older Persons

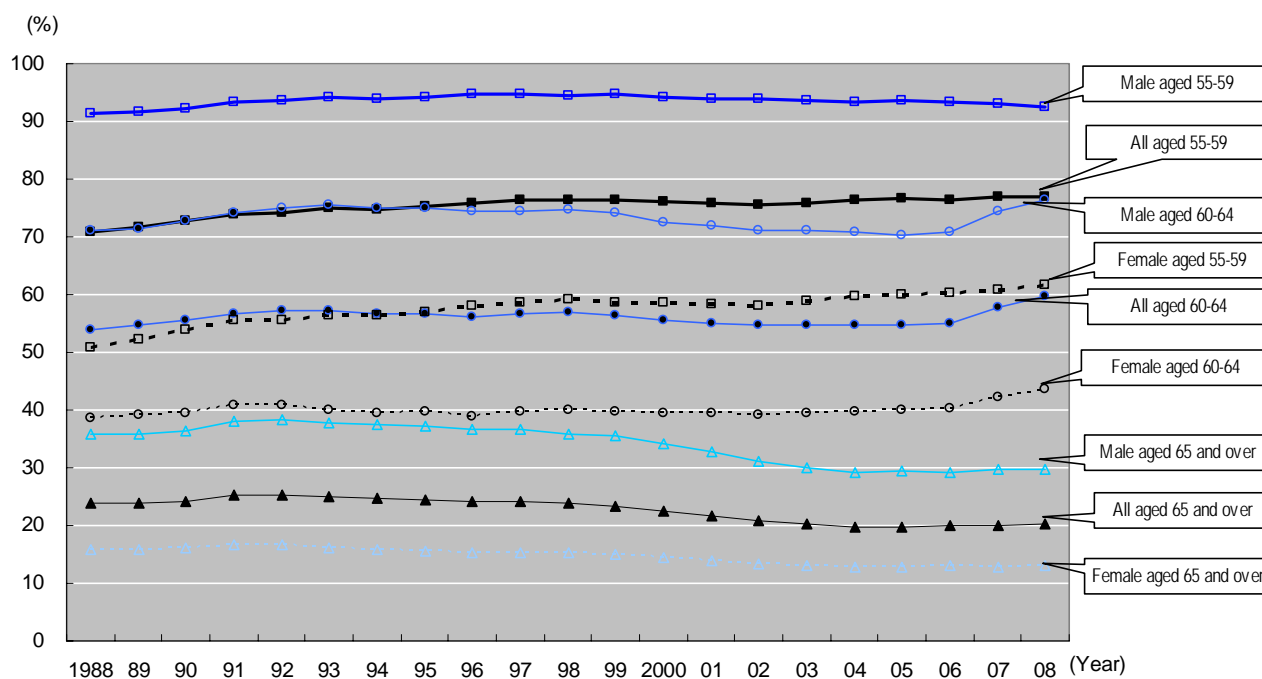
In line with the Law Concerning Stabilization of Employment of Older Persons, “older persons” are defined in Japan as persons aged 55 or above, and we use the same definition in this section to outline the employment situation of older people divided into three age groups: 55- to 59-year olds, 60- to 64-year-olds, and the 65-and-over age group.

An examination of trends in labor force participation rates, which serve as an indicator of the supply of labor of older persons, reveals that rates in the 55- to 59-year-old age group have

stayed around 90-94% for males, and have arisen over the long term for females to reach over 60% in recent years. Regarding the sixties-and-over age group, the rate for women aged 60 to 64 has remained largely unchanged, while the rates for males aged 60 to 64 and both males and females aged 65 and over trended downward from the late 1990s to bottom out in recent years. The increases were particularly large in the 60- to 64-year-old age group in 2007 and 2008. The proportion of employed persons in each group (i.e., the employment rate) has exhibited a similar trend.

It is thus apparent, up until 2008 at any rate, that the employment situation of older persons has in recent years been quite stable.

II-25 Labor Force Participation Rates among Older Age Groups



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

Looking at the overall unemployment rate among older persons, it can be seen that, while the rate for 60- to 64-year-old males (5.1%) was considerably higher in 2008 than the overall average for all ages (4.0%), unemployment in all other age groups has remained below the overall average. Moreover, unemployment rates followed a downward trend in all age groups after peaking

in 2002-03 thanks to the effects of the prolonged, if modest, economic recovery in recent years. In 2008, however, unemployment began to climb again as the economy entered a downturn.

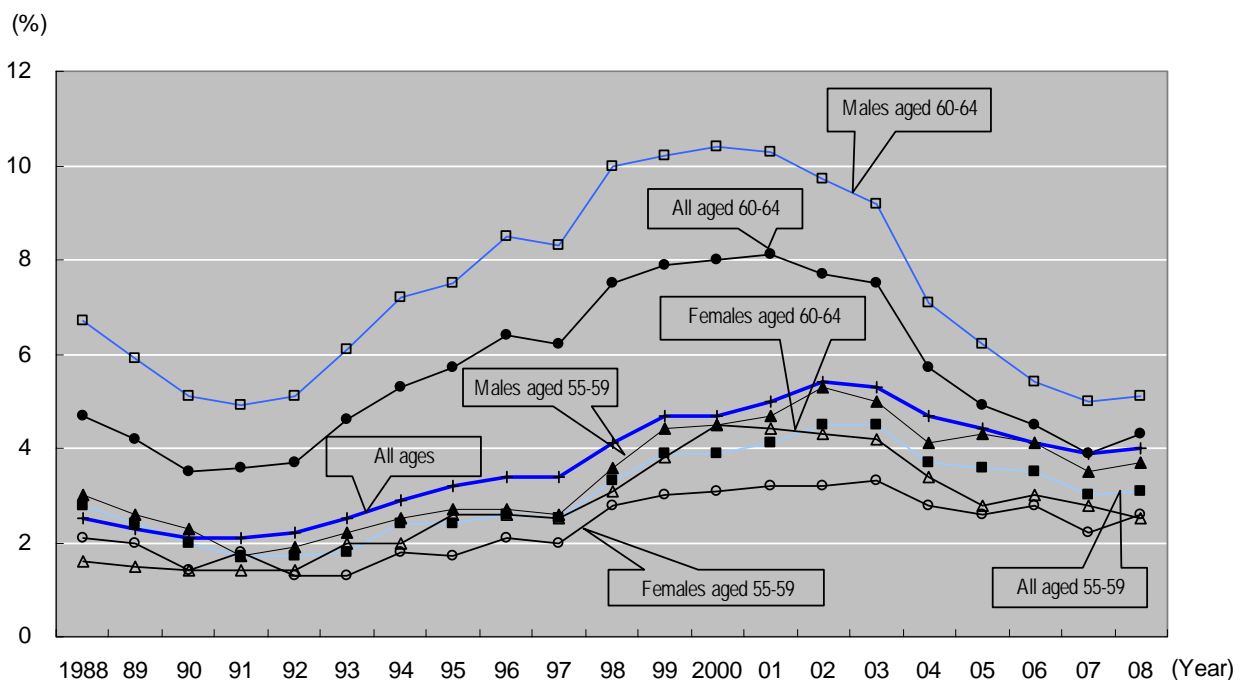
During the 1990s, when the rapid increase in the unemployment rate among younger age groups (particularly 20- to 29-year-olds) pushed up the level of unemployment for all age groups,

unemployment remained relatively low among all older age groups except 60- to 64-year-old males.

When the labor force participation rate and unemployment rate are looked at together, it becomes apparent that the downward trend in the labor force participation rate observed from the late 1990s among 60- to 64-year-old males and

both males and females aged 65 and over arose from a scarcity of job opportunities that clearly reflected deteriorating employment conditions. Although it is arguable that this is due to the maturation of the pension system, this has not been a major factor and the desire to work of older persons (particularly men) in Japan appears to be largely unchanged.

II-26 Unemployment Rates among Older Age Groups



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

### Relative Stability Against Backdrop of Various Policy Responses

Older persons in Japan have traditionally faced more severe employment conditions than other age groups. In around 1985, for example, the unemployment rate for 55- to 59-year old males (3.9% in 1985) was considerably higher than the rate for all age groups (2.6%). Since the 1990s, however, it has been lower.

The main factors affecting the employment of older persons in Japan are the mandatory retirement system employed by firms and the age at which mandatory retirement is set. For a considerable period following World War II it was set at 55, at which age workers encountered major changes in the employment environment. The

mandatory retirement age was subsequently gradually raised from the 1970s to the early 1980s, and the revision of the Law Concerning Stabilization of Employment of Older Persons in 1985 prohibited the establishment of a mandatory retirement age of less than 60. This had a considerable impact, leading to a relative decline in the unemployment rate among 55- to 59-year-olds.

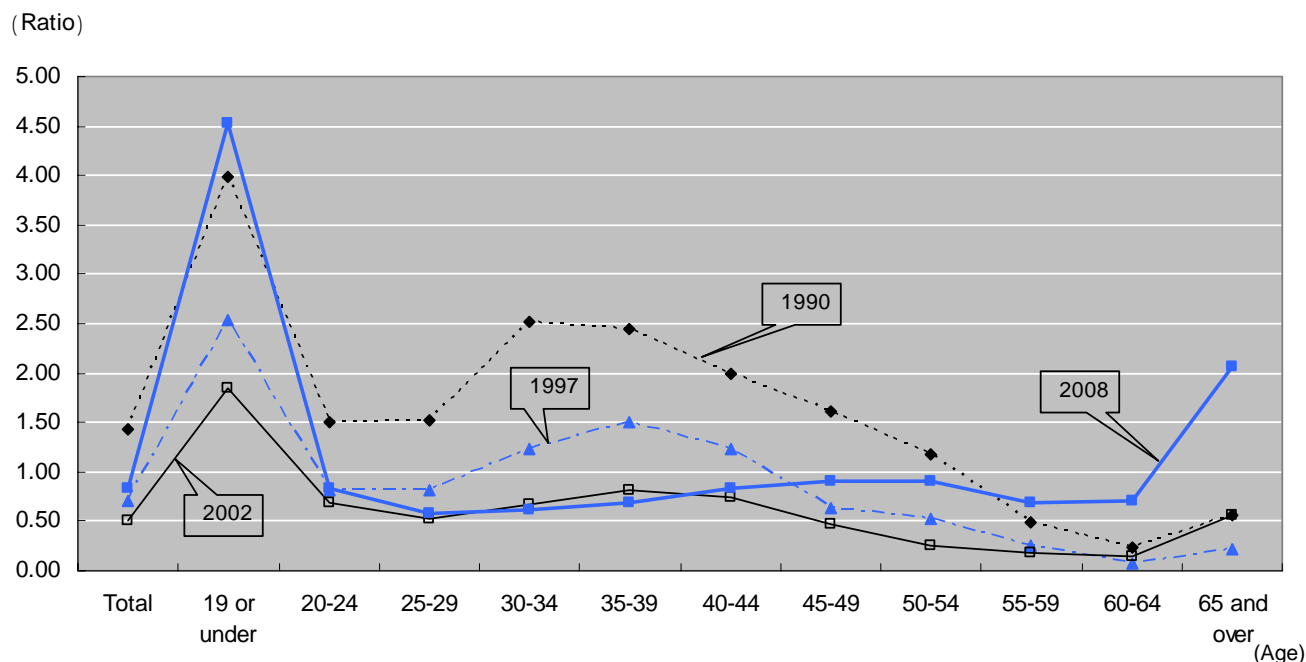
Firms also often used to impose an age limit in the thirties or early forties at the latest when advertising job openings, and a breakdown of the job openings ratio in each age group (calculating by dividing the number of job openings by the number of job applicants) shows that while the ratio used to be considerably lower for older per-

sons, the prohibition by law from 2002 of age discrimination in job advertisements and hiring has, as a rule, made it impossible for employers to impose age limits. Accordingly, the job openings ratio of older persons has ceased to decline in recent years.

Policies to stabilize the employment of older

persons (particularly those in the 55- to 59-year-old age group) have thus on the whole been successful. 60- to 64-year-olds, on the other hand, experienced a sharp rise in the unemployment rate in the 1990s following the collapse of the bubble, as described above.

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



### Baby Boomers Enter their Sixties and the Response

Japan's largest baby boom generation following World War II was that born between 1947 and 1949. The members of this large cohort were expected to be entering their sixties from 2007, and in 2006 the Law Concerning the Stabilization of Employment of Older Persons was revised to make it mandatory for firms to continue to employ workers up to the age of 65. Firms complied well with this, continuing to employ workers aged 60 to 64 mainly as shokutaku employees on short-term contracts, and there was no large exodus of older workers from the workforce in 2007 or 2008. While trends will need to be watched closely given the likely economic difficulties generated by the financial crisis emanating from the U.S., a sharp increase in the unem-

ployment rate among 60- to 64-year-olds like that observed in the 1990s is expected to be avoided.

### Job-hunting Difficulties of Older Persons

While the job situation of older persons has on the whole been stable and measures on the employment front have yielded results, it needs to be borne in mind that this concerns mainly those who were already in permanent employment when they entered old age. Those who lost positions of permanent employment as economic difficulties were encountered in entering old age or who had to temporarily leave the workforce for health reasons, on the other hand, face severe employment conditions. Employment of older persons is quite stable provided that they remain at the same firm or in the same business group.

When they enter the open labor market, however, they are placed at an extremely disadvantageous position. Even though age restrictions on job offers have been eliminated, the continued difficulty of finding employment remains a major problem. The proportion of 60- to 64-year-olds without gainful employment according to data for 2007 is 17.4% points higher than among 55- to 59-year-olds. While less than the 23.4% point difference in 2002 thanks in part to the continued employment measures being taken to assist older persons described above, this still means that a little under 20% of people in this age group are without employment, suggesting that not everyone may be able to enjoy a happy retirement.

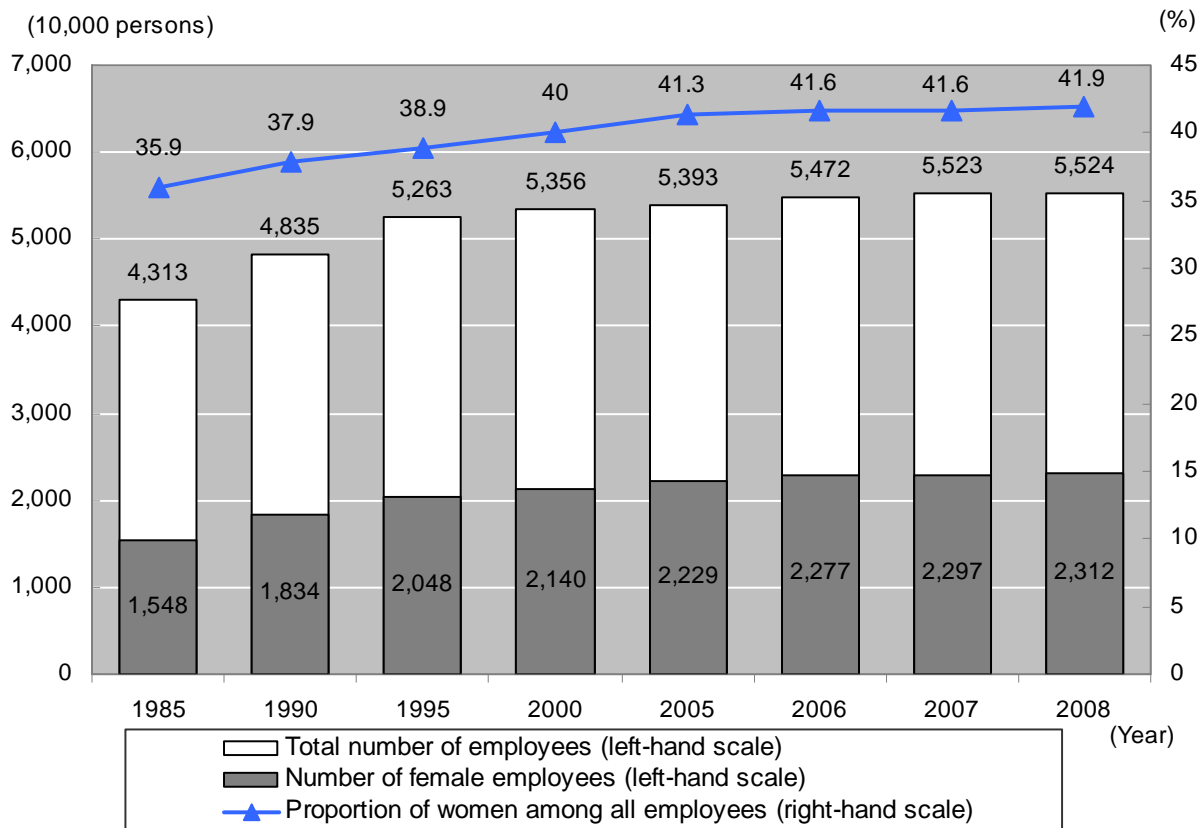
## Women's Employment

### Women Account for 41.9% of All Employed Persons

The number of female employed persons in Japan has gradually grown over the medium term. They accounted for 35.9% of all employed persons in 1985, a figure that has continued to grow since then to reach 41.9% in 2008. Over four in 10 employed persons are thus now women (II-28).

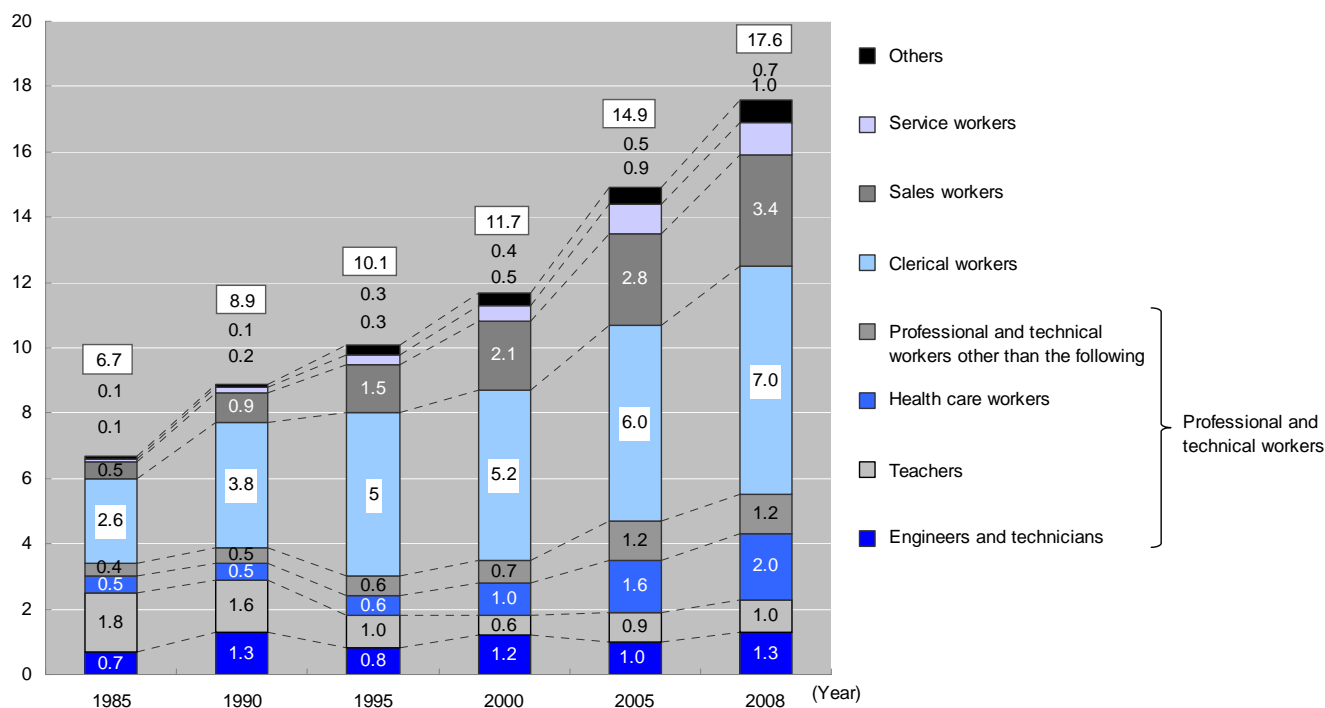
Statistics on the numbers and occupations of female university graduates in employment show that this rise in women's participation in the labor market has seen growing numbers working as "clerical and related workers" and "professional and technical workers" (II-29).

II-28 Trends in Number and Proportion of Women among All Employees



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

## II-29 Trends in Number of Female Graduates of Four-year Colleges in Employment by Occupation



Source: Ministry of Education, Culture, Sports, Science and Technology, *School Basic Survey*.

### Japanese Women's Employment Rate still Low by International Standards

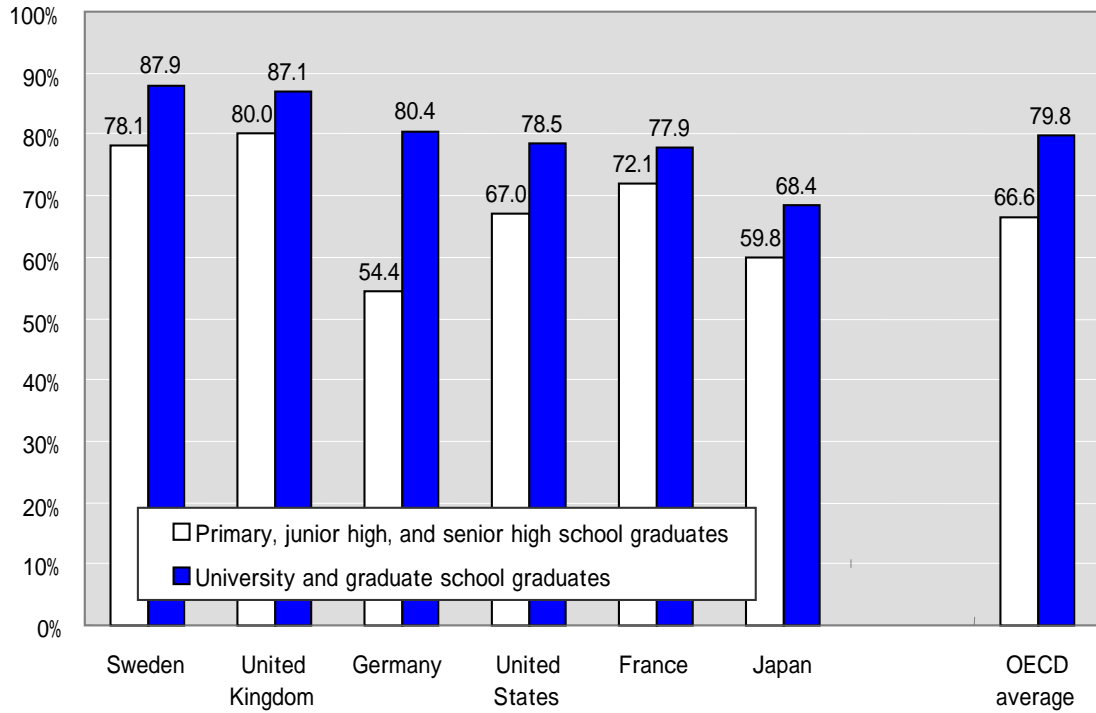
Although the number of women in employment has thus risen in recent years, the proportion of women working in Japan remains low in comparison with other OECD members. A breakdown of the employment rates of women aged 25 to 64 by educational background reveals that employment rates are higher in all countries for university and graduate school graduates than primary, junior high, and senior high school graduates. The rates are particularly high in Sweden and the United Kingdom, where almost 90% are in employment. Among women in Japan, on the other hand, employment rates are below the OECD average for both university and graduate school graduates (68.4%) and primary, junior high, and senior high school graduates (59.8%) (II-30).

### Proportion of Women in Regular Employment Considerably Lower than among Men

Only 46.4% of women are in regular employment, compared with 80.8% of regular male employees, with the majority of female employees working in non-regular forms of employment as part-time workers, dispatched workers, contract employees, entrusted employees, and others (see II-31).

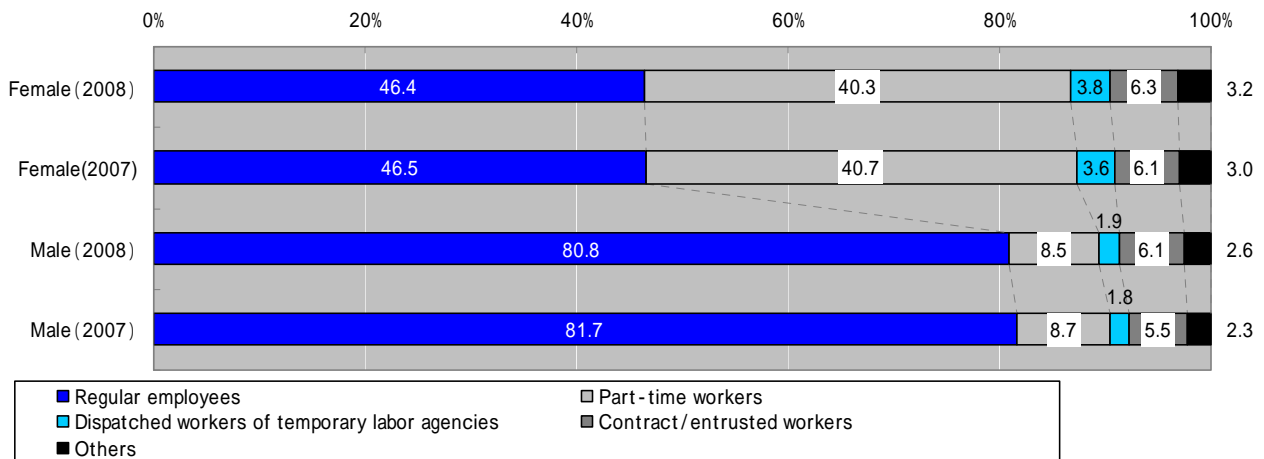
Breaking down the gender difference in form of employment by age, II-32 shows that the proportion of women in non-regular employment rises substantially with age, and there is a considerable difference between the sexes.

**II-30 International Comparison of Female Employment Rates by Educational Background (25- to 64-year-olds)**



Source: OECD "Educational at a Glance 2008"  
 Note: Figures for 2006.

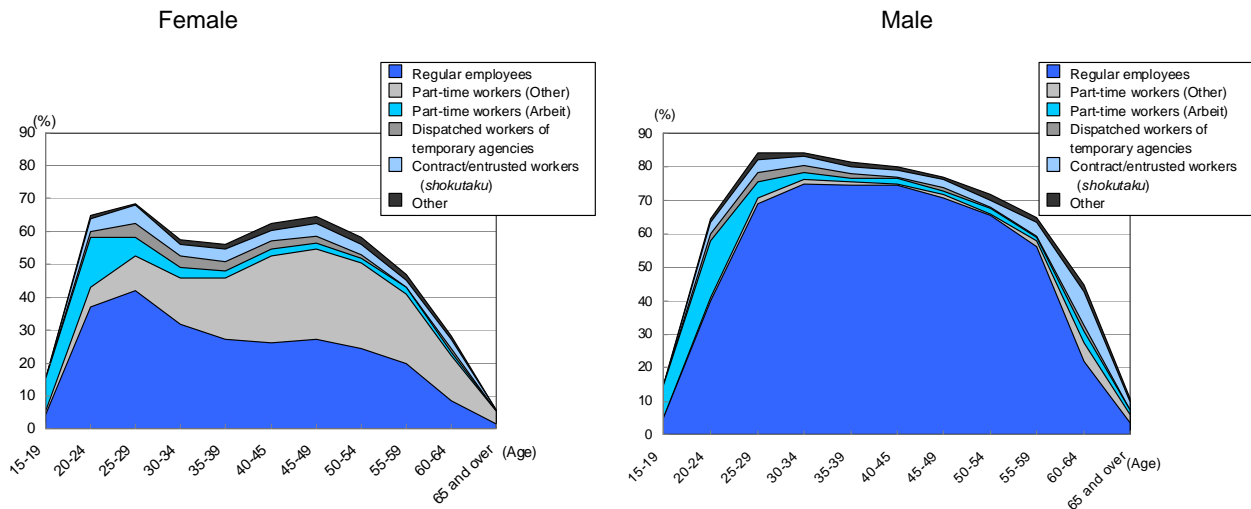
**II-31 Comparison of Forms of Employment of Men and Women (excluding Executives of Companies and Corporations)**



Source: Ministry of Internal Affairs and Communications, Labour Force Survey (Detailed Tabulation) (2007, 2008).



### II-32 Ratio of Employees by Type of Employment and Age



Source: Ministry of Health, Labour and Welfare, *Situation of Working Women (2007)*.

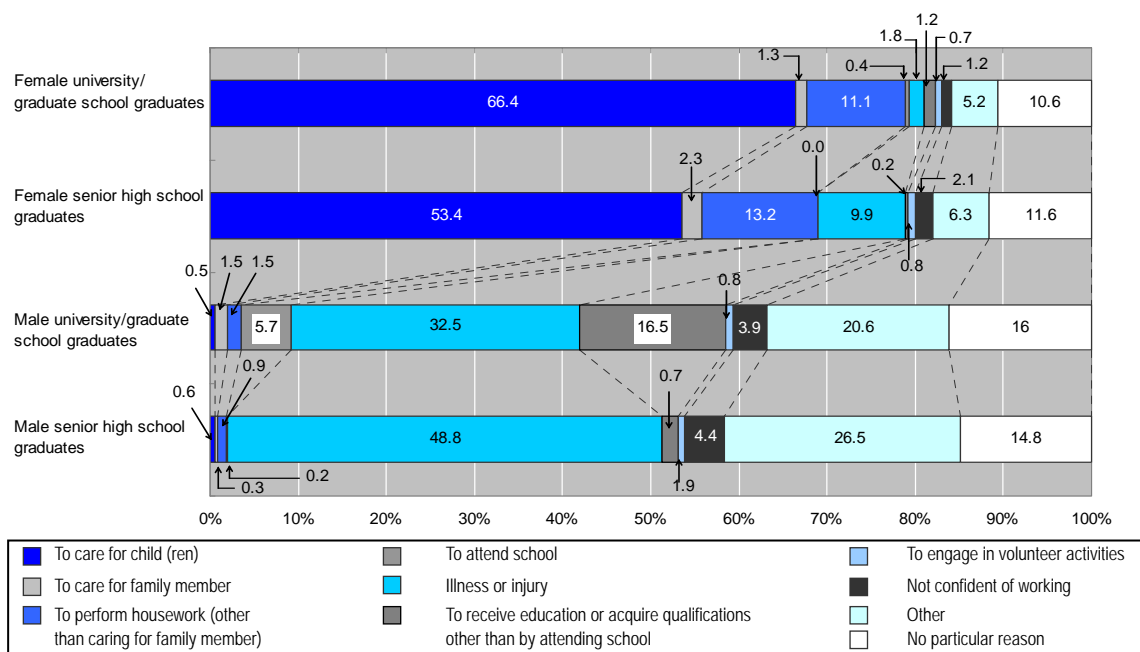
### Having Young Children is Main Reason Given by Women for Not Wanting to Work

The findings of the Ministry of Internal Affairs and Communications (MIC) Statistics Bureau's Employment Status Survey reveal a gender difference in the breakdown of reasons given by people who are not interested in working for

not wanting to work (II-33).

Looking at the situation among 25- to 44-year-olds who are not seeking employment, the majority of women give "to raise children" as their reason for not wanting to work. Among men, on the other hand, the commonest reason for not wanting to work is "illness or injury."

### II-33 Breakdown of 25- to-44-year-olds Not Seeking Employment by Sex, Educational Background, and Reason for Not Wanting to Work



Source: Ministry of Internal Affairs and Communications Statistics Bureau, *Employment Status Survey (2007)*.

A breakdown by educational background of women's reasons for not wanting to work reveals that the proportion of university and graduate school graduates not wanting to work due to raising children is 13% higher than among senior high school graduates, accounting for around two thirds of the total.

### **Importance of Supporting Women's Employment**

Japanese society has entered demographic decline, it is essential to create a society in which everyone can play a part and those want to work can find employment in order to maintain and raise the country's social and economic dynamism in the future. Regarding women in particular, education levels are rising, but the proportion that withdraw from the market to marry and have and raise children remains high. With more people seeking to better balance work and life, it is generally accepted that action to enable those who want to work to remain in employment or find reemployment is crucial if such a balance is to be achieved and women (especially those with spouses) are to continue working.

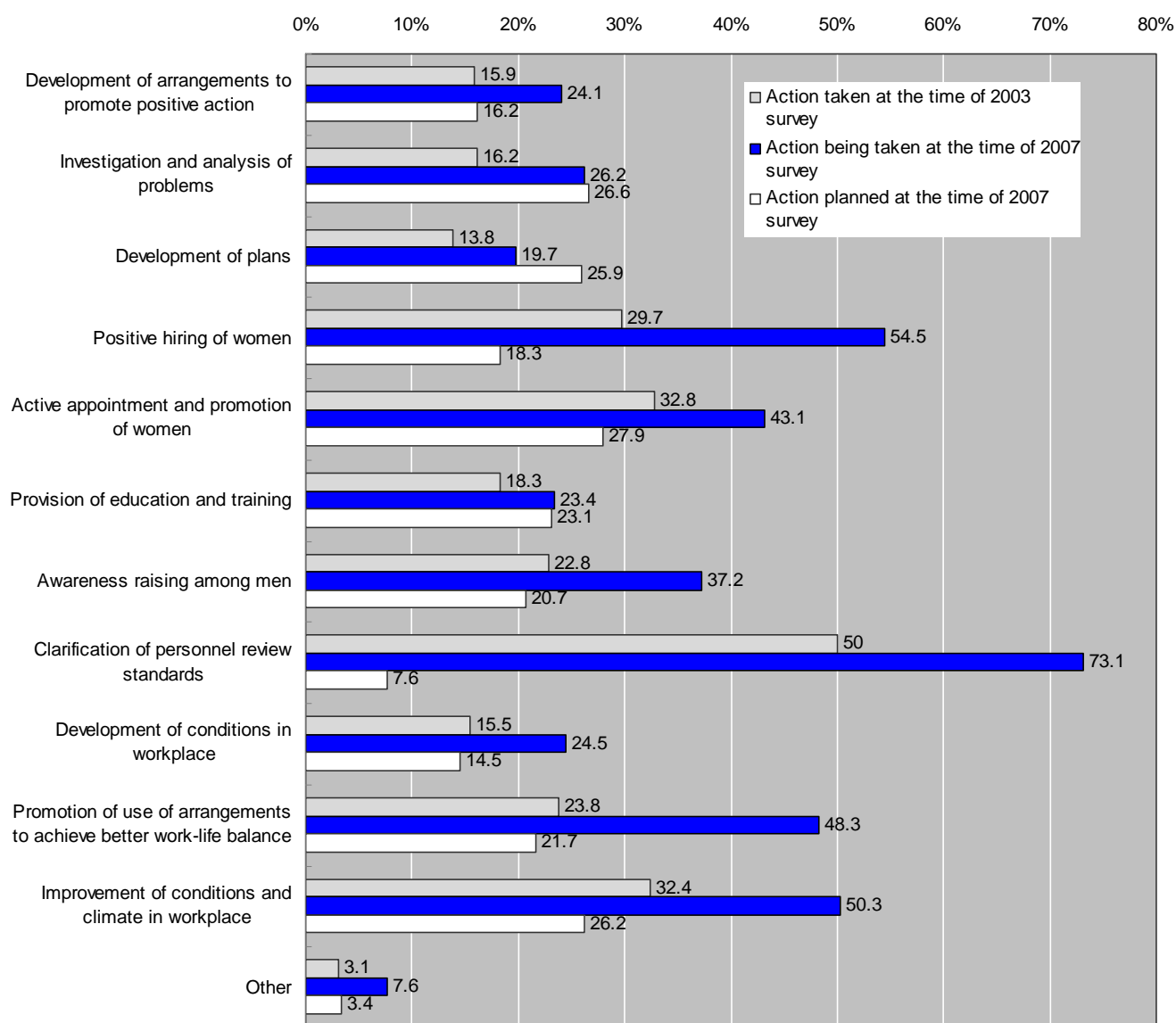
Solid positive action to eliminate disparities between male and female workers due to em-

ployment practices and beliefs in gender roles in the past is therefore also necessary.

II-34 shows that the commonest form of positive action being taken by companies that responded that they were taking positive action was the "establishment of clear performance review standards to prevent evaluation on the basis of gender" (73.1%), followed by "positive recruitment of motivated and skilled woman to perform jobs in which there are no or few women" (54.5%), "improvement of conditions and climate in the workplace through revision of practices rooted in belief in gender roles" (50.3%), and "development and promotion of use of arrangements to achieve better work-life balance" (48.3%).

In order to support women's continued employment more positively in the future, the climate in the workplace need to change and employment systems should be developed to enable employees to enjoy a better balance between work and life. This can be achieved by, for example, extending leave for employees with young children, reemploying retirees, developing child-care facilities at the workplace, and introducing teleworking, all of which should be underpinned by the pursuit of positive action.

## II-34 Breakdown of Companies by Type of Positive Action Taken or Planned (Multiple Answers)



Source: Japan Institute of Workers' Evolution, *Survey of Positive Action by Enterprises (March 2008)*.

Note: Companies that responded that they were "currently taking" positive action at the time of 2007 survey = 100%

## Employment of Foreign Workers

### Japanese Policy on Foreign Nationals: Past and Present

#### History of Policy on Foreign Nationals

The history of Japanese policy on foreign nationals may be traced back some 60 years to the establishment in 1950 of the Immigration Control Bureau in the Ministry of Foreign Affairs. This was followed by the promulgation the fol-

lowing year of the Immigration Control Ordinance, and then the promulgation and entry into effect in 1952 of the Alien Registration Act. At that time, the main focus of policy regarding foreign nationals was on Japan's "Zainichi" permanent ethnic Korean and Chinese residents. In the mid-1960s, industry began to call for "unskilled labor" to be allowed into the country due to labor shortages. Set against this, the verbal understanding was that, under the First Basic Employment Measures Plan (1967), foreign workers

should not be allowed into the country. This principle was maintained in the Second Basic Employment Measures Plan (1973) and the Third Basic Employment Measures Plan (1976). In the late 1970s, there were rising numbers of refugees from Indochina, female foreign workers from Southeast Asia, second and third generation descendants of displaced Japanese who remained in China following World War II, and Europeans and North Americans coming to Japan for business. When the yen appreciated following the Plaza Accord in 1985, a stream of Japanese companies expanded overseas, principally in Southeast Asia, and one of the repercussions of this was to generate concern about the “hollowing out of industry” in Japan. It was around that time that there occurred a rise in “Nikkei” immigrants (emigrants from Japan and their descendants) from South America and foreign workers from Asian countries who in practice came to Japan to find work.

The Sixth Basic Employment Measures Plan (1988) divided foreign workers into “professional and technical workers” and “unskilled workers.” The policy adopted regarding these two categories was to allow immigration of professional and technical workers as far as possible, but to accept unskilled workers with caution. In line with this policy, the Immigration Control and Refugee Recognition Act was revised in 1989. The revisions entered effect in 1990, in which year the “trainee” status of residence was introduced. In response to the Second Report of the Third Special Advisory Council on Enforcement of Administrative Reform, the “foreign worker skills training system” was established in 1993 and the system of statuses of residence by which foreigners are allowed to live in Japan was further developed.

With the Japanese economy mired in deflation following the collapse of the “bubble” in the late 1990s, Japanese manufacturers continued to transplant their production operations to other countries. Overseas, the Chinese economy surged to prominence and international competition in-

tensified. During this period, the number of foreign workers (the majority of them Nikkei) finding non-regular employment increased. Due in part to the easing of requirements for obtaining permission for permanent residence in 1998, foreign workers who initially came to Japan as temporary “guest workers” increasingly began to settle long term.

As more foreigners settled, the number of foreign children rose, creating educational challenges for the communities in which they lived. As a result, the issue of foreign workers has entered a new phase as a social issue that encapsulates all aspects of life, and not just employment and labor.

### Types of Status of Residence for Foreigners in Japan

There are basically two types of status of residence for foreign nationals in Japan: statuses that are associated with a particular category of activity, and statuses that derive from a person’s personal situation. The statuses of residence associated with activities include the following: diplomat, official, professor, artist, religious activities, journalist, investor/business manager, legal/accounting services, medical services, researcher, instructor, engineer, specialist in humanities/international services, intra-company transferee, entertainer, skilled labor, cultural activities, short-term visitor, college student, pre-college student, trainee, dependent, and specified activities. Of these, the statuses of residence from “professor” to “cultural activity” correspond to labor, and holders of these statuses are not allowed to engage in any employment activity other than that permitted under their status of residence. The statuses of residence deriving from the individual’s personal situation include permanent resident, spouse or child of Japanese national, spouse or child of permanent resident, and long-term resident. Holders of these categories of status may engage in any kind of employment activity, regardless of whether it is unskilled or highly skilled.

