

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.

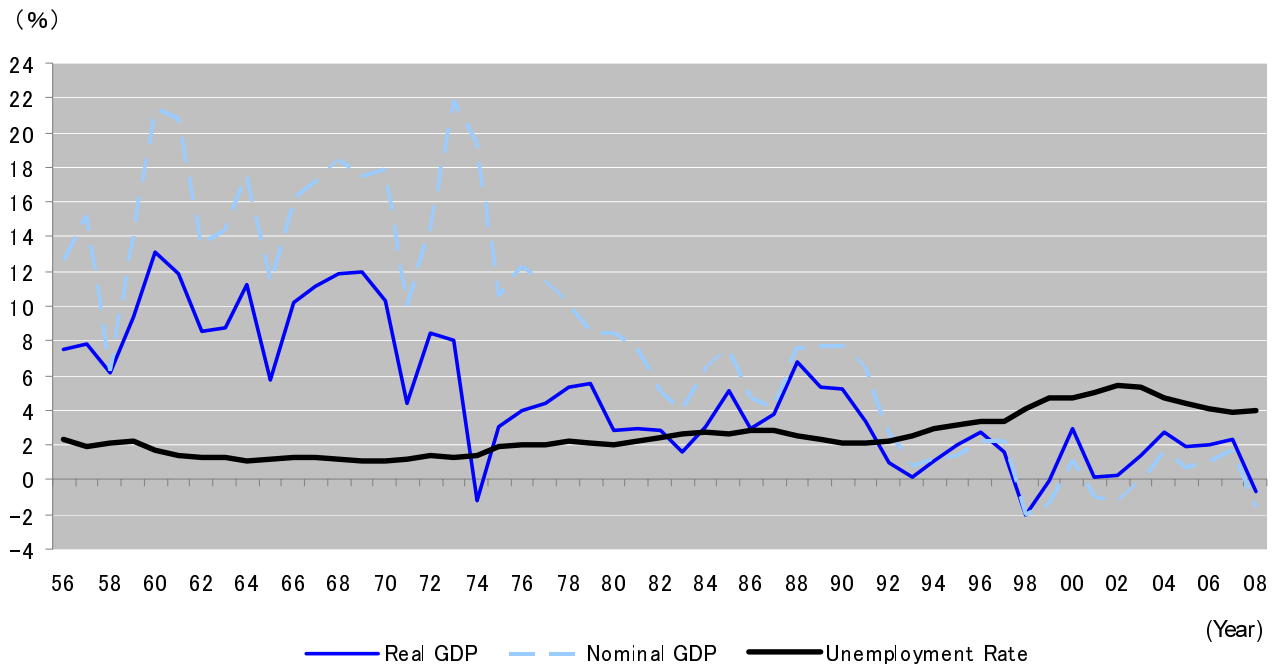
However, the decline in exports caused by the global slowdown arising out of the subprime loan crisis and sharply rising crude oil and raw material prices in the latter half of 2007 caused the Japanese economy to enter a downturn in October 2007.

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.

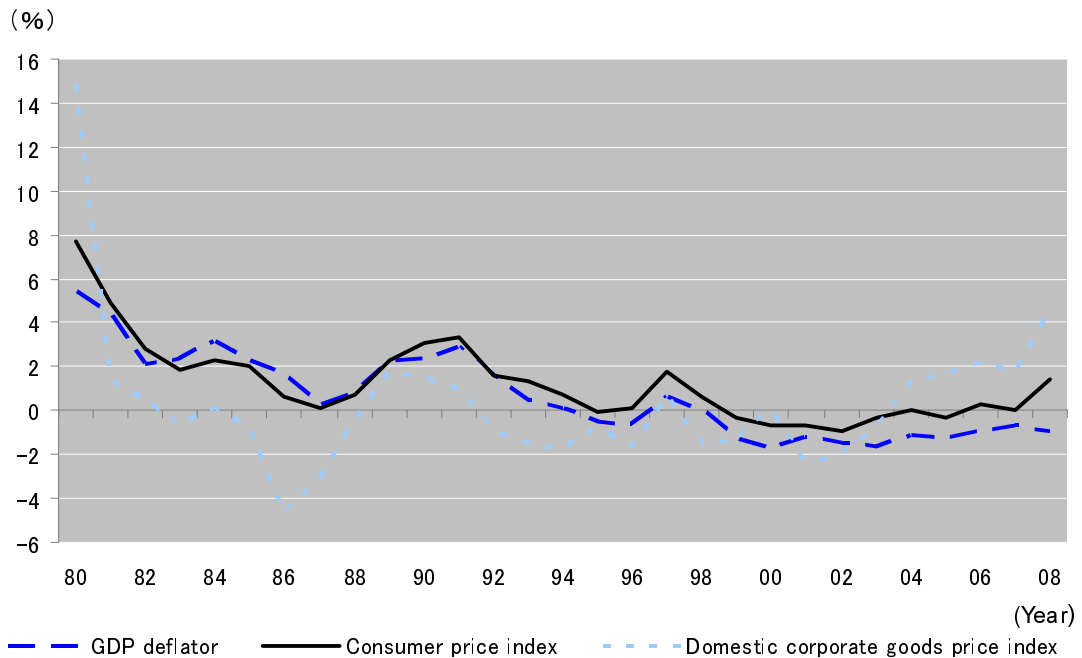
A key challenge for the Japanese economy in the mid- to long-term will be to achieve increases in productivity and develop an expanding presence in new fields of industry in order to create a sustainable, secure, and dynamic economy under conditions of demographic decline.