## Present Situation Regarding Foreign Workers in Japan

II-35 shows trends in the number of foreigners in Japan by status of residence. There are around 840,000 “permanent residents” (the combined total of “special permanent residents” and “ordinary permanent residents”), who account for 40% of the total number of registered foreigners. If these are combined with other registered foreigners whose status of residence derives from their situation (“spouses or children of Japanese nationals” and “spouses or children of permanent residents”), the proportion rises to around two thirds of the total. While the proportion of special permanent residents, who now account for around 21% of registered foreigners, is on the decline, ordinary permanent residents are on the increase, and they now account for approximately 19% of all registered foreigners. Professional and

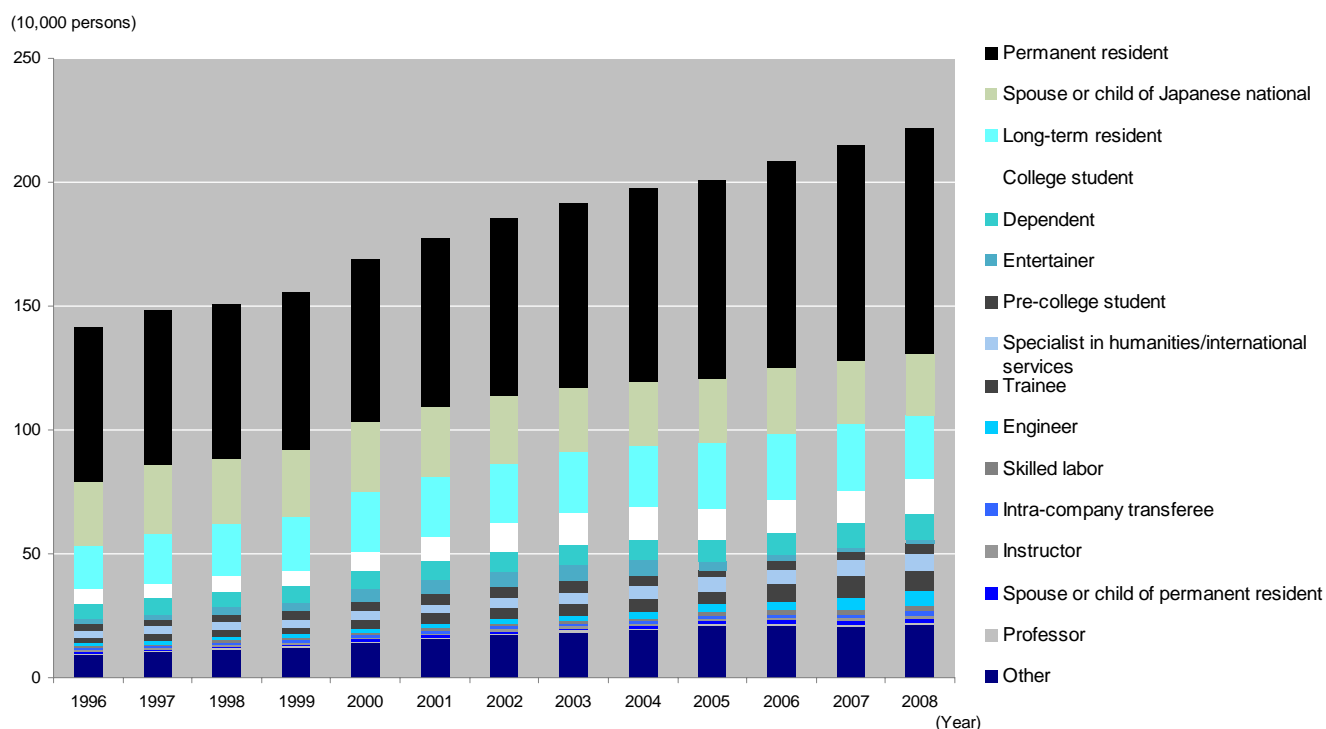
technical foreign workers being actively accepted by Japan make up one in 10 registered foreigners.

II-36 shows trends in the number of registered foreigners by nationality (place of origin). This shows that while Koreans are on the decline, the number of foreigners from countries such as China and Brazil is on the rise, with the rise in number from China being particularly marked.

## Distribution of Foreigners by Region

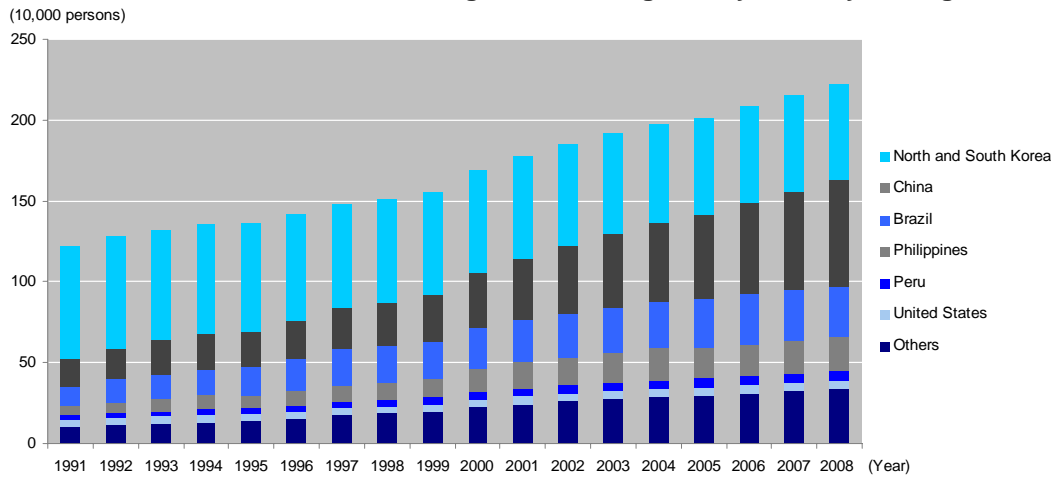
The number of foreign residents varies according to prefecture. This is because the number of foreign residents in a region depends on, for example, employment and unemployment conditions if they are seeking employment, and by the number of universities and other institutes of learning if they are pre-college or college students.

II-35 Trends in Numbers of Foreign Workers by Status of Residence



Source: Ministry of Justice immigration control statistics.

### II-36 Trends in Number of Registered Foreigners by Country of Origin

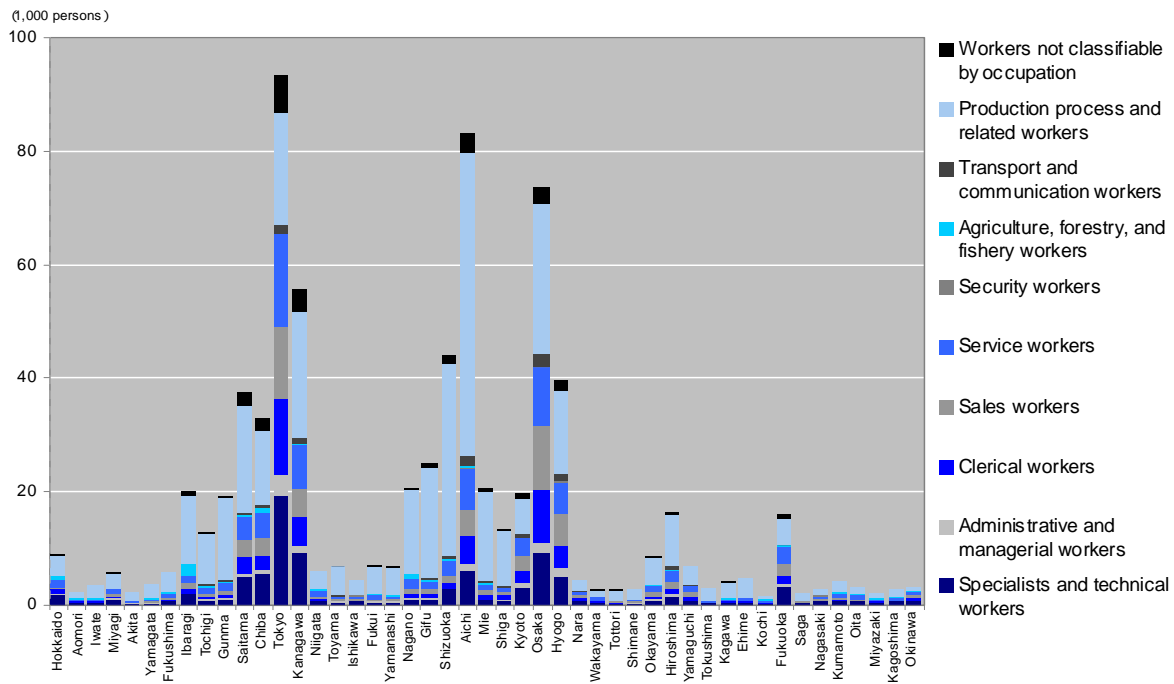


Source: Ministry of Justice immigration control statistics.

II-37 shows the occupational breakdown of foreigners according to prefecture based on the 2005 Population Census. It can be seen from this that (1) foreign workers are concentrated in the Kanto, Tokai, and Kinki regions, and (2) their occupational breakdown differs according to prefecture. For instance, Tokyo has the largest number of foreign workers in Japan. Occupation-ally, it also has a relatively high proportion of

professional and technical workers and service workers. Shizuoka and Aichi, on the other hand, have relatively high proportions of production process and related workers, who account for over 50% of the total. It may be observed from this that many foreigners are employed in non-manufacturing jobs in Tokyo, and in manufacturing jobs in the Tokai region.

### II-37 Numbers of Foreign Workers by Occupation and Prefecture



Source: Compiled from 2005 Population Census.

## Companies' Employment Management of Foreign Workers

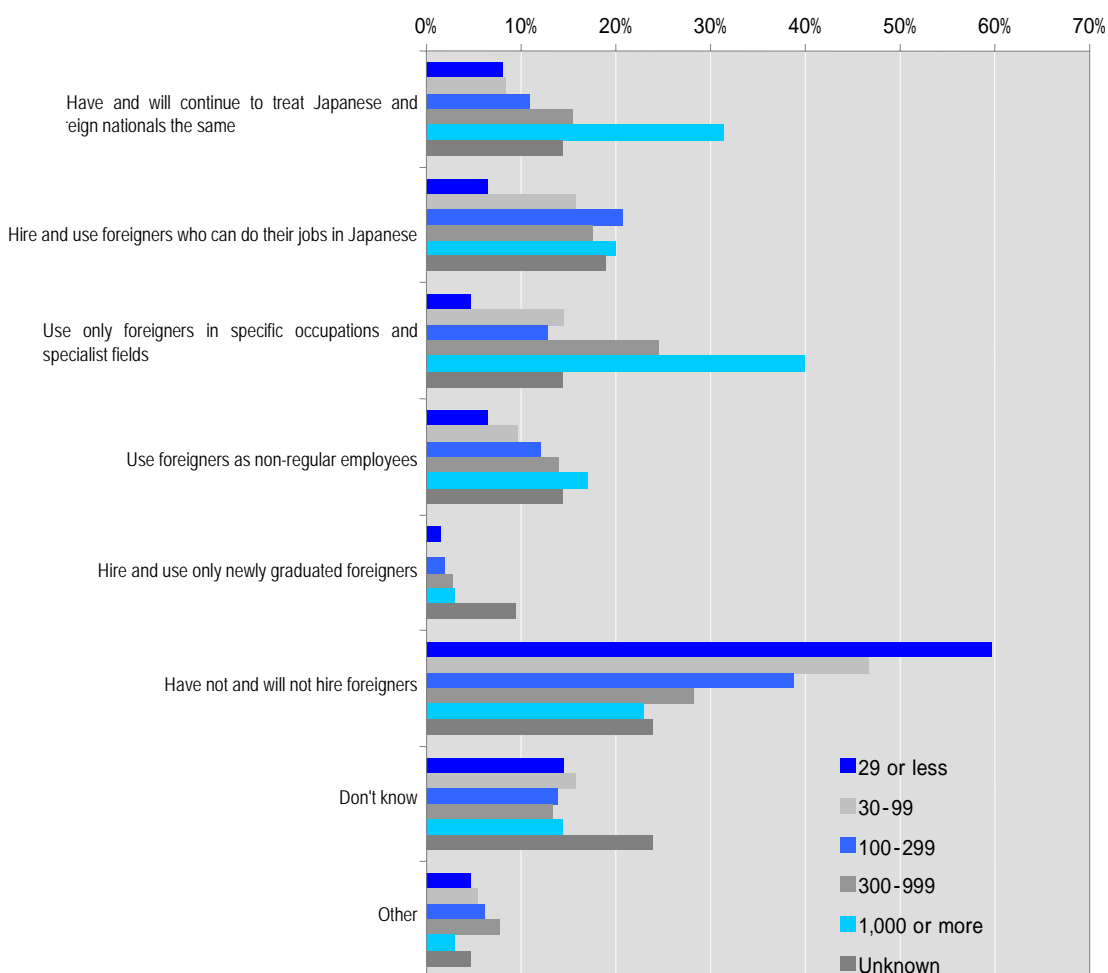
### Hiring Policies and Reasons for Employing Foreign Workers

The results of a survey on companies' policies toward employment of foreign workers shows that the commonest policy, adopted by around 40% of the respondents, is "have not and will not hire foreign workers." A breakdown of the results by size of company in terms of number of employees reveals, however, variation in policy toward employment of foreigners according to size (II-38). There is little variation according to size regarding hiring being conditional upon Japa-

nese ability. As work instructions and orders are given in Japanese, having a certain degree of proficiency in Japanese is therefore a necessary requirement for foreigners to be employed by Japanese companies.

Smaller companies exhibit a greater reluctance to employ foreigners, but many companies with larger workforces have a policy of using foreigners in some form. The more employees a company has, the more likely it is to treat Japanese and foreign nationals the same. Companies with more employees are also more likely to adopt a policy of using foreign workers in specific fields and occupations or of using them as non-regular employees.

II-38 Policies on Employment of Foreign Workers (N=730)

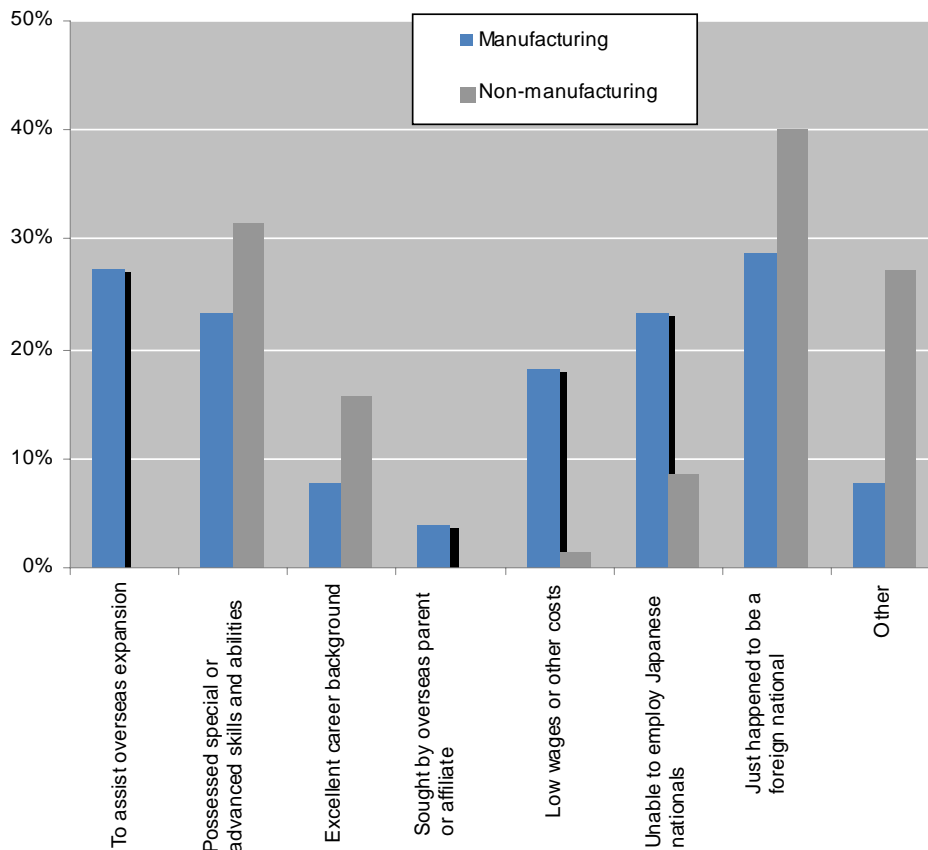


Source: Japan Institute for Labour Policy and Training (2004), "Present and Future Handling of Foreign Worker Issues," Labour Policy Report, No. 14.

Looking at the reasons given by companies for already employing foreign workers according to the results of the same questionnaire, we find that relatively more manufacturers give as their reason “to assist overseas expansion,” “low wages or other costs,” or “unable to employ Japanese nationals” (II-39). In non-manufacturing, rela-

tively more companies give “possessed special or advanced skills and abilities,” “excellent career background,” or “just happened to be a foreign national” as their reason. On the other hand, “unable to employ Japanese nationals” and “low wages or other costs” were common responses among manufacturers using foreigners.

**II-39 Reasons for Employing Foreign Workers**



Source: Japan Institute for Labour Policy and Training, *ibid.*

### Employment Management of Foreign Workers in Professional and Technical Fields

Regarding how foreign human resources are managed, foreign workers who are hired without distinction from Japanese nationals are treated the same as Japanese employees in terms of placement after hiring, education/training and skills development, evaluation, pay, and other treatment. Where skills such as language skills are used, foreign workers are often assigned to those parts of a company that have dealings with

overseas or else are trained in readiness for their assignment to other countries.

### Employment Management of Foreign Workers in Manufacturing

A distinguishing feature of employment of foreign workers in Japan is their greater use in manufacturing than in professional and technical fields. The number of establishments employing foreign workers is growing particularly rapidly, and the number of foreign workers in indirect employment is also growing considerably. Below,



we focus on Nikkei workers and the “technical interns” who have grown rapidly in number of late.

### **Nikkei Workers**

Most foreign workers employed in production processes are employed indirectly as dispatched or subcontracted workers. Nikkei workers were increasingly employed directly by contractors, or else hired from their countries of origin via brokers and travel agencies. More recently, however, contractors have increasingly commonly recruited Nikkei from within Japan by placing help-wanted advertisements in newspapers published in Portuguese and Spanish in Japan or through word of mouth among the Nikkei community and personal introductions.

Nikkei workers normally used to come to Japan for a temporary stint of employment as “guest workers” for several years after their arrival. Now, however, migrant workers are increasingly settling in Japan. This trend has been accompanied by a rise in the number of female workers. The reduction in 1998 of the minimum period of residence required to qualify for permanent residence from 20 years to 10 years has also contributed to this trend.

Common clients of temporary labor agencies and work contractors are manufacturers in the automotive business, subcontractors in the consumer electronics and electronic parts industries, and food plants (producing prepared foods for convenience stores, etc.). Such work does not require a high level of skill, and is often simple and repetitive. Client companies also do not require advanced skills of Nikkei workers.

The hourly wage earned by Nikkei is around 1,500 to 1,800 yen in automotive parts manufacturing, 1,200 to 1,400 yen in electrical and electronic parts manufacturing, and 800 to 1,000 yen in food production.

As a consequence of bringing over their families and settling, Nikkei workers’ patterns of work are gradually changing. Some are also buying homes in Japan, creating what appears to be branching of the Nikkei community into those

who settle and those who remain mobile. Their rate of enrolment in employment insurance and health insurance under the present social insurance system, however, is low. Families who come to Japan can lead unsettled lifestyles, and school absenteeism in the Nikkei community is emerging as a problem.

### **Technical Interns**

The number of foreign trainees and interns in Japanese manufacture is growing. In 2007, more than 100,000 people entered the country with “trainee” status of residence, and around 60,000 transferred from trainee to technical intern status. A breakdown of the countries of origin of trainees who then become technical interns reveals the overwhelming majority (85%) to be from China. Technical interns are most commonly found in textile and apparel, machinery and metal-related, and food production-related industries, and around 60% of host companies are micro enterprises with 19 or fewer employees.

The training provided in Japan under the foreign trainee and technical intern program includes training in quality control and production control, and the results are becoming apparent. For example, some trainees and technical interns have gone on to become forepersons and assistance managers at Japanese companies in their own countries or have formed their own startups after completing their training.

However, certain problems with the program have also arisen, such as the following:

- (1) The original purpose of the trainee and technical intern program was to assist the transfer of technologies to other countries. Critics have observed, however, that it has in practice become a means of hiring labor for human resource-strapped micro, small, and medium enterprises.
- (2) Problems such as training and practice not being provided as planned, trainees having to work overtime (which was originally not permitted), and wages not being paid have arisen.
- (3) Some companies take on more trainees

than is permitted.

(4) Brokers become involved and some trainees and technical interns go missing.

The program is therefore to be revised further to consideration by the relevant ministries of how it should be operate and what course it should take in the future.

### **Issues in Employment Management of Foreign Workers**

Employing foreign workers entails all kinds of issues at every stage of the employment process, from recruitment and hiring to education in health and safety, social insurance, human resource management (placement, education and training, and evaluation and treatment), and severance.

(1) Hiring: The various issues encountered at the recruitment and hiring stage include the involvement of brokers, hiring discrimination, and the need to properly confirm workers' status of residence.

(2) Regarding equality of treatment after hiring, the Labor Standards Act applies to foreign as well as Japanese workers. There must therefore be no discrimination in terms of working conditions such as wages and working hours.

(3) Care must be taken to ensure that education in health and safety matters is understood by foreign workers. There may occur cases where foreign workers have insufficient Japanese ability or are unable to understand the content of safety education. Concrete explanations and

guidance are therefore required to enable them to understand.

(4) Foreign workers' low rate of enrolment in employment insurance and health insurance has been a long-standing problem. The proportion of Nikkei workers not enrolled in health insurance is estimated to be anywhere between 15% and 60%. Similarly, 65% to 90% are not enrolled in pension insurance. People who are not enrolled in health insurance have to bear the full cost of medical treatment out of pocket, and may even be unable to receive appropriate treatment when in poor health. Non-enrollment can also lead to non-payment of medical expenses when treatment is received. Non-enrollment in the pension system also means that workers face possible poverty in old age.

(5) Critics note that foreign workers in indirect employment have few opportunities for skills development.

(6) While many foreign workers have become unemployed as a result of layoffs and non-renewal of contracts due to the effects of the global recession since 2008, hardly any support has been provided by companies to help them find reemployment when they have been laid off.

It can thus be seen that most of the employment issues concerning foreign workers are soluble provided that employers observe existing rules as they should. Companies therefore need to manage their foreign workers properly according to the demands of each stage of employment, from recruiting and hiring to severance.

## 1 Long-Term Employment System

### Employee Tenure in Japan

III-1 shows a breakdown of employees in Japan, the United States, and several European countries according to employee tenure. The only countries to have fewer than 40% of employees employed at the same company for less than five years are Japan and Italy, which, alongside countries such as France, Italy and Finland, have more than 20% employed for more than 20 years. It can thus be seen that, by international standards, employee tenure tends to be longer in Japan.

According to the 2007 *Basic Survey on Wage Structure*, average employee tenure in Japan is 11.8 years. However, this varies according to the attributes of employees and the corporate organizations to which they belong. Average employee tenure is longer for men than women, and increases with the size of the company to which they belong (III-2). By international comparison, long-term employment in Japan is thus a particular feature of employment of male workers at large companies.

III-1 Breakdown of Employees by Employee Tenure

Country (Year)	Japan 2007	United States 2008	United Kingdom 2002	Germany 2002	France 2002	Italy 2002	Belgium 2002	Holland 2002	Denmark 2002	Finland 2002	Norway 2002	Austria 2002
Percentage of all employee												(%)
Less than 5	36.5	52.8	55.0	43.4	42.0	37.3	45.5	57.1	57.7	41.6	54.8	45.6
5 to less than 10	18.3	20.2	15.0	15.8	12.5	15.4	12.7	10.5	17.1	13.4	13.8	15.0
10 to less than 20	24.2	16.8	19.0	23.7	22.0	24.2	22.7	19.9	17.0	22.2	22.3	23.1
Over 20	21.3	10.3	10.0	17.0	23.5	23.0	19.1	12.6	8.1	22.8	9.1	16.2

Sources: Japan – Ministry of Health, Labour and Welfare (2008), *Basic Survey on Wage Structure 2007*.

United States– U.S. Department of Labor (2008), *Employee Tenure in 2008*.

United Kingdom – Office for National Statistics (2003), *Labour Force Survey*.

Other countries – Eurostat (2006), *Structure of Earnings Survey 2002*.

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

	All workers	Male workers	Female workers
All companies	11.8	13.3	8.7
1,000+ employees	14.4	16.2	9.7
100-999 employees	11.2	12.7	8.2
10-99 employees	10.0	10.9	8.3

Source: Ministry of Health, Labour and Welfare (2008), *Basic Survey on Wage Structure 2007*.

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

Why then is employee tenure in Japan so

long? One answer lies in the long-term employment systems that have developed at Japanese companies.

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

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

### **Transformation of Long-term Employment Systems**

Although employee tenure in Japan is comparatively long by international comparison, it is in fact very slowly shrinking and the average tenure of all employees in 2003 was 0.4 years longer (12.2 years) than what it was in 2007 ac-

ording to the above Basic Survey on Wage Structure.

Behind this trend is the transformation of long-term employment systems at Japanese companies. Paying higher wages to longer-serving employees necessarily carries with it a risk of pay exceeding productivity in the case of employees whose professional skills have ceased to rise. Although this risk did not manifest itself during the 1950s through to the 1970s when most Japanese companies were enjoying rapid growth, the wage costs of middle-aged to older employees increasingly came to be seen as a problem by companies from the 1970s onward when the Japanese economy was no longer growing as it had. As a result, the practice spread among large companies in particular of temporarily or permanently transferring middle-aged and older workers to affiliates or business partners. During the prolonged recession of the 1990s, a wave of companies experienced serious business difficulties, with the consequence that many asked their employees of above a certain age (usually those in their late forties to fifties) to accept voluntary early retirement in exchange for a topping up of their retirement benefits. The use of such methods to remove middle-aged to older employees from companies' workforces appears to be what has led to the gradual decline in Japan's average employee tenure.

With the revision of the Act Concerning Stabilization of Employment of Older Persons, however, it became mandatory from April 2006 for companies to provide employment opportunities from 60 until pensionable age. While some expect this legislative action to reverse the shortening of average employee tenure, the imposition of the obligation to secure employment opportunities from the age of 60 onward may also reinforce moves by Japanese companies to rid themselves of employees before they reach that age, making it hard to predict how long-term employment systems will develop in the future.

## 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 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). (Note that the Survey of Employment Management cited below was discontinued in 2004, and so there are no results for subsequent years.)

**III-3 Current Ratio of Hiring for New Graduates (Multiple Answers)**

(%)

	2001			2004
	Clerical	Technical, Research	Non-clerical	
<b>High school graduates</b>				
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
<b>College (including graduate school) graduates</b>				
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: Ministry of Health, Labour and Welfare, *Survey of Employment Management, 2001, 2004*.

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

**III-4 Current Ratio of Hiring for Mid-Career Workers**

(%)

	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	49.3
30-99 employees	11.7	23.2	15.9	51.7

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

## Methods of Recruiting and Hiring

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

**III-5 Methods of Recruiting New College Graduates and Mid-career Hires  
(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: Ministry of Health, Labour and Welfare, *Survey of Employment Management, 2001, 2004*.

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

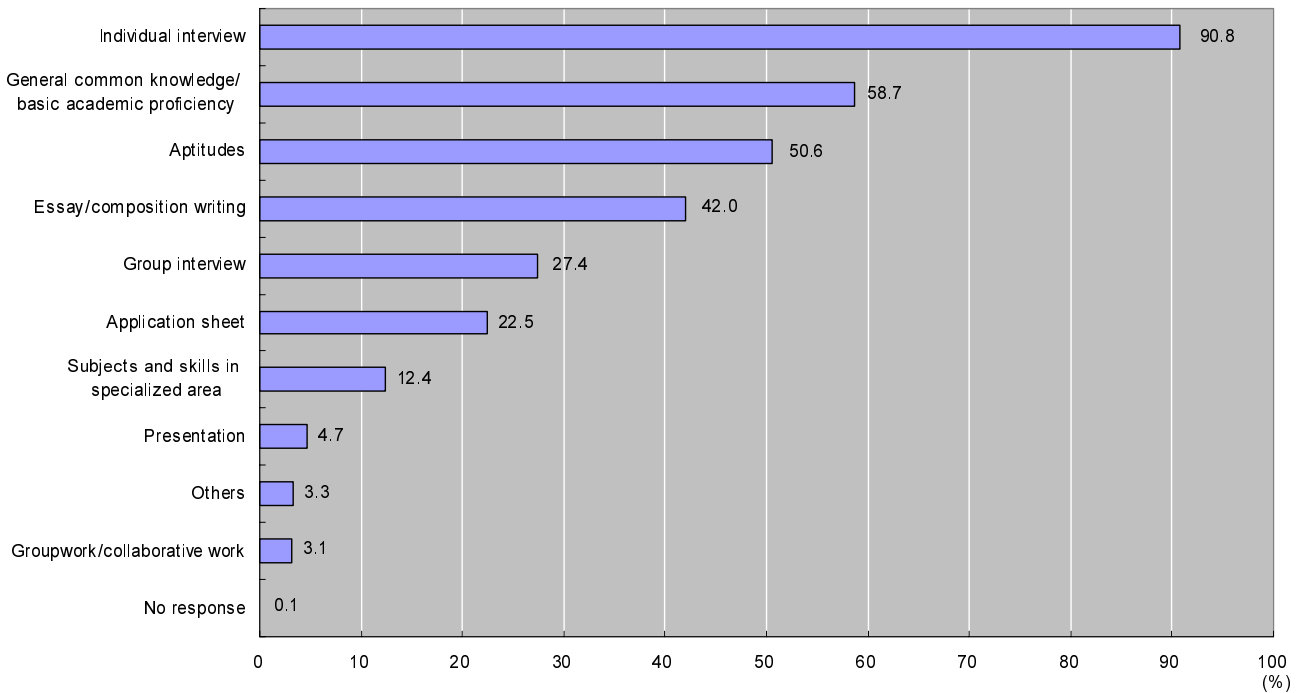
communication of these conditional job offers in 1997 and 1998 peaked during June and July, it peaked around April in 2004, indicating that the time was reduced by two months in those years (“Hiring of College Graduates and Human Resource Management in a Period of Reform,” Report No. 128, 2000, Japan 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 semi-

nars 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.

**III-6 Methods of Screening New College Graduates (Multiple Answers)**



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

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%.

The past few years of economic growth, the longest—if modest—spell of growth since World War II, combined with the mass retirement of the baby-boom generation fanned hiring interest among firms, and the market remained a seller's one from the point of view of new graduates. However, the situation changed dramatically when the global financial crisis broke and the economy changed course in autumn 2008, and the problem of job offers to students being withdrawn drew considerable attention. Although

proportionately small in number compared with the total number of hires, a record high of well over a thousand two-year and four-year graduates had had their offers cancelled as of February 2009. However, for small businesses that had hitherto faced hiring difficulties and industries such as the nursing care and hospitality industries that had experienced chronic labor shortages, the situation is being seen by some as an opportunity to hire better human resources.

**Points Taken Seriously in Hiring Workers**

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 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, Judgment 31.8
Technical, Research	Enthusiasm, Ambition 66.7	Technical knowledge, skills 51.1	Understanding, Judgment 33.6	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, Judgment 25.9

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

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, Judgment 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 knowledge, skills 25.9
Technical, Research	Technical knowledge, 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: Ministry of Health, Labour and Welfare, *Survey of Employment Management, 2004*.

### 3 Allocation and Transfer of Human Resources

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

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

“Transfers,” meanwhile, consist of moving employees around to perform different work, and the practice of transfers at Japanese companies exhibits several characteristics. Firstly, their main purpose is not only to reshuffle human resources to meet the needs of the organization (such as expansion, downsizing, or job reorganization), but also to act as a means of training and developing employees (III-9). Secondly, companies have an enormous say in determining trans-

fers. Transfers at large companies are a classic example in that the wishes of the human resources department are paramount in the allocation and transfer of newly-hired fresh graduates and the transfers of managers, while it is the wishes of the department actually responsible for the work to be performed that largely determine transfers of regular employees. Thirdly, while transfers of non-management personnel often do not extend beyond particular departments, inter-departmental transfers of management personnel are common. And fourthly, temporary external transfers (where an employee of company A works at and is subject to the orders of company B while remaining an employee of company A) and permanent external transfers (where an employee leaves company A and becomes an employee of company B) entail transfers beyond the boundaries of the company for the purpose of supporting business partners and affiliates, developing employees’ skills, and securing positions for middle-aged and older employees.

III-9 Objectives of Transfers by Companies (Multiple Answers)

(%)

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

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

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

## New Developments in Allocation and Transfer of Human Resources

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

To combat this downside, more and more companies in Japan are introducing mechanisms such as "self-return" and "in-house recruitment" schemes to take greater account of employees' wishes. Self-return schemes are systems by which employees report their personal circumstances and wishes so that this information can be taken into account by the company in making allocation, transfer, and career development decisions. In-house recruitment schemes, on the other hand, are systems for recruiting human resources for the launch of new projects or operations internally and transferring selected employees who apply. In their practical application, however, these measures tend to be hindered by the wishes of employees' own departments and

the difficulty of finding work to suit employees' needs, and few companies have so far been entirely successful in implementing them.

## Features of Promotions

One form of allocation or transfer of employees is "promotion" through movement from work of one grade to work of a higher grade according to a company's grading system. Japanese companies have a strong tendency to place more emphasis on finding human resources from within the organization, and management positions are more normally filled by in-house promotion than by the hiring of people from outside the company.

While the majority of companies with established promotion criteria emphasize assessments of the performance and abilities of candidates for promotion, it is not unusual for some to promote personnel on the basis of seniority emphasizing their length of employment by the company (III-10). Promotion practices at Japanese companies are also considered to be characterized by the promotion of most employees in the same cohort—i.e., employees who joined the company at the same time as fresh graduates as regular employees—to a certain level of management, such as section head class. This approach gives most employees hope of promotion and serves to increase motivation.

At the same time, however, promoting most employees delays the narrowing down of the personnel capable of filling higher level management positions, rendering it difficult to efficiently pick out appropriate human resources from within the company. Recognizing this, more Japanese companies are now fast tracking the promotion of personnel capable of filling more advanced management and executive positions by accelerating the timing of their selection and focusing on the training and career development of these selected human resources.

## III-10 Promotion Criteria at Japanese Companies (Multiple Answers)

(%)

Category of worker and grade	Established promotion criteria (multiple responses allowed)								
	Ability evaluation			Employee tenure	Performance assessment	Promotion training	Education	Personality	Others
	Total	Tested	Not tested						
<b>Clerical</b>									
Promotion to subsection chief class	85.4	13.2	72.1	48.6	82.5	4.8	5.7	40.1	14.7
Promotion to section head class	84.1	15.9	68.2	47.0	85.0	7.2	7.0	41.3	15.8
<b>Technical/research</b>									
Promotion to subsection chief class	84.7	13.7	71.0	48.8	82.1	5.8	5.6	38.4	13.3
Promotion to section head class	84.7	16.2	68.5	45.1	84.9	8.2	6.6	39.9	14.3
<b>Manual</b>									
Promotion to subsection chief class	81.5	12.6	68.9	43.7	84.4	6.1	4.1	41.4	14.3
Promotion to section head class	82.2	14.5	67.7	43.6	87.3	8.2	5.2	43.0	14.8

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

Note: Percentages indicate the proportion of the total number of companies with promotion criteria in each category of worker and grade.

## 4 Resignation, Mandatory Retirement and Dismissals

### Resignation

“Retirement” is a cause for the cancellation of employment contract relations, and is a general term applying whenever an employee 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 employee unilaterally cancels the employment contract relationship; “resignation by agreement”, “resignation by employee’s request”, and “voluntary retirement” all occur through consent between employee 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 employees 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 22% of disputes that develop at the workplace are over bullying and harassment related to advised resignation or something closely connected to advised resignation (Refer to Labor Disputes and Resolution Systems, Chapter 4).

Regarding the latter, there have been lawsuits in which employees have claimed the amount of the difference arising from unfair treatment or inequalities in the application of preferential financial treatment according to the timing of retirement. As preferential treatment has no basis in legislation, it is basically up to companies to decide what to apply to whom and when. Even when matters such as whether or not such ar-

rangements are applied, the need for users’ consent when they are applied, and unfair treatment or inequalities in the application of preferential treatment give rise to litigation, employees’ claims for payment of any differences are generally not recognized.

### Mandatory Retirement

According to the summary findings of the “2008 General Survey of Working Conditions” published by the Ministry of Health, Labour and Welfare on October 7, 2008, 94.4% of private enterprises with 30 or more regular employees have mandatory retirement systems, of which 98.4% have a uniform mandatory retirement age. Of these, 85.2% set the mandatory retirement age at 60, and 10.9% set it at 65 or above.

Article 8 of the Act Concerning Stabilization of Employment of Older Persons specifies that employers may not establish a mandatory retirement age of younger than 60. In addition, Article 9 requires that employers take steps to secure employment for employees up to the age of 65. This measure was introduced under the revised Act Concerning Stabilization of Employment of Older Persons of 2004 and provides for three means of doing so: raising the mandatory retirement age, introducing systems of continued employment, and abolishing mandatory retirement (for the background and details of the revisions, see “Policies Designed to Secure Employment for Older and Disabled Workers”).

Looking at the state of introduction of measures to secure employment until age 65 under the revised Act Concerning Stabilization of Employment of Older Persons, an average of 96.2% of approximately 94,000 companies of all sizes, and 95.6% of small and medium enterprises, had introduced measures to secure employment beyond 60 and up to 65 as of June 1, 2008. Of these, 79.5% capped employment security at 65 or older and 20.5% set an age limit of 63 or 64. A break-

down of the types of measures introduced shows that 2.1% have abolished mandatory retirement, 12.5% have raised the age of mandatory retirement, and 85.4% have introduced continued employment systems (according to statistics on the state of employment of older people as of June 1, 2008, published by the Ministry of Health, Labour and Welfare on October 7, 2008). Employment opportunities for older people are thus being secured increasingly widely in compliance with legal requirements.

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

### 1. General

The Labor Standards Act only prohibits dismissal during leave due to occupational injury or illness, leave taken by women due to pregnancy and childbirth, and the 30 days following such leave, and does not prohibit dismissal per se (Article 19). Discriminatory or retaliatory dismissal on the grounds of gender or labor union activity, however, is prohibited by law (principally by Article 3 and Article 104 (2) of the Labor Standards Act, Article 6, (iv) and Article 9 of the Equal Employment Opportunity Act, Articles 10 and 16 of the Child Care and Family Care Leave Act, and Article 7 of the Labor Union Act).

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 established as unequivocal mandatory civil provisions in the revised Labor Standards Act of 2003 (Article 18-2). Underlying this was a recognition of two things: that these legal principles should be clearly stated because, despite having played an important role in regulating dismissals in Japan, their lack of statutory form made them unclear to the public; and that employers should be prevented from resorting to dismissals without careful consideration during the recession at time that the act was revised. This provision has now been transferred to the Labor Contract Act enacted in 2007 (Article 16).

### 2. Collective Dismissals for Economic Reasons

Adjustment of employment in Japan is achieved primarily through regulation of overtime and similar measures designed to avoid causing undue hardship to employees, and the elimination of regular employees has been avoided as long as business conditions have not been excessively severe. 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 for “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 criterions.

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).

### 3. Disciplinary Dismissals

Employment regulations normally provide for disciplinary action to punish employees such as those who violate work 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 employees, especially in the case of a disciplinary dismissal since the employee 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, too, are a form of dismissal, they were expressly provided for in the revised Labor Standards Act and are presently governed by the legal principle of the abuse of dismissal rights carried over to Article 16 of the Labor Contract Act. As disciplinary dismissals are at the same time a type of disciplinary action, they are regulated by the principle of the right to take disciplinary action also provided for in the Labor Contract Act (in the disciplinary provisions set forth in Article 16). The prescriptions and interpretation of the principle of the right of disciplinary action are the same as in the case of the principle of case law described above.

## 5 Career Development through In-house Training and Education

### 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. Issues such as the increase in number of non-regular employees without access to in-house training and education, the decrease in number of young employed persons with the fall in the birthrate and aging of society, and the increase in "NEETs" (young people Not in Education, Employment or Training) and "freeters" (job hopping part-time worker) also create a number of challenges for corporate human resource development that will have to be resolved.

### OJT: Practical Training Predicated on Long-term Employment

Workers HRD training 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. In-house 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 training 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 mal-

functioning 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 training 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 man-



ner 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. By systematically acquiring the necessary knowledge and theory to perform their work through off-JT, workers can consolidate and give a theoretical underpinning to the experience gained through OJT and in turn enhance the benefits of such training.

### 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.

### Implementation of Formal OJT/off-JT and Disparity in Opportunities to Receive Education and Training

According to Japan's most comprehensive survey of in-house education and training, MHLW's *Basic Survey of Human Resource Development*, 45.6% of establishments provided "formal OJT" and 77.2% provided "off-JT" to regular employees during FY2006. In contrast, the respective proportions that gave training to non-regular employees were 18.3% and 40.9%. These figures indicate the existence of a 2.5-fold gap in formal OJT opportunities and a 1.9-fold gap in off-JT opportunities for non-regular employees compared with regular employees.

Given that non-regular employees account for one third of total employees, the time has come to consider the following from a long-term viewpoint:

- 1) The creation of systems that allow non-regular employees to develop their skills and careers
- 2) The creation of systems to incorporate their skills development into corporate training and education

Developing measures to assist the development of such systems is thus now an urgent issue.