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



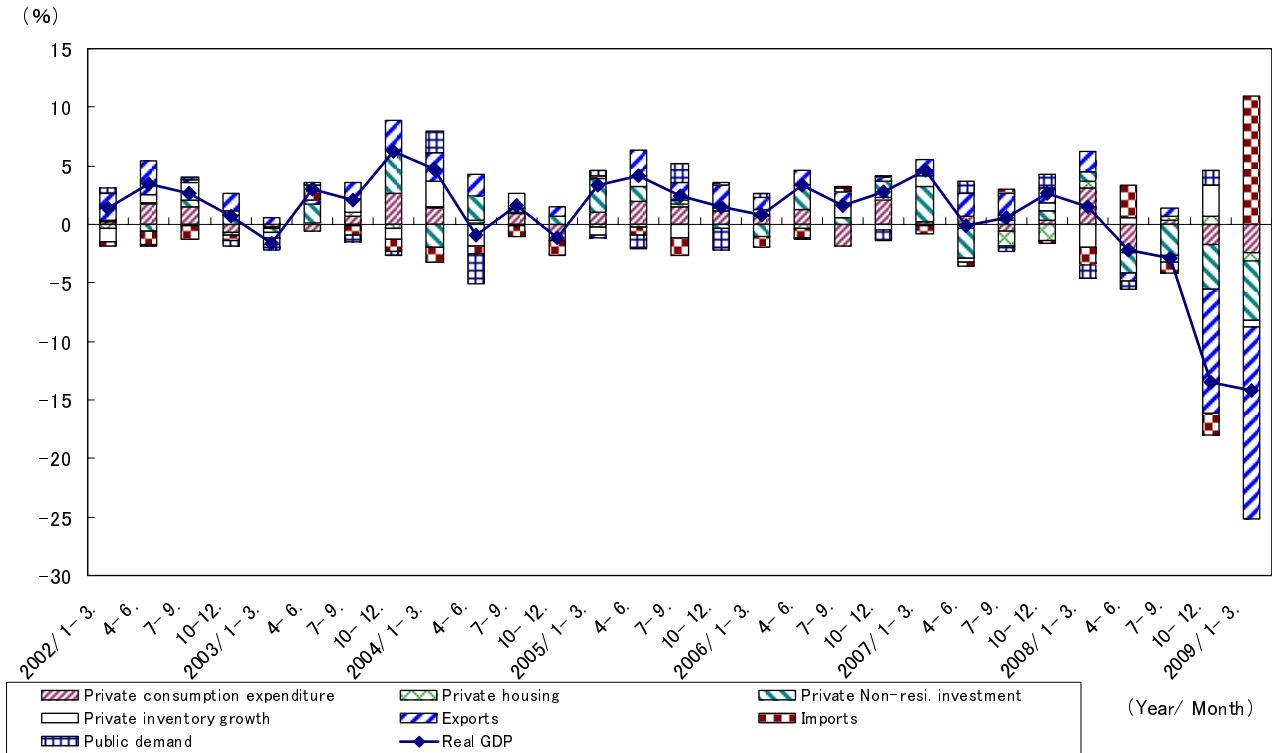
Sources: Cabinet Office, *National Accounts*, Statistics Bureau, Ministry of Internal Affairs and Communications, *Labour Force Survey*
 Note: Regarding the real economic growth rate, up to and including 1980, 1990 Basis Revised National Accounts(68SNA), from 1981 to 1994, 1995 Basis Revised National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