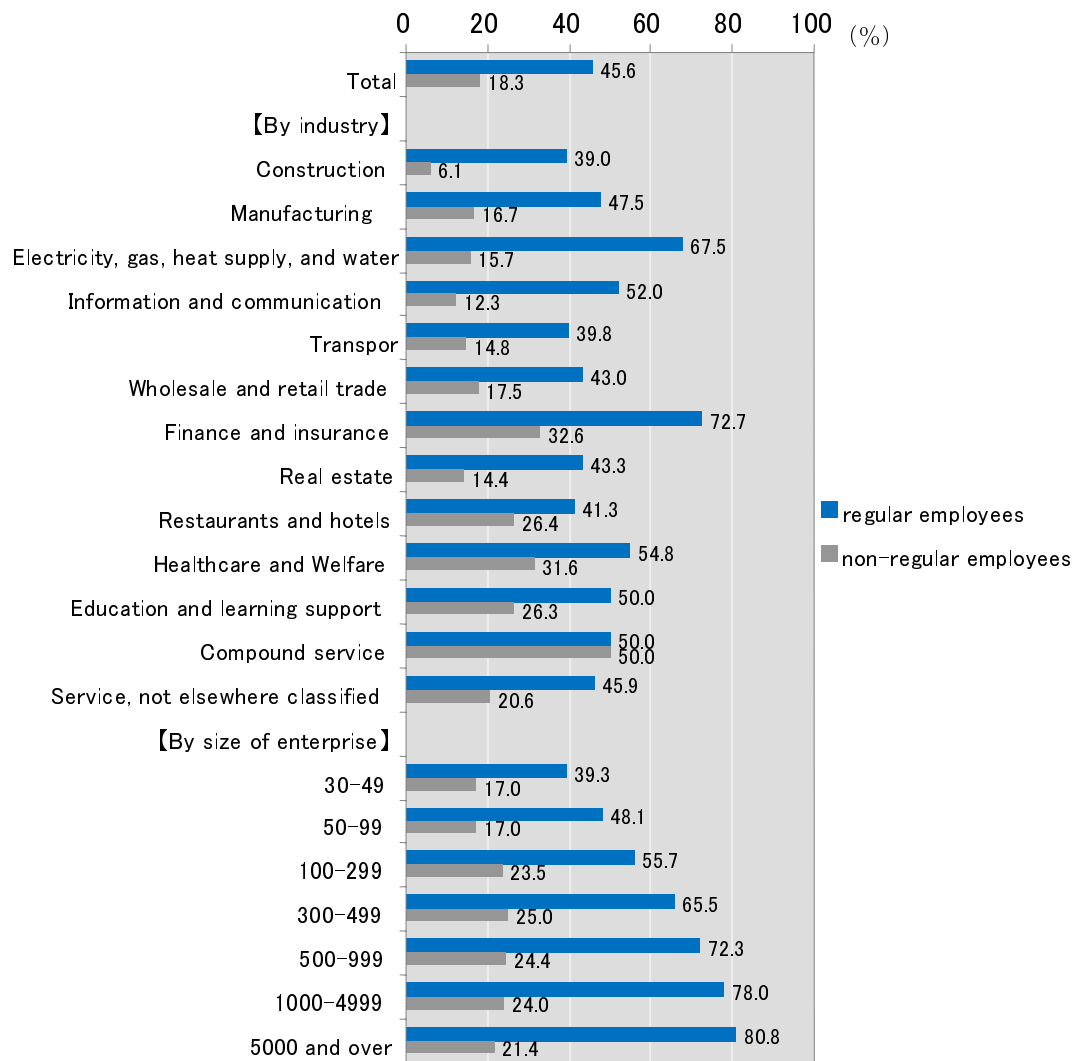
#### III-11 Trends of the Number of Regular Employees and Non-Regular Employees

(10,000 persons)

Year	Total employees	Regular employees	Non-regular employees	Ratio of non-regular employees to total employees
2003	4,948	3,444	1,504	0.304
2004	4,975	3,410	1,564	0.314
2005	5,007	3,374	1,633	0.326
2006	5,088	3,411	1,677	0.330
2007	5,174	3,441	1,732	0.335

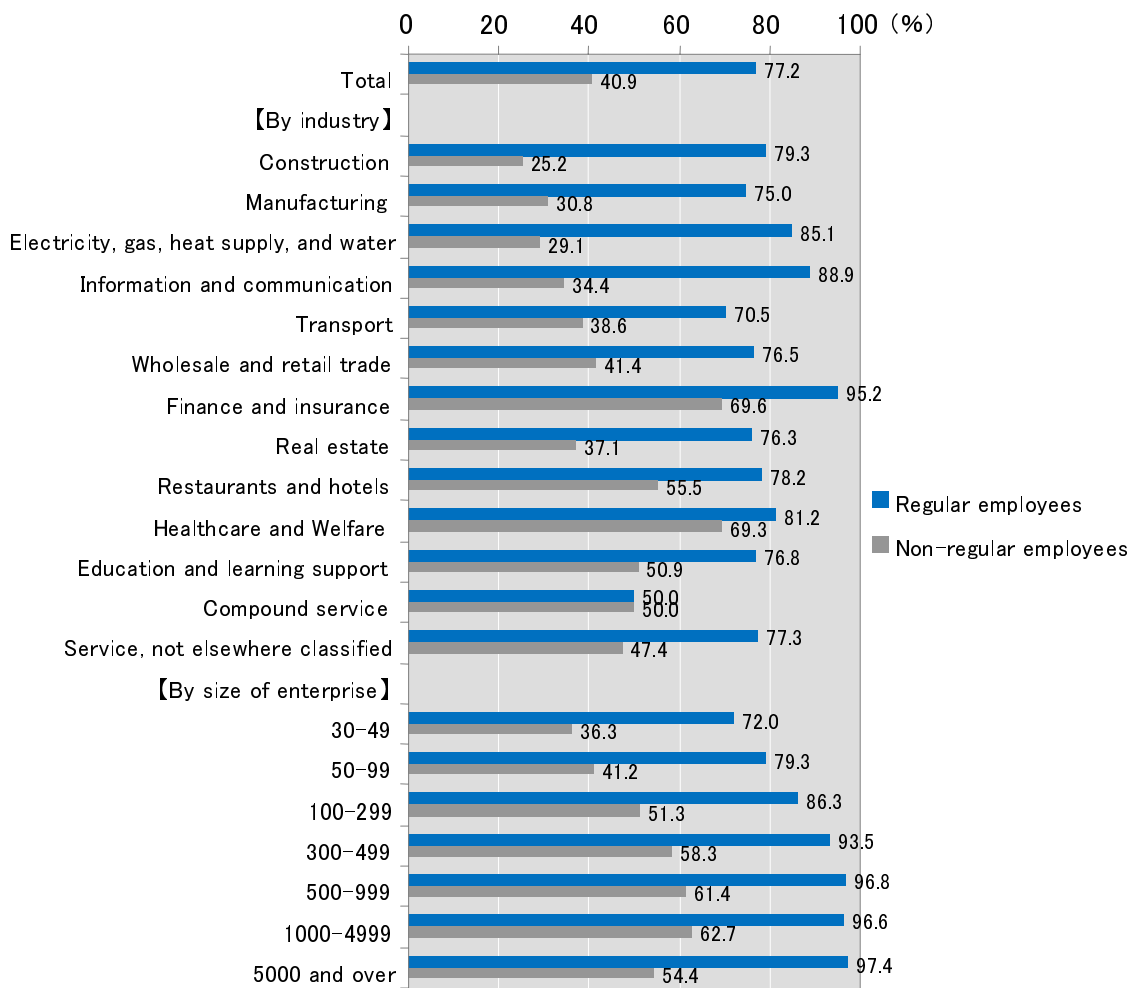
Source: Statistics Bureau, Ministry of Internal Affairs and Communications, *Labour Force Survey 2007*.

## III-12 Current Situation of Formal OJT Implementation



Source: Ministry of Health, Labour and Welfare, *Basic Survey of Human Resources Development*, 2007.

### III-13 Current Situation of Off-JT Implementation



Source: Ministry of Health, Labour and Welfare, *Basic Survey of Human Resources Development*, 2007.

## 6 Wage Systems

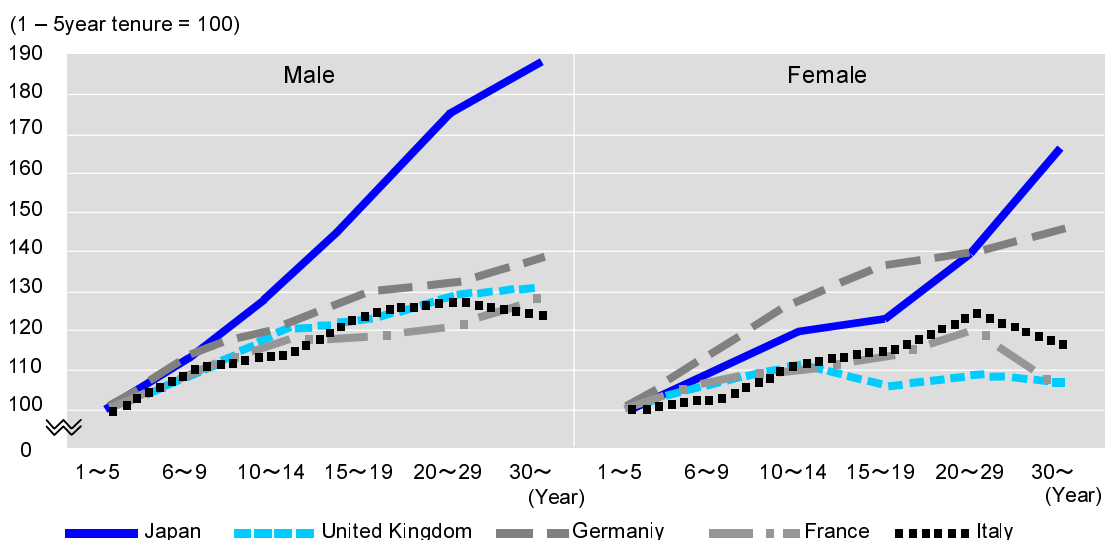
### Strong “Seniority” Element

III-14 shows that the wage levels of manufacturing workers in several countries differ according to employee tenure. In all the countries shown, wage levels tend to increase with length of tenure, but this trend is particularly pronounced in the case of Japan. Looking at male workers in Japan, the wages of workers who have worked continuously for the same company for at least 30 years is almost twice as high as that of workers who have been employed 1-5 years, compared with around 1.2 to 1.4 times as high in other countries.

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

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

III-14 Wage Differences in Manufacturing according to Employee Tenure (2002)



Sources: Japan — Ministry of Health, Labour and Welfare (June 2003), *Basic Survey on Wage*.  
Other countries — EU (November 2005), *Structure of Earnings Statistics 2002*.

### Moves to Overhaul Wage Systems

In recent years, however, some companies have sought to overhaul their conventional wage systems and develop new ways of determining

wages. The *General Survey of Working Conditions* conducted in 2007 by the Ministry of Health, Labour and Welfare shows that 46.3% of companies had modified their wage systems in some

way over the preceding three years. The proportion to have taken such action is greater among larger companies, with 56.5% of companies with 1,000 or more employees having done so. Regarding the types of changes made, comparatively large proportions of companies of all sizes had expanded the wage component linked to performance/results, content of work (such as job or occupational category), or job-performance skills (III-15).

There has thus recently emerged a trend among Japanese companies toward clarification and reinforcement of the relationship between outputs (performance and results) and wages

paid. This increasingly output-oriented emphasis in pay determination has been particularly evident since the 1990s. A second development has been the trend toward paying wages commensurate with the content of work actually performed by employees. As employees tend not to be assigned to a specific “job” at Japanese companies, however, it is commoner for companies to adopt ways of determining wages according to the extent of the “responsibilities” and “functions” performed by employees through their work, rather than based on the work itself. Arrangements of this kind are known as responsibility or function-based wage systems.

**III-15 Percentages of Companies Making Changes to Wage Systems in Preceding Three Years and Types of Change (%)**

	Percentage of companies to have made changes	Type of change (multiple answers)									
		Expansion of portion of wage linked to work content (job or occupational category, etc.)	Expansion of portion of wage corresponding to job-performance skills	Expansion of portion of wage linked to performance/results	Reduction of allowances and inclusion in base pay	Reduction of retirement benefits and inclusion in base pay	Restriction of base pay and relative expansion of bonuses	Introduction of pay scale	Modification/introduction of ability-based grade system	Modification/introduction of annual salary system	Discontinuation of regular pay increases
All companies	46.3	23.3	22.1	23.7	9.1	1.1	6.0	7.7	11.0	4.0	7.1
1000 and over	56.5	27.2	23.0	31.3	18.1	0.9	5.7	11.9	22.3	8.9	11.5
300-999	52.9	23.7	23.5	30.2	15.3	0.7	6.2	13.8	19.1	8.3	10.2
100-299	45.5	21.7	19.7	24.9	10.3	1.4	5.1	10.4	14.4	5.7	6.1
30-99	45.5	23.7	22.6	22.4	7.8	1.0	6.2	6.2	8.7	2.8	6.9

Source: Ministry of Health, Labour and Welfare, *General Survey of Working Conditions 2007*.

### Issues Encountered in Revision of Wage Systems

Moves to strengthen the link between wages and work content and output are always designed to correct the demerits of wages with a seniority element. The aging of corporate workforces with the graying of society as a whole and the decline of the birthrate, combined with the destabilization of the business environment faced due especially to the intensification of international competition, has rendered it unfeasible for Japanese companies to continue to maintain the conventional seniority element of their wage systems. There are also concerns from the perspective of employers that the continued application of wage systems based on seniority could lower the motivation of younger employees and high performers.

However, revising wage systems is not with-

out its pitfalls. If wages are to be linked to performance and results, mechanisms for evaluating performance are needed. According to the above General Survey of Working Conditions, 45.6% of companies have introduced performance evaluation systems. 60% of these, however, regard these as having led to the problem of employees being dissatisfied with the results of their evaluations or a lowering of incentive to work depending on the results. Introducing function and responsibility-based wages to strengthen the linkage between work content and wages also has only a limited corrective effect on conventional seniority-based wage systems if the details of roles and responsibilities are not clearly established. Japanese companies will have to tackle issues such as these as they design and administer their wage systems in the future.

## 7 Working Hours

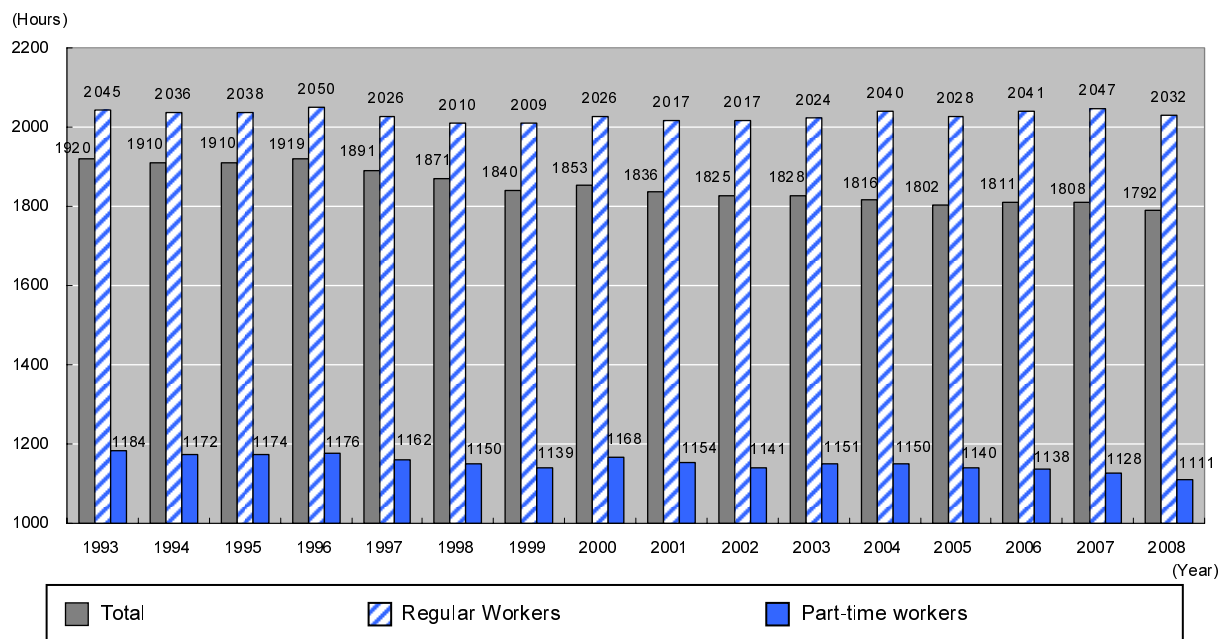
### Japan's Working Hours Legislation-40 Hours

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

III-16 shows the annual total of hours actually worked of regular workers and part-time workers. The total for the two categories combined indicates that hours have steadily declined since 1993. However, if one looks only at regular workers, who work longer hours, it is apparent that hours have fallen hardly at all over the 16-year period. In other words, the shortening of overall working hours during this period was an outcome of the increase in part-time workers working shorter working hours.

III-16 Trends in Annual Total of Hours Actually Worked by Regular and Part-Time Workers



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

### Annual Non-scheduled Hours Worked

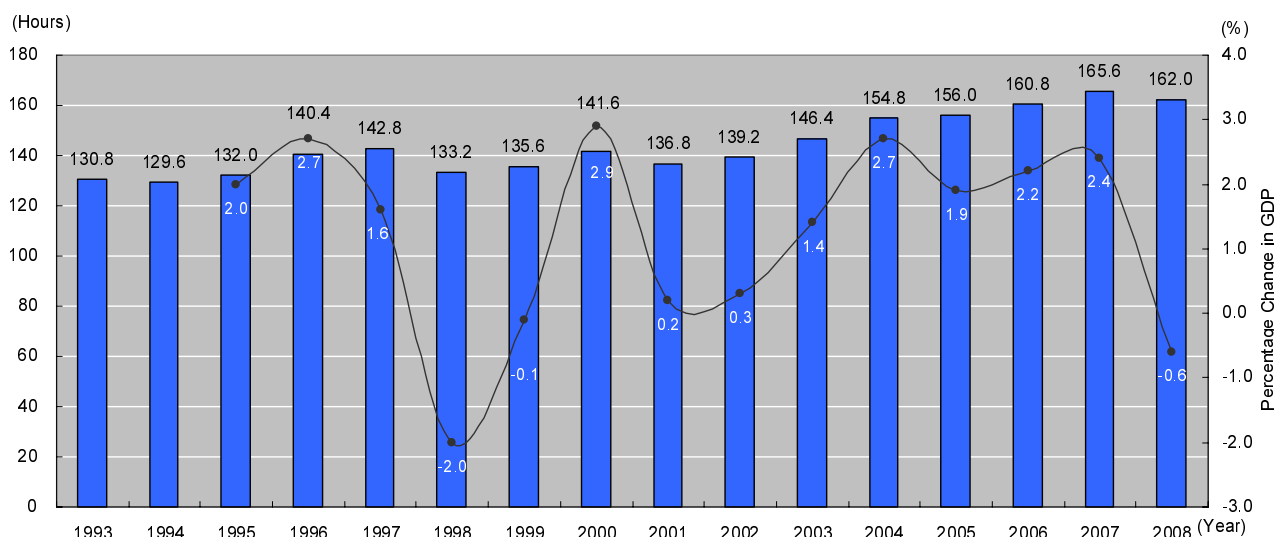
III-17 shows non-scheduled working hours and changes in GDP, from which it can be seen that non-scheduled working hours in Japan move in tandem with, and slightly behind, movements

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. In other words, enterprises increase the non-

scheduled working hours of existing employees rather than taking on new hires during upturns, and conversely respond by cutting non-scheduled working hours before taking other steps, such as laying off workers, during downturns. Behind this is the fact that the cost of overtime allowances for existing employees is generally less than labor costs related to hiring additional employees. Ordinary non-scheduled working hour allowances increased 25%, but the hourly rate upon which this calculation is based does not include various allowances such as employee bo-

nuses. This is consequently considerably lower than the hourly rate obtained by dividing annual income by annual working hours, and this appears to be a contributor to enterprises' preference for overtime. 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, though no penalty is imposed for violating these standards.

**III-17 Trends in Annual Non-Scheduled Working Hours of Regular Workers and Percentage Change in Real GDP from Previous Year**



Source: Compiled from Ministry of Health, Labour and Welfare, *Monthly Labour Survey* and the Cabinet Office website.

- Notes:
1. Annual non-scheduled working hours equal the difference between the annual total of hours actually worked and annual scheduled working hours of regular employees at establishments with at least 5 workers in all industries surveyed.
  2. Real GDP (calendar year) is calculated according to the chained price method employed since 1994. Figures prior to 1995 were unavailable.

### Annual Paid Leave

III-18 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 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 2008 was 8.2. So, in actuality, many of paid leave days are not consumed.

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.

III-18 Days of Annual Leave Given and Taken and Percentage Consumed

	Days given <sup>1)</sup> (days)	Days taken <sup>2)</sup> (days)	Percentage con- sumed <sup>3)</sup> (%)
All sizes	17.6	8.2	46.7
1,000 employees or more	18.8	10.0	53.1
300-999 employees	17.7	8.0	45.0
100-299 employees	17.0	7.3	42.8
30-99 employees	16.4	7.0	42.4
Mining	18.5	11.5	62.0
Construction	17.5	6.2	35.3
Manufacturing	18.3	9.9	54.0
Electricity, gas, heat supply, and water	19.6	14.9	76.3
Information and telecommunications	18.3	10.0	54.8
Transport	16.9	8.4	49.6
Wholesale and retail trade	17.2	6.0	34.6
Finance and insurance	19.0	8.0	42.0
Real estate	16.4	7.0	42.7
Restaurants and hotels	15.9	4.7	29.8
Healthcare, welfare	14.9	6.4	42.7
Education and learning services	17.1	7.5	44.0
Services	16.4	7.9	48.3
2004	18.0	8.5	47.4
2005	18.0	8.4	46.6
2006	17.9	8.4	47.1
2007	17.7	8.3	46.6
2008*	17.8	8.5	47.7

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

- Notes:
1. "Days given" does not include days carried over.
  2. "Days taken" is the number of days actually taken during 2007 (or fiscal 2006).
  3. The percentage consumed is calculated as follows: total number of days taken / total number of days given x 100 (%)
  4. The scope of the survey was expanded from "private enterprises whose main office has 30 or more regular employees" up to 2007 to "private enterprises that have 30 or more regular employees" from 2008.
  5. 2008 shows the figures for "private enterprises whose main office has 30 or more regular employees," and should be referred to for the purpose of making comparisons over time.

### 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, flexi-time, 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 sys-

tem can be applied to situations such as a manufacturing industry for which the exceptionally busy periods vary with season, and the corresponding clerical fields. For the annual variation system, it has been possible since April 1999 to plan scheduled working hours flexibly for a period greater than one month, but maximums have been set at 10 hours per day and 52 hours per week. Flexitime is a system allowing workers self-management over their comings and goings to and from the workplace during a one-month



settlement period. The free-style system of weekly variation was designed for types of businesses such as retail shops, restaurants, and Japanese-style inns, where business may slow down greatly on certain days of the week. This system provides for advance changes (made by the end of the previous week) in the scheduled working hours for a particular day or days, keeping the weekly scheduled hours at a fixed constant. Furthermore, the Labor 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 ex-

tremely 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, 142 cases from the total number of 318 applications for “death from overwork” and 81 of the total of 164 cases (including attempted deaths) for “suicide through overwork” were certified as genuine cases.

## 8 Company Welfare

### Long-terms Trends in Company Welfare Costs

According to a survey by Nippon Keidanren, the cost of compulsory and non-compulsory company welfare combined in 2007 accounted for 17.7% of the total value of cash earnings (III-19). This is slightly higher than in the early 1990s,

when the proportion was 15-16%.

Compulsory benefit costs are made up of the cost of social insurance contributions and other such expenses that are borne by the employer. Differences are accordingly observed between enterprises in the cost of non-compulsory benefits that they provide voluntarily.

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

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

Source: Nippon Keidanren, *Results of the FY2007 Survey of Company Benefit Costs*.

### Breakdown of Benefit Costs

III-20 shows a breakdown of benefit costs in FY2007. The bulk of compulsory benefit costs consists of the portion of employees' pension insurance, health insurance, and long-term care insurance borne by the employer, which accounts for approximately 89% of compulsory benefit costs, 65% of total benefit costs, and 11% of the

total value of cash earnings. A breakdown of non-compulsory benefit costs reveals a relatively high proportion to be accounted for by housing-related expenses, which account for approximately 48% of non-compulsory benefit costs and 13% of total benefit costs. Also notable is that expenditures are declining year on year in almost all categories, including housing (-0.2%), health and medi-

cal care (-10.7%), living assistance (-0.1%), congratulations and condolences (-12.4%), culture, sport, and recreation (-0.8%), mutual aid associations (-2.0), and benefit agency services (-6.1%). The declines in congratulation and condolence expenses and health and medical care expenses are particularly marked.

Non-compulsory benefit costs account for ap-

proximately 27% of total benefit costs, but only 0.48% of the total value of cash earnings. A major characteristic of Japanese enterprises is their proportionately high spending on retirement benefits, which, as the table shows, account for approximately 12% of the total value of cash earnings.

### III-20 Breakdown of Welfare Expenses in FY2007 (All-industry Monthly Average per Employee)

Category		Amount (¥)	Change from previous fiscal year (%)
Total value of cash earnings		586,008	-0.3
Benefit costs		103,934	-0.8
Compulsory		75,936	-0.7
	Health and long-term care insurance	26,090	0.2
	Employees' pension insurance	41,227	1.4
	Employment and workers' accident insurance	7,902	-14.2
	Child allowance contributions	710	40.3
	Other	7	-79.4
Non-compulsory		27,998	-1.2
(Main category)	(Sub-category)		
	Housing related	13,473	-0.2
	Housing	12,717	-0.2
	Home ownership support	756	0.5
	Health and medical care	2,942	-10.7
	Operation of medical and health care facilities	2,184	-12.6
	Healthcare support	758	-4.8
	Living assistance	6,294	-0.1
	Meals	2,303	-3.8
	Purchases and shopping	289	-9.4
	Clothing	494	12.0
	Insurance	957	3.1
	Nursing care	32	-36.0
	Childcare	100	11.1
	Family support	383	13.0
	Asset accumulation	1,113	-1.7
	Commuter buses and parking	489	0.8
	Other	134	8.9
	Congratulations and condolences	809	-12.4
	Allowance for congratulations and condolences	753	-12.6
	Fringe benefits in excess of legal minimum	56	-8.2
	Culture, sport, and recreation	2,223	-0.8
	Facilities and operation	1,174	-2.9
	Subsidization of activities	1,049	1.8
	Mutual aid money	287	-2.0
	Benefit agency services	355	-6.1
	Other	1,616	13.2
Commuting allowance and commutation costs		9,867	0.4
Retirement benefits		71,551	-6.6
	Lump-sum retirement allowance	30,676	-5.1
	Retirement annuity	40,875	-7.7

Source: Nippon Keidanren, *Results of the FY2007 Survey of Company Benefit Costs*.

### Retirement Benefits System

In Japan, the monetary allowance in the event of retirement can be divided into the two categories of lump sum retirement allowances

and retirement pensions. A look at III-21 shows that enterprises that paid retirement benefits accounted for 83.9% of the total in 2008. Among these, only lump sum retirement allowances and

only retirement pensions constitute 55.3% and 12.8% respectively, while the figure for cases where these categories are combined is 31.9%. 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 lump sum and annuity 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 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 of cost, and also that companies become eligible to receive certain benefits through tax laws by converting retirement benefits to retirement pensions.

### Company Welfare in recent years

Lately, changes in company 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.

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

(%)

Enterprise size, industry, and year	All enterprises	Enterprises with retirement benefit (lump sum/annuity) scheme <sup>1)</sup>		Enterprises with retirement benefit (lump sum/annuity) scheme			Enterprises with no retirement benefit (lump sum/annuity) scheme	(Re-grouped) With retirement benefits	
				Lump sum only	Annuity only	Lump sum and annuity		Lump-sum scheme (inc. enterprises with both)	Annuity scheme (inc. enterprises with both)
All sizes	100.0	83.9	(100.0)	(55.3)	(12.8)	(31.9)	16.1	(87.2)	(44.7)
1,000 employees or more	100.0	95.2	(100.0)	(19.3)	(24.0)	(56.7)	4.8	(76.0)	(80.7)
300-999 employees	100.0	92.2	(100.0)	(30.7)	(23.7)	(45.6)	7.8	(76.3)	(69.3)
100-299 employees	100.0	88.0	(100.0)	(41.1)	(17.7)	(41.2)	12.0	(82.3)	(58.9)
30-99 employees	100.0	81.7	(100.0)	(63.0)	(9.9)	(27.1)	18.3	(90.1)	(37.0)
Mining	100.0	96.4	(100.0)	(64.5)	(15.3)	(20.2)	3.6	(84.7)	(35.5)
Construction	100.0	91.9	(100.0)	(50.6)	(10.1)	(39.2)	8.1	(89.9)	(49.4)
Manufacturing	100.0	88.8	(100.0)	(51.7)	(13.9)	(34.4)	11.2	(86.1)	(48.3)
Electricity, gas, heat supply and water	100.0	100.0	(100.0)	(32.9)	(13.6)	(53.6)	-	(86.4)	(67.1)
Information and communication	100.0	89.3	(100.0)	(42.4)	(17.8)	(39.8)	10.7	(82.2)	(57.6)
Transport	100.0	78.1	(100.0)	(59.8)	(13.7)	(26.5)	21.9	(86.3)	(40.2)
Wholesale and retail trade	100.0	87.3	(100.0)	(55.2)	(12.6)	(32.3)	12.7	(87.4)	(44.8)
Finance, insurance	100.0	95.6	(100.0)	(28.7)	(27.8)	(43.5)	4.4	(72.2)	(71.3)
Real estate	100.0	79.4	(100.0)	(69.6)	(9.9)	(20.5)	20.6	(90.1)	(30.4)
Eating and drinking place, accommodations	100.0	69.9	(100.0)	(71.3)	(8.6)	(20.1)	30.1	(91.4)	(28.7)
Healthcare, welfare	100.0	62.3	(100.0)	(82.2)	(3.4)	(14.3)	37.7	(96.6)	(17.8)
Education, learning assistance	100.0	79.9	(100.0)	(67.7)	(15.6)	(16.7)	20.1	(84.4)	(32.3)
Services(Not otherwise classified)	100.0	72.5	(100.0)	(61.1)	(11.2)	(27.6)	27.5	(88.8)	(38.9)
1989	100.0	88.9	(100.0)	(49.3)	(11.3)	(39.3)	11.1	(88.7)	(50.7)
1993	100.0	92.0	(100.0)	(47.0)	(18.6)	(34.5)	8.0	(81.4)	(53.0)
1997	100.0	88.9	(100.0)	(47.5)	(20.3)	(32.2)	11.1	(79.7)	(52.5)
2003	100.0	86.7	(100.0)	(46.5)	(19.6)	(33.9)	13.3	(80.4)	(53.5)
2008*	100.0	85.3	(100.0)	(53.1)	(13.2)	(33.7)	14.7	(86.8)	(46.9)

Source: Ministry of Health, Labour and Welfare, *General Survey of Working Conditions (2008)*.

- Notes:
1. Figures in parentheses indicate the proportion as a percentage of enterprises with retirement benefit (lump sum/annuity) schemes.
  2. Survey dates are as of December 31 up to 1999 and January 1 from 2001, and are shown as the survey years.
  3. The scope of the survey was expanded from "private enterprises whose main office has 30 or more regular employees" up to 2007 to "private enterprises that have 30 or more regular employees" from 2008. 2008 shows the figures for "private enterprises whose main office has 30 or more regular employees," and should be referred to for the purpose of making comparisons over time.

### 1 Labor-Management Relations in Japan

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

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

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

In corporations where labor unions exist,

collective bargaining takes place between the labor union and corporation, and working conditions such as annual wage increases, lump-sum benefits, working hours, welfare issues and others are determined. At corporations, in addition to collective bargaining, labor-management consultation systems exist in diverse formats at voluntary bases. This system is widely seen also at corporations which are not unionized and the system is used to discuss such issues as management policy and the formulation of production plans, among others. This labor-management consultation system is said to contribute to the establishment of stable labor-management relations.

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

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

which is in turn used as a reference by other labor-management groups in their negotiations.

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

A second point of importance is the role in governmental councils on the formation of labor and social policy. Representatives of labor organizations and management organizations 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 18.1% in 2008. The unionization rate of part-time workers amounts to only 4.7% (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 2008, the unionization rate among corporations with more than 1,000 employees was 45.3%, but among corporations with between 100 and 999 employees this figure was 13.9%, and for corporations with less than 99 employees, the figure was 1.1%. This demonstrates that labor unions in small, medium and micro enterprises have diminished even further in presence.

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

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

#### 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 (in 10,000)	Estimated unionization rate (%)
	(in 10,000)	Year-on-year difference (in 10,000)	Year-on-year difference ratio (%)			
2001	28.0	2.0	7.8	2.5	1,042	2.7
2002	29.2	1.3	4.5	2.7	1,097	2.7
2003	33.1	3.8	13.1	3.2	1,098	3.0
2004	36.3	3.1	9.5	3.6	1,107	3.3
2005	38.9	2.6	7.3	3.9	1,172	3.3
2006	51.5	12.6	32.4	5.2	1,187	4.3
2007	58.8	7.3	14.2	5.9	1,218	4.8
2008	61.6	2.8	4.7	6.2	1,232	5.0

Source: Ministry of Health, Labour and Welfare, *Survey of Labour Unions, 2008*

- 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.



## 2 State of Unionization and Labor Union Structure

### 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.

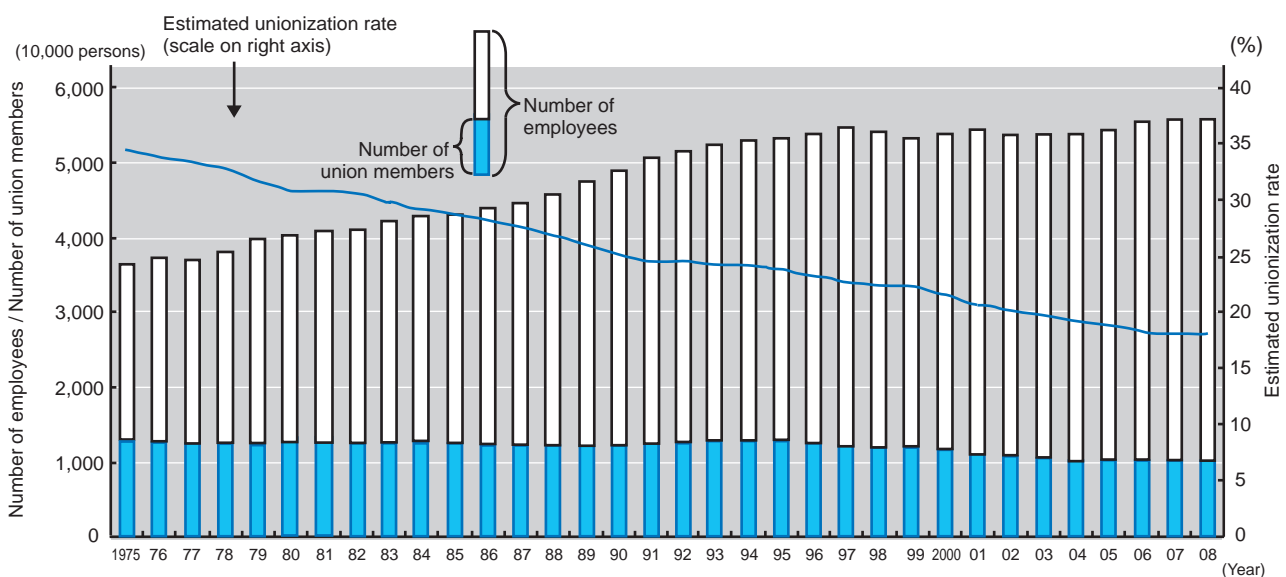
### Unionization Rate has Shown a Steady Decline Since its Peak in 1949

Since its peak in 1949, the estimated unionization rate has continuously declined be-

cause 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 2004 peaked at around 12.62 million, before going into steady decline (see IV-2).

Broken down by industry, unionization rates are high in electricity, gas, heat, and water supply (59.3%), compound services (57.6%), government service (44.7%), and finance and insurance (44.5%). In contrast, rates are low in industries such as agriculture, forestry, and fisheries (2.6%), real estate and rental and leasing of goods (2.8%), accommodations and eating and drinking places (3.8%), services (miscellaneous) (4.6%), and living-related/personal services and amusement (6.2%). The industry with the largest number of union members is the manufacturing industry (25.6%) (see IV-4).

### IV-2 Changes in the Number of Employees and Union Members, and the Estimated Unionization Rate (Unit Labor Union)



## IV-3 Unionization Rate by Size of Enterprise

(10,000 persons, %)

Size of enterprise	The number of union members	The number of employees	Estimated unionization rate
Total	825.7	5,015	16.5
More than 1,000 workers	487.7	1,077	45.3
300-999 workers	123.9	1,390	13.9
100-299 workers	69.3		
30-99 workers	23.8	2,511	1.1
Fewer than 29 workers	3.5		
Others	117.4	–	–

Source: Ministry of Health, Labour and Welfare, *Survey of Labour Unions, 2008*

Notes: 1) The total number of unit unions

2) "Others" includes members of unions that embrace more than one industry (excluding group enterprises) 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 (Unit Labor Union)

Industry	Number of union members (1,000 persons)		Number of employees (1,000 persons)	Estimated unionization rate (%)
		(%)		
All industries	9,988,736	[2,849,209]	100.0	–
Agriculture, forestry, and fisheries	15,196	[1,383]	0.2	2.6
Mining	6,243	[784]	0.1	20.8
Construction	938,579	[61,087]	9.4	21.1
Manufacturing	2,759,474	[436,820]	27.6	25.6
Electricity, gas, heat supply and water	189,646	[24,657]	1.9	59.3
Information and communications	381,662	[65,263]	3.8	21.1
Transport	856,381	[68,094]	8.6	26.8
Wholesale and retail trade	1,074,053	[493,860]	10.8	11.2
Finance and insurance	721,665	[350,425]	7.2	44.5
Real estate	27,665	[6,823]	0.3	2.8
Scientific research, professional and technical services	146,840	[25,790]	1.5	10.2
Eating and drinking place, accommodations	112,971	[49,429]	1.1	3.8
Living-related and personal services and amusement services	115,401	[57,110]	1.2	6.2
Education and learning support	597,721	[316,310]	6.0	22.9
Medical health care and welfare	452,946	[350,631]	4.5	8.0
Combined services	293,529	[68,321]	2.9	57.6
Services	207,279	[36,522]	2.1	4.6
Public service	1,033,599	[417,728]	10.3	44.7
Other industries	57,986	[18,172]	0.6	–

Source: Ministry of Health, Labour and Welfare, *Survey of Labour Unions, 2008*

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

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

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

### **Labor Union Structure**

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

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

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

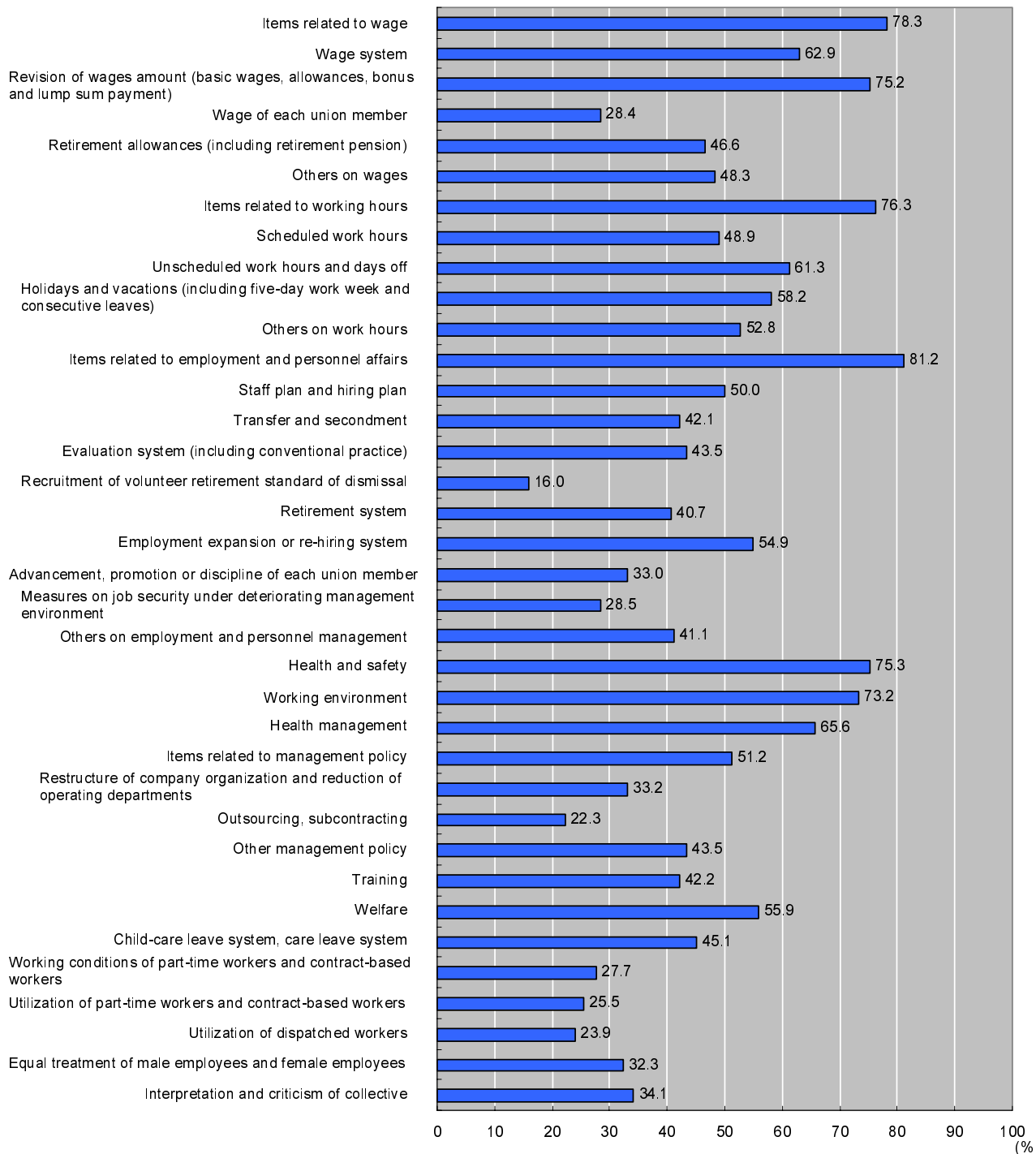
other materials necessary to exercise labor’s three primary rights. Labor unions play the role of maintaining and improving workers’ quality of life and working conditions. In order to do so, they engage in three primary activities: activities with management, activities within the unions, and activities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

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

Incidentally, the enterprise unions are only intended for regular staff employed at the concerned companies, and non-regular staffs are generally not included. The enterprise union is a mixed union organized as a single trade union for all regular staffs, without distinction between white-collar and blue-collar.

**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, Multiple Answers**



Source: Ministry of Health, Labour and Welfare, *Japanese Labour Unions Today II-Survey Results on Collective Bargaining and Labour Disputes, Policy Planning and Research Department (2007)*.

Note: The last 3 years means from July 1, 2004 to June 30, 2007.

### **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. 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 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.

### 3 Shunto: Spring Labor Offensive

#### What is Shunto?

Shunto, the spring labor 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 labor 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

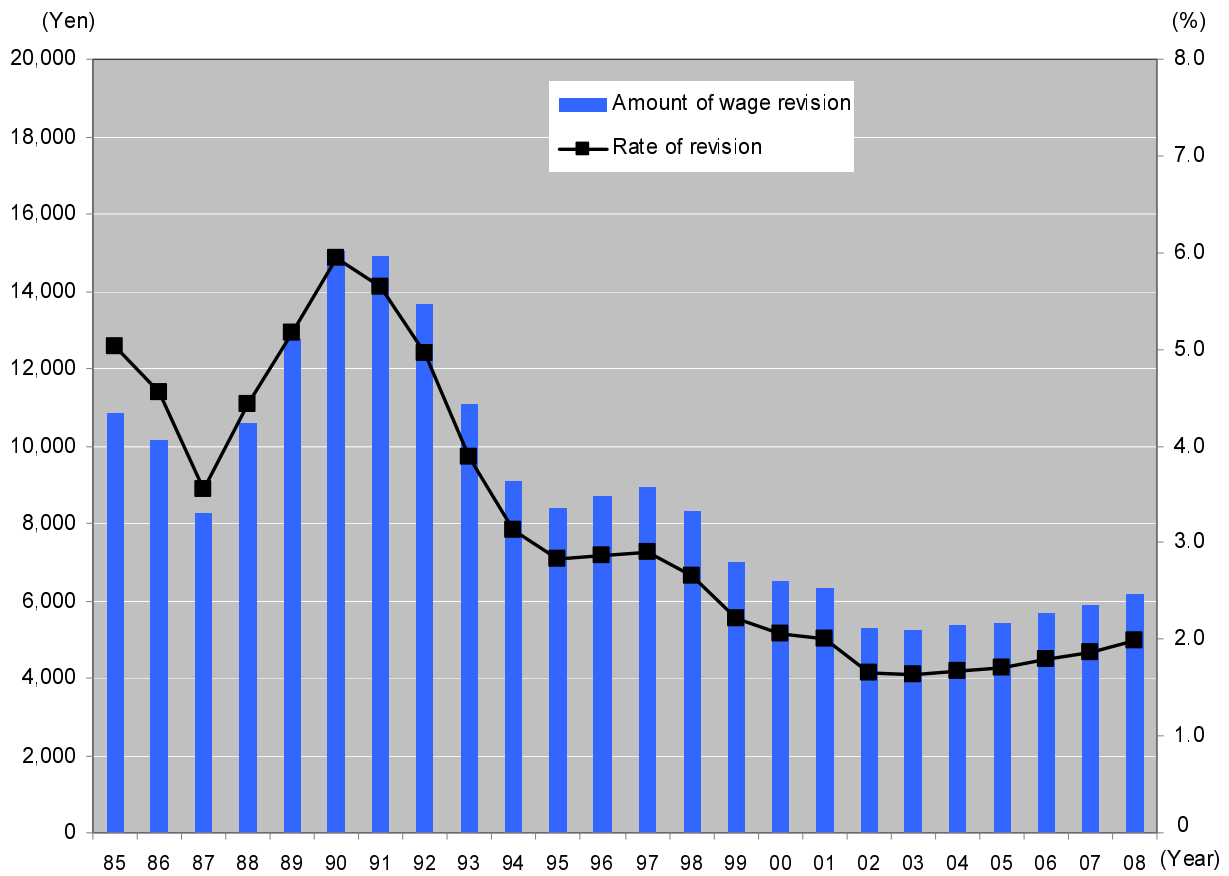
The collapse of the bubble economy resulted in Japan falling into a recession which has become known as the “lost decade”. From the latter half of the 1990s deflationary tendencies intensified, and the labor-side’s demand structure of “annual pay increases + commodity price increases + improvements in 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-6).

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. Therefore, management has thus declared that “Shunto is dead” in that industry-wide settlements for hikes in base pay have come to an end.

Since being written off for a second time, however, a new role is being sought for

Shunto as a means of correcting disparities. One new initiative for remedying disparities between enterprises is the determination of wages based on occupational rates. IMF·JC is exploring migrating to an occupational wage-based method of determining wage levels, while the Japanese Electrical, Electronic and Information Union moved to an occupational wage-based demand system, beginning from the 2007 Shunto, to demand wages commensurate with the value of work according to occupation. Following the collapse of the bubble economy, there have also been conspicuous moves to narrow disparities between enterprises of different sizes (large versus small) and between different forms of employment (regular versus non-regular). In response, RENGO has established “joint struggle committees” for small and medium enterprises and for part-time workers with the involvement of relevant industries. The purpose of these committees is to establish independent standards for demands with the aim of rectifying disparities by achieving a general improvement in wage and working conditions, and they are now expanding the scope of their activities to address fresh challenges.

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



Source: Ministry of Health, Labour and Welfare, *Results of Spring Wage Negotiations by Major Private Companies*

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



## 4 Labor Disputes and Resolution Systems

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

Due in particular to the diversification of forms of employment resulting from changes in Japan's social and economic structure, the unionization rate is declining by the year (standing at an estimated 18.1% as of the end of June 2008, a joint record low alongside last year's rate, according to the summarized findings of the 2008 Labor Union Survey announced by the Ministry of Health, Labour and Welfare (hereinafter referred to as MHLW) on December 16, 2008), and the dispute settlement and collective industrial dispute resolution functions of unions (measured in terms of the number of unfair labor practice relief and dispute adjustment cases) are weakening.

At the same time, the diversification of forms of employment and consequent increase in individualized employment management are pushing up the number of individual labor disputes.

Below, we first review the collective and individual dispute resolution systems, and then examine the state of operation of each and recent trends in collective and individual industrial disputes.

### Collective Industrial Disputes

#### 1. Resolution systems

The Labor Union Act provides arrangements for obtaining relief from unfair labor practices and a system of labor relations commissions involved in providing such relief in order to protect and promote labor union activity by providing an avenue of redress in the event that an employer commits certain acts against a labor union or its members. The Labor Relations Adjustment Act takes as its starting point the settlement of labor disputes through voluntary

adjustment by the parties concerned, and provides for government assistance with this process.

#### (1) Unfair Labor Practice Relief System

The unfair labor practice relief system prohibits prejudicial treatment, refusal of collective bargaining, and dominance and intervention by employers against labor unions and union members and provides for corrective measures in the event of such acts in order to normalize relations between labor and management and secure labor's right of association, right of collective bargaining, and right of collective action as guaranteed by the Constitution of Japan.

Redress is provided by labor relations commissions (both prefectural and central) – independent tripartite administrative bodies made up of representatives of the public interest, employees, and employers.

Examinations of unfair labor practice cases consist of the following steps: (1) filing of a complaint in order to apply for relief, (2) investigation (at which step the parties present their arguments, evidence is gathered, and points of dispute are identified), (3) hearing (including examination of witnesses), (4) meeting of a public interest committee (to determine the facts and the details of any order issued in response), and (5) issuance of an order. At the final stage of the procedure, the labor relations commission either rejects the case or orders remedial action through administrative disposition. Relief orders are drafted according to the actual circumstances of each case, and labor relations commissions are allowed discretion in formulating the details of such orders. Parties that object to the decision of the prefectural labor relations commission following the first examination may request reexamination by the Central Labour Rela-

tions Commission (hereinafter referred to as CLRC) or dispute the case further in court by bringing an action to have the order (administrative disposition) annulled. In the event that an opportunity arises for resolution of a case through discussion between labor and employers in the process of investigation and hearing, a labor relations commission may recommend that the parties concerned reach a settlement. If a settlement is reached, the case is concluded.

## (2) Dispute Adjustment System

The methods of adjustment of labor disputes provided for by the Labor Relations Adjustment Act are: conciliation, mediation, and arbitration. Labor relations commissions are involved in adjustment. Labor disputes subject to adjustment include situations involving a risk of industrial action (defined as actions hindering both labor's and management's normal activities, such as slowdowns and lockouts as well as strikes).

**Conciliation:** Conciliation commences following an application by one or both interested parties. Conciliators appointed by the labor relations commission chairperson from among a register of conciliators (often consisting of a mix of representatives of the public interest, employees, and employers) confirm the arguments of each party and produce a conciliation proposal. However, the decision on whether to accept this proposal is left to the parties themselves.

**Mediation:** Mediations commence following: (1) an application from both parties, (2) an application as provided for under a collective agreement by one or both parties, or (3) in the case of cases involving public services, an application from one interested party, the decision of the labor relations commission, and the request of the Minister of Health, Labour and Welfare or the prefectural governor. A tripartite mediation committee formed of representatives of the public interest, employees, and employers (and on which employees and employers are equally

represented) is appointed by the labor relations commission chairperson. Both parties present their opinions, and the committee drafts a mediation proposal that it advises them to accept. Acceptance of this proposal is left to the parties themselves.

**Arbitration:** Arbitration takes place in the event of an application either by both parties, or by one or both parties in accordance with the provisions of a collective agreement. The labor relations commission chairperson appoints three people agreed to by the parties from among public interest members to form an arbitration committee. This committee meets after hearing about the circumstances from the parties, and determines the details of an award by majority vote of the arbitration members. The arbitration award is prepared in writing and has equal force as that of a collective agreement.

In the case of industrial action by parties involved in public services (transportation, postal and telecommunications services, water, electricity and gas supply, or medical and public health services), the labor relations commission and Minister of Health, Labour and Welfare or prefectural governor must be informed at least 10 days in advance. In the event of industrial action regarding any kind of business, moreover, the parties must immediately notify the labor relations commission or prefectural governor.

## 2. Trends in Actual Functioning and Cases Handled

### (1) Unfair Labor Practice Cases

The numbers of unfair labor practice cases handled over the past five years are shown in IV-7 and 8, from which it can be seen that the numbers of both pending cases handled by prefectural labor relations commissions (first examinations) and the CLRC (reexaminations) are both following downward trends. Particularly notable is the large decrease in the number of cases car-

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

	Cases pending			Cases concluded		
	Carried over from previous year	New cases	Total pending	Withdrawals/settlements	Orders/decisions	Total concluded
2003	856(1)	363	1,219(1)	280	116	396
2004	823(1)	311	1,134(1)	240	135	375
2005	759(1)	294	1,053(1)	273	135(1)	408(1)
2006	645	331(2)	976(2)	247	108	357(2)
2007	619	330(1)	949(1)	314(1)	147	461(1)

Source: Website of the Central Labour Relations Commission.

Note: Figures in parentheses indicate the number of first examinations by the Central Labour Relations Commission, and are included in the totals to their left. Total concluded in 2006 includes two cases that were transferred.

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

	Cases pending			Cases concluded		
	Carried over from previous year	New cases	Total pending	Withdrawals/settlements	Orders/decisions	Total concluded
2004	270	83	353	47	25	72
2005	281	90	371	57	65	122
2006	249	77	326	79	69	148
2007	178	76	254	37	59	96
2008	158	51	209	38	57	95

Source: Website of the Central Labour Relations Commission.

ried over from the previous year, despite no major change in the number of new cases filed. In conjunction with this, the total number of pending cases is also declining.

While more cases that come before the CLRC are concluded by “order/decision” than by “withdrawal/settlement,” overwhelmingly more are resolved by “withdrawal/settlement” than “order/decision” in the case of prefectural labor relations commissions. Furthermore, although the total number of cases coming before prefectural labor relations commissions is on the rise, the number handled by the CLRC declined after peaking in 2006 and is now holding steady.

The unfair labor practice relief system was revised by amendment of the Labor Union Act in 2004 to expedite and improve examinations by enhancing the examination procedure and related arrangements. The main changes consisted of the introduction

of (1) planned examination (development of examination plans and establishment of targets for examination periods); (2) swifter and more appropriate determination of the facts (through ordering the appearance of witnesses and submission of articles, and by limiting the submission of evidence in annulment actions concerning articles subject to submission orders); (3) development of the CLRC’s examination arrangements (to enable orders to be issued through conference by a subcommittee consisting of five public interest members, and to provide training and assistance by the CLRC to prefectural labor relations commissions); and (4) promotion of settlements (by allowing labor relations commissions to advise the parties to reach a settlement, and through treatment of the execution of records of settlement as debt).

Following these changes, the 62nd An-

nual Report on Labour Relations Commissions (2007) (2008, pp. 10, 15) shows that the average length of cases that came before prefectural labor relations commissions and were concluded by order/decision was 1,462 days in 2004, but that this began to decline the following year and had fallen to 839 days in 2007. Similarly, the length of cases handled by the CLRC declined sharply from 1,514 in 2006 to 956 in 2007.

## (2) Dispute Adjustment Cases

The situation regarding pending and con-

cluded dispute adjustment cases is shown in IV-9. From this, it is evident regarding pending cases that the number of cases carried over from the previous year, the number of new cases, and, accordingly, the total number of pending cases are all declining. Broken down by means of adjustment, the overwhelming majority are adjusted by conciliation. This is probably due mainly to conciliation's procedural simplicity and its fulfillment in practice of a mediatory role in identifying the problems at issue.

### IV-9 Number of Pending and Concluded Adjustment Cases

	Cases pending						Cases concluded				Resolution rate (%)
	Carried over from previous year	New cases pending				Total			Abandoned	Total	
		Conciliations	Mediations	Arbitrations	Total						
2003	150 (30)	573	21 (18)	11 (9)	605 (27)	755 (57)	132	326 (38)	167 (9)	625 (47)	66.1
2004	130 (10)	526	4 (8)	1	531 (8)	661 (18)	147	279 (4)	133 (2)	559 (6)	67.7
2005	102 (12)	560	4 (5)	0	564 (5)	666 (17)	139	270 (4)	130 (1)	539 (5)	67.5
2006	127 (12)	515	5 (2)	1 (1)	521 (3)	648 (15)	108	289 (3)	173 (2)	570 (5)	62.6
2007	78 (10)	467	5 (3)	0 (1)	472 (4)	550 (14)	103 (12)	219 (2)	149	471 (14)	59.5

Source: Website of the Central Labour Relations Commission.

Note: Figures in parentheses indicate the number of cases involving specified independent administrative agencies, and are included in the original figures.

$$\text{Resolution rate} = \frac{\text{Cases resolved}}{\text{Total cases resolved} - \text{cases withdrawn}} \times 100$$

Regarding trends in how cases are concluded, the number being abandoned due to failure of adjustment is largely constant. However, there has been a clear decline in the number of withdrawals and resolutions in recent years, and this has accordingly led to decline in the total number of cases concluded.

Regarding the grievances leading to dispute adjustment, IV-10 shows that financial grievances have accounted for approximately 40% and non-financial grievances for approximately 60% in all years.

A breakdown of the financial grievances shows that "lump-sum payments" are somewhat commoner than all other categories except "other." The commonest non-financial grievance is "pursuit of collective bargaining" (around 30%), followed by "management/personnel" (around 23%).

Looking at trends in the resolution rate shown in IV-11, it can be seen that while the number of cases in itself has remained largely unchanged, the resolution rate has declined year on year every year since peaking in 2004.

#### IV-10 Grievances Giving Rise to New Pending Labor Dispute Adjustment Cases (All Labour Relations Commission)

(Number of cases and percentage of total)

	2003		2004		2005		2006		2007	
Total	1,052(37)	100%	949(15)	100%	991(13)	100%	956(6)	100%	851(6)	100%
Financial	398(37)	37.8	363(7)	38.3	333(7)	33.6	371(4)	38.8	306	36.0
Wage increases	39(4)	3.7	39(3)	4.1	35(3)	3.5	40(1)	4.2	27	3.2
Lump-sum payments	77(1)	7.3	71(1)	7.5	75	7.6	95	9.9	54	6.3
Working hours and holiday leave	26(2)	2.5	31(1)	3.3	27	2.7	30	3.1	35	4.1
Other	256(30)	24.3	222(2)	23.4	196(4)	19.8	206(3)	21.5	190	22.3
Non-financial	645	61.3	564(8)	59.4	644(6)	65.0	569(1)	59.5	531(6)	62.4
Management/personnel	260	24.7	210(1)	22.1	228	23.0	192	20.1	191	22.4
Pursuit of collective bargaining	301	28.6	287(7)	30.2	317(5)	32.0	263(1)	27.5	246(4)	28.9
Union approval/activities	34	3.2	19	2.0	33	3.3	40	4.2	21(1)	2.5
Other	50	4.8	48	5.1	66(1)	6.7	74	7.7	73(1)	8.6
Conclusion or complete revision of agreement	19	1.8	22	2.3	14	1.4	16(1)	1.7	15	1.8
Total number of cases	605		531		564		521		472	
Average number of grievances per case	1.74		1.79		1.76		1.83		1.80	

Sources: Secretariat of the Central Labour Relations Commission, *62nd Annual Report on Labour Relations Commissions* (2007), (2008) pp.148

Note: Totals do not match the total number of cases due to the inclusion of multiple grievances per case. Figures in parentheses indicate the number of cases handled by the CLRC, and are included in the totals to their left.

#### IV-11 Labor Dispute Adjustment Case Resolution Rate (excluding Specified Independent Administrative Agencies, All Labour Relations Commission)

(Number of cases and percentage of total)

	2003	2004	2005	2006	2007
Number of cases concluded	578	553	534	565	457
Number of cases concluded excluding with- drawals and transfers	446	406	395	457	366
Number of resolutions	288	275	266	286	217
Resolution rate	64.6	67.7	67.3	62.6	59.3

Sources: Secretariat of the Central Labour Relations Commission, *62nd Annual Report on Labour Relations Commissions* (2007), (2008) pp.156

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

From IV-12, it can be seen that the overall average time required for adjustment reflects the large number of conciliation cases.

Although on the decline by the year, the average case still takes around 45 days (one and a half months) to conclude.

**IV-12 Average Length of Labor Dispute Adjustment Cases (All Labour Relations Commission)**

(number of cases and days)

	Conciliations		Mediations		Arbitrations		Total	
	No. of cases concluded excluding withdrawals and transfers	Average length	No. of cases concluded excluding withdrawals and transfers	Average length	No. of cases concluded excluding withdrawals and transfers	Average length	No. of cases concluded excluding withdrawals and transfers	Average length
2003	438	50.1(36.4)	40	23.1(22.6)	9	280(28.0)	487	47.4(35.3)
2004	407	48.8(36.7)	5	57.6(31.4)	–	–	412	48.9(36.6)
2005	393	47.9(34.3)	3	48.0(30.7)	–	–	396	47.9(34.3)
2006	452	47.1(34.2)	4	27.5(27.5)	–	–	456	47.0(34.2)
2007	361	42.8(36.6)	4	52.8(32.5)	–	–	365	42.9(36.6)

Source: Secretariat of the Central Labour Relations Commission, *62nd Annual Report on Labour Relations Commissions (2007)*, (2008) pp.158

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

Regarding the prevalence of disputes, the summarized results of MHLW's 2007 Survey of Collective Bargaining and Labour Disputes announced on July 4, 2008 reveal that over 90% of unions had had no labor dispute, and only 5-6% responded that they had. The commonest reason given for having had no such disputes was the resolution of conflicts that had arisen through discussion (49.7%), followed by the absence of conflict altogether (40.1%). These proportions far outweighed the other options (regarding which multiple responses were allowed).

**Individual Labor Disputes**

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

**1. Administrative system****(1) Resolution system**

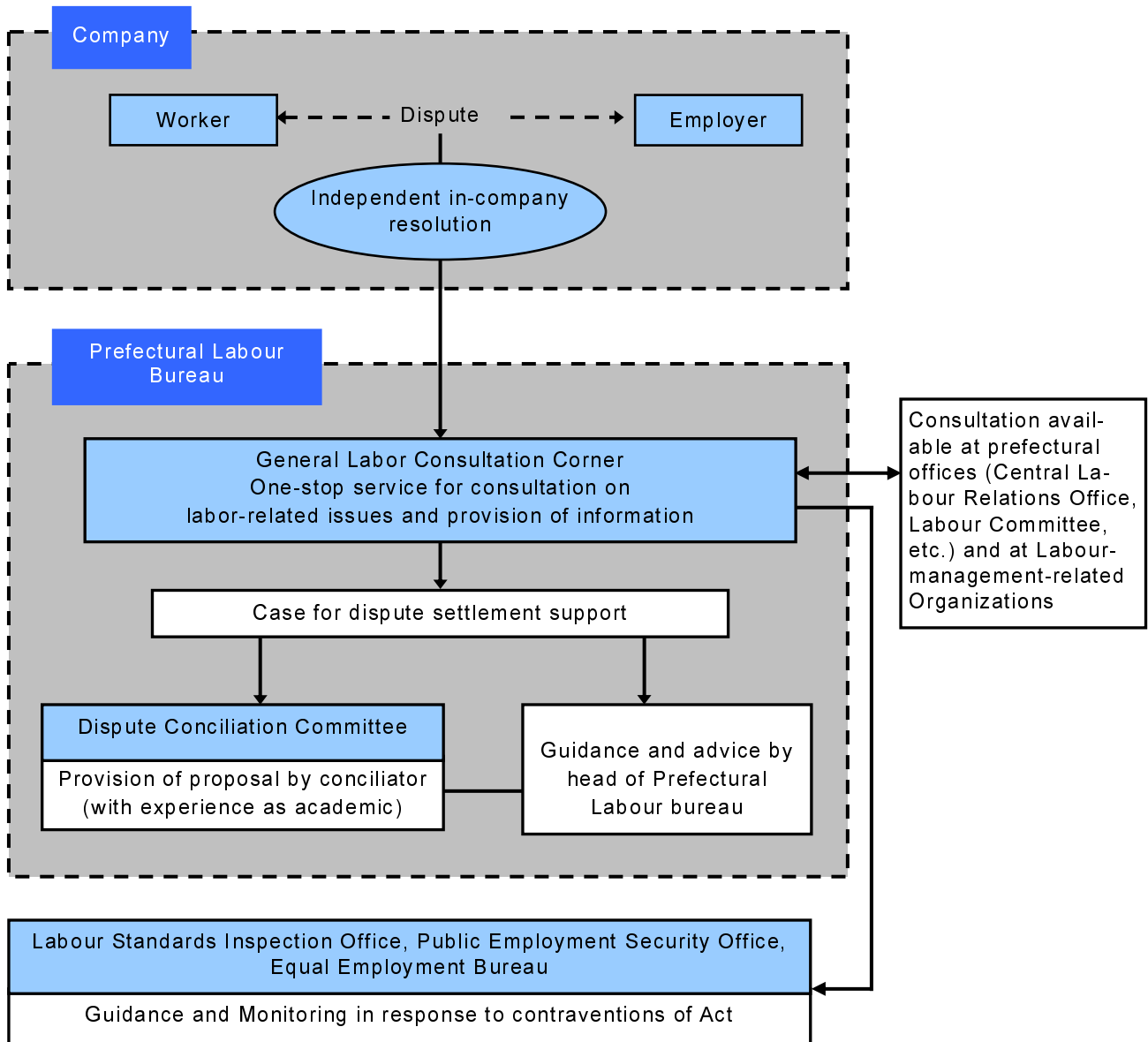
The administrative system for resolution of individual labor disputes is based on the Act on Promoting the Resolution of Individual Labor Disputes. In simple terms, the resolution system set out by this act consists of three steps; namely, "information provision and consultation" at the consultation

service, followed by "advice and guidance" by the head of the labor bureau in question in the case that an independent resolution cannot be achieved between labor and management, and finally "conciliation" by the Dispute Resolution Council (see IV-13). A wide range of disputes concerning the initiation, conduct, and termination of employment are eligible for resolution by this system, including disputes at the time of hiring, withdrawal of job offers, internal transfers, temporary transfers, permanent transfers, changes in working conditions, discrimination such as sexual harassment in the workplace, and dismissals (including dismissals due to restructuring and dismissal of fixed-term contract employees).

**(2) Trends in Actual Functioning and Cases Handled**

The dispute settlement system functioned as shown below in FY2007 (based on "State of Operation of the Individual Labor Dispute Resolution System in FY2007" announced by the Labour Dispute Settlement Office of the Regional Bureau Administration Division of the Minister's Secretariat of MHLW on May 23, 2007).

#### IV-13 Flowchart for Dispute Settlement according to the Act on Promoting the Resolution of Individual Labor Disputes



Source: Ministry of Health, Labour and Welfare, *Status of Implementation of Individual Labor Dispute Resolutions Systems in FY 2007* (released May 23 and revised June 12, 2008)

**Consultations:** There were approximately 995,000 consultations, representing a 5.2% increase on the previous year. Of these, the number involving individual civil labor disputes (including dismissals not related to contravention of labor legislation or the lowering of working conditions) amounted to approximately 198,000, a year-on-year increase of 5.5% (see IV-14).

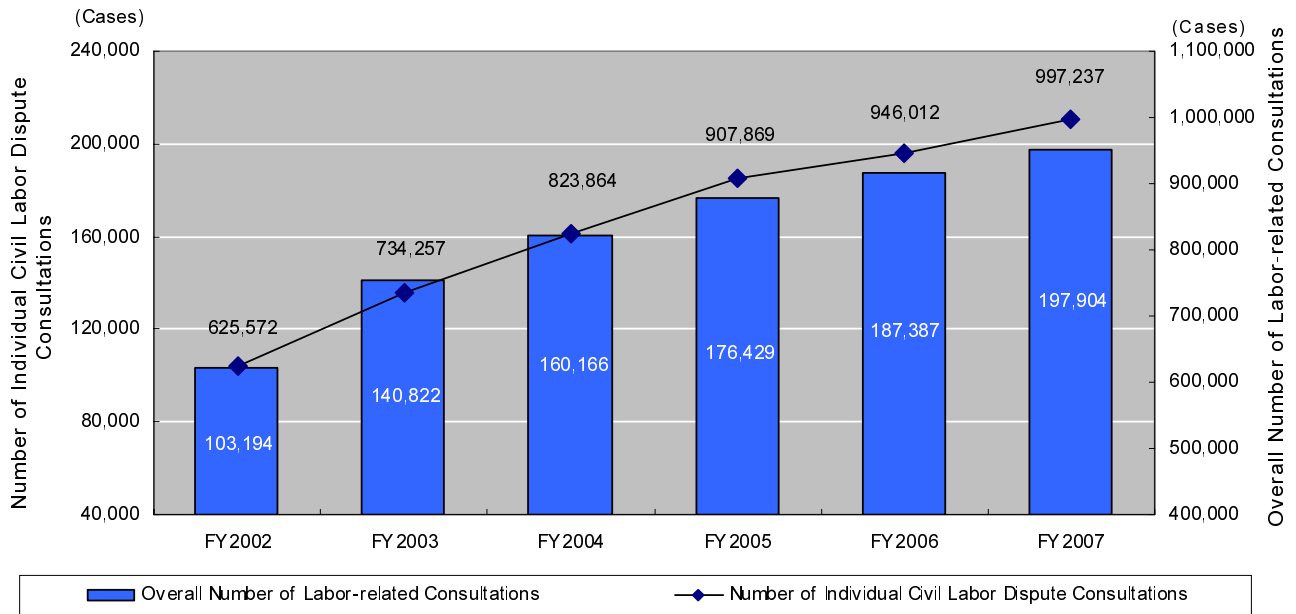
A breakdown of these individual civil la-

bor disputes shows that the most common consultation was in regard to “dismissals” (22.8%), followed by “other working conditions” (21.5%), “lowering of working conditions” and “bullying or harassment” (both 12.5%), “inducement to retire” (7.7%), and “temporary and internal transfers” (3.6%) (see IV-15). Note that the breakdown is approximately the same at the stage of applications for guidance and advice from the

heads of prefectural labor bureaus and at the stage of application for conciliation by the Dispute Resolution Council. The only difference is at the stage of application for

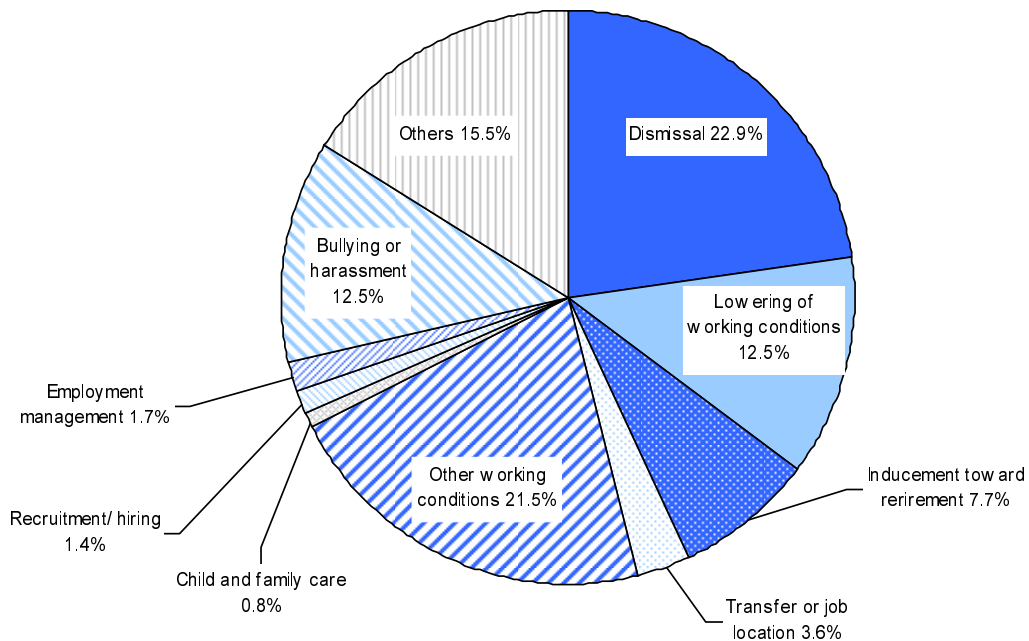
conciliation, where “bullying or harassment” accounts for a larger proportion (15.1%) and “lowering of working conditions” for a smaller proportion (8.4%).

**IV-14 Number of Consultations (FY2007)**



Source: Ministry of Health, Labour and Welfare, *Status of Implementation of Individual Labour Dispute Resolutions Systems in FY 2007* (released May 23 and revised June 12, 2008)

**IV-15 Breakdown of Civil Consultation Cases (FY2007)**



Source: Ministry of Health, Labour and Welfare, *Status of Implementation of Individual Labour Dispute Resolutions Systems in FY 2007* (released May 23 and revised June 12, 2008)



**Guidance and advice:** The number of requests for guidance or advice from the heads of prefectural labor bureaus amounted to 6,652, a 15.5% year-on-year increase.

Regarding the attributes of applicants, a breakdown of employees by employment status shows that 51.8% are full-time employees, 21.1% are part-time workers, and 19.3% are dispatched or fixed contract employees. In terms of the size of the business establishment to which they belong, 30.1% were from establishments with 10 to 49 employees, followed by 21.1% from establishments with fewer than 10 employees, and 11.7% from establishments with 100 to 299 employees. Applications from employees at non-unionized establishments accounted for 68.0%. The trends in the attributes of users of the system were largely the same for conciliation applications as well. Of the applications received, 6,591 had been processed by March 31, 2008, of which 6,416 (97.4%) resulted in advice or guidance being provided. Of these, 6,408 received advice and eight cases received guidance. 95.6% of the applications received were dealt with within a period of one month.

**Conciliations:** The number of conciliation applications received amounted to 7,844, a 13.3% year-on-year increase. 7,744 of these had been processed, with 2,976 cases (38.4%) resulting in agreement between the parts in dispute, 567 cases (7.3%) being withdrawn, and 4,166 cases (53.8%) result-

ing in conciliation being broken off for reasons such as the non-participation of one or other of the parties in dispute. The time required for conciliation was not more than one month in 57.1% of cases, and more than one month but less than two months in 35.0% of cases.

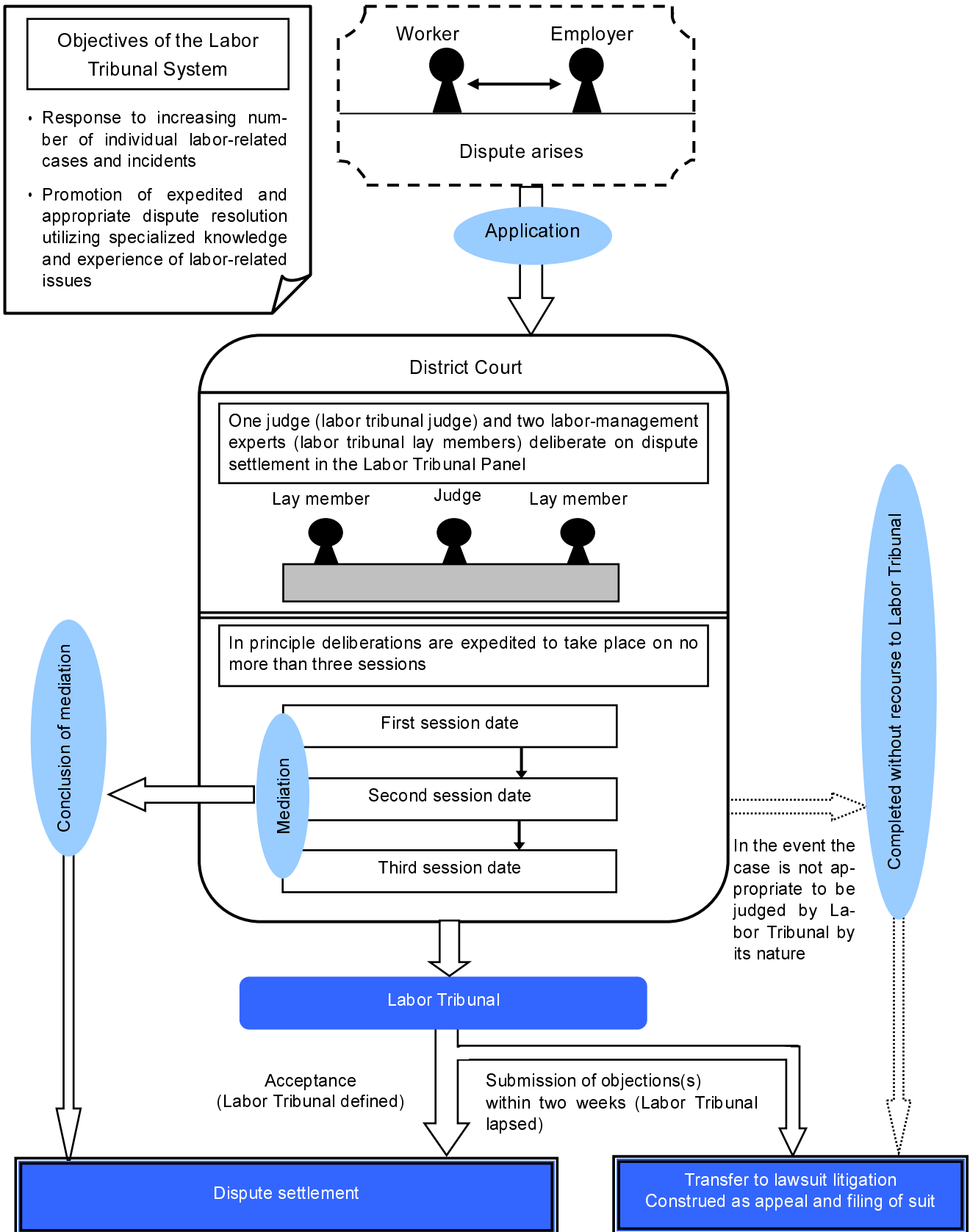
## 2. Judicial System

### (1) Resolution Systems

Two methods of judicial resolution of individual labor disputes are available: civil litigation and the labor tribunal system, which entered operation in April 2006. As the former is conducted in accordance with the same procedure as other civil cases, it is the latter that we will consider below.

The labor tribunal system is basically aimed at disputes concerning rights and obligations in individual labor relations (individual civil disputes in labor relations), and in contrast to ordinary civil litigation cases concerning labor relations, procedures for dispute resolution are accelerated by a tribunal composed of a judge (labor tribunal judge) and persons involved in industrial relations (labor tribunal lay members). This tribunal panel attempts a resolution by mediation, but if this fails then a ruling is handed down (within three sessions as a rule). If there is any objection to a decision, then the case automatically proceeds to become an ordinary civil lawsuit (see IV-16).

IV-16 Overview of the Labor Tribunal System



Source: Website of Prime Minister of Japan and His Cabinet

## (2) Trends in Actual Functioning and Cases Handled

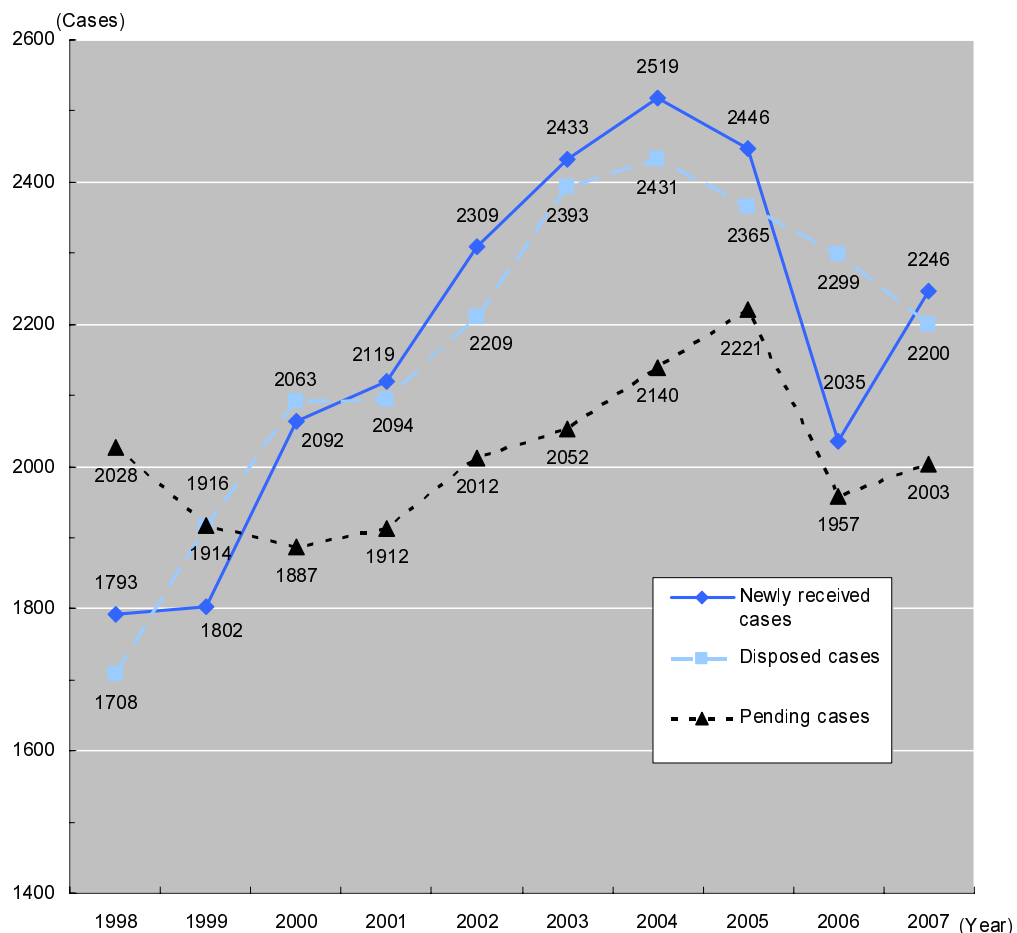
The number of ordinary civil labor relations cases has been on the decline over the past few years. (The following figures are taken from the General Secretariat of the Supreme Court's Outline of Labor Relations Civil Administrative Cases for 2007, *The Lawyers Association Journal*, 60(8) (2008)). Viewed over the period of the past decade, however, it can be seen that the number has increased compared with the first two or three years (IV-17).

In 2007, 2,246 ordinary civil litigation cases concerning labor relations came before the district courts of Japan, of which 2,105 had employees as plaintiffs and employers as defendants. A breakdown shows that cases most frequently arose con-

cerning "wages, etc." (1,246), followed by actions for "determination of continuation/discontinuation of employment contracts, etc." in relation to retirements and dismissals (537), and "others" including claims for compensation (322) (see IV-18).