I-2 Trends in Prices



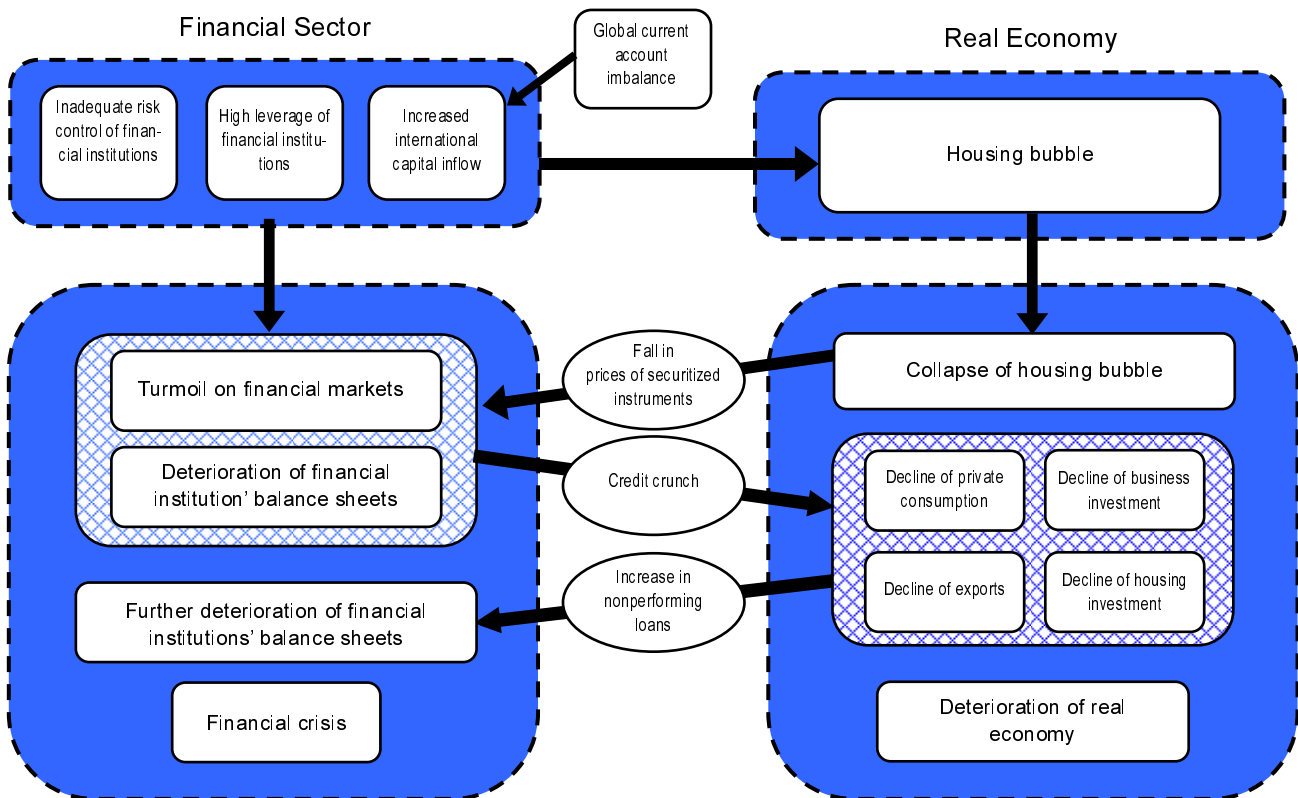
Sources: Cabinet Office, *National Accounts*, Statistics Bureau, Ministry of Internal Affairs and Communications, *Consumer Price Index*, Bank of Japan, *Corporate Goods Price Index*

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

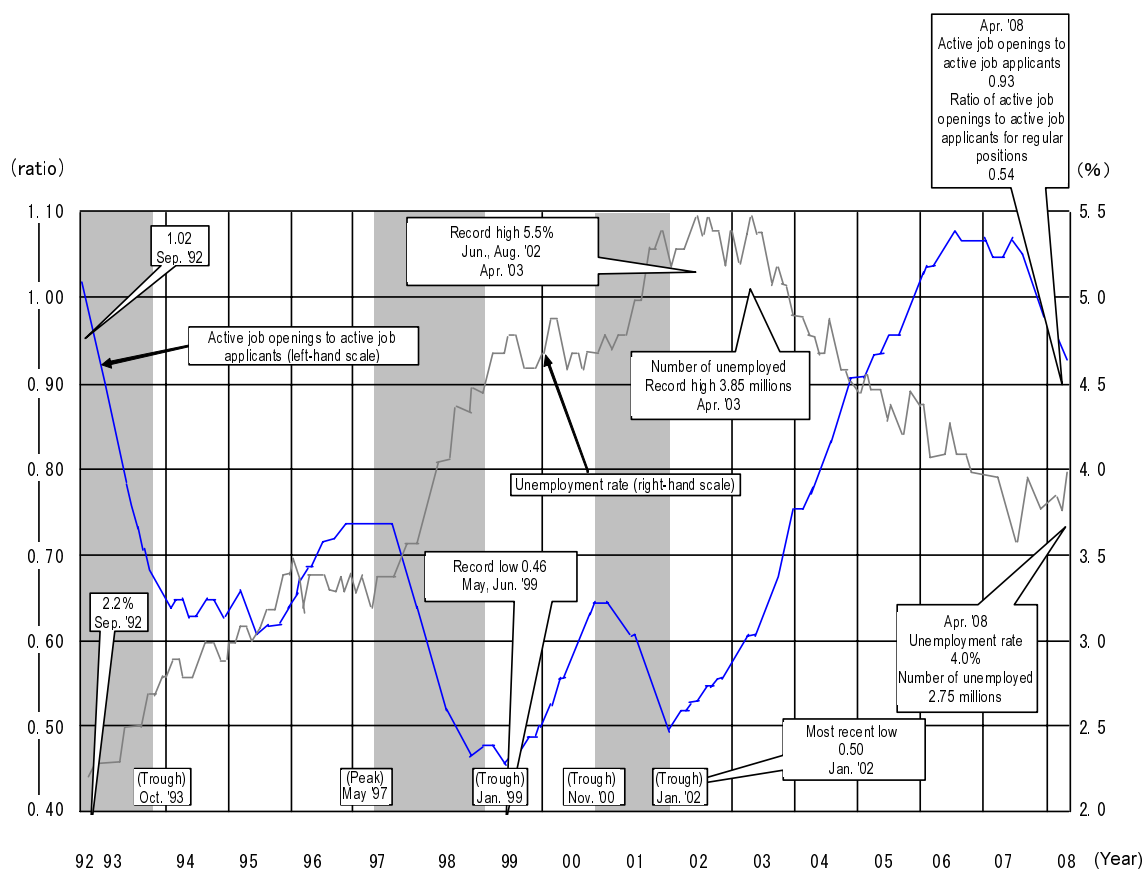
The assessment of “Japanese-style employment systems”, which revolve around the practice of long-employment, wavered during this period. Going back slightly earlier, the Japan of the 1970s and 1980s maintained stable growth at a time when Europe and North America were mired in a prolonged slump, and 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