In the same year, the district courts handed down rulings in 2,200 cases, with the average time for deliberations being 11.7 months. 701 cases (31.9%) were concluded in "not more than six months," 639 cases (29.0%) were concluded in "not more than one year," and 649 cases (29.5%) were concluded in "not more than two years," meaning that approximately 90% of all cases took no more than two years to conclude. There has been no change in these trends over the past five years.

### IV-17 Number of Newly Received, Disposed, and Pending Ordinary Civil Litigation Cases concerning Labor Relations (District Courts, 1998-2007)



Source: General Secretariat of the Supreme Court, *Outline of Labor Relations Civil and Administrative Cases for 2007*, *The Lawyers Association Journal*, 60(8), p. 47 (2008)

**IV-18 Number of Newly Received Ordinary Civil Litigation Cases concerning Labor Relations by Party and Type of Claim (District Courts, 2003-2007)**

	Newly received	Plaintiff: Employee Defendant: Employer				Plaintiff: Employer Defendant: Employee	Other
		Total	Declaration of existence of employment contract, etc.	Wage, etc.	Other	Declaration of absence of employment contract, compensation, etc.	Declaration of invalidation of resolution of expulsion, etc.
2003	2,433	2,319	530	1,473	316	103	11
2004	2,519	2,309	573	1,427	309	186	24
2005	2,446	2,303	507	1,437	359	135	8
2006	2,035	1,900	456	1,130	314	124	11
2007	2,246	2,105	537	1,246	322	121	20

Source: General Secretariat of the Supreme Court, *Outline of Labor Relations Civil and Administrative Cases for 2007*, The Lawyers Association Journal, 60(8), p. 50 (2008)

Regarding labor tribunals, on the other hand, 1,494 new cases came before the district courts in 2007. These break down into two approximately equal categories: 780 “non-pecuniary” cases and 714 “pecuniary” cases. A more detailed inspection reveals the commonest cause, accounting for 719 cases, to be the non-pecuniary “declaration of status” (under employment contracts relating to retirements/dismissals and personnel transfer cases), followed by 441 pecuniary cases concerning “wages and benefits.” Wage and benefit cases probably include grievances concerning overtime pay and pay in lieu of notice. 147 of the non-pecuniary cases were classified under “others,” which in many instances are likely to be claims for compensation (see IV-19).

1,450 labor tribunal cases were disposed of, and approximately 70% were concluded by mediation. The next commonest form of conclusion, though trailing by a large margin, was labor tribunal judgment, which ac-

counted for 306 cases. It should be noted, however, that objections were filed regarding the majority of labor tribunal judgments. (Regarding the above, see IV-20, where “Article 24 termination” refers to cases that were terminated by the authority of the labor tribunal due to their inappropriate nature pursuant to Article 24 of the Labor Tribunal Act.) Approximately 70% of the disposed cases were concluded in not more than three months (around 5% in one month, 30% in two months, 35% in three months, and just under 30% in six months), and the average period of examination in 2007 was 2.5 months (compared with 2.4 months in 2006), indicating that resolutions are achieved more rapidly than with ordinary civil actions. Of the disposed cases, at least 90% were concluded in not more than three sessions (around 5% were not examined, 16% were examined once, 36% twice, and 40% three times), indicating that the system is working largely as it is supposed to.

**IV-19 Number of Newly Received Labor Tribunal Cases by Type of Case (District Courts, 2007-2008)**

	Newly re- ceived	Non-pecuniary			Pecuniary			
			Declaration of status	Other		Wages and benefits	Retirement allowances	Other
2006	877	463	418	45	414	266	66	82
2007	1,494	780	719	61	714	441	126	147

Source: General Secretariat of the Supreme Court, *Outline of Labor Relations Civil and Administrative Cases for 2007*, The Lawyers Association Journal, 60(8), p. 56 (2008)

Note: Newly received cases in 2006 are from April to December.

**IV-20 Number of Disposed Labor Tribunal Cases by Reason for Conclusion (District Courts, 2007-2008)**

	Number disposed	Labor tribunal judgment		Successful mediation	Article 24 termination	Withdrawn	Rejected or transferred, etc.
			Objection filed				
2006	606	107 (17.7)	74 (69.2)	427 (70.5)	19 (3.1)	50 (8.3)	3 (0.5)
2007	1,450	306 (21.1)	178 (58.2)	997 (68.8)	47 (3.2)	93 (6.4)	7 (0.5)

Source: General Secretariat of the Supreme Court, *Outline of Labor Relations Civil and Administrative Cases for 2007*, The Lawyers Association Journal, 60(8), p. 56 (2008)

Note: The figures for 2006 indicate the number of disposed cases from April to December of that year. Figures in parentheses or angle brackets indicate percentages. Proportions given in the "objection filed" column indicate the proportion of cases for which objections were filed to the number of cases concluded by labor tribunal. Refer to Note of IV-19

## 1 Overview of Employment Measures

Hit by the “once in a century” global economic crisis, employment conditions in Japan are deteriorating rapidly. The employment and unemployment situation in 2008 is growing more severe, as shown by the active opening ratio’s decline in December to 0.72, its lowest level in five years and a month since November 2003, and an annual average of 0.88 (down 0.16 from the previous year). This was accompanied by a rise in the unemployment rate to 4.4% in the same month, and a 0.1 point rise in the annual average to 4.0% year on year.

Looking at employment conditions across the country, the active opening ratio worsened in 9 regions between 2007 and 2008, and the unemployment rate also deteriorated over the same period in every region except Kyushu. However, while the active opening ratio exceeds 1.0 and the unemployment rate is between 2% to 4% in some regions, such as Tokai (where the respective annual averages were 1.32 and 2.9% in 2008) and South Kanto (1.01 and 3.8%), the active opening ratio remains stuck between 0.4 and 0.7 and the unemployment rate is between 5% and 6% in others, such as Hokkaido (0.44 and 5.1%), Kyushu (0.60 and 4.6%), and Tohoku (0.60 and 4.7%). The regional disparity in employment conditions thus appears to persist.

Broken down by age group, the active opening ratio for 15- to 24-year-olds declined 0.21 points from the previous year to 1.41 in 2008, and the unemployment rate declined 0.5 points to 7.2%, still higher than the rate for all age groups combined (4.0%), indicating that there remains a severe mismatch between supply and demand.

The active opening ratio (original figures) for permanent employees in December 2008 declined 0.16 points to 0.47 from the same month a year earlier, remaining lower than the overall ratio (0.72).

In response, the Government has adopted the following packages as “life security measures” to protect living standards and the economy (formulated at a joint session of the Government and Ruling Parties Council on New Economic Measures and the Ministerial Council on Economic Measures on October 30, 2008) and “emergency measures to defend living standards” (adopted by the Ministerial Council on Economic Measures on December 30, 2008).

### Emergency Measures to Improve Employment Situation

- (1) Housing and life security measures  
Use of employment-promotion housing units, provision of targeted advice and vocational counseling on finding accommodation and stable employment, and loan of funds to help cover initial moving, rent, and living and job-hunting expenses to assist people who have lost their jobs and homes and workers in unstable unemployment
- (2) Employment maintenance measures  
Subsidies for small and medium enterprises (hereinafter referred to as SMEs) that maintain jobs through use of leave, educational support, and temporary transfers in order to help maintain employment at SMEs  
Subsidies for employers using temporary staff that directly hire dispatched workers before the end of the of the dispatch term in order to assist the employment of dispatched workers by the companies with which they are placed
- (3) Measures to support job creation and reemployment  
Establishment of a ¥400 billion fund for prefectures to create employment opportunities for local job seekers

Subsidies for employers that offer permanent jobs to older freeters (aged 25-39) and dispatched workers, etc.

Establishment of “career boost” centers at public employment security offices in Hokkaido, Tokyo, Aichi, Osaka, and Fukuoka to create a one-stop shop for employment stabilization support measures and enhance employment support for non-regular workers

- (4) Response to problem of withdrawal of job offers  
Provision of guidance to enterprises (including “naming and shaming” of those that withdraw offers) and the provision of financial incentives to employers that provide regular jobs to students, etc. who have had offers withdrawn
- (5) Revision of employment insurance benefits  
Revision of standards for application to non-regular workers, extension of benefit period to 60 days in the case that finding reemployment is particularly difficult, and easing of eligibility requirements for fixed-term contract workers whose contracts have not been renewed

### Employment Insurance System

The employment insurance system is intended to stabilize workers' living circumstances during times of unemployment and to encourage the unemployed to quickly find reemployment. It functions as an important employment safety net, and the number of insured persons and persons receiving benefits respectively averaged 37,130,000 and 570,000 in FY2007.

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

Because of the need to provide benefits at a sufficient level to enable people to maintain as far as possible their living standards before becoming unemployed and to be able to calmly search for fresh employment, this daily basic allowance is set at a fixed proportion of a person's wage prior to unemployment. In order to ensure that the period of unemployment is no longer

than necessary and that unemployed persons quickly reenter the workforce, however, benefits are gradually decreased as the wage level prior to job loss rises so that they do not exceed wages on the labor market in the event of reemployment. More specifically, the benefit rate is set at 50% to 80% of a person's wage prior to unemployment (45% to 80% in the case of 60- to 64-year-olds).

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

### New Employment Strategy

As the effects of population aging, the low birthrate, and demographic decline take hold, ensuring that Japan's limited valuable human resources can approach their work with enthusiasm and make full use of their abilities will be essential to enhancing the professional life of every individual and revitalizing society as a whole.

To ensure that everyone who wants to work can find employment, the Government has developed a “New Employment Strategy” for intensive action up to 2010 to create “a society in which everyone plays a part” where everyone can make the most of his or her abilities.

Following this strategy, the Government will introduce support measures tailored to meet the specific needs of groups such as the young, women, older people, and people with disabilities, and will develop the conditions to achieve stable employment and living standards and comfortable working conditions.

## 2 Employment Measures for Young People

Prompted by the severe employment and unemployment conditions faced by young people in recent years, the Youth Independence and Challenge Strategy Council of cabinet ministers (including the Minister of Health, Labour and Welfare) met between FY2004 and FY2006 to develop a concerted government response to youth unemployment with the principal aim of “reversing the upward trend in youth unemployment.” Some progress has been made as a result, including a decline in the youth unemployment rate since its peak in 2003 and a reduction in the number of freeters for five years in succession.

However, there remain many young people who, having failed to become permanent employees during the “employment ice age” when the job market for new graduates was most severe, remain freeters (older freeters aged 25-34), along with many NEETs and others without employment, and these youngsters who did not find permanent jobs at the time of the employment ice age are now entering their mid-thirties. During the present severe economic climate, moreover, there is a risk of more job offers being withdrawn, making the job-hunting situation faced by new graduates even more severe. By pursuing a variety of measures, such as a plan to ease the transition to regular employment for freeters, the Government aims to create a society in which the young people on whom Japan’s future depends can find secure, satisfying jobs in which they can make the most of their drive and abilities.

### Main Youth Employment Measures in FY2009

#### 1. Promotion of Plan to Facilitate Freeters’ Movement into Regular Employment (tentative name)

##### Employment support for young people

- (1) **Employment support focusing on older freeters and workers in late thirties in unstable employment**

- 1) Regular job placement services for freeters, etc. provided by public employment security offices
  - 2) Regular job placement support provided through “job meetings” and job clubs
  - 3) Tailored job placement support in job cafes
- (2) **Promotion of employment through subsidized programs such as trial employment system**
- 1) Promotion of employment through trial employment of young people, etc. and special financial incentives for employers who provide regular jobs to young people in non-regular employment
- (3) **Provision of vocational skills development opportunities for young people**
- 1) Provision of vocational skills development opportunities for young people through vocational skills development system (“job card” system)
  - 2) Development and introduction of “fresh start courses” for older freeters, etc.

##### Promotion of action by enterprises to expand recruitment opportunities for young people

- 1) Enhancement of guidance and advisory services for employers to encourage expansion of recruitment opportunities for young people, support for model programs, and widespread publicizing of their effects
2. **Enhancement of Vocational Independence Support for NEETs and Other Young People**
- (1) **Expansion of “Community Youth Support Stations”**
  - 1) Expansion of number of “Community Youth Support Stations,” which serve as local centers of support for NEETs and other young people, strengthening of network functions in collaboration with



educational institutes, etc., and active encouragement of young people and their parents or guardians

**(2) Organization of “Youth Independence Camps”**

- 1) Effective organization of “Youth Independence Camps” offering a diverse menu of training activities designed to motivate and instill confidence in young people through training in the routines of daily life and work experience gained from communal living in a training camp format

**3. Response to Withdrawal of Job Offers**

**(1) Enhancement of employment support for students, etc. who have had job offers withdrawn**

- 1) Thorough guidance for enterprises (including “naming and shaming”) and provision of financial incentives to employers that give permanent employment to students and graduates without definite employment who have had job offers withdrawn (¥1 million per person for small and medium enterprises (hereinafter referred to as SMEs) and ¥0.5 million per person for large enterprises)
- 2) Support for employers that maintain jobs by using employment adjustment subsidies, etc. and providing training or using temporary transfers or layoffs immediately af-

ter hiring (four fifths of wages plus benefits (two thirds in case of large enterprises)) to stabilize employment of new graduates

**(2) Reinforcement of employment support for new graduates**

- 1) Organization of job fairs with local enterprises targeting primarily manufacturers, SMEs, and long-term nursing care fields

**4. Miscellaneous**

**(1) Promotion of comprehensive measures to secure stable employment for homeless workers in unstable employment**

- 1) Enhancement of targeted vocational counseling and job search services and stable employment through lending of funds to help with the cost moving into new accommodation and living/job-search expenses to enable workers in unstable employment staying in internet cafes, etc. to look for regular employment to find accommodation and stable employment

**(2) Support to promote sense of vocation from school age**

- 1) Support for development of sense of vocation from school age through such means as promoting understanding of occupations and providing “employment guidance” to high-school students learning how to look for work, etc.

3

**Policies Designed to Secure Employment for Older and Disabled Workers**

**Measures for Elderly Workers**

Japan's population is aging at a rate without parallel elsewhere in the world, and it is projected that approximately one in three in total population will be aged 65 or over in 2030. 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 Stable Employment for Older Workers by Raising the Mandatory Retirement Age and Introducing Continued Employment Schemes, etc.**

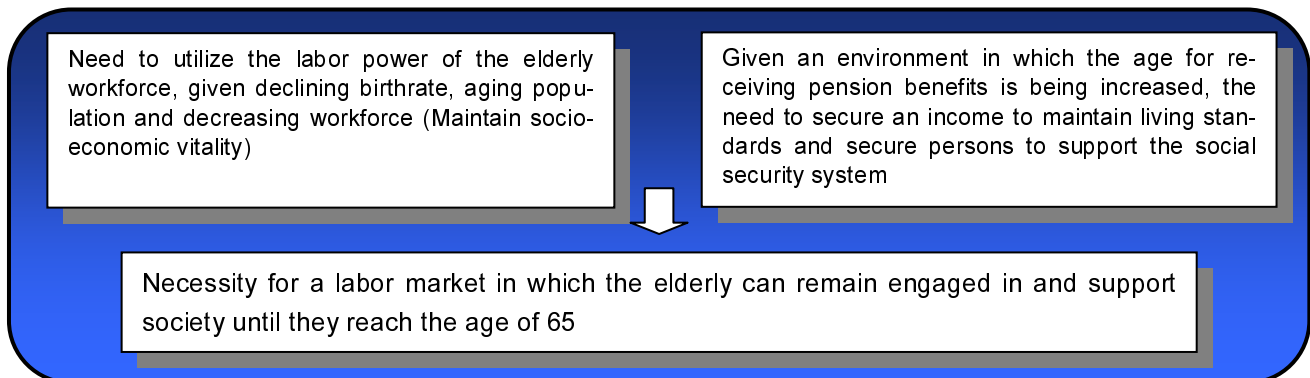
Legal revisions effective from April 2006 have made it mandatory for employers to take steps to ensure the employment of older workers, and those that do not take such steps receive guidance and advice from public employment security offices. Effective counseling and advice is also provided to them by senior citizen employment advisers in partnership with prefectural job development associations.

Reflecting the raising of the pensionable age for the fixed portion of the public pension to 65 from April 2013 and the reaching of this age by the first baby boomers in 2012, action is being taken to popularize schemes to enable everyone who so wishes to work up to the age of 65 and, depending on the actual circumstances of the enterprise, up to the age of 70.

Two specific ways in which the creation of a society in which people can work regardless of age is being pursued are the publicizing of pioneering cases via symposiums and similar channels and the provision of individual advice and support for the revision of pay and promotion schemes by work-to-seventy support advisers under the "Work-to-Seventy Employer" Promotion Project, and the securing of employment opportunities up to the age of 65 and promotion of work-to-seventy employers through the provision of financial incentives to enterprises to raise the age of mandatory retirement.

## 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.
- 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.

### Support and Promotion of Reemployment of Middle-aged and Older Workers

Action is being taken to support employers that provide continued employment for older for enterprises that employ middle-aged and older workers on a trial basis for a fixed period,

workers who find it difficult to find jobs by, among other things, providing guidance to employers on how to draw up “job-hunting support documents,” the provision of financial incentives and referrals by public employment security offices and similar agencies.

Working in collaboration with local related organizations, career counseling is being provided through employers' groups and other bodies to affiliated employers with job openings and baby-boom retirees to assist reemployment. One-stop services are also being developed to provide information to assist startups.

Senior citizen work program activities, such as skills courses and joint job fairs are also being pursued in association with employers' groups and public employment security offices.

### Promotion of Diverse Employment and Social Involvement of Older People

The Silver Human Resource Center Program is being promoted to provide convenient community-based temporary and short-term job opportunities to suit older people's needs. (As of March 31, 2008, there were 1,332 centers with approximately 750,000 members.)

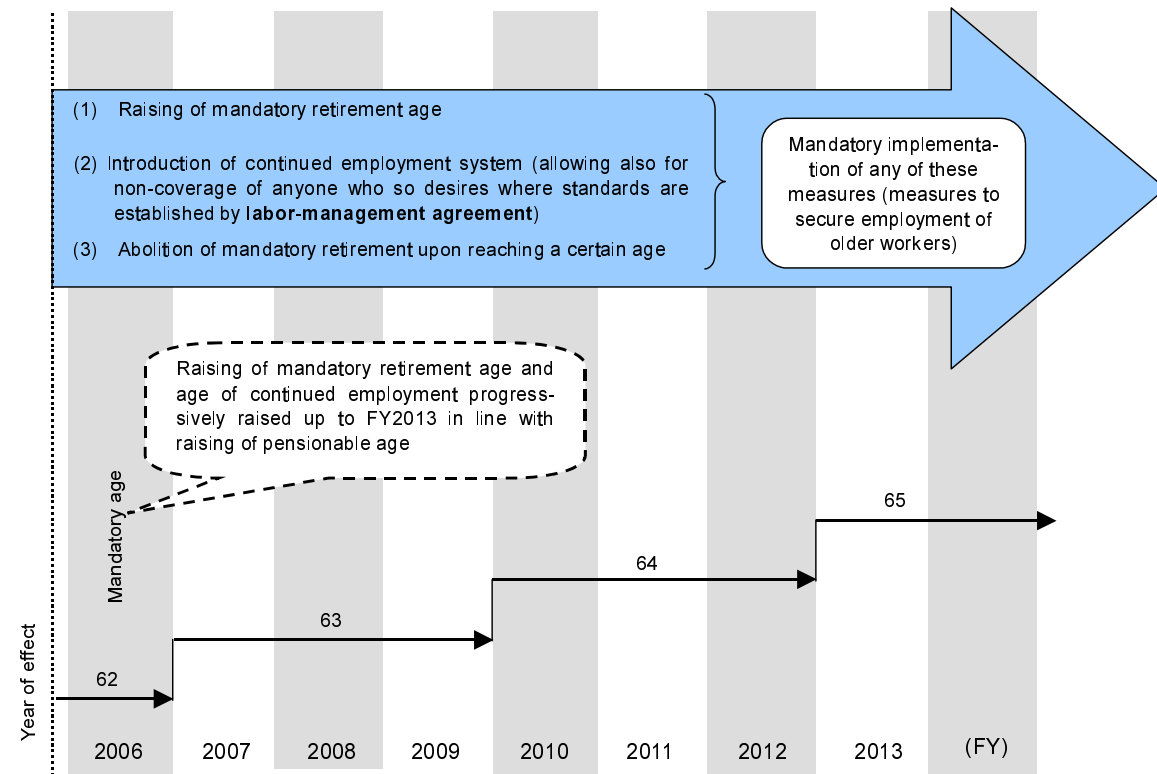
Focusing on the fields of "education, childcare, nursing care, and the environment," these cen-

ters are working with local governments to expand support for ventures planned and put forward by them, and are also expanding secure job opportunities for members in their communities and the range of job categories catered for that appeal to female members.

Senior citizen support program activities, such as workshops and job support courses, are also being organized to register older people's skills, expertise, qualifications, and occupational experience, and to match them to the needs of local enterprises, organizations, families, and communities.

In addition, support is provided for older people seeking to start up in business using their own occupational experience by subsidizing a portion of the startup costs of ventures involving three or more older people aged at least 45 who start up in business together and create continued employment opportunities for workers by hiring them.

### V-2 Mandatory Action to Employ Older Workers under Revised Act concerning Stabilization of Employment of Older Persons



### V-3 System of Employment Measures for Older Workers in FY2009

#### (1) Securing of stable employment for older workers through raising of mandatory retirement age and introduction of continued employment schemes, etc.

- Promotion of raising of mandatory retirement age to 65 and introduction of continued employment schemes, etc.
  - Publicizing and raising of awareness of measures to secure jobs for older workers
  - Instruction, counseling, and advising of employers by public employment security offices
    - Consultations and support provided by senior citizen employment advisers
- Popularization and promotion of “Work-to-Seventy Employers”
  - Gathering and provision of information on pioneering cases and provision of advice, etc. on revision of pay and promotion schemes, support for action by employers’ groups, etc. to employ more older workers up to age 70 (“Work-to-Seventy Employer” Promotion Project)
- Measures to encourage more enterprises to adopt a mandatory retirement age of at least 65 and to become “Work-to-Seventy Employer”
  - Financial incentives for enterprises that raise the mandatory retirement age (financial incentives for small and medium enterprises (hereinafter referred to as SMEs), subsidies for model employers of older workers, financial incentives for SMEs that secure jobs for older workers)

#### (2) Support and promotion of reemployment of middle-aged and older workers

- Promotion of reemployment of middle-aged and older workers
  - Finely-tailored vocational counseling and job search services at public employment security offices
  - Support for reemployment of baby-boomers who have reached mandatory retirement age provided through local baby-boomer employment support projects, etc.
  - Financial incentives for trial employment of middle-aged and older workers
  - Subsidies to develop employment of certain categories of job seekers
  - Operation of older worker vocational counseling centers
  - Integrated provision of skills courses and job fairs in collaboration with industry groups and public employment security agencies (senior citizen work program activities)
  - Consultations and support for workers’ old age career planning
- Raising of awareness of prohibition of age limits in recruitment and hiring (obligation to specify grounds for setting age limits where special grounds exist)
- Guidance and support for employers that help middle-aged and older workers who have had to leave their jobs to find reemployment
  - Raising of awareness and provision of guidance regarding requirement to prepare and issue job-hunting support documents in job card format

#### (3) Advancement of diverse employment and social involvement of older people

- Promotion of projects by Silver Human Resource Centers
  - Joint support by Silver Human Resource Centers and local governments of ventures planned and proposed by them focusing on “education, childcare, nursing care, and the environment”
  - Support for expansion of employment opportunities in the community and range of job categories for female members to enhance services provided by Silver Human Resource Centers
- Development of system for registration of skills, expertise, qualifications, and occupational experience, etc. of older people and matching of needs of older people with those of local enterprises, organizations, and local communities, etc. (senior citizen employment support program activities)
- Measures to support startups by three or more older people aged 45 or over
  - Use of subsidies for creation of job opportunities jointly by older people

Source: Ministry of Health, Labour and Welfare, Elderly Workers’ Affairs Division (April 1, 2009)

## 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). More specifically, employment measures for people with disabilities are being actively pursued to achieve targets—such as employment of 640,000 disabled persons by FY2013, a combined total of jobs found for people with disabilities through public employment security offices between FY2008 and FY2012 of 240,000, and movement into regular jobs of 9,000 people per year—through the further promotion of employment of people with disabilities led by the employment quota system for disabled persons provided for in the Five-Year Plan for Implementation of Priority Measures, enhancement and reinforcement of “team support” provided mainly through public employment security offices, and facilitation of movement from welfare facilities into regular employment. Furthermore, in FY2005, the Act for Employment Promotion, etc., of the Disabled was partially revised and this revision is being smoothly implemented from April 2009 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

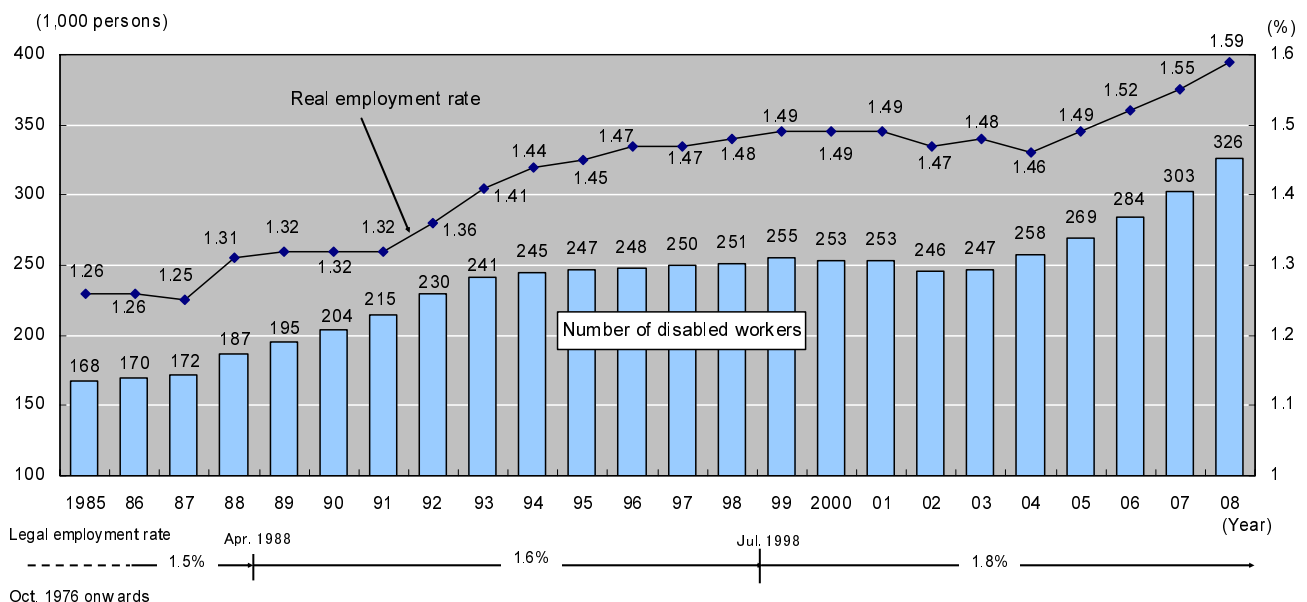
Regarding the employment situation of people

with disabilities, the number finding work through public employment security offices continued to grow year on year by around 10% for several years and in FY2007, growth was 3.6% to 45,565 year on year. In the first half of FY2008, the number then declined owing to the impact of employment conditions in general. While the private sector real employment rate was up 0.04 percentage points from the previous year to 1.59% as of June 1, 2008, indicating that the situation is steadily improving, the fact that the employment quota is met by fewer than one in two enterprises means that there is still considerable room for improvement.

While there were signs in FY2008 of an increase in disabled persons' desire to work, their employment at small and medium enterprises (hereinafter referred to as SMEs), which are important local sources of employment, is on the decline. Because of this and disabled persons' considerable need to work part-time and in view

of employers' employment obligations having been based on providing regular employment for at least 30 hours per week, therefore, the Act on Employment Promotion, etc. of Persons with Disabilities was amended to: (1) promote the employment of disabled persons by SMEs (to expand the coverage of the Disabled Person Employment Payment System to include SMEs with more than 101 regular workers and to provide special standards of calculation to allow for the use by SMEs of cooperative business associations and the employment of disabled persons in collaboration with such associations); and (2) revise the employment quota system to allow for part-time work (to add part-time workers to the workers and employed disabled persons upon which an employer's obligation to employ disabled persons is based). Based on this revision, the aim is to expand employment opportunities for disabled persons in order to assist those who work and those want to work.

#### V-4 Employment Situation for Disabled Persons at Private Enterprise Trend of employment rate and disabled workers



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

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)

## V-5 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 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



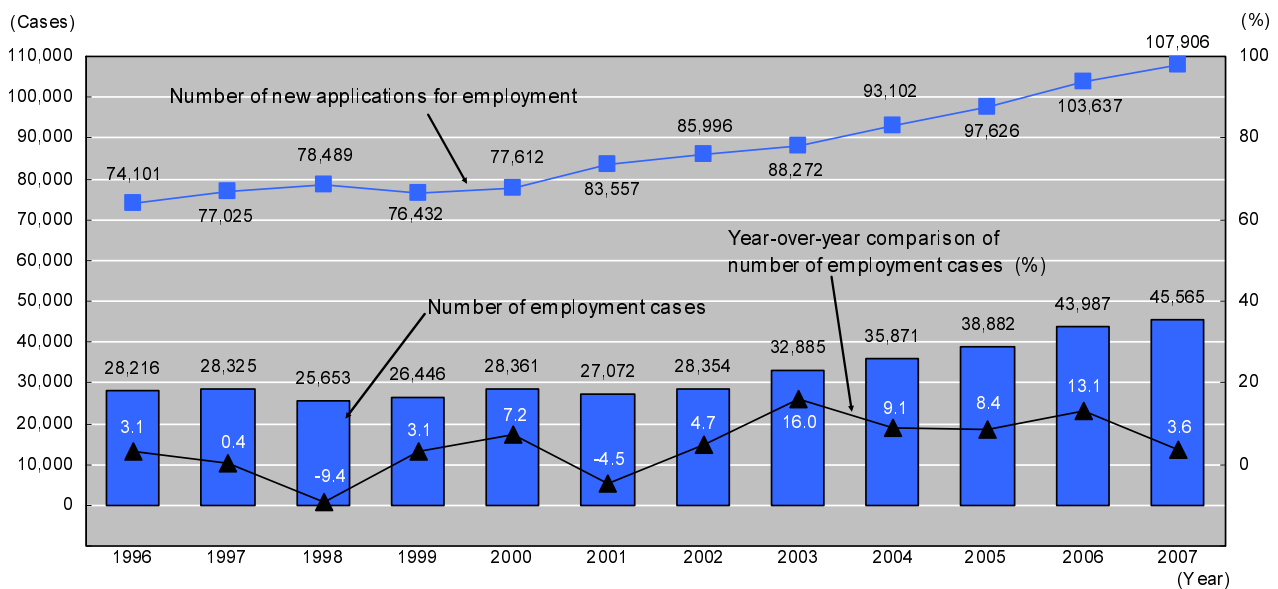
### V-6 Situation of Employment Placement of Persons with Disabilities at Public Employment Security Offices

(Persons, %, % points)

Year	Number of new applications for employment		Number of valid applicants for employment		Number of employment cases		Employment rate	
		Year-on-year difference		Year-on-year difference		Year-on-year difference		Year-on-year difference
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
2006	103,637	6.2	151,897	3.6	43,987	13.1	42.4	2.6
2007	107,906	4.1	140,791	-7.3	45,565	3.6	42.2	-0.2

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

### V-7 Changes in the Number of Employment Cases and of New Applications for Employment

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

## 4 Policy on Equal Employment Opportunity between Men and Women

More than 20 years have now passed since the enactment of the Act on Securing, etc. of Equal Opportunity and Treatment between Men and Women in Employment (hereinafter referred to as the “Equal Opportunity Act”) in 1985, and the intervening period has seen major advances in the development of related legislation. In 2006, the act was revised to expand the scope of prohibition of sexual discrimination (to prohibit, for example, certain forms of indirect discrimination), prohibit prejudicial treatment on the grounds of pregnancy or childbirth, etc., and require the introduction of measures to prevent sexual discrimination, and so forth.

The proportion of women in the total labor force population has risen from 39.7% in 1985 to 41.4% in 2007, and women’s share of managerial positions (assistant manager level or above) has also risen from 2.5% in 1985 to 8.2% in 2007.

Despite these increases, however, there remain large numbers of women who leave work for such reasons as to have or look after a child, making it difficult for them to continuously develop their careers. It is also difficult for many women to put in the long working hours that are often required of core workers, who tend to be men. Further action is therefore being taken to ensure the proper implementation of the Equal Opportunity Act, which, among other things, prohibits discriminatory treatment at every stage of employment management, provides for positive action (voluntary action by enterprises to eliminate the gender gap that arises in practice), and requires that employers endeavor to ensure de facto equality of opportunity by promoting measures to help workers to balance the demands of work and home when caring for chil-

dren or relatives requiring nursing care.

In order to ensure compliance with the Equal Opportunity Act, the equal employment offices in the prefectural labor bureaus established in each prefecture as local agencies of the Ministry of Health, Labour and Welfare engage in the following activities:

1. Active dissemination of information about the Equal Opportunity Act and provision of consultation services regarding discriminatory treatment due to sex in recruitment/hiring, assignments, promotions/demotions, education and training, uniform welfare packages, changes in job category and form of employment, encouragement to retire, mandatory retirement, dismissal, renewal of labor contracts, and sexual harassment in the workplace.
2. Advice, guidance, and recommendations by the heads of prefectural labor bureaus and mediation by the Equal Opportunity Mediation Commission to promote the swift resolution of disputes between workers and employers regarding equal treatment, etc.
3. Proactive guidance based on the Equal Opportunity Act to ensure equal treatment of the sexes and monitoring of the actual state of employment management by enterprises.

In addition to the above, enterprises that take positive action are publicly recognized and information about them is provided via websites and email newsletters to encourage such action, and conferences to promote women’s involvement in management and the workforce are organized in collaboration with employers’ associations to encourage employers to take positive action on their own initiative.

## 5 Promotion of Part-time Work Policies

### Entry into Effect of the Revised Part-time Work Act

The number of part-time workers has risen in recent years, and an increasing number are playing core roles in the workplace (including in managerial positions) as well as the more conventional auxiliary role of part-timers. At the same time, however, part-time workers are not always treated commensurately, and the need to eliminate unreasonable differences in pay and other treatment between part-time and permanent employees and secure fair recompense commensurate with their work and contributions

has consequently emerged as an issue. It was to address this that the revised Act on Improvement, etc. of Employment Management for Part-time Workers (hereinafter referred to as the “revised Part-time Work Act”) entered force on April 1, 2008, in order to ensure balanced treatment between part-time and ordinary workers on the basis of the work that they actually do and to promote part-timers’ movement into ordinary employment and so develop an employment environment in which part-time workers can more effectively exhibit their skills and abilities.

### V-8 Outline of Revised Part-time Work Act

#### Establishment of shared rules in the workplace to suit diversified forms of employment

##### 1 Obligation to document and explain working conditions

- (1) Introduction of obligation to set working conditions down in writing (subject to administrative fine in the event of failure to do so)
- (2) Introduction of obligation to explain the matters taken into consideration when determining pay, etc. upon request by part-time workers

##### 2 Promotion of balanced treatment

(Development of rules for determining fair treatment commensurate with work and contribution)

- (1) Introduction of obligation to act to ensure balanced treatment of all part-time workers compared with ordinary workers in respect of wages, education, training, and use of corporate welfare facilities, etc.
- (2) Prohibition in particular of discriminatory treatment of part-time workers who are equivalent to ordinary workers

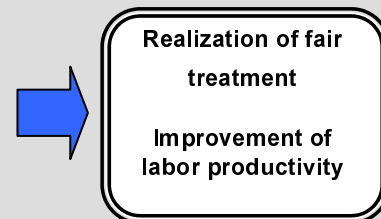
##### 3 Facilitation of transition to ordinary employment

Introduction of obligation to take any of the following measures to facilitate the transition to ordinary employment:

- 1) Notification of part-time workers of the details of any positions advertised for ordinary workers
- 2) Provision of opportunities for existing part-time workers to apply for any ordinary positions advertised internally
- 3) Introduction of measures, such as examination arrangements for part-time workers, to assist their transition to ordinary status

##### 4 Assistance with resolution of complaints and disputes

- (1) Introduction of obligation to endeavor to voluntarily resolve complaints
- (2) Development of administrative alternative dispute resolution (advice and mediation by the heads of prefectural labor bureaus)



Date of entry into effect: April 1, 2008

### Action to Ensure Balanced Treatment

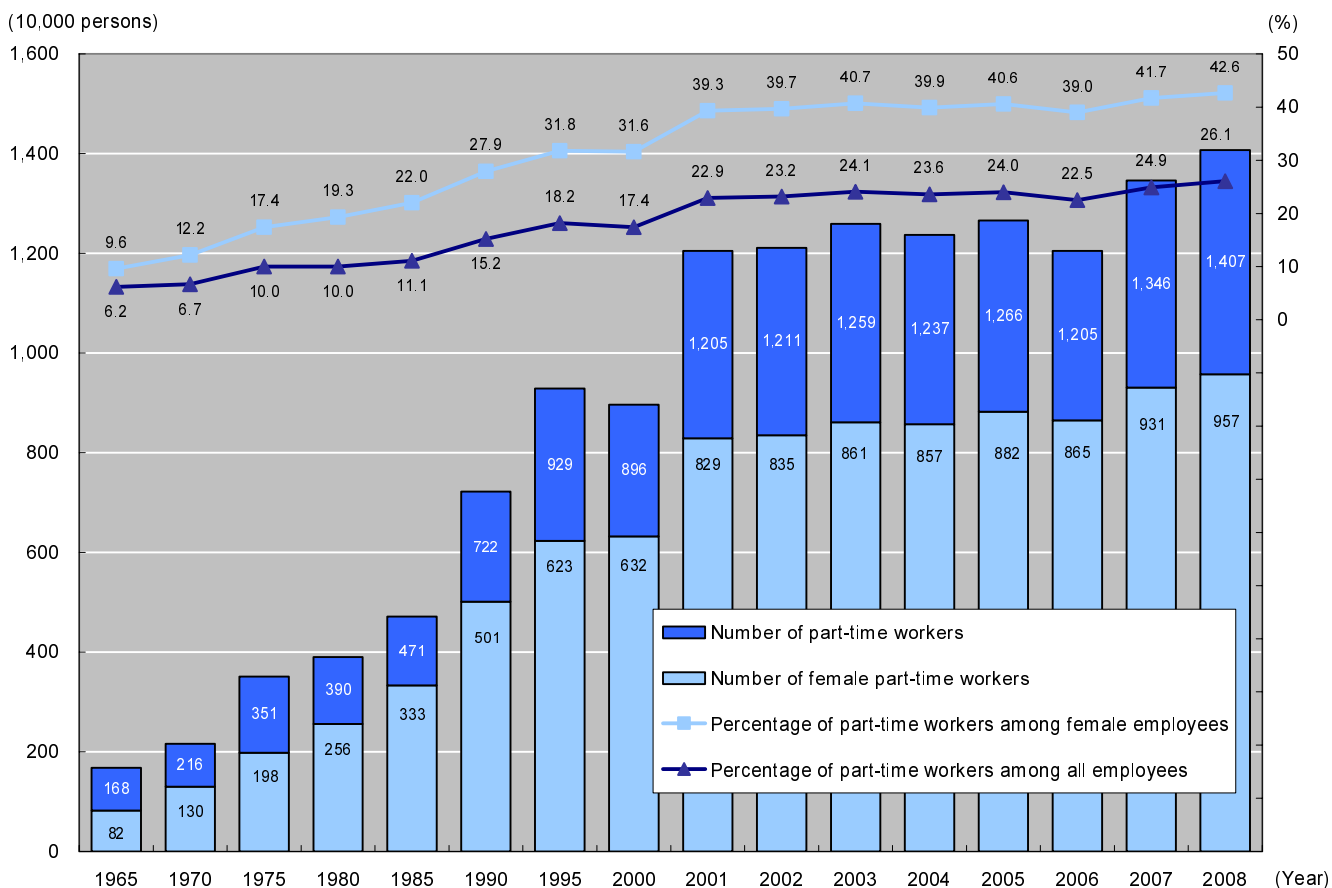
Prefectural labor bureaus' employment equality offices publicize the revised Part-time Work Act by such means as organizing group briefings for employers and distributing pamphlets to labor-management organizations. They also 1) provide consultations for part-time workers, 2) give administrative guidance following consultations or scheduled visits to business establishments, and 3) assist with dispute resolution upon request by workers and employers.

### Support for Employers Engaging in Providing Balanced Treatment

Prefectural labor bureaus' employment equal-

ity offices are staffed by experts in personnel and labor management, and provide advice on how to treat part-time and ordinary workers in a balanced manner in practice and improve the transition from part-time to ordinary status. They also help employers to improve their employment management in compliance with the law. Subsidies for employers who work to improve treatment of part-time workers are at the same time being expanded and action is being taken to ensure balanced treatment of part-time workers in order to promote the improvement of employment management in accordance with the revised law.

**V-9 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**



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

Notes: Excludes employees on leave.