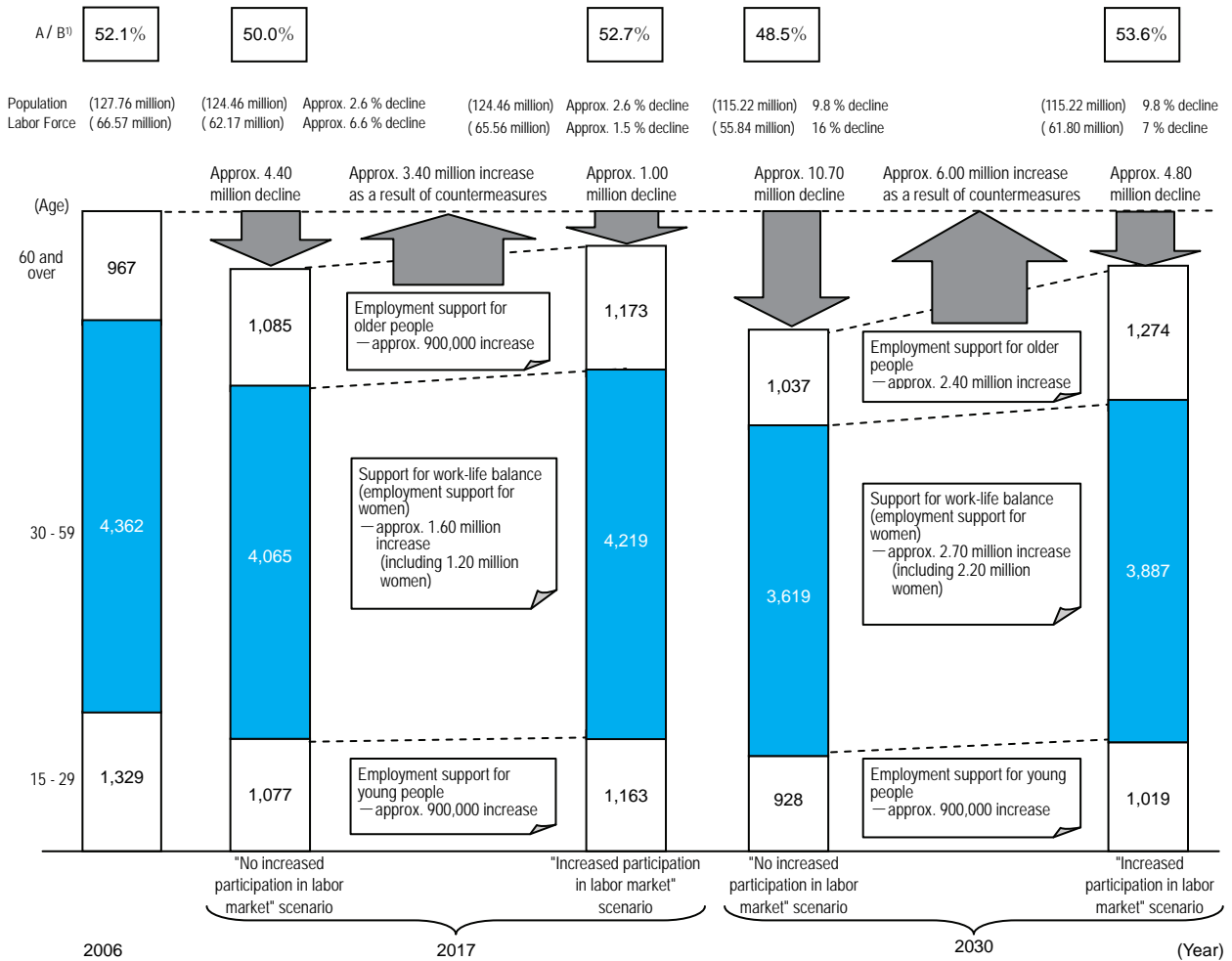


Source: Ministry of Internal Affairs and Communications, *Labour Force Survey*.

Ministry of Health, Labour of Welfare, *Report on Employment Service. Corporate Goods Price Index*

Note: The shaded sections indicate periods of economic downturn.

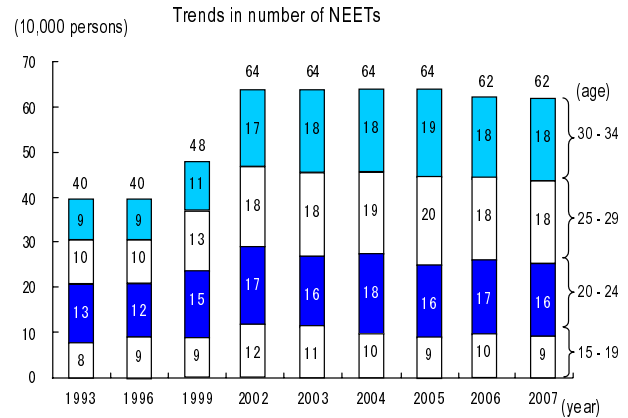
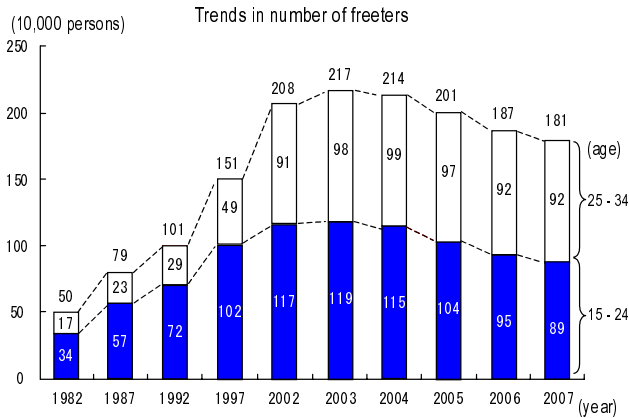
I-6 Labor Force Outlook



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:

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

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.

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.

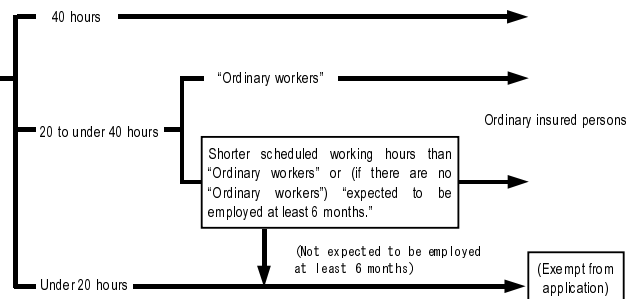
Provisional Extension of Benefit Period

- 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