Percentage of women among part-time workers 68.0%

Percentage of part-time workers among all employees 26.1%

Percentage of part-time workers among female employees 42.6%

## 6 Fixed-Term Employment Measures

### Present State of Non-regular Workers including Fixed-term Contract Workers

The workers who fall under the category of non-regular employment are called by a variety of names, including part-timers, dispatched workers, contract workers, and “entrusted employees” (*shokutaku*). Younger age groups have led the growth in this category in recent years, giving rise to concern about their instability of employment and lack of opportunity to develop vocational skills. The number of non-regular workers rose by 7.45 million from 9.86 million in 1993 to 17.31 million in 2007, including an increase of approximately 0.66 million in the number of contract and entrusted employees, who are employed on fixed-term contracts, from some 2.30 million in 2002 to 2.96 million in 2007. Despite the absence of statistical figures, it may be surmised from this that the number of fixed-term contract workers working the same weekly scheduled working hours as ordinary workers (hereinafter referred to as “full-time fixed-term contract workers”) is also increasing.

Commentators have pointed to two factors behind this increase in fixed-term contract workers: on the one hand, moves by enterprises to reduce personnel costs and increase variable costs instead in response to intensifying competition and increasingly uncertain market conditions due to globalization and technological advances; and, on the other hand, employers’ catering to the diverse needs of workers. As well as this quantitative increase, there is occurring a qualitative change in the functions of fixed-term contract workers. The expertise and responsibilities required of fixed-term contract workers in their work, for example, are on a par with or exceed those of permanent employees at many business estab-

lishments, suggesting that fixed-term contract workers are fulfilling the managerial and supervisory functions formerly played by permanent employees, and that they are playing an increasingly core role in the workforce.

### Improvement of Employment Management of Fixed-term Contract Workers

Against this background, measures are being taken to improve the employment management of part-timers and dispatched workers in line with the relevant legislation, and systems are undergoing revision. However, full-time fixed-term contract workers have yet to be placed within the scope of application of legislation on the improvement of employment management of part-time workers (Part-time Work Act) or the support measures provided thereunder, and sufficient steps are not being taken to improve their employment management.

In order to improve the employment management of fixed-term contract workers, therefore, the following guidelines (see V-10) have been prepared based on related labor legislation targeting mainly full-time fixed-term contract workers who have renewed their contracts several times:

1. Action that employers are required to take
2. Action that employers are urged to consider in order to improve employment management

Public employment security offices around the country are actively informing and advising employers and other relevant organizations about these guidelines, and are at the same time working to improve employment management through the provision of subsidies to small and medium enterprises.

## V-10 Outline of Guidelines on Improvement of Employment Management of Fixed-term Contract Workers

### 1 Purpose

To indicate what employers should do or consider to improve the employment management of full-time fixed-term contract workers

### 2 Coverage

Mainly targeted at full-time fixed-term contract workers who renew their contracts several times

### 3 Required action regarding employment of fixed-term contract workers

Attention must be paid to the following in accordance with related labor legislation (Labor Standards Act and Labor Contract Act, etc.).

- (1) **Development of employment environment taking into consideration stable employment relations**
  - ① Written indication of the term and possibility of renewal of contracts when entered
  - ② Attention to term of contracts
  - ③ Observance of employment agreements
  - ④ Advance notice of non-renewal and indication of reasons
  - ⑤ Prohibition of prejudicial treatment on grounds of pregnancy or childbirth, etc.
- (2) **Improvement of working conditions, etc.**
  - ① Explicit working conditions, etc.
  - ② Development of employment regulations
  - ③ Attention in principle to balance between demands of work and private life
  - ④ Balanced treatment of part-time and ordinary workers
  - ⑤ Provision of annual paid leave
  - ⑥ Provision of childcare and nursing care leave, etc.
- (3) **Concern for career path, etc. (hiring as permanent employees)**  
Measures to promote transition to ordinary status
- (4) **Provision of opportunities for training and skills development**  
Employers should strive to provide training according to job content and performance, motivation, ability, and experience taking into consideration balance with ordinary workers
- (5) **Legal compliance**
- (6) **Informing of workers about legislation**

### 4 For better employment management of fixed-term contract workers

The following matters should be taken into consideration as necessary and appropriate in order to improve employment management

- (1) **Development of employment environment taking into consideration stable employment relations**  
Assistance with finding reemployment in the case of dismissal or non-renewal of contracts
- (2) **Improvement of working conditions, etc.**
  - ① Appropriate description of working conditions at the time of recruitment and hiring
  - ② Consultation service and personal interviews regarding work content and treatment, etc.
  - ③ Attention to the aims of the Work-Life Balance Charter
- (3) **Concern for career path, etc.**
  - ① Indication of concrete, clear, and diverse career paths
  - ② Evaluation of job content and performance, and reflection of results in pay, etc.
  - ③ Appropriate pay, etc. in light of skills, experience, and length of service as a fixed-term worker following hiring as a permanent employee
  - ④ Consideration of creation of employment categories with limited duties and transfer requirements but no fixed term of employment
  - ⑤ Provision of job experience opportunities to facilitate transition to permanent employment
  - ⑥ Provision of training for freeters and other young people
- (4) **Provision of opportunities for training and skills development**
  - ① Provision of planned training, etc.
  - ② Provision of leave and time off to take vocational skills examinations
  - ③ Provision of information and opportunities for consultations regarding skills and knowledge required for performance of duties
  - ④ Smooth transition to permanent status through worker training
- (5) **Development of arrangements for legal compliance**  
Development and improvement of arrangements for labor management, etc. to enable rigorous legal compliance

## 7 Measures regarding Dispatched and Subcontracted Workers

1985 saw the enactment of the Act for Securing the Proper Operation of Worker Dispatching Undertakings and Improved Working Conditions for Dispatched Workers (hereinafter referred to as the “Worker Dispatch Act”), which unbundled services using workers employed by dispatchers from the labor supply services prohibited under the Employment Security Act to establish a new category of “worker dispatch undertakings,” which are allowed to provide workers in certain job categories based on such factors as the degree of expertise required and the specificity of employment management to the job or industry concerned.

The enactment of this act was prompted by the parallel growth in demand for workers to fill specialist positions within enterprises and the demand from workers for more flexible working patterns, which was resulting in more enterprises dispatching workers in their employ to work at other enterprises despite the prohibition of labor supply services. In some cases, work was in practice being rolled into that performed at the client despite being treated as subcontracting, making it unclear with whom responsibility lay and hindering worker protection. This piece of system was therefore introduced to assist the swift and appropriate matching of supply and demand for labor while helping to stabilize worker protection and employment, and this was achieved by instituting worker dispatch undertakings as a means of adjusting labor supply and demand, and establishing the necessary rules for such undertakings mindful of the need for harmony with Japanese employment practices and paying attention to ensuring that the system would not result in dispatched workers taking the jobs of regular employees.

The core thinking underlying this system remained the same despite the deregulation of the scope of job categories covered by the act’s revision in 1999, and it was positioned as a means of

adjusting supply and demand for temporary labor through the imposition of limits on how long dispatched workers could be used by client enterprises in order to ensure that they would not be used to replace regular employees.

The dispatch period was subsequently extended to three years in the newly included job categories in 2003. The prohibition of used of dispatched workers in physical manufacturing was also lifted, resulting in large increases in the number of dispatchers and clients to 70,066 and 1,269,823 respectively as of FY2007. The number of dispatched workers, too, has increased considerably to 3.81 million overall (equivalent to 1.74 million regular workers) as of the same year.

These large increases appear to have been driven by the needs of both management and labor. Among dispatched workers, reasons for choosing this form of work include both the positive (being able to choose what work to do and the ease of finding work immediately) and the negative (inability to find permanent employment).

At the same time, the number of cases of guidance and supervision of clients has grown considerably, and the rise in the proportion of cases of clients being subjected to supervision in the form of guidance has been especially noticeable. Two particular kinds of violation that have emerged as a problem have been “bogus subcontracting” by enterprises seeking to evade the restrictions imposed by the Worker Dispatch Act, and the “daily hire” dispatch of workers for extremely short periods.

Non-regular employment as a whole is also increasing, accounting for over 30% of total employment. With the problem of the disparities between regular and non-regular workers frequently drawing attention, the instability of employment of registered dispatched workers in particular, disparities in working conditions between dispatched and regular workers, and the

risk of remaining trapped in non-regular employment are also generating concern.

While the evidence thus shows that worker dispatching has become established and is fulfilling a certain function as a mechanism for adjusting labor supply and demand, there remain several issues to be addressed, including the stability of employment, improvement of treatment, and handling of legal violations (including violations committed by clients). Action is therefore being taken in response by, for example, strengthening guidance and supervision and making revisions to the system.

In the subcontracting business, problems have been observed in manufacturing in particular, including violations of labor legislation such as the Worker Dispatch Act (especially the problem of bogus subcontracting), the need to improve

working conditions and treatment, and workers' unclear career path in these workplaces. To address these problems, a set of guidelines and check sheet were formulated in 2007 to indicate what measures subcontractors and clients should take to rectify the situation regarding subcontracting and improve employment management in manufacturing. The Manufacturing Subcontracting Improvement Council, made up of representatives of subcontractor groups, manufacturers (clients), and academics, was also established to raise knowledge and awareness of these guidelines and the check sheet by organizing seminars, selecting and supporting model businesses that use them to improve and rectify their own employment management practices, and providing consultation services using them.



## 8 Public Employment Service

The basic purposes of Public Employment Security Offices, which are located in approximately 550 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.

### Bank of Human Resources

The Public Employment Security Offices established 12 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.

### Part-time Job Bank

Public employment security offices have established 66 “Part-time Job Banks” (as of FY2008) in convenient areas, such as station terminals in major cities, in order to offer comprehensive job placement services to people seeking part-time employment.

### Mothers’ Hello Work, Mothers’ Salons, and Mothers’ Corners

“Mothers’ Hello Work” public employment se-

curity offices have been established in 12 locations since FY2006 to serve as child-friendly centers of advice for mothers who seek jobs. These provide information on childcare in collaboration with local governments and related agencies, and give access to joined-up support provided by personal advisers who keep track of each job seeker’s situation. These have been joined by the establishment since FY2007 of 36 “Mothers’ Salons” in the main public security employment offices in prefectures without Mothers’ Hello Work centers, and the establishment since FY2008 of 60 “Mothers’ Corners” in employment offices in hub cities in regions that have yet to join the program.

### Hello Work Plaza

Hello Work Plazas have been opened in 60 locations (as of FY2008) to help link up job seekers and employers by providing a comprehensive range of employment support services, including direct access to job search engines and employment placement services so that job seekers can search from a wide range of employment information themselves.

### 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.

## 9 Employment Measures for Foreign Workers

### Basic approach to Employment Measures for Foreigners

The basic approach to employment measures for foreigners under the present legislative framework is to determine the scope of acceptance of foreign workers taking into comprehensive consideration the “effects on Japanese industry and public welfare” (Immigration Control and Refugee Recognition Act).

Further indication is provided in the Basic Guidelines on Employment Policy, drawn up to map out the mid-term direction of employment policy over the next five years or so, which state that the employment in Japan of foreigners in specialist and technical fields should be actively promoted, and action should be taken to attract high-quality international students and help them to find employment in Japan, and to improve the work environment faced by foreign workers.

The Employment Countermeasures Act, revised in 2007, specifies in addition that the Government should take measures to promote the employment of foreigners in specialist and technical fields, improve the employment management and promote the reemployment of foreigners, and prevent their illegal employment. It also makes it mandatory for employers to endeavor to improve their employment management and assist the reemployment of foreign workers, and to submit notification regarding their state of employment of foreigners. In line with the Employment Countermeasures Act, the Minister of Health, Labour and Welfare has issued a notice establishing guidelines concerning the measures that employers should take to improve their employment management of foreign workers and to ensure their proper treatment (hereinafter referred to as the “Foreign Worker Employment Guidelines”).

While the view has been expressed in some quarters that the intake of foreign workers

should be expanded owing to concerns about future labor shortages, there is a risk that this could worsen the dual structure of the labor market and impede improvements to labor conditions and, in turn, the matching and securing of human resources. Rather than simply expanding the scope of acceptance of foreign workers, therefore, it is important that action should first be taken to enable more young people, women, older people, people with disabilities, and so on to participate in Japan’s labor market.

### Present Situation regarding Foreign Workers and Issues to Address

Statistics on *Nikkei* (emigrants from Japan and their descendants) and other foreign residents of Japan indicate that the bulk are in unstable forms of employment, such as dispatch and subcontracting employment, and that many are also not enrolled in social insurance, making it necessary to improve employment management by monitoring their state of employment and enhancing guidance for employers based on the Employment Countermeasures Act and Foreign Worker Employment Guidelines.

There are also signs that, under the present social and economic conditions, these foreign resident workers are being made the target of severe employment adjustment. As such workers are not proficient in Japanese, are unfamiliar with Japanese employment practices and labor legislation, and lack sufficient work experience, they face extremely difficult circumstances if they lose their jobs, and appropriate support is required to secure their stable employment as soon as possible.

Regarding foreigners in specialist and technical fields, on the other hand, support services (including assistance to international students to help them find jobs in Japan) are provided via a nationwide network centered on foreigner employment service centers in Tokyo, Osaka, and

Aichi. Despite the wide range of residence statuses allowing foreigners in specialist and technical fields to find employment with Japanese enterprises, including “engineer” and “specialist in humanities/international services” categories, their employment has yet to make much headway due to differences in outlook between foreign workers and employers, and disparities in desired treatment and career development paths.

### **Improvement of Employment Environment Faced by *Nikkei* and Other Foreign Residents, Support in the Event of Job Loss, and Promotion of Employment of Foreigners in Specialist and Technical Fields**

Employment support and assistance with daily living tailored to local conditions are provided through accurate monitoring and analysis of the employment and unemployment conditions of *Nikkei* by public employment security offices and municipalities based on a combination of information culled from the system of notification of foreigner employment status and information obtained over the counter by these agencies, mainly in areas in which *Nikkei* residents are concentrated.

Public employment security offices also provide advice and guidance in a planned and expeditious manner to assist the improvement of employment management and reemployment in accordance with the Foreign Worker Employment

Guidelines. More specifically, they publicize and raise awareness of labor and social insurance and labor-related legislation, and provide guidance and information to employers to help maintain employment, discourage them from seeing layoffs as the easy option, and assist them in their efforts to find reemployment for foreign workers. They are also pursuing improvements in the work environment faced by foreigners by, for example, assisting the career development of young *Nikkei* without jobs.

To promote the employment of foreigners in specialist and technical fields, employment support (including assistance to help international students to find jobs in Japan) is provided in Japan in collaboration with agencies such as universities and local governments using a nationwide network center centered on foreigner employment service centers. Support is also being provided for activities to improve the employment management of foreigners at enterprises and ensure maximum use of their abilities and retention of foreign workers.

In addition, under the “Plan for 300,000 Exchange Students (Outline)” developed by the ministries and agencies concerned, collaboration with universities and business groups is to be enhanced and internships for international students promoted in order to encourage more high-quality international students to take up employment in Japan.

### V-11 Categories of Foreigners Working in Japan

Persons granted residence status based on purpose of employment (i.e. foreigners employed in specialist and technical fields)

- Scope determined for each job category taking into overall consideration the "effects on Japanese industry and public welfare."
- Grouped into three main categories: "highly specialized occupations," "graduate white-collar workers and engineers," and "occupations requiring the unique or special skills of foreigners."
- Possible to engage in paid activities to the extent provided for each status of residence.

Persons resident due to their status ("long-term residents" (mainly Nikkei), "permanent residents," "spouses or children of Japanese nationals," etc.)

- No restrictions are placed on the activities of holders of these statuses of residence, and so they can engage in paid activities in a variety of fields.

Specified activities (practical skills training, foreign nurse/care worker candidates provided for under EPAs, domestics employed by diplomats, working holidays, etc.)

- Holders of the "specified activity" residence status who are resident in Japan require case-by-case approval to engage in paid activities.
- Interns enter Japan as "trainees" without being in an employment relation, and transfer to skills training in an employment relationship after one year ("designated activities" status of residence).

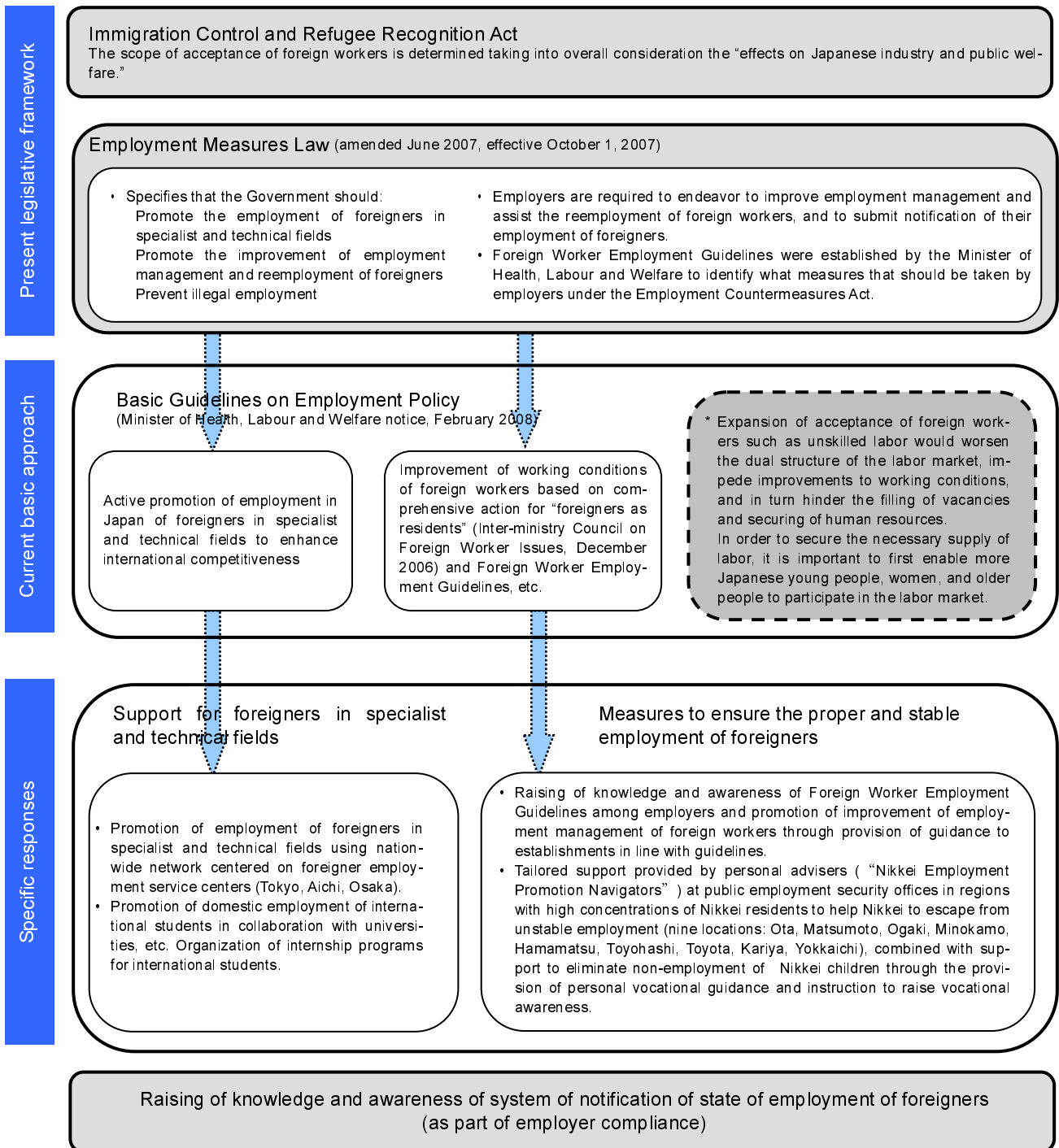
Engagement in activities outside scope of status of residence (part-time work by international students, etc.)

- Foreigners are permitted, where considered appropriate, to engage in paid activities to the extent that this does not impede the activities for which their status of residence was originally granted (not more than 28 hours per week for college-level international students and 4 hours per day for pre-college international students).

Main statuses of residence corresponding to "specialist and technical fields"	
Status of residence	Examples
Engineer	Mechanical and systems engineers
Specialist in humanities	Clerical work (planning, sales, accounts, etc.)
International services	Language instructors at English conversation schools, etc., interpreters/translators, designers
Intra-company transferee	Transferees from foreign offices and the same status as the two above categories
Skilled labor	Foreign cooks, foreign architects, jewelers, pilots, sports instructors
Professor	University professors
Investor/business manager	Executives and managers of foreign-affiliated enterprises
Legal/accounting services	Lawyers, accountants
Medical services	Doctors, dentists, nurses, pharmacists, medical radiologists
Researcher	Researchers at government-affiliated and private institutes, etc.
Instructor	Senior and junior high school language instructors

- Graduate white-collar workers and engineers
- Occupations requiring the unique or special skills of foreigners"
- Highly specialized occupations

V-12 Basic Approach to Employment Measures for Foreigners



## 10 Promotion of Measures to Assist Work-Life Balance

### Charter and Action Guidelines to Promote Work-life Balance

Following deliberations by the Top-level Public/Private Council on the Work-Life Balance, consisting of relevant Cabinet ministers, experts, and representatives of business, labor, and local government, a “Work-Life Balance Charter” and “Action Guidelines to Promote the Work-Life Balance” were established on December 18, 2007. In the years ahead, society as a whole needs to take positive action based on this Charter and Action Guidelines (For the full text of the Charter and Action Guidelines, see the Cabinet Office website: <http://www8.cao.go.jp/wlb/charter/charter.html>).

#### 1) Work-Life Balance Charter

The Charter maps out the overall course of national measures, defining a society in which work and family life are balanced as “a society in which each and every citizen can work and fulfill his or her responsibilities in the workplace while enjoying a sense of worth and fulfillment and at the same time being able to choose and realize various lifestyles at each stage of life—including during parenting and in middle and old age—in regard to their lives at home and in the community.” In line with this definition, the roles of interested parties are described as follows: (1) enterprises and workers should endeavor to work together to raise productivity and take voluntary action to change mindsets and cultures in the workplace and reform ways of working; (2) citizens should consider how to balance their own work and family lives and play an active role in the home and the community; (3) the Government should take active steps to promote and support the development of social momentum, establishment of an institutional framework, and development of necessary conditions; and (4) local governments should develop innovative measures tailored to conditions in their own locales.

#### 2) Action Guidelines to Promote the Work-Life Balance

The Action Guidelines set forth principles for effective action by employers and workers and measures for implementation by the central and local governments. To promote voluntary action in society as a whole, 14 numerical targets are set for attainment in five and 10 years’ time, including targets for the labor force participation rates for young people, women, and older people, the proportion of employees working at least 60 hours per week, and the proportion of women remaining in employment after having their first child.

### Promotion of Measures to Assist Work-life Balance

#### 1) Promotion of reform of working patterns

Following the Charter and Action Guidelines, the Ministry of Health, Labour and Welfare (hereinafter referred to as the “MHLW”) is pursuing the reform of working patterns throughout society in order to promote the work-life balance. Measures being pursued include the development of social momentum through national campaigns, and measures to encourage enterprises to limit working hours and ensure that employees take the annual paid leave to which they are entitled.

More specifically, 10 of Japan’s leading socially influential enterprises have been selected as models to raise public awareness of the state of implementation and effects of such measures, and independent action by workers and employers is being encouraged through such measures as a program of support for the establishment of improved working hours and provision of subsidies to encourage enterprises to establish improved working hours and other working conditions. The Guidelines for Revision of Working Hours and Other Conditions were also revised to reflect the Charter and Action Guidelines, and these entered effect on April 1, 2008.

## 2) Promotion of measures to support balance of work and home

The Japanese birthrate is declining rapidly, and developments such as the decline of the economically active population and the impact on the social security system are likely to seriously affect Japan's society and economy in the future.

In order to eliminate the dilemma of having to choose between work on the one hand and marriage and having children on the other, which is considered to be a cause of the decline in Japan's birthrate, and so arrest its rapid decline, the Government unveiled its "Priority Strategy of a Japan that Supports Children and their Families" in December 2007. This calls for measures on two fronts to assist the work-life balance and to establish social infrastructure such as childcare services.

Due to the particular difficulty of juggling work and family when raising children and caring for older relatives, measures to assist the balancing of work and family life are important to promote the work-life balance.

The Action Guidelines establish the following targets to be achieved by FY2017: 55% of women remaining in employment before and after having their first child, and 10% of men and 80% of women taking childcare leave. To meet these targets and help people to balance the demands of work with family needs such as childcare and nursing care, therefore, the MHLW is taking the following concrete action.

### (1) Raising of awareness and compliance with the Child Care and Family Care Leave Act

The Child Care and Family Care Leave Act provides for systems of childcare leave, nursing care leave, and leave for nursing children, limitation of overtime and night labor, shortening of working hours, and other such measures by employers, and action is being taken to raise awareness and provide advice and guidance on these provisions to employers and workers.

A proposal was also made by the Labour Pol-

icy Council in December 2008 that the childcare and nursing care leave systems be revised to make shortened work hours mandatory while caring for children and to introduce measures to encourage men to take childcare leave.

### (2) Promotion of measures by enterprises to support the development of the next generation

The Act for Measures to Support the Development of the Next Generation makes it mandatory for enterprises with at least 301 regular workers to draw up "ordinary business action plans" specifying measures to help workers to balance work and childcare and to notify the Minister of Health, Labour and Welfare of them. Enterprises that develop and implement appropriate action plans and meet certain requirements, such as attainment of their objectives, are accredited by the Minister of Health, Labour and Welfare and allowed to use the "Kurumin" mark in recognition of their family friendliness.

To encourage further action by enterprises, the Act for Measures to Support the Development of the Next Generation was revised in 2008 to expand the obligation to prepare and submit notification of ordinary employer action plans from enterprises with at least 301 regular workers to those with at least 101. It was also made mandatory to disclose and inform employees of such plans.

### (3) Support for development of workplaces that facilitate the work-life balance

In addition to (1) and (2) above, the Government is working to develop conditions that facilitate the balancing of work and personal life through such measures as providing various subsidies to enterprises that promote balance, encouraging the spread of "family-friendly enterprises" through the "Equality and Work-Life Balance Enterprises Recognition" program, and supporting the reemployment of workers who have left the workforce to care for children or relatives.

## 11 Minimum Wages

### Purpose of System

The minimum wage system is a system by which the Government establishes legally enforceable minimum amounts for wages that at least employers must pay workers.

The stated objective of the Minimum Wage Act (hereinafter referred to as the “Act”) is “to improve the working conditions of low-paid workers by guaranteeing minimum amounts of wages and thereby to contribute to stabilizing workers’ living, raising the quality of the labor force, and securing fair competition among undertakings, as well as to promote the sound development of the national economy” (Article 1 of the Act).

### Methods of Determination and Types of Minimum Wage

In Japan, minimum wages are determined based on investigation and deliberation by minimum wage councils. This is called the “council method.”

\* Another method of determining minimum wages, called the “expanded collective labor agreement method,” was discontinued under revisions to the Act effective from 2008.

Minimum wages are of three kinds—regional, industrial, and occupational—of which two are presently set: 1) regional minimum wages and 2) industrial minimum wages.

#### 1) Regional minimum wages

(All 47 prefectures had regional minimum wages in FY2008. These covered approximately 50 million workers, and the weighted average amount was 703 yen.)

Regional minimum wages are determined at the level of each prefecture and accordingly named after the prefecture. As a rule, they apply to all workers working at establishments and all employers employing even just one worker in the prefecture concerned.

#### 2) Industrial minimum wages

(There were 251 industrial minimum wages in FY2008, covering approximately 3.81 million workers. The weighted average amount was 786 yen.)

Almost all industrial minimum wages (249 of the total) are established for a specific industry in a given prefecture, and accordingly named after the prefecture and industry concerned. One minimum wage covers a specified industry nationwide, and is named accordingly.

Following the recommendations of the Central Minimum Wage Council dated July 29, 1981, and February 14, 1986, industrial minimum wages are established where the employers and workers concerned consider it necessary for wages to be higher than the regional minimum in order to improve working conditions and ensure fair business competition. (247 “new industrial minimum wages” of this kind have so far been set.)

The “former” industrial minimum wages set before these recommendations were made have not, with the exception of those replaced by new equivalents, been revised since 1989, and have been phased out as they have fallen below the regional minimum wage. Presently only three minimum wages of this kind remain.

### Standards for Determination of Minimum Wages

Minimum wages are established taking into all-round consideration three factors: 1) workers’ cost of living, 2) workers’ wages, and 3) the capacity of normal industries to pay wages. When considering the first factor, consideration is shown for consistency with measures pertaining to public assistance to enable workers to maintain the minimum standards of wholesome and cultured living (Article 9 of the Act).



### Revision of Minimum Wage Rates

Since 1978, guideline increases to regional minimum wages have been presented every year by the Central Minimum Wage Council to the regional minimum wage councils in order to ensure consistency nationwide. The Regional Minimum Wage Councils then consider revisions to the regional minimum wage in their area based on local conditions and taking these guidelines into consideration.

Industrial minimum wages are revised after deliberation by a minimum wage council where it deems this necessary following a request by a representative of some or all workers or employers (Article 15, Paragraph 1 of the Act).

### Expression of Minimum Wage

Minimum wages are presently expressed in the form of an hourly rate as provided for by Article 3 of the Act. (However, some industrial minimum wages are expressed as both a daily rate, as in the past, and as an hourly rate: the daily rate applies to those workers in the industries concerned who are paid a daily wage, and the hourly rate applies to those paid an hourly or

monthly wage. Following the entry into effect of the revised Act in 2008, minimum wages expressed as daily rates must also be expressed as an hourly rate when next revised.)

In order to determine whether the wage actually paid meets the minimum wage, therefore, the actual wage received less the allowances for dependents, etc. shown in 5 is compared with the minimum wage by the appropriate method shown below according to the mode of payment of wages (Article 2 of the Rules).

- 1) Hourly wage      Hourly wage  $\geq$  minimum wage (hourly rate)
- 2) Daily wage      Daily wage / scheduled working hours per day  $\geq$  minimum wage (hourly rate)  
(Daily wage  $\geq$  daily rate of minimum wage in the case of industrial minimum wages to which a daily rate applies)
- 3) Monthly wage    Wage is converted to an amount per hour and compared with the minimum wage (hourly rate)

#### V-13 Minimum Wages (Weighted National Average)

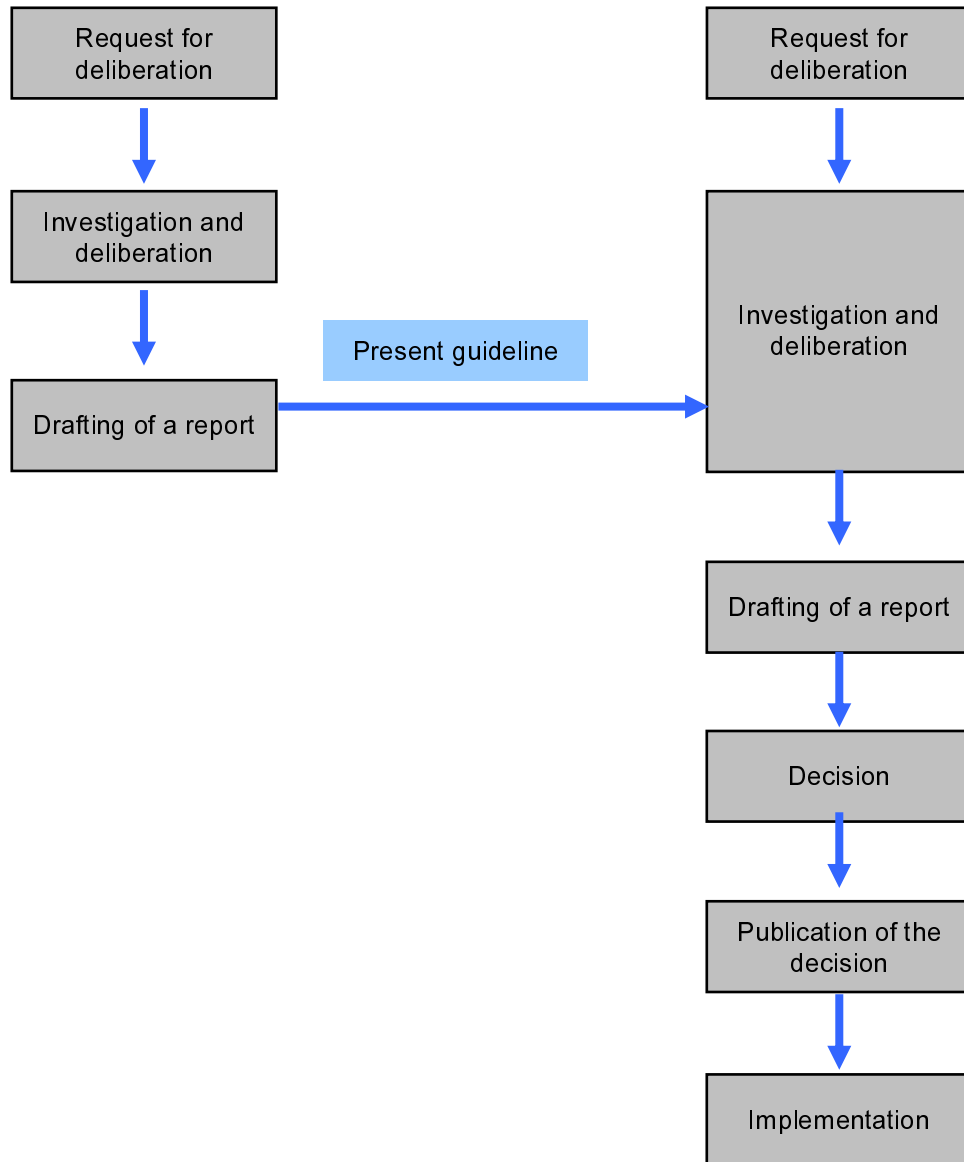
(As of October 1, 2008, yen)

	Hourly rate
Minimum wage by prefecture	703
Minimum wage by industry	786

**V-14 Methods Used to Set Minimum Wages**  
**(Minimum Wages Set through Minimum Wage Council Investigation and Deliberation)**

Central minimum wage council  
【Consideration for guideline】

Regional minimum wage council  
【Consideration for regional minimum wage】



### Trends of Industry Accidents and Work-related Diseases

Although the number of work-related casualties has a long-term trend of steady decrease, as many as 540,000 casualties are still seen in Japan every year. The number of work-related fatalities marked a new record low of 1,357 fatalities in 2007. Regarding the situation of workers' health, on the other hand, the results of periodic health examinations show around 50% of all workers having some abnormal findings. Besides, a survey conducted by the Ministry of Health, Labour and Welfare (hereinafter referred to as MHLW) in 2007 shows around 60% workers are having some serious anxieties or stresses resulted from their work or working life in the workplace.

### Current Situations and Challenges in Occupational Safety and Health Measures

Since 1958, the MHLW has launched and implemented ten Industrial Accident Prevention Plan (5 years each). In accordance with the 11th Industrial Accident Prevention Plan (2008-2012), the MHLW is working on the following challenges:

1. Promotion of risk assessment and implementation of risk reduction measures based on the findings
2. Prevention of accidents caused by machinery
3. Prevention of health impairments caused by chemical substances
4. Promotion of measures against mental disorders in the workplace

### 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

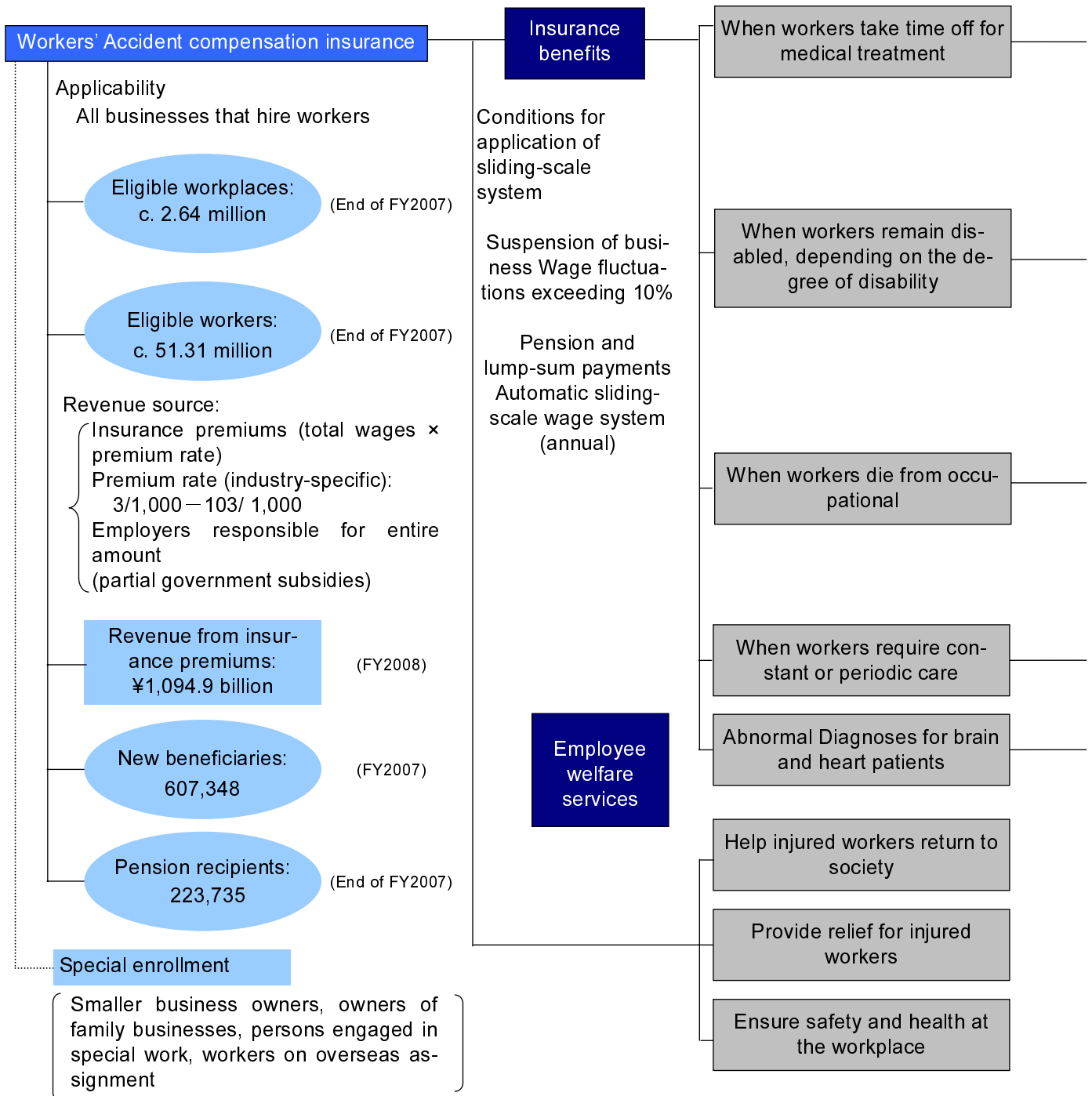
Any business that employs workers may participate in the Workers' Compensation Insurance System, excluding government employees (except local government part-time workers engaged in bluecollar labor) and seamen who are eligible for the Mariners Act. Certain businesses engaged in agriculture, forestry 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.

\*Seamen will be eligible for workers' compensation insurance benefits from January 1, 2010.

#### (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 (3/1,000-103/1,000). 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-15 Outline of Workers' Compensation Insurance System



Compensation for medical expenses	All medical expenses	
Compensation for missed work	60% of standard benefits per day of work missed, beginning on the fourth day of absence	+ Additional special benefits * Special benefits for missed work * Special lump-sum payments * Special pensions
Compensation for illnesses or injuries (pension)	Payment ranging from 245 (Class 3) to 313 (Class 1) days' worth of pension at standard daily rate to those who have not recovered from illnesses or injuries after 18 months of treatment	
Compensation for disabilities (pension)	Payment ranging from 131 (Class 7) to 313 (Class 1) days' worth of pension at standard daily rate	
Compensation for disabilities (lump sum)	Payment ranging from 56 (Class 14) to 503 (Class 8) days' worth of pension at standard daily rate	
Compensation to survivors (pension)	Payment ranging from 153 days to 245 days' worth of pension at standard daily rate, according to number of survivors	
Compensation to survivors (lump sum)	Lump-sum payment amounting to 1,000 days' worth of standard pension to survivors not eligible for pensions	
Compensation to Funeral expenses (Full payment)	¥315,000 + 30 days of standard compensation (minimum compensation: 60 days' worth at standard daily rate)	
Compensation for nursing care	Up to ¥104,960 for constant care and ¥52,480 for occasional care, per month	
Payment for a second medical examination	Second exam to ascertain cardio vascular or heart condition and special health guidance by a doctor	

(Provision of artificial limbs, establishment and administration of industrial accident hospitals)

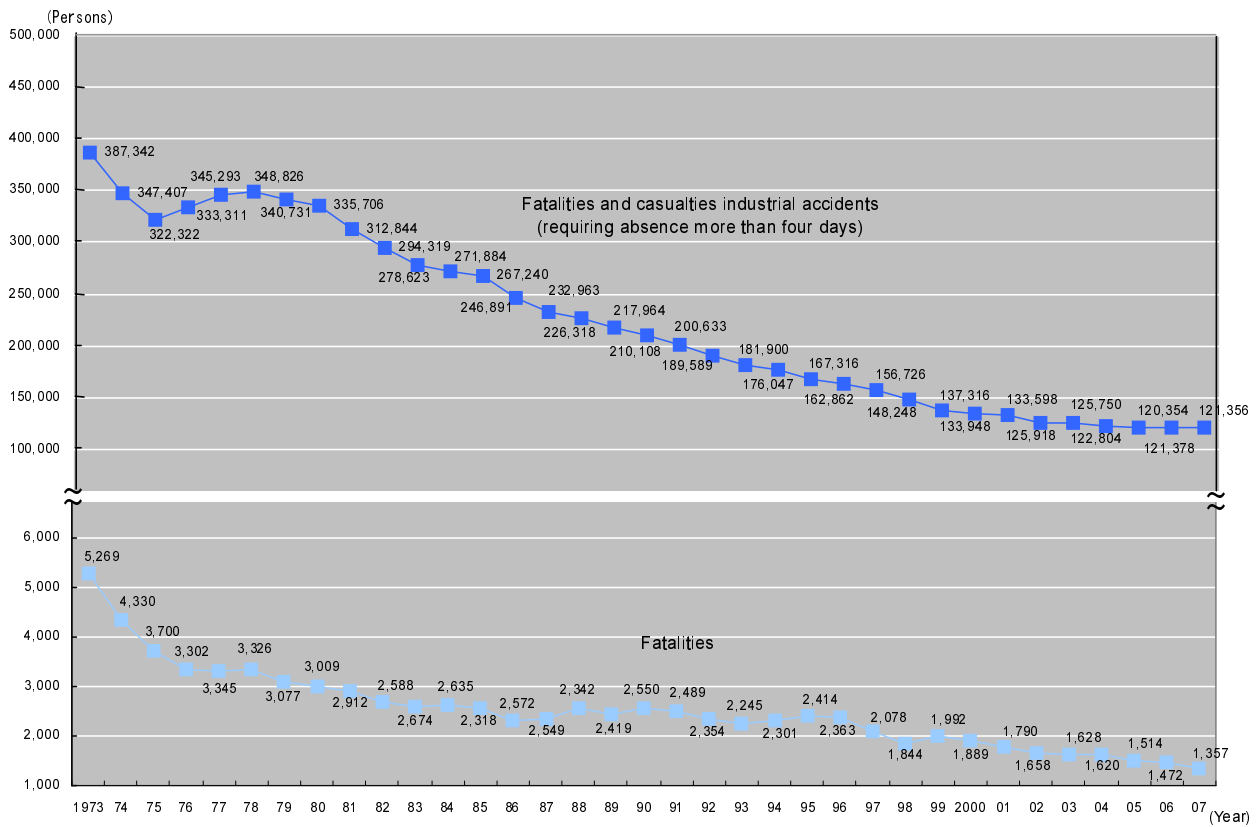
(Special benefits for injured workers; benefits to defray the cost of educating injured workers' children)

(Implementation of measures for preventing accidents at the workplace and promoting occupational medicine)

Source: Ministry of Health, Labour and Welfare

- Notes:
- 1) Standard daily rate is calculated by dividing total wages paid to a worker during the three calendar months preceding the injury by the number of calendar days in that period. (minimum compensation: ¥4,060).
  - 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-16 Trends in Industrial Accidents



Source: Labour Standards Bureau, Ministry of Health, Labour and Welfare

## 13 Public Vocational Training Policies

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.
- (4) Provision of practical vocational training combining practical work experience and classroom study to those with poor opportunities to develop vocational skills, such as freeters, mothers who have finished raising children, and single mothers, to facilitate their movement into stable employment (“Job Card Scheme”).

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 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.

April 2008 saw the launch of the “Job Card Scheme”. This scheme, which is targeted at people such as freeters, provides practical vocational training combining work experience with classroom study packaged to meet the needs of the individual after awareness raising and identification of challenges through personal career development advice. The results of work experience and enterprises’ evaluations of participants are then entered in “job cards” to assist them in their job-hunting activities.

The scheme provides the following forms of vocational training to give participants the opportunity to develop their vocational skills and facilitate their movement into stable employment:

- 1) Fixed-term practical work experience: Practical training for freeters, etc. who have little permanent work experience provided through employment in an enterprise for three to six months.
- 2) Practical human resource development system: Training targeted mainly at new graduates to develop core frontline human resources provided through employment in an enterprise for six months to two years.
- 3) Japan-style dual education system: Training of freeters and women who have finished raising children, etc. provided mainly by contracted private educational training institutes, typically for a period of four months.

\* 20% up to a maximum of 100,000 yen in the case of persons enrolled in employment insurance for at least three years and less than 5 years.



## 1 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 persons with disabilities, and for the poor as well as public health services are all public policies provided with funds drawn from taxes.

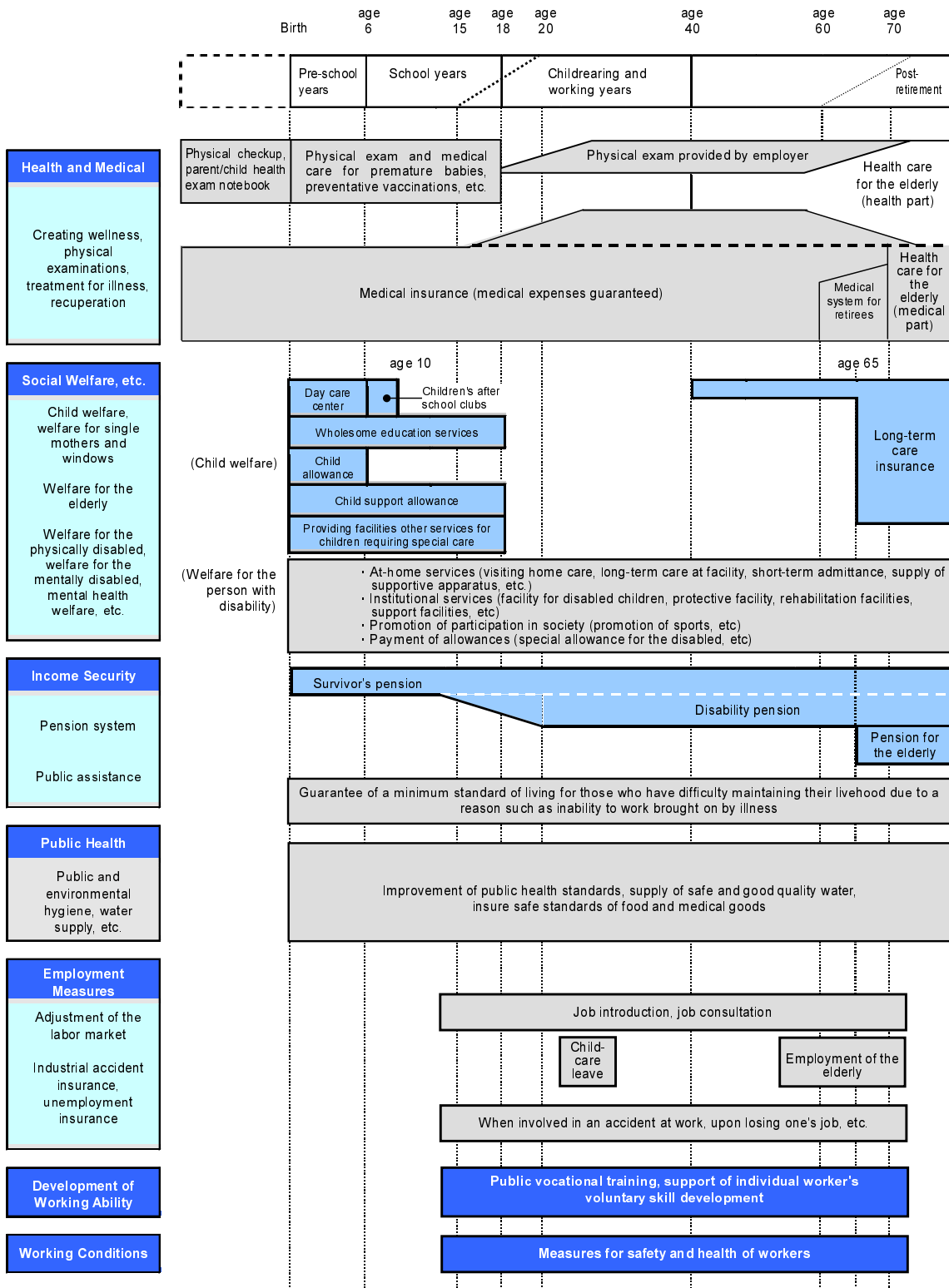
Internationally speaking, the characteristics of long-term care insurance and health care programs for the elderly in Japan is that they are half funded at public expense out of tax revenues although they are included in social insurance.

### **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 upper section of VI-2). Furthermore, based on the figures in closely related years, the percentage of national income occupied by social security costs is low when compared with that in Germany, France, and Sweden, but higher than the U.S. and the U.K. (see lower section of VI-2).

Japan's expenditure on social security benefits is rising as the birthrate declines and the population ages. In 2008, the total population was 127.78 million, of whom 28.14 million were aged at least 65 (according to national population estimates by the Statistics Bureau of the Ministry of Internal Affairs and Communications). The aging rate (population aged 65 or over / total population) rose from 9.1% in 1980 to 12.1% in 1990 and 14.6% in 2000, and reached 22% in 2008.

VI-1 Social Security System by Life Stage



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

This population aging is causing the number of pensioners to grow, and is also a factor behind rising health care expenditures due to the fact that medical benefits per person are around five times higher for older persons than people of economically active age. While the rate of increase in health care expenditure has been slowed by the introduction of long-term care insurance, the upward trend

continues fueled by population aging. As population aging is also leading to an increase in the number of older persons in need of care due to the increase in number of “old old,” expenditure in long-term care insurance benefits is also rising. As a consequence, the rise in expenditure on social security benefits, including pension, health care, and long-term care insurance benefits, continues.

### VI-2 International Comparison of Social Expenditures and National Burden Ratios

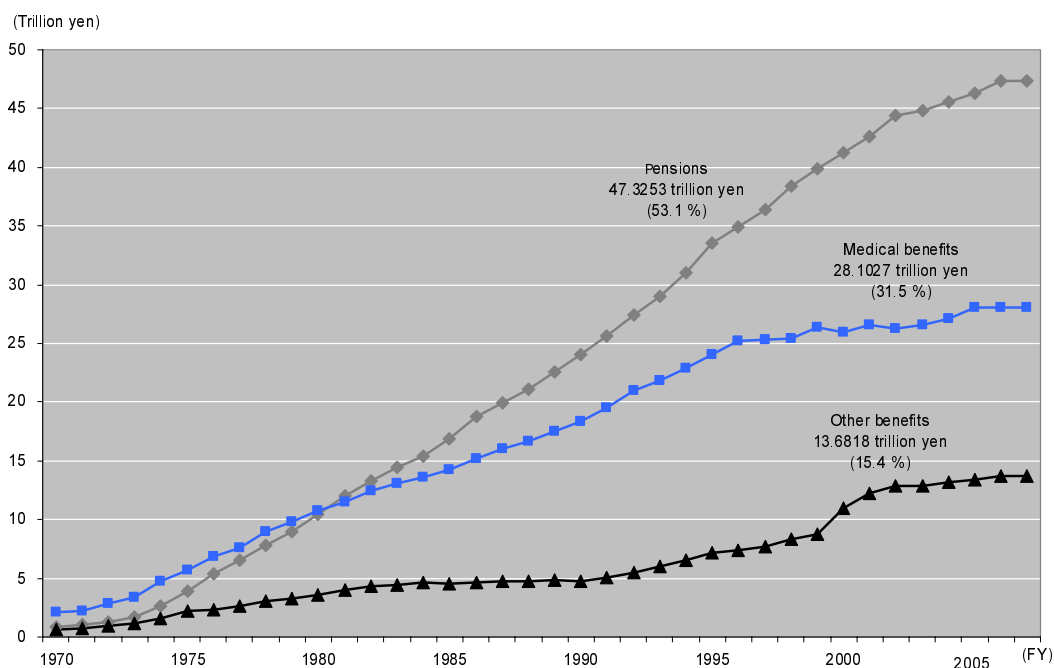
	Japan	United States	United Kingdom	Germany	France	Sweden
Social expenditure (% of national income)	26.2	20.3	28.2	36.7	40.7	42.3
Social income (% of GDP)	19.1	16.3	20.0	27.1	29.0	30.1
National burden ratio (% of national income)	38.3	34.5	48.3	51.7	62.2	70.7
Potential national burden ratio (% of GDP)	44.6	39.6	52.1	56.0	66.3	70.7

Source: 2006 Social Security Benefits (National Institute of Population and Social Security Research).

Data on the social expenditures of each country are based on OECD standards.

- Notes: 1) (Potential) national burden ratio includes costs other than social security.  
 2) Data for countries other than Japan are from OECD Social Expenditure Database, 2008 edition. Statistics for Japanese national income and GDP are from Cabinet Office Economic and Social Research Institute, 2008 National Accounts. Figures for (potential) national burden ratios were calculated by the Ministry of Finance.

### VI-3 Changes in Social Security Benefits by Category



Source: *Social Security Benefit Costs, 2006*, National Institute of Population and Social Security Research

While expenditure on benefits (especially for older people) has risen in response to population aging, expenditure on welfare-related benefits, including child welfare, continues to account for a small proportion of Japanese expenditure on social security benefits due to the insufficient expansion of child-care-related benefits compared with Scandinavia and France, for example, despite the importance attached to reversing the decline of the birthrate.

The decline in Japan's birthrate, which affects trends in social security benefit expenses, is forecast to continue. According to the National Institute of Population and Social Security Research's "December 2006 Future Population Projection," the proportion of the total population aged 65 or over will continue to grow, reaching 25.2% in 2013 and approximately 33% in 2035. It is thus forecast that one in three of the Japanese population will be aged 65 or over. To assist the Social Security Council in its deliberations, the Ministry of Health, Labour

and Welfare produced a forecast of social security benefits and costs premised on trends in social security reform and economic factors in 2005 (upper section of VI-4). The question of how to adjust this growth in social security benefits and cost burden and balance Japan's economic growth and the social security system in the future as the relative size of the economically active population declines has become a policy concern. The National Council on Social Security was therefore established in the Prime Minister's Office in January 2008 to consider what direction the reform of pensions, health care, long-term care, childcare support, and so on should take and the funding of social security in order to ensure the system's sustainability. Regarding in particular health care and long-term care, which are projected to grow as the population ages, estimates of future expenditures were calculated for the National Council on Social Security's use (lower section of VI-4).

#### VI-4 Outlook on Social Security Benefits and Cost Burden

Ministry of Health, Labour and Welfare, Outlook on Social Security Benefits and Cost Burden (estimated May 2006)		
% of GDP	2006	2025
Pensions	9.3	8.7
Medical services	5.4	6.5
Long-term care	1.3	2.3
Medical/long-term care sub-total	6.7	8.7
Pension/medical/long-term care total	15.9	17.5
Final Report of National Council on Social Security		
	2008	2025
Medical/long-term care (now)	7.9	10.8
(after reform)		12.0

Notes: 1) The percentage is compared to the national income. Amounts are the nominal amounts from the respective years. (The future values are not shown in the current prices.)

2) The public expenses are calculated based on the assumption that the portion of the basic pension funded from tax revenues will be raised to 50% in FY 2009.

#### 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, Ministry of Health, Labour and Welfare, due to the increase in income disparity in the 1990s (see Gini index of initial income in VI-5), the need to increase income redistri-

bution through social security in response to this has been heightening (see Redistribution Effects by Social Security in VI-5).

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-6), 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-5 Closing of Income Gap through Income Redistribution  
(Gini Coefficient for Equivalent Incomes)**

Year of survey	Gini coefficient				Rate of improvement in Gini coefficient (%)		
	Equivalent initial income	(1) + social security benefits - social security contributions	Equivalent disposal income [(2) - tax]	Equivalent income after redistribution [(3) + benefits in kind]	Rate of improvement due to redistribution	Rate of improvement due to social security	
						Rate of improvement due to social security	Rate of improvement due to taxation
(1)	(2)	(3)	(4)	*1	*2	*3	
1993	0.3703	0.3313	0.3097	0.3074	17.0	11.2	6.5
1996	0.3764	0.3273	0.3119	0.3096	17.7	13.7	4.7
1999	0.4075	0.3501	0.3372	0.3326	18.4	15.3	3.7
2002	0.4194	0.3371	0.3227	0.3217	23.3	19.9	4.3
2005	0.4354	0.3355	0.3218	0.3225	25.9	22.8	4.1

Source: Summary Findings of the 2005 Income Redistribution Survey (Ministry of Health, Labour and Welfare).

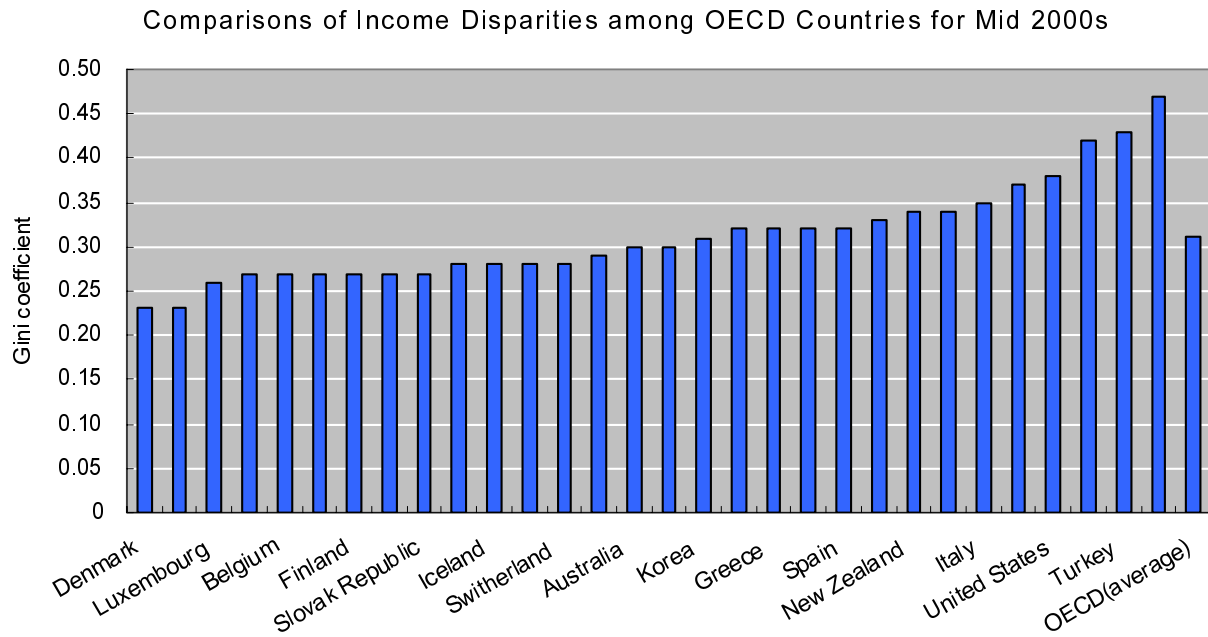
\*1. Rate of improvement due to redistribution =  $1 - (4) / (1)$

\*2. Rate of improvement due to social security =  $1 - (2) / (1) \times (4) / (3)$

\*3. Rate of improvement due to taxation =  $1 - (3) / (2)$

Notes: Benefits in kind are for medical care only up to 1999, and for medical care, long-term care, and childcare from 2002.

### VI-6 International Comparisons of Income Disparities (Gini Coefficients of Equivalent Disposable Income)



Source: Gini coefficient for mid 2000s: "Growing unequal?" OECD ELSA, 2008

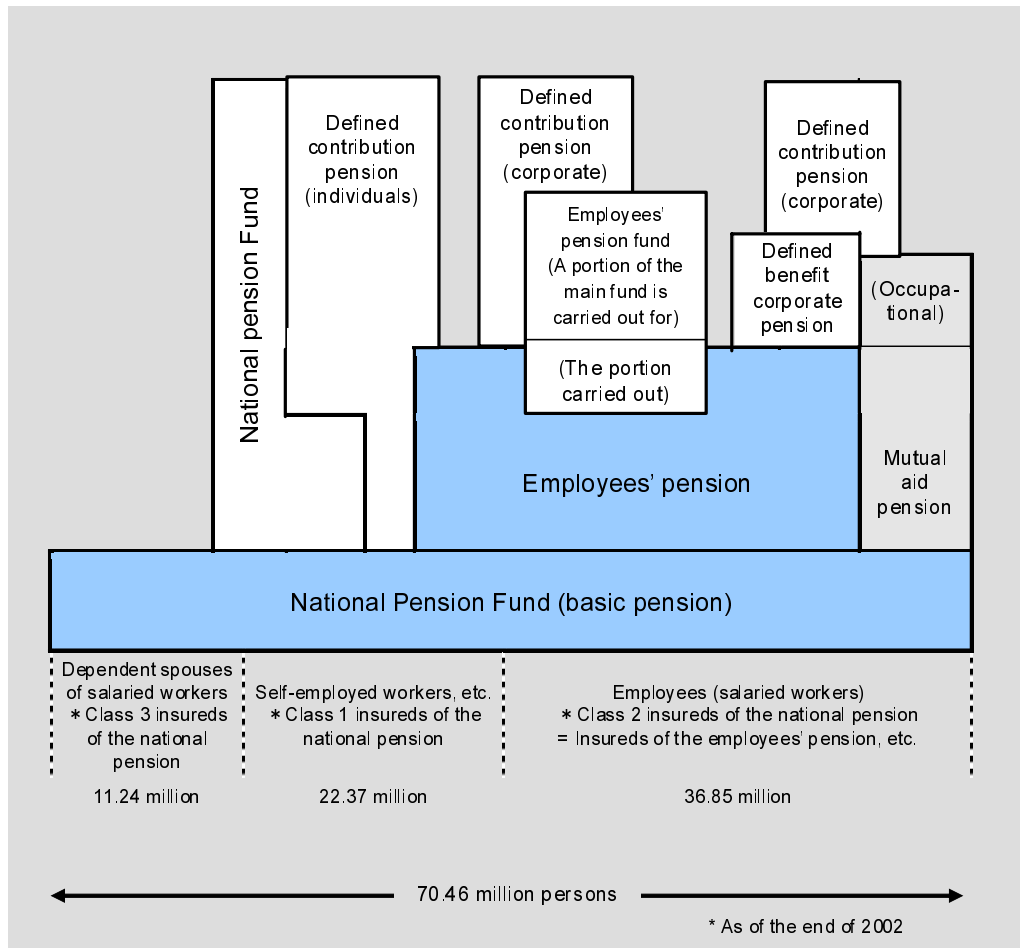
## 2 Income Security System (Pensions, Public Assistance, and Child Allowances)

**Pension System:** Japan's pension, health care, and long-term care insurance systems provide universal coverage to all citizens, who receive medical services during sickness and pension benefits after retirement, and long-term care insurance benefits when long-term care benefits are required.

Within Japan's pension system (see VI-7) is a basic pension; all citizens (persons aged 20 to 59) become members of this basic pen-

sion 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.

VI-7 Pension System



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

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 (14,410 yen per month in 2008). On the other hand, the pension premiums for salaried workers and government employees are covered equally by the labor and management, and is 15.35% of the total compensation combining the salaries and bo-

nuses (in 2008).

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 VI-8. As of 2008, the benefits for the basic pension has been 792,100yen per year, 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. The actuarial review for 2009 indicates that it will be possible to maintain pension finances combining old-age pensions, survivors' pensions, and disability pensions until 2100 following the above schedule for contributions.

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

(1,000 persons)

FY	Insured persons					Member of Beneficiaries				
	Total	Basic Pension (Self-employed workers, etc.: Class 1 insured)	Basic Pension (Full-time house wife: Class3)	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	2,048
1990	66,313	17,579	11,956	31,493	5,285	25,001	1,905	9,096	10,647	2,390
1995	69,952	19,104	12,201	33,275	5,372	32,363	6,898	7,853	14,254	2,958
2000	70,491	21,537	11,531	32,192	5,231	40,906	13,070	6,234	13,070	3,392
2005	70,870	24,337	8,488	33,022	5,023	41,632	17,908	3,019	16,828	3,554

Source: Ministry of Health, Labour and Welfare, *Annual Reports on Health, Labour and Welfare-References*, 2008

The corporate pensions that supplement these public pensions consist of defined benefit and defined contribution corporate pensions (arrangements for which were instituted in 2001 to protect beneficiaries and ensure the portability of reserves) and employees' pension funds, which were estab-

lished prior to 2001. For the self-employed and professionals, there is also a national pension fund for supplementing the basic pension.

The characteristic of Japan's pension system relating to the labor market is the point that it cooperates with unemployment



Insurance. In the case of older workers aged between 60 and 64, therefore, elderly employment continuation benefits and elderly reemployment benefits are provided when wages fall below 85% of the level immediately prior to retirement at 60. Further, to support female workers' combining of child-rearing and work activities, payment of employees' pension insurance premium is excused for both the worker and employer during the period of child care leave (For the Assistance Measures to Balance Work and Family and for the Gender Equal Employment Policies, see Chapter V).

**Public Assistance:** The public assistance system is designed to guarantee a minimum standard of living by providing benefits in kind according to need. These are provided by the Government through local governments when a person falls into poverty, despite employment, savings, assets, pensions, and allowances, etc., due to circumstances such as sickness, mental/physical disability, or unforeseen accident based on the principle of complementarity. In practice, the level of public assistance is determined based on the minimum cost of living calculated ac-

ording to standards laid down by the Government and relative to the income of the household concerned, the shortfall being covered by the provision of benefits in cash or in kind (such as medical benefits). As of December 2008, the number of people receiving public assistance had grown to 1.60 million, equivalent to 1% of the population. Expenditure on public assistance is growing by the year due to the recent economic recession and growing income gap, and has reached 2 trillion 70 billion yen in FY2009.

**Child Allowances:** The objective of the child allowance system is to contribute toward stable family life and invest in both quality improvements and the proper raising of children through the provision of cash benefits, funded at public expense by the Government and paid out by local governments, to households with children. Child allowances are income tested, and paid to applicants who have children of elementary school age or younger. The monthly child allowance is a uniform 10,000 yen for children under the age of 3, 5,000 yen for the first and second child aged 3 or over, and 10,000 for each subsequent child.

### 3 Medical Insurance and Long-term Care Insurance

**Medical Insurance:** Within Japan's medical insurance there is association-managed health insurance for employees (and their families) of workplaces of five or more workers, 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). 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, until March 2008, the health insurance association, government-managed health insurance association, and national health insurance had 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. (This system was revised in 2008 to form what is now called the Medical Aid System for the Elderly, which is described in the next section.)

As seen in Figure VI-3, although medical expenses increased in the 1990s, the increase has become modest in recent years compared to that time (the ratio of national medical expenses to national income has been shifting between 8.0%-8.9% since 2003). However, because of the need to rethink con-

tinuing support for growth in expenditure on health care for the elderly as the population ages out of national health insurance and health insurance association contributions and public funds in view of declining growth in revenue from insurance contributions due to Japan's shrinking economic growth rate and the need to ensure intergenerational equity between the economically active and the elderly, the Medical Aid System for the Elderly (Medical Aid System for Old-Old) was introduced in April 2008. Under this system, insurance contributions are paid by older people, too, according to ability to pay, and, as in the case of the Medical Care System for the Elderly, reductions and exemptions from payment of contributions are provided for older people on low incomes.

**Long-term care insurance:** Long-term care insurance has been in operation since April 2000 to provide public assistance to lighten the care burden for long-term care recipients' families. This assistance makes it easier for bedridden 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.

## VI-9 Medical Insurance System

Plan		Insurer (As of 31 March, 2008)	Subscribers (As of March 31, 2008) and subscribers' dependents (Unit: 1,000 persons)	Insurance Benefits		
				Payment in part	Medical Benefits	
					High-Cost Medical Care Benefits, and the High-Cost Medical Care & Nursing Care Benefits Combination System	
Health insurance	Ordinary employees	Kyokai Kenpo	Japan Health Insurance Association	36,294 (19,871 16,488)	After the commencement of compulsory education to those 69 years of age: 30%  Prior to the commencement of compulsory education: 20%  70 to 74 years old: 20% (*) (Persons with income comparable with those of an active worker: 30%)  (*) For those 70 to 74 years of age, the rate will be kept at 10% from April 2008 to March 2010.	<b>High-Cost Medical Care Benefits</b> <ul style="list-style-type: none"> <li>Maximum amount paid by the patient</li> <li>Under 70 years of age: <ul style="list-style-type: none"> <li>High income persons: 150,000 yen + (medical costs-500,000 yen) ×1%</li> <li>Average income persons: 80,100 yen + (medical costs-267,000 yen) ×1%</li> <li>Low income persons: 35,400 yen</li> </ul> </li> <li>From 70 to 74 years of age: <ul style="list-style-type: none"> <li>With income comparative with those of an active worker: 80,100 yen + (medical costs-267,000 yen)×1%,</li> <li>Outpatient Treatment (for each patient): 44,400 yen</li> <li>Average income persons(*): 62,100 yen, Outpatient treatment (for each patient) 24,600 yen</li> <li>Low-income persons: 24,600 yen, Outpatient treatment (for each patient) 8,000 yen</li> <li>Low-income persons with especially low income: 15,000 yen.</li> <li>Outpatient treatment (for each patient) 8,000 yen</li> </ul> </li> <li>Standard amount for aggregation of households: <ul style="list-style-type: none"> <li>For those under 70 years of age, if there are multiple payments of more than 21,000 yen in the same month, reimbursement is calculated on the basis of their sum.</li> </ul> </li> <li>Burden reduction for those with multiple cases: <ul style="list-style-type: none"> <li>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: <ul style="list-style-type: none"> <li>Under 70 years of age: <ul style="list-style-type: none"> <li>High-income persons: 83,400 yen</li> <li>Standard-income persons: 44,400 yen</li> <li>Low-income persons: 24,600 yen</li> </ul> </li> <li>70 years of age or older with income comparative with those of an active worker and standard income (*): 44,400 yen</li> </ul> </li> <li>Burden reduction for patients suffering from long-term and high-cost illness <ul style="list-style-type: none"> <li>Self-pay limit for the patients suffering from hemophilia or chronic renal failure requiring artificial dialysis: 10,000 yen</li> <li>Self-pay limit for high-income persons receiving artificial dialysis: 20,000 yen</li> </ul> </li> </ul> </li></ul>
		Association-managed	Health insurance associations 1,518	30,860 (15,871 14,989)		
	Insured parties, as stipulated in Article 3, Par.2, Health Insurance Law	Japan Health Insurance Association	18 (11 7)			
Seamen's insurance		National government	157 (63 95)			
Mutual aid insurance	National government employees	Mutual aid associations (21)	9,374 (4,397 4,977)			
	Local government employees	Mutual aid associations (55)				
	Private school instructors	Mutual aid associations (1)				
National health insurance	Farmers, self-employed etc.	Municipalities 1,804	50,724 Municipalities 46,881 Health insurance associations 165 Health insurance associations 3,843			
		Health insurance associations 165				
	Retired workers eligible for employees insurance benefits	Municipalities 1,804				
Long life medical care system (Medical care system for the latter-stage elderly people)		Management body: Extended associations for medical care for the latter-stage elderly people	13,075 (As of the end of April, 2008)	10% (Persons with income comparable with those of an active worker 30%)	Maximum amount of payment in part 80,100 yen + (medical cost-267,000 yen)×1% (Incase of frequent reimbursement) 44,400 yen (Average income persons) 44,400 yen (Low income persons) 24,600 yen (Very low income among low income persons) 15,000 yen	Outpatient care (per person) 44,400 yen 12,000 yen 8,000 yen 8,000 yen

Plan			Insurance Benefits			Financial resources			
			Medical Benefits		Cash Benefits	Insurance premiums	Government subsidies		
			Hospital Meal Charge Benefits	Hospitalized living expenses benefits					
Health insurance	Ordinary employees	Kyokai Kenpo	Standard payment amounts for dietary therapy:	(Standard payment amounts for those living in hospitals)	<ul style="list-style-type: none"> <li>Sickness benefits</li> <li>Lump-sum payment for child birth, child care etc.</li> </ul>	8.2%	13.0% of benefits (contribution for latter-stage elderly people 16.4 %)		
		Association-managed		<ul style="list-style-type: none"> <li>Standard income persons (I) 460 yen per meal and 320 yen per day</li> </ul>		Same as above (including additional Benefits)	Rates vary from one kind of health insurance to another.	Fixed amount (Budgetary aid)	
	Insured parties, as stipulated in Article 3, Par.2, Health Insurance Law			<ul style="list-style-type: none"> <li>Standard income persons (II) 420 yen per meal and 320 yen per day</li> </ul>	<ul style="list-style-type: none"> <li>Sickness benefits</li> <li>Lump-sum payment for child birth, child care etc.</li> </ul>	Daily rate (class 1) 150 yen (class 13) 3,010 yen	13.0 % of benefits (contribution for the latter-stage elderly people 16.4 %)		
Seamen's insurance			<ul style="list-style-type: none"> <li>Standard-income persons 260 yen per meal</li> </ul>	<ul style="list-style-type: none"> <li>Low income persons 210 yen per meal and 320 yen per day</li> </ul>	Same as above	9.1% (non-professional)	Fixed amount		
Mutual aid insurance	National government employees		<ul style="list-style-type: none"> <li>Low-income persons Up to the first 90th day 210 yen per meal From the 91st day 160 yen per meal</li> </ul>	<ul style="list-style-type: none"> <li>Low income persons with specially low income 130 yen per meal and 320 yen per day</li> </ul>	Same as above (including additional benefits)	—	None		
	Local government employees					—			
	Private school instructors					—			
National health insurance	Farmers, self-employed etc.		<ul style="list-style-type: none"> <li>Low-income person with especially low income 00 yen per meal</li> </ul>	<ul style="list-style-type: none"> <li>Applicable to persons 65 years of age or older hospitalized in the convalescent ward</li> </ul>	<ul style="list-style-type: none"> <li>Lump-sum payment for child birth, child care</li> <li>Funeral services expenses</li> </ul>	Each household is assessed a fixed amount and amount based on ability to pay	43% of benefits etc.		
	Retired workers eligible for employees insurance benefits						<ul style="list-style-type: none"> <li>* For patients with greater needs for in-hospital treatment due to being obstinate or other diseases, the payment amount will be same as the standard payment amounts for dietary therapy.</li> </ul>	Calculations vary somewhat according to insurer	43% of benefits etc.
									None
Long life medical care system (Medical care system for the latter-stage elderly people)			Same as above	<ul style="list-style-type: none"> <li>Persons on senior welfare pensions 100 yen per meal and 0 yen per day</li> </ul>	Funeral services expenses etc.	Rates are fixed based on the equal amount per insured and the percentage of their income determined by the respective extended associations.	<ul style="list-style-type: none"> <li>Insurance premium 10%</li> <li>Contribution Approximately 40%</li> <li>Public Approximately 50%</li> </ul> (Breakdown of public expenses) National : Prefectures : Municipals 4 : 1 : 1		

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

Notes: 1) Those insured by the long-life medical care system (medical care system for the latter-stage elderly people) comprises persons of 75 years of age or older and the 2) persons from 65 to 74 years of age certified by an extended association to have a certain degree of handicap.

2) Persons with income comparative with those of an active worker mean their taxable income is 1.45 million yen (0.28 million yen for monthly income) and annual income is more than 5.2 million yen [family including elderly person(s)] or 3.83 million yen (single-elderly person household).

3) 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.

4) The memberships are a quick estimation, with the exception of the mutual aid associations, and the numbers as of end March 2008 include those scheduled to be transferred to the long-life (the latter-stage elderly people) medical care system in and after April 2008. Due to rounding off, the breakdown figures do not always add up to the total.

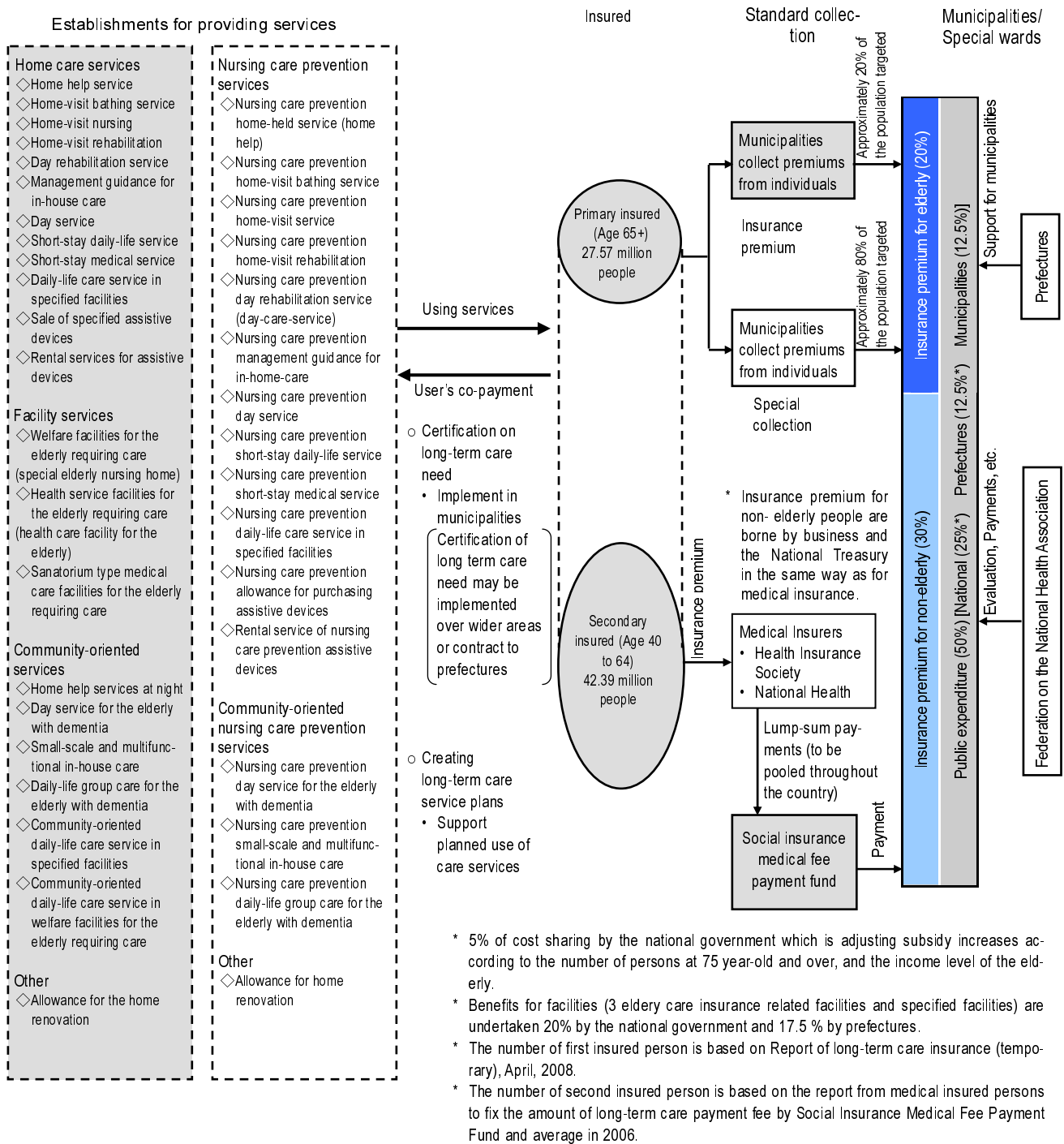
For the provision of long-term care services as benefits in kind, selection by the person requiring long-term care shall be regarded highly; services will be carried out by a provider chosen by the recipient of the care from a list of locally approved long-term care service providers (see VI-10). Users 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 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. Since then, however, they have increased to 31.5 million and 9.83 million

respectively as of FY2007.

While long-term care insurance has thus grown, the deterioration of long-term care insurance finances in municipalities with high proportions of older people prompted the revision of the Long-term Care Insurance Act in 2005. As a result, preventing people from requiring care and promoting the provision of community-based services through the establishment of regional comprehensive support centers were incorporated into the framework of long-term care insurance. In order to enable older people to receive care services while remaining in their own communities, the “Community Care Development Initiative” was announced in 2008. This calls for the use of diverse networks involved in the delivery of care, such as the involvement of NPOs as well as local medical institutions and the authorities in assisting people in need of care, and measures are now being implemented in accordance with the initiative in individual municipalities.

VI-10 Long-Term Care Insurance System



# Appendix (International Comparisons)

## Appendix 1 Population, Labor Force and Labor Force Participation Rate by Sex and Age (2007)

(1,000 persons, %)

Age group	Japan <sup>1)</sup>								
	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
0-14	17,330	8,880	8,450	—	—	—	—	—	—
15-19	6,320	3,240	3,080	1,030	530	500	16.3	16.4	16.2
20-24	7,260	3,730	3,540	5,070	2,610	2,460	69.8	70.0	69.5
25-29	7,840	3,990	3,850	6,670	3,750	2,920	85.1	94.0	75.8
30-34	9,420	4,770	4,640	7,590	4,620	2,970	80.6	96.9	64.0
35-39	9,400	4,750	4,650	7,590	4,590	2,990	80.7	96.6	64.3
40-44	8,150	4,100	4,040	6,890	3,980	2,910	84.5	97.1	72.0
45-49	7,720	3,870	3,850	6,670	3,750	2,910	86.4	96.9	75.6
50-54	8,120	4,050	4,070	6,760	3,880	2,880	83.3	95.8	70.8
55-59	10,540	5,220	5,330	8,100	4,860	3,240	76.9	93.1	60.8
60-64	8,360	4,070	4,290	4,830	3,030	1,810	57.8	74.4	42.2
65-69	7,800	3,730	4,070	2,860	1,810	1,050	36.7	48.5	25.8
70-74	6,900	3,180	3,720	1,520	970	550	22.0	30.5	14.8
75+	12,610	4,730	7,880	1,110	680	430	8.8	14.4	5.5
15-64	83,130	41,790	41,340	61,200	35,600	25,590	73.6	85.2	61.9
65+	27,310	11,640	15,680	5,490	3,460	2,030	20.1	29.7	12.9
Total (15+)	110,440	53,430	57,010	66,690	39,060	27,620	60.4	73.1	48.4
Total	127,770	62,310	65,460	66,690	39,060	27,630	52.2	62.7	42.2

Age group	United States of America <sup>2)</sup>								
	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
16-19	16982	8618	8364	7012	3541	3471	41.3	41.1	41.5
20-24	20427	10291	10137	15205	8095	7110	74.4	78.7	70.1
25-29	20607	10336	10271	17130	9441	7689	83.1	91.3	74.9
30-34	19144	9523	9622	16000	8867	7132	83.6	93.1	74.1
35-39	20738	10247	10491	17292	9531	7761	83.4	93	74
40-44	21664	10663	11000	18235	9768	8467	84.2	91.6	77
45-49	22661	11125	11536	18903	9995	8908	83.4	89.8	77.2
50-54	20882	10187	10695	16795	8806	7988	80.4	86.4	74.7
55-59	18194	8807	9388	13104	6848	6257	72	77.8	66.6
60-64	14339	6851	7488	7646	4057	3589	53.3	59.2	47.9
65-69	10708	4986	5722	3179	1710	1469	29.7	34.3	25.7
70-74	8461	3825	4636	1457	810	647	17.2	21.2	14
75+	17059	6714	10345	1167	668	499	6.8	9.9	4.8
16-64	195638	96648	98992	147322	78949	68372	75.3	81.7	69.1
65+	36228	15525	20703	5803	3188	2615	16.0	20.5	12.6
Total (16+)	231866	112173	119695	153124	82136	70988	66.0	73.2	59.3

Age group	United Kingdom <sup>3)</sup>								
	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
15-19	3,128	1,592	1,536	1,663	848	815	53.2	53.3	53.1
20-24	3,770	1,866	1,904	2,843	1,509	1,334	75.4	80.9	70.1
25-29	3,694	1,800	1,894	3,112	1,662	1,450	84.2	92.3	76.6
30-34	3,763	1,823	1,940	3,169	1,715	1,454	84.2	94.1	74.9
35-39	4,408	2,143	2,265	3,716	1,983	1,733	84.3	92.5	76.5
40-44	4,587	2,252	2,335	3,935	2,084	1,851	85.8	92.5	79.3
45-49	4,187	2,064	2,123	3,571	1,868	1,703	85.3	90.5	80.2
50-54	3,719	1,834	1,885	3,071	1,608	1,463	82.6	87.7	77.6
55-59	3,764	1,850	1,914	2,691	1,438	1,253	71.5	77.7	65.5
60-64	3,445	1,687	1,758	1,585	1,000	585	46.0	59.3	33.3
65-69	2,687	1,297	1,390	425	275	150	15.8	21.2	10.8
70-74	2,326	1,090	1,236	155	99	56	6.7	9.1	4.5
75+	4,248	1,704	2,544	70	43	27	1.6	2.5	1.1
15-64	38465	18911	19554	29356	15715	13641	76.3	83.1	69.8
65+	9,261	4,091	5,170	650	417	233	7.0	10.2	4.5
Total (15+)	47726	23002	24724	30006	16132	13874	62.9	70.1	56.1

Age group	Germany <sup>4)</sup>								
	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
0-9	7,161	3,654	3,507	—	—	—	—	—	—
10-14	3,901	2,021	1,881	—	—	—	—	—	—
15-19	4,812	2,508	2,304	1,558	875	682	32.4	34.9	29.6
20-24	4,872	2,517	2,356	3,469	1,877	1,592	71.2	74.6	67.6
25-29	4,901	2,457	2,444	3,985	2,129	1,856	81.3	86.7	75.9
30-34	4,712	2,393	2,319	4,067	2,271	1,796	86.3	94.9	77.4
35-39	6,154	3,111	3,043	5,445	2,999	2,446	88.5	96.4	80.4
40-44	7,297	3,722	3,574	6,553	3,560	2,993	89.8	95.6	83.7
45-49	6,348	3,175	3,174	5,661	2,997	2,663	89.2	94.4	83.9
50-54	5,726	2,858	2,868	4,883	2,612	2,271	85.3	91.4	79.2
55-59	5,293	2,610	2,684	3,948	2,158	1,791	74.6	82.7	66.7
60-64	4,434	2,183	2,252	1,601	984	616	36.1	45.1	27.4
65-69	5,593	2,672	2,920	400	246	154	7.2	9.2	5.3
70-74	4,198	1,937	2,261	139	86	53	3.3	4.4	2.3
75+	6,854	2,454	4,400	62	40	22	0.9	1.6	0.5
15-64	54,549	27,534	27,018	41,170	22,462	18,706	75.5	81.6	69.2
75+	16,645	7,063	9,581	601	372	229	3.6	5.3	2.4
Total (15+)	71,194	34,597	36,599	41,771	22,834	18,935	58.7	66.0	51.7
Total	82,257	40,271	41,986	41,771	22,834	18,936	50.8	56.7	45.1

Age group	France <sup>5)</sup>								
	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
15-19	4,180	2,135	2,045	639	404	235	15.3	18.9	11.5
20-24	3,670	1,831	1,839	2,266	1,188	1,079	61.8	64.9	58.6
25-29	3,897	1,950	1,947	3,410	1,820	1,590	87.5	93.4	81.7
30-34	4,005	1,995	2,010	3,548	1,917	1,630	88.6	96.1	81.1
35-39	4,252	2,116	2,136	3,807	2,035	1,772	89.5	96.2	83.0
40-44	4,384	2,158	2,225	3,941	2,056	1,885	89.9	95.3	84.7
45-49	4,186	2,021	2,166	3,724	1,895	1,829	89.0	93.8	84.5
50-54	4,106	2,005	2,101	3,479	1,811	1,668	84.7	90.3	79.4
55-59	4,080	1,993	2,087	2,389	1,234	1,155	58.5	61.9	55.3
60-64	3,093	1,512	1,581	506	265	241	16.4	17.5	15.2
65-69	2,333	1,111	1,222	83	52	32	3.6	4.6	2.6
70-74	2,372	1,058	1,314	35	21	14	1.5	2.0	1.1
75+	4,869	1,867	3,002	16	10	6	0.3	0.5	0.2
15-64	39852	19716	20136	27709	14625	13084	69.5	74.2	65.0
65+	9,573	4,036	5,537	134	82	52	1.4	2.0	0.9
Total (15+)	49,426	23,752	25,674	27,843	14,707	13,136	56.3	61.9	51.2

Age group	Italy <sup>5)</sup>								
	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
0-9	5,628	2,893	2,735	—	—	—	—	—	—
10-14	2,699	1,386	1,313	—	—	—	—	—	—
15-19	2,940	1,510	1,430	324	205	119	11.0	13.6	8.4
20-24	3,109	1,578	1,531	1,547	912	636	49.8	57.8	41.5
25-29	3,672	1,851	1,821	2,637	1,488	1,149	71.8	80.4	63.1
30-34	4,522	2,283	2,240	3,629	2,101	1,528	80.2	92.0	68.2
35-39	4,793	2,418	2,375	3,890	2,279	1,611	81.2	94.2	67.8
40-44	4,818	2,418	2,400	3,846	2,274	1,572	79.8	94.0	65.5
45-49	4,214	2,096	2,118	3,289	1,955	1,333	78.1	93.3	63.0
50-54	3,793	1,869	1,923	2,738	1,674	1,065	72.2	89.5	55.4
55-59	3,799	1,858	1,941	1,795	1,124	671	47.2	60.5	34.6
60-64	3,284	1,586	1,698	654	471	183	19.9	29.7	10.8
65-69	3,298	1,553	1,745	242	187	55	7.3	12.0	3.2
70-74	2,835	1,276	1,558	88	71	16	3.1	5.6	1.1
75+	5,475	2,054	3,421	48	38	10	0.9	1.8	0.3
15-64	38,946	19,467	19,479	24,350	14,483	9,867	62.5	74.4	50.7
65+	11,607	4,883	6,724	378	296	82	3.3	6.1	1.2
Total (15+)	50,553	24,350	26,203	24,728	14,779	9,949	48.9	60.7	38.0
Total	58,880	28,629	30,251	24,728	14,779	9,949	42.0	51.6	32.9

Republic of Korea <sup>7)</sup>									
Age group	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
15-19	3,202	1,670	1,532	232	108	124	7.3	6.5	8.1
20-24	2,735	1,147	1,588	1,439	542	896	52.6	47.3	56.5
25-29	3,918	1,987	1,931	2,859	1,543	1,316	73.0	77.7	68.2
30-34	3,933	2,005	1,929	2,886	1,849	1,036	73.4	92.2	53.7
35-39	4,349	2,206	2,142	3,347	2,091	1,256	77.0	94.8	58.6
40-44	4,101	2,078	2,023	3,313	1,966	1,347	80.8	94.6	66.6
45-49	4,181	2,098	2,083	3,305	1,952	1,354	79.1	93.0	65.0
50-54	3,401	1,704	1,697	2,535	1,528	1,007	74.5	89.7	59.3
55-59	2,472	1,230	1,242	1,645	1,016	629	66.6	82.6	50.6
60-64	2,007	975	1,032	1,130	678	453	56.3	69.5	43.9
65-69	1,861	851	1,010	806	469	338	43.3	55.1	33.4
70-74	1,430	615	815	470	256	215	32.9	41.6	26.3
75+	1,580	517	1,063	247	125	122	15.6	24.2	11.4
15-64	34,299	17,101	17,198	22,692	13,274	9,418	66.2	77.6	54.8
65+	4,871	1,983	2,889	1,524	850	674	31.3	42.9	23.3
Total (15+)	39,170	19,084	20,086	24,216	14,124	10,092	61.8	74.0	50.2

Singapore <sup>8)</sup>									
Age group	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
15-19	273	143	129	37	22	15	13.5	15.2	11.8
20-24	214	110	104	143	74	68	66.5	67.5	65.5
25-29	239	113	126	215	106	109	89.9	93.6	86.6
30-34	289	137	153	254	134	119	87.7	98.2	78.2
35-39	305	149	156	258	146	111	84.5	98.1	71.5
40-44	318	157	161	263	152	111	82.9	97.2	69.0
45-49	325	159	165	262	154	108	80.8	96.6	65.5
50-54	285	143	143	220	134	86	77.2	94.0	60.4
55-59	230	117	113	152	99	53	66.0	84.5	46.8
60-64	144	70	75	67	46	22	46.8	65.5	29.1
65+	324	142	182	48	33	15	14.8	23.6	8.0
15-64	2,621	1,297	1,325	1,870	1,067	804	71.4	82.3	60.7
Total (15+)	2,945	1,438	1,506	1,918	1,100	818	65.1	76.5	54.3

Thailand <sup>9)</sup>									
Age group	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
0-14	14,681	7,496	7,185	-	-	-	-	-	-
15-19	5,256	2,684	2,573	1,498	932	566	28.5	34.7	22.0
20-24	5,283	2,684	2,599	3,716	2,112	1,603	70.3	78.7	61.7
25-29	5,332	2,694	2,638	4,663	2,543	2,120	87.5	94.4	80.4
30-34	5,412	2,672	2,740	4,891	2,580	2,311	90.4	96.6	84.3
35-39	5,497	2,645	2,852	5,032	2,569	2,463	91.5	97.1	86.4
40-49	10,199	4,888	5,311	9,196	4,746	4,450	90.2	97.1	83.8
50-59	7,067	3,372	3,695	5,829	3,139	2,690	82.5	93.1	72.8
60+	7,073	3,152	3,921	2,787	1,626	1,161	39.4	51.6	29.6
Total (15+)	51,119	24,790	26,329	37,612	20,247	17,364	73.6	81.7	66.0
Total	65,800	32,286	33,514	37,612	20,247	17,364	57.2	62.7	51.8

Sources: United Kingdom, EU15: OECD.Stat Extracts (<http://stats.oecd.org/wbos/>), October, 2008.

Others, ILO LABORSTA (<http://laborsta.ilo.org/>), October, 2008.

- Notes: 1) Current working population published in the Annual Report on the Labour Force Survey by Ministry of Internal Affairs and Communications (2008); this covers Japanese and non-Japanese of 15 years of age or older who have resided in Japan for more than three months and does not include diplomats from other countries or U.S. military personnel stationed in Japan. Members of the Self-Defense Forces and inmates of correctional facilities are included.
- 2) Compiled from the Current Population Survey (CPS) by the U.S. Department of Commerce (2008). This covers the population that is 16 years of age or older not committed to correctional facilities and does not include military personnel, inmates of correctional facilities, diplomats from other countries or U.S. citizens residing abroad.
- 3) Compiled from the "Labour Force Survey" by the U.K. Office for National Statistics. This covers the population that is 16 years of age or older not committed to correctional facilities. Professional soldiers are included, but drafted soldiers are not.
- 4) Compiled from the "Microcensus" by the Federal Statistical Office of Germany and the "EU Labour Force Survey"; this covers the domestic residents that are 15 years of age or older, including military personnel and inmates of correctional facilities and does not include the diplomats from other countries or foreign military forces stationed in the country.
- 5) The population that is 15 years of age or older based upon the "Labour Force Survey"
- 6) Compiled from the "Labour Force Survey" by the Istituto Nazionale di Statistica (Istat); this covers the population that is 15 years of age or older not committed to correctional facilities.
- 7) Inhabitant population based upon the "Labour Force Survey" by the National Statistical Office of South Korea; this covers domestic residents that are 15 years of age or older not committed to correctional facilities and does not include military personnel, inmates of correctional facilities or aliens residing in South Korea.
- 8) Compiled from the "Labour Force Survey" by the Ministry of Manpower of Singapore; this covers the population that is 15 years of age or older not committed to correctional facilities and does not include tourists, transient residents or commuters from other countries.
- 9) Compiled from the "Labour Force Survey" by the National Statistical Office of Thailand; this covers the population that is 13 years of age or older not committed to correctional facilities and does not include the inmates of correctional facilities or military personnel.



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

(%)

Country	FY	1995	2000	2003	2004	2005	2006	2007	2008
JAPAN	Total	–	16.3	18.2	18.1	18.2	18	18.9	19.6
	Men	–	7.4	8.9	8.8	8.8	8.5	9.2	9.9
	Women	–	29.1	31.5	31.3	31.6	31.3	32.6	33.2
UNITED STATES OF AMERICA	Total	14	12.6	13.2	13.2	12.8	12.6	12	12.2
	Men	8.3	7.7	8	8.1	7.8	7.8	7.2	7.5
	Women	20.2	18	18.8	18.8	18.3	17.8	17.1	17
CANADA	Total	18.8	18.1	18.9	18.5	18.3	18.1	18.2	18.4
	Men	10.8	10.3	11.1	10.9	10.8	10.9	11	11.3
	Women	28.5	27.2	27.9	27.2	26.9	26.2	26.1	26.4
UNITED KINGDOM	Total	22.3	23	23.7	24	23.4	23.3	23	22.9
	Men	7.4	8.6	9.7	9.7	9.8	9.9	9.8	10.2
	Women	40.8	40.8	40	40.3	39.1	38.7	38.4	37.7
GERMANY	Total	14.2	17.6	19.6	20.1	21.8	22	22.2	22.1
	Men	3.4	4.8	5.9	6.3	7.4	7.6	7.9	8.2
	Women	29.1	33.9	36.3	37	39.4	39.1	39.2	38.6
FRANCE	Total	14.2	14.2	12.9	13.3	13.4	13.3	13.4	13.4
	Men	5.6	5.5	4.7	4.7	5.2	5.2	5	5.2
	Women	24.8	24.9	22.7	23.4	23	22.6	23.1	22.7
ITALY	Total	10.5	12.2	12	14.8	14.6	14.9	15.1	16.3
	Men	4.8	5.7	4.9	5.6	5.1	5.3	5.4	6.6
	Women	21.1	23.4	23.6	28.7	29.2	29.4	29.9	31
SWEDEN	Total	15.1	14	14.1	14.4	13.5	13.4	14.4	14.4
	Men	6.8	7.3	7.9	8.5	8.5	8.4	9.5	9.6
	Women	24.1	21.4	20.6	20.8	19	19	19.7	19.6
REPUBLIC OF KOREA	Total	4.3	7	7.7	8.4	9	8.8	8.9	9.3
	Men	2.8	5.1	5.3	5.9	6.5	6.3	6.3	6.5
	Women	6.6	9.8	11.2	11.9	12.5	12.3	12.5	13.2
AUSTRALIA	Total	–	–	24.3	23.8	24	23.9	23.7	23.8
	Men	–	–	12.2	12	12	12.2	12.3	12.3
	Women	–	–	39.3	38.4	38.7	38.2	37.7	37.7

Source: OECD.Stat database on "Incidence of FTPT employment" (<http://stats.oecd.org/wbos/>) September, 2009

Note: The figures 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 Rates (Officially Published National Sources)

(%)

Country or region	1995	2000	2002	2003	2004	2005	2006	2007
JAPAN	3.2	4.7	5.4	5.3	4.7	4.4	4.1	3.9
UNITED STATES OF AMERICA <sup>2)</sup>	5.6	4.0	5.8	6.0	5.5	5.1	4.6	4.6
CANADA <sup>11)</sup>	9.5	6.8	7.7	7.6	7.2	6.8	6.3	6.0
UNITED KINGDOM <sup>2), 4)</sup>	8.6	5.4	5.2	5.1	4.8	4.9	5.4	5.3
GERMANY <sup>1), 4)</sup>	10.1	7.9	8.7	10.0	11.0	11.1	10.3	8.6
FRANCE <sup>4)</sup>	11.6	10.0	8.9	8.5	8.8	8.8	8.8	8.0
ITALY	11.3	10.5	9.0	8.7	8.0	7.7	6.8	6.1
SWEDEN <sup>2), 3)</sup>	7.7	4.7	4.0	4.9	5.5	6.0	5.4	6.1
RUSSIA <sup>2), 4)</sup>	9.5	9.8	7.9	8.0	7.8	7.2	7.2	6.1
CHINA <sup>4), 5)</sup>	2.9	3.1	4.0	4.3	4.2	4.2	4.1	4.0
CHINA, HONG KONG SAR <sup>12)</sup>	3.2	4.9	7.3	7.9	6.8	5.6	4.8	4.0
TAIWAN	1.8	3.0	5.2	5.0	4.4	4.1	5.1	5.1
REPUBLIC OF KOREA	2.0	4.4	3.3	3.6	3.7	3.7	3.5	3.2
SINGAPORE <sup>4), 6)</sup>	2.7	3.8	5.6	5.9	5.8	—	4.5	4.0
MALAYSIA <sup>2), 7)</sup>	3.1	3.0	3.5	3.6	3.5	3.5	3.3	3.2
THAILAND <sup>2), 3), 4)</sup>	1.1	2.4	1.8	1.5	1.5	1.4	1.2	1.2
INDONESIA <sup>4)</sup>	4.0	6.1	9.1	9.7	9.9	11.2	10.3	9.1
PHILIPPINES <sup>4)</sup>	8.4	10.1	10.2	10.2	10.9	7.4	7.4	7.3
AUSTRALIA <sup>8)</sup>	8.4	6.4	6.4	5.9	5.5	5.0	4.8	4.4
NEW ZEALAND <sup>3), 9)</sup>	6.3	6.0	5.2	4.7	3.9	3.7	3.8	3.6
BRAZIL <sup>2), 4), 10)</sup>	6.1	9.4	9.2	9.7	8.9	9.3	8.4	—

Sources: Japan, Statistics Bureau, Ministry of Internal Affairs and Communications, *Annual Labour Force Survey*, 2007.

U. K., National Statistics "Labour Market Trends" (<http://www.statistics.gov.uk/>) as of Oct., 2008.

Others, ILO LABORSTA (<http://laborsta.ilo.org/>) as of Oct., 2008.

Notes: The surveys cover the population that is 15 years of age or older, in principle.

- 1) 16 years of age or older.
- 2) The values from 1995 cannot be compared precisely with those from the subsequent years, as there was a change in the measurement method.
- 3) Value from every March (value from every April until 2002); the values from 2005 and earlier cannot be compared precisely with those from the subsequent years, as there was a change in the measurement method.
- 4) As of March before 2002.
- 5) 15 years of age or older.
- 6) 16-64 years of age. The values before 2005 cannot be compared precisely with those from the subsequent years, as there was a change in the measurement method.
- 7) 15-72 years of age.
- 8) As of December each year. Figures in urban areas.
- 9) Permanent residents of 15 years of age or older (value in 1995 is the population for 15 years of age or older). As of June each year. The values shown in the 2000 column are from 2001.
- 10) 15-64 years of age.
- 11) 3rd quarter each year. 13 years of age or older before 2001.
- 12) As of May each year. As of February from 2006. The values shown in the 1995 column are from 1996, and covers 10 years of age or older.
- 13) As of October each year. The values before 2005 cannot be compared precisely with those from the subsequent years, as there was a change in the measurement method.
- 14) 10 years of age or older. As of September each year. Six local cities (Rondonia, Acre, Amazonas, Roraima, Para and Amapa) are excluded. The values shown in the 2000 column are from 2001.

## Appendix 4 Wages, Manufacturing

(Total)

Country or region		1995 Year	2000	2002	2003	2004	2005	2006	2007	Note <sup>1)</sup>	
Japan <sup>2)</sup>	Yen/month	JPN	390,600	406,707	401,469	410,817	419,768	419,656	425,059	411,375	E
	Yen/day		19,727	20,645	20,483	20,854	21,200	21,411	21,577	20,989	
	Yen/hour		2,383	2,469	2,451	2,481	2,503	2,516	2,532	2,455	
United States of America <sup>3)</sup>	US\$/h	USA	12.34	14.32	15.29	15.74	16.15	16.56	16.80		E w
Canada <sup>4)</sup>	CAN\$/h	CAN	16.62	18.25	19.17	19.76	20.28	20.65	20.76	21.58	E w
United Kingdom <sup>5)</sup>	Pound/h	GBR	7.85	10.10	11.12	11.65	12.03	12.51	12.87	13.20	E e
Germany <sup>6)</sup>	Euro/h	DEU	25.46	27.78	14.72	15.09	15.40	15.60	15.74	19.09	E w
France <sup>7)</sup>	Euro/h	FRA	52.78	10.20	11.50	12.00	12.30	12.56	–		E e
Italy <sup>8)</sup>	Index	ITA	131.3	114.4	104.5	107.2	110.7	113.5	117.3		R e
Sweden <sup>9)</sup>	Krona/h	SWE	107.0	111.3	118.2	122.0	126.1	129.9	133.8	139.5	E w
Russia <sup>10)</sup>	Ruble/m	RUS	464,792	2,365	4,439	5,603	6,849	8,421	10,199	12,879	E e
China	Yuan/m	CHN	431	729	917	1,041	1,169	1,313	1,497	1,740	E e
Hong Kong	HK\$/d	HKG	278.0	335.4	326.1	322.2	324.3	279.0	321.7	342.8	R w
Republic of Korea <sup>11)</sup>	1,000 Won/m	KOR	1,124	1,602	1,907	2,074	2,280	2,458	2,595	2,772	E e
Singapore <sup>12)</sup>	SG\$/m	SGP	2,157	3,036	3,154	3,265	3,350	3,495	3,618	3,764	E e
Thailand <sup>13)</sup>	Baht/m	THA	4,994	5,839	6,795	6,432	6,129	6,407	6,942	6,999	R e
Philippines <sup>14)</sup>	Peso/d	PHL	6,654	230.7	234.3	237.7	236.7	252.8	274.8	276.5	R e
India <sup>15)</sup>	Rupee/m	IND	1,211	1,281	1,159	1,079	1,732	1,234	–		E w
Australia <sup>16)</sup>	AU\$/h	AUS	15.59	18.16	20.45	–	22.77	–	25.36		E e
New Zealand <sup>17)</sup>	NZ\$/h	NZL	14.56	16.97	18.10	18.50	19.29	19.58	20.51		E e
Brazil <sup>18)</sup>	Real/m	BRA	631	763	902	–	–	–	–		E e

Sources: ILO LABORSTA (<http://laborsta.ilo.org/>), Ministry of Health, Labour and Welfare, *Monthly Labour Survey, 2007*.

- Notes: 1) E = Earnings, R = Wage rate, e = Employees (wage workers and salary employees), w = Wage workers (site or production worker). Salary employees refer to clerical, managerial, technical and professional workers.
- 2) Regular workers of the business institutions employing 30 or more workers in the monthly labor surveys: bonus and other specially-paid wages are included. The working hours refer to the total hours actually worked.
- 3) Production workers of the private sector (excluding managerial workers)
- 4) Employees on hourly wages: overtime wages are included.
- 5) Value from April every year; Northern Ireland is not included. Wage rates for adult full-time workers; overtime wages are not included.
- 6) The value for 1995 consists of the former West Germany areas. Family allowances paid directly by employers are included. Values for 2000 or earlier are shown in DEM. EUR1.00 = DEM1.95583.
- 7) Value from every October; those subject to the survey were changed in and after 1998. The unit before 1998 is franc/hour. EUR1.00 = FR6.55957.
- 8) The index number for 1995 is based on the value of 1990 as 100; the index number for 2000 is based on the value of December 1995 as 100; and the index number for 2002 is based on the value of December 2000 as 100.
- 9) Private sector. The value for 1995 is the value for adults in the second quarter of the year. The value for 2000 is the value for adults during September through October of the year. Allowances for vacation, sick leave and overtime work are not included, except in the value for 1995, which includes allowances for vacation and sick leave, as well as valuation for wages in kind.
- 10) The values for 1997 and after are shown in the new ruble; new RUB1 = old RUB1000.
- 11) Unit 1,000; family allowances and valuation for wages in kind are included; business institutions with 10 regular employees or more.
- 12) Statistical techniques were changed in 1998. Industry classification was changed in 2006.
- 13) Value from every March; wage rate for normal working hours in business institutions except state enterprises.
- 14) The value for 1995 is the wage per month for business institutions with 20 employees or more, calculated based on the annual wages. The values shown in the 2000 column are from 2001. The values for 2002 and after are the daily wages.
- 15) The values fluctuate due to the change in the scope of workers surveyed.
- 16) Full-time non-managerial workers; value from every May. The industry classification was changed in and after 1996.
- 17) The corporations with 0.5 full-time employee (or equivalent) or more; value from every February.
- 18) The value is as of December every year.

**Appendix 5 Working Hours per Year (Estimated Value, Manufacturing, Production Employee in Principle)**

(Hours)

Year	Japan		United States		United Kingdom		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 )	1,906	( 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 )	1,902	( 151 )	1,529		1,554
2002	1,954	( 171 )	1,952	( 213 )	1,888	( 135 )	1,525		1,539
2003	1,975	( 189 )	1,929	( 218 )	1,888	( 130 )	1,525		1,538
2004	1,996	( 199 )	1,948	( 239 )	1,888	( 130 )	1,525		1,538
2005	1,988	( 200 )	1,943	( 239 )	1,869	( 125 )	1,525		1,537
2006	2,003	( 209 )	1,962	( 229 )	1,874	( 125 )	1,538		1,537

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 Trade Union Membership and Density Rates (National Official Statistics)

(thousands, %)

Country	1995	2000	2002	2003	2004	2005	2006	2007
<b>Japan</b>								
Membership	12,614	11,539	10,801	10,531	10,309	10,138	10,041	10,080
Density rates	23.8	21.5	20.2	19.6	19.2	18.7	18.2	18.1
<b>United States of America</b>								
Membership	16,360	16,258	16,145	15,776	15,472	15,685	15,359	15,670
Density rates	14.9	13.5	13.3	12.9	12.5	12.5	12.0	12.1
<b>United Kingdom<sup>1)</sup></b>								
Membership	6,791	6,636	6,577	6,524	6,513	8,360	6,279	7,084
Density rates	32.6	29.7	29.2	29.3	28.8	29.0	28.4	28.0
<b>Germany<sup>2)</sup></b>								
Membership	11,242	9,740	9,200	8,930	8,580	6,394	8,170	
Density rates	36.0	29.0	26.6	25.8	24.8	24.4	23.6	
<b>France</b>								
Membership	–	–	–	1,845	–	–	–	–
Density rates	–	–	–	8.2	–	–	–	–
<b>Republic of Korea</b>								
Membership	–	1,526	1,606	1,550	1,537	1,506	1,559	1,688
Density rates	–	12.0	11.6	11.0	10.6	10.3	10.3	10.8
<b>Singapore</b>								
Membership	235	314	390	417	444	450	463.4	494.7
Density rates	13.8	15.0	18.1	19.5	20.1	19.4	18.6	18.1
<b>Thailand<sup>3)</sup></b>								
Membership	243	–	–	–	( 328 )	–	–	–
Density rates	2.3	–	–	–	( 2.0 )	–	–	–
<b>Philippines</b>								
Membership	3,587	3,778	1,469	1,517	1,572	1,910	1,909	
Density rates	30.2	27.2	–	–	–	–	–	
<b>Australia</b>								
Membership	2,252	1,902	1,834	1,867	1,842	1,912	1,786	1,696
Density rates	32.7	24.7	23.1	23.0	22.7	22.4	20.3	18.9

Sources: Japan, Ministry of Health, Labour and Welfare, *Basic Survey on Labour Unions, 2007*.

U.S., U.S. Bureau of Labor Statistics (Jan. 2008) Union Members in 2007.

U.K., Department for Business (Jul. 2008) Trade Union Membership 2007.

Republic of Korea, Ministry of Labor (<http://molab.go.kr/>), as of January 2009.Singapore, Ministry of Manpower (<http://www.mom.gov.sg/publish/momportal/en/home.html>), as of December 2008.

Australia, Australian Bureau of Statistics (Apr. 2008) Employee Earnings, Benefits and Trade Union Membership, Australia, August 2007.

Others, Ministry of Health, Labour and Welfare, *White Paper Concerning the Overseas Situation, 2007-2008* etc.

Notes: 1) 2005 and earlier: fall, 2006: 4th quarter

2) The membership consists of the DGB (Deutscher Gewerkschaftsbund), DBB (Deutschen Beamtenbundes) and CGB (Christlicher Gewerkschaftsbund). In and after 2004, the membership of the CGB is estimated to be approximately 300,000, though the actual number is unknown.

3) The figures for 2004 are in round numbers.

# Index

## A

Act on Promoting the Resolution of Individual Labor Disputes, 105  
 annual paid leave, 80, 128, 136  
 annual working hours, 80  
 association-managed health insurance, 157

## B

baby boomers, 9, 116  
 bank of human resources, 131  
 basic pension, 151, 154, 155  
 birthrate decline, 148  
 bubble economy, 2, 3, 17, 32, 96, 97

## C

care services, 137, 157, 160, 161  
 career development, 11, 38, 68, 73, 133, 145, 146  
 Central Minimum Wage Council, 136, 138, 139  
 Child Care, 71, 137  
 Child Care and Family Care Leave Act, 71, 137  
 collective bargaining, 88, 93, 99, 102, 103  
 collective dismissals, 72  
 collective labor disputes, 9  
 completely unemployed persons, 19  
 Comprehensive Support Center for Student Employment, 131  
 compulsory benefit costs, 83, 84

## D

de-facto working hours, 82  
 disabled workers, 121  
 disciplinary dismissals, 72  
 discretionary scheduling system, 82  
 dismissals, 38, 70, 71, 72, 104, 105, 109, 110  
 dispatched workers, 10, 21, 28, 35, 36, 37, 41, 47, 94, 112, 127, 129  
 diversification of employment, 21, 93

## E

employees' pensions, 154, 155  
 employment insurance, 10, 57, 58, 113, 145, 146, 148, 149  
 employment measures for young people, 114  
 employment quota system for disabled persons, 120  
 employment structure, 31, 33  
 enterprise labor unions, 93  
 enterprise unions, 10, 88, 91, 93, 95  
 estimated unionization rate, 91  
 Equal Opportunity and Treatment between Men and Women in Employment, 124

## F

family care leave, 71, 137  
 foreign population, 17  
 foreign workers, 51, 52, 53, 54, 55, 56, 57, 58, 132, 133, 135  
 forms of employment, 21, 47, 97, 99, 125, 132  
 freeters, 7, 13, 41, 73, 113, 114, 128, 145, 146  
 Fundamental Policy for Employment Measures for Disabled Persons, 120, 122  
 future population, 151

## G

government-managed health insurance, 157, 159

## H

Hello Work Plaza, 131  
 high economic growth, 17, 32  
 hiring process, 63

## I

Industrial Accident Prevention Plan, 141  
 industrial safety and health measures, 141  
 industry trade unions, 91, 93  
 In-house labor-management relations, 88  
 In-house Training, 73  
 insurance premiums, 141, 142, 148, 157  
 internet, 63, 64, 115  
 IT, 35

## J

Japanese-style dual education system, 146  
 Japanese employment practices, 129, 132  
 Japanese-style employment systems, 10, 11  
 job creation, 28, 112  
 job wages, 77

## K

Karoshi, Karoshi (death from overwork), 82

## L

labor costs, 3, 21, 38, 80, 85  
 labor disputes, 9, 95, 99, 100, 104, 105, 107  
 labor force, 9, 12, 13, 16, 19, 20, 24, 43, 44, 124, 136, 138  
 labor force participation rate, 43, 44, 136  
 Labor Standards Act, 58, 71, 72, 79, 80, 128  
 labor tribunal system, 9, 107  
 labor unions, 9, 88, 89, 91, 92, 93, 95, 96, 99  
 labor-management consultation, 88  
 labor's basic rights, 93  
 legal employment quotas, 120  
 levy and grant system for employing persons with disabilities, 120, 122  
 life-long employment, 73  
 long-term care insurance, 27, 83, 84, 148, 150, 154, 157, 160, 161  
 long-term employment, 10, 11, 60, 61, 73, 85, 88, 89, 91

## M

"M" curve, 20  
 mandatory retirement system, 44, 70, 71  
 medical insurance, 95, 148, 157, 158, 161  
 mid-career job seeker, 62  
 Minimum Wage Act, 136, 138  
 Minimum Wage Council, 136, 138, 139, 140  
 mutual aid pensions, 154

## N

national centers, 88, 93, 95  
 national health insurance, 157, 159  
 NEET, 13, 42, 73, 114  
 new graduate market, 62  
 non-regular staff, 35, 93  
 non-scheduled working hours, 79, 80

## O

Off-JT, 74, 76  
 oil crises, 2  
 OJT, 73, 74, 75, 88

## P

part-time job bank, 131  
 part-time workers, 7, 8, 9, 13, 35, 36, 37, 41, 47, 79, 89, 90, 93, 94, 97, 107, 121, 125, 126, 127, 141  
 pattern setter, 96  
 pension insurance, 58, 83, 84, 156  
 periodic recruitment of new graduates, 88  
 Plaza Accord, 10, 52  
 Plaza Agreement, 2  
 points considered important when hiring, 64, 65  
 population growth rate, 16  
 positive action, 50, 51, 124, 136  
 Public Employment Security Offices, 120, 122, 123, 131  
 public pensions, 155  
 public vocational training, 145

## R

ratio of active job openings, 7, 26  
 regional divide, 26  
 regional migrations, 16  
 regional minimum wages, 136, 138, 139  
 Regional Minimum Wage Council, 139  
 regular staff, 35, 93  
 retirement, 44, 46, 61, 64, 70, 71, 72, 78, 84, 85, 86, 88, 93, 94, 109, 110, 113, 116, 117, 118, 119, 124, 148, 149, 154, 156  
 retirement benefits system, 84

## S

safety net, 10, 22, 113, 146  
 scheduled working hours, 15, 79, 80, 81, 82, 127, 139  
 seniority-based wages, 10, 11  
 seniority-based wage system, 78, 89  
 service sector, 21  
 sexual harassment, 104, 124  
 Shunto (spring labor offensive), 8, 88, 89, 96, 97  
 Silver Human Resource Center, 117, 118, 119  
 social insurance premium, 148  
 social security costs, 148  
 social security system, 85, 117, 137, 148, 151  
 spring wage offensive, 8, 88, 96

subcontract, 37, 57, 94, 129, 130, 132

**U**

unemployment rate, 2, 7, 22, 24, 25, 26, 28, 40, 43, 44, 45,  
112, 114

unionization rate, 9, 89, 90, 91, 92, 93, 99

**V**

variable scheduling system, 81

**W**

wage system, 8, 61, 77, 78, 85, 89, 136, 138, 142

Workers' Compensation Insurance System, 141, 142

working conditions, 9, 38, 58, 88, 93, 95, 97, 104, 105, 106,  
113, 125, 128, 129, 130, 135, 136, 138

work-life balance, 9, 12, 50, 51, 136, 137



## Contributing Authors

- Hirokazu Fujii, The Japan Institute for Labour Policy and Training**  
Chapter I Section 1 Japanese Economy: Current Situation and Outlook
- Sumio Egami, The Japan Institute for Labour Policy and Training**  
Chapter I Section 2 Recent Features of Labor Situation in Japan
- Ryoji Nakamura, The Japan Institute for Labour Policy and Training**  
Chapter II Section 1 Population and Labor Force
- Hiroaki Watanabe, The Japan Institute for Labour Policy and Training**  
Chapter II Section 1 Population and Labor Force  
Chapter II Section 6 Employment of Older persons, Women, and Foreign Workers
- Yutaka Asao, The Japan Institute for Labour Policy and Training**  
Chapter II Section 2 Employment and Unemployment Trends  
Chapter II Section 6 Employment of Older persons, Women, and Foreign Workers
- Minoru Ito, The Japan Institute of Labour Policy and Training**  
Chapter II Section 3 Trends in Regional Employment
- Sumio Sakai, The Japan Institute of Labour Policy and Training**  
Chapter II Section 4 Changes in Employment Structure
- Hiroimi Hara, The Japan Institute of Labour Policy and Training**  
Chapter II Section 5 Diversification in Forms of Employment
- Yukie Hori, The Japan Institute of Labour Policy and Training**  
Chapter II Section 6 Employment of Youth, Older persons, Women, and Foreign Workers
- Keiko Iida, The Japan Institute of Labour Policy and Training**  
Chapter II Section 6 Employment of Youth, Older persons, Women, and Foreign Workers
- Makoto Fujimoto, The Japan Institute for Labour Policy and Training**  
Chapter III Section 1 Long-Term Employment System  
Chapter III Section 3 Allocation and Transfers of Human Resources  
Chapter III Section 6 Wage Systems
- Shinsaku Matsumoto, The Japan Institute for Labour Policy and Training**  
Chapter III Section 2 Recruiting and Hiring
- Hirokuni Ikezoe, The Japan Institute of Labour Policy and Training**  
Chapter III Section 4 Resignation, Mandatory Retirement and Dismissals  
Chapter IV Section 4 Labor Disputes and Resolution Systems
- Fumio Inagawa, The Japan Institute for Labour Policy and Training**  
Chapter III Section 5 Career Development through In-House Training and Education
- Kazuya Ogura, The Japan Institute for Labour Policy and Training**  
Chapter III Section 7 Working Hours  
Chapter III Section 8 Company Welfare
- Keiichiro Hamaguchi, The Japan Institute for Labour Policy and Training**  
Chapter IV Section 1 Labor-Management Relations in Japan
- Hak-Soo Oh, The Japan Institute for Labour Policy and Training**  
Chapter IV Section 2 State of Unionization and Labor Union Structure
- Noboru Ogino, The Japan Institute for Labour Policy and Training**  
Chapter IV Section 3 Shunto: Spring Labor Offensive
- Employment Security Bureau, Ministry of Health, Labour and Welfare**  
Chapter V Section 1, 2, 3, 6, 7, 8, 9
- Labour Standards Bureau, Ministry of Health, Labour and Welfare**  
Chapter V Section 11, 12
- Equal Employment, Children and Families Bureau, Ministry of Health, Labour and Welfare**  
Chapter V Section 4, 5, 10
- Human Resources Development Bureau, Ministry of Health, Labour and Welfare**  
Chapter V Section 13
- Yoshihiro Kaneko, National Institute of Population and Social Security Research**  
Chapter VI Section 1 Subject of Japan's Social Security System  
Chapter VI Section 2 Income Security System (Pensions, Public Assistance, and Child Allowances)  
Chapter VI Section 3 Medical Insurance and Long-Term Care Insurance

URL:<http://www.jil.go.jp/english/laborinfo/library/index.htm>

© The Japan Institute for Labour Policy and Training, 2009

All rights reserved.

No part of this book may be reproduced without the permission of the publisher.

First published in 2009 by THE JAPAN INSTITUTE FOR LABOUR POLICY AND TRAINING

4-8-23, Kami-Shakujii, Nerima-ku, Tokyo 177-8502, JAPAN

Telephone: +81-3-5903-6316 Facsimile+81-3-3594-1113

Printed in Japan

---

**Labor Situation in Japan and Analysis: General Overview 2009/2010**

(日本の労働事情と分析 総論版 2009/2010)

2009年 12月 21日第1刷発行

編 集 独立行政法人 労働政策研究・研修機構 国際研究部

発行者 山田 潤三

発行所 独立行政法人 労働政策研究・研修機構

〒177-8502 東京都練馬区上石神井4丁目8番23号

電話 : 03-5903-6316 (編集) ファクシミリ : 03-3594-1113

製 作 株式会社 あをばぷりんと

---

Printed in Japan

