Chapter II Labor Market

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.

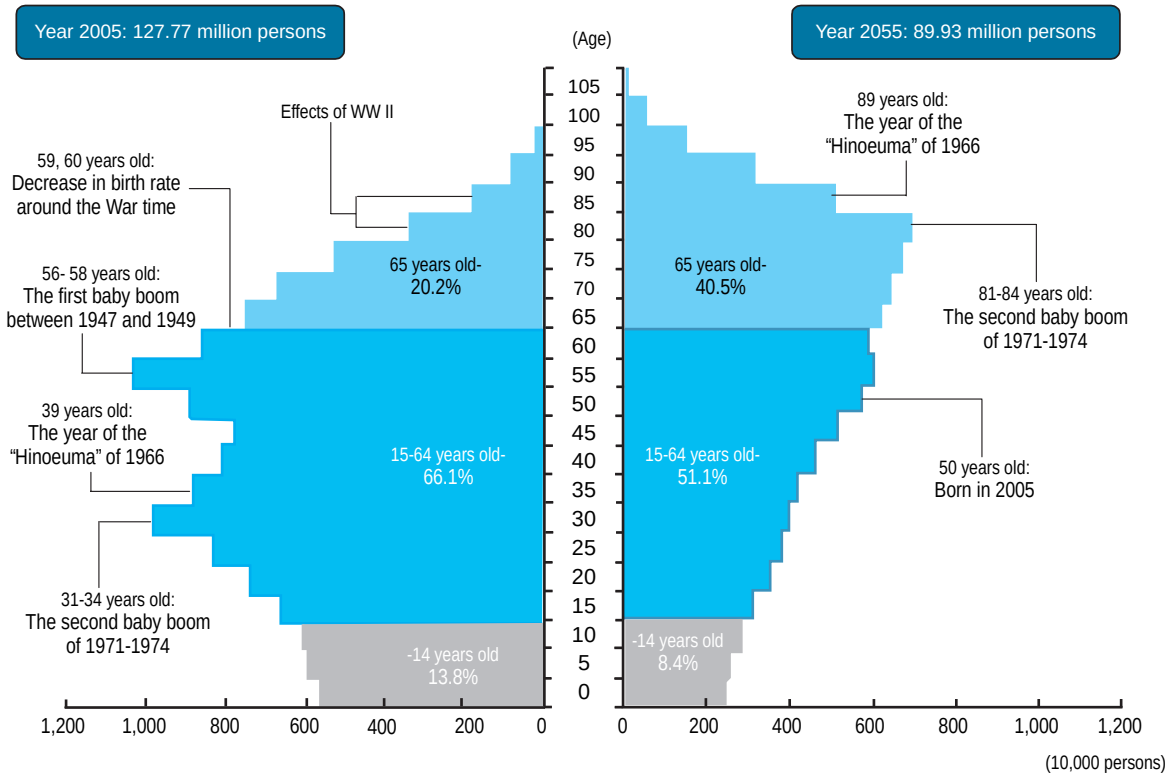
The concentration has been increasing yearly, and as of 2005 (national census), approximately 27% of Japan's population centers in the four prefectures of Saitama, Chiba, and Kanagawa, and Tokyo.

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 there 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-varient 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
Total	1,075,317	1,362,371	1,686,444	2,011,555	2,217,426
North/South Korea	687,940	666,376	635269	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

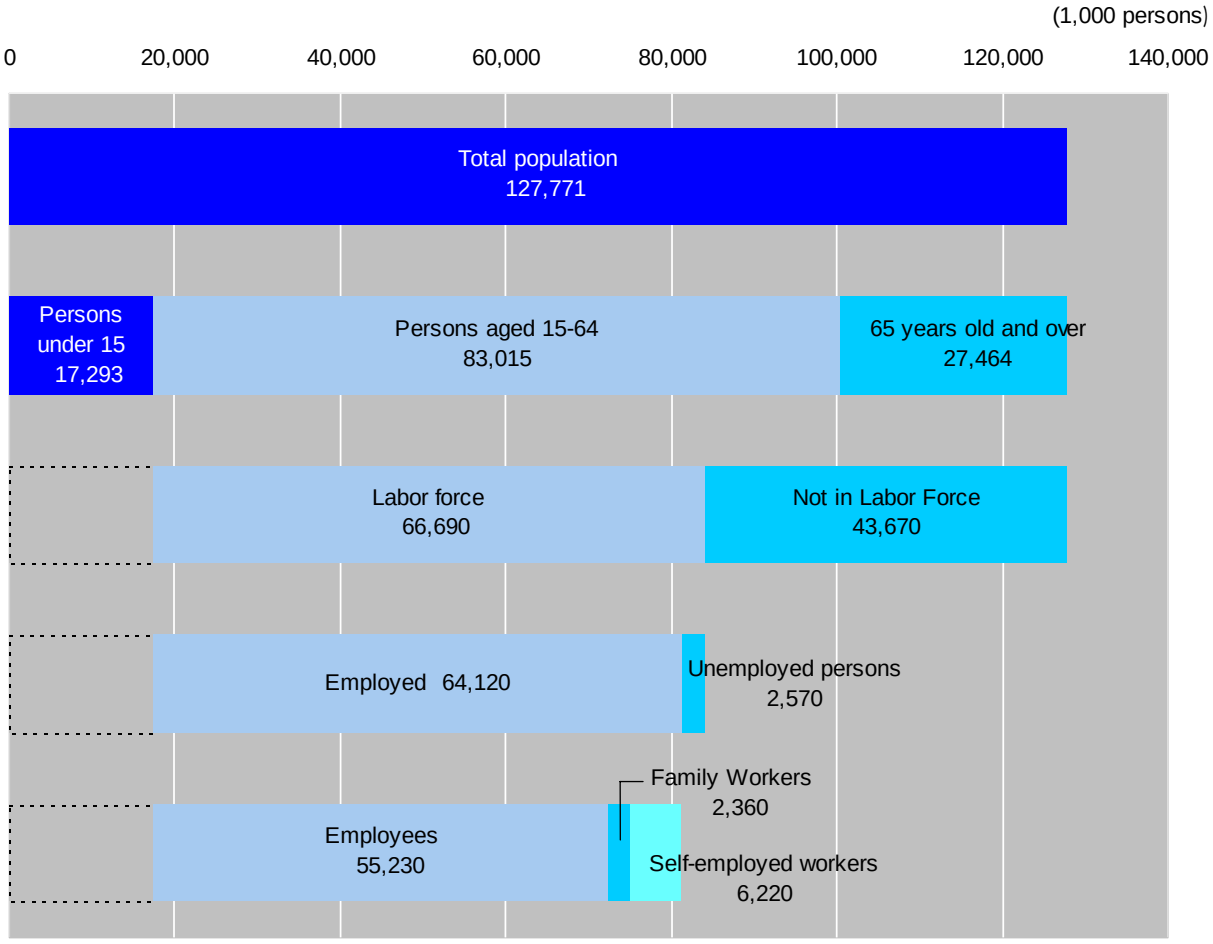
In 1960, the number of Japanese people capable of working (which includes all persons aged 15 and older) was 65.20 million. In 2005, this number had jumped to 110.49 million (Labour Force Survey).

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.*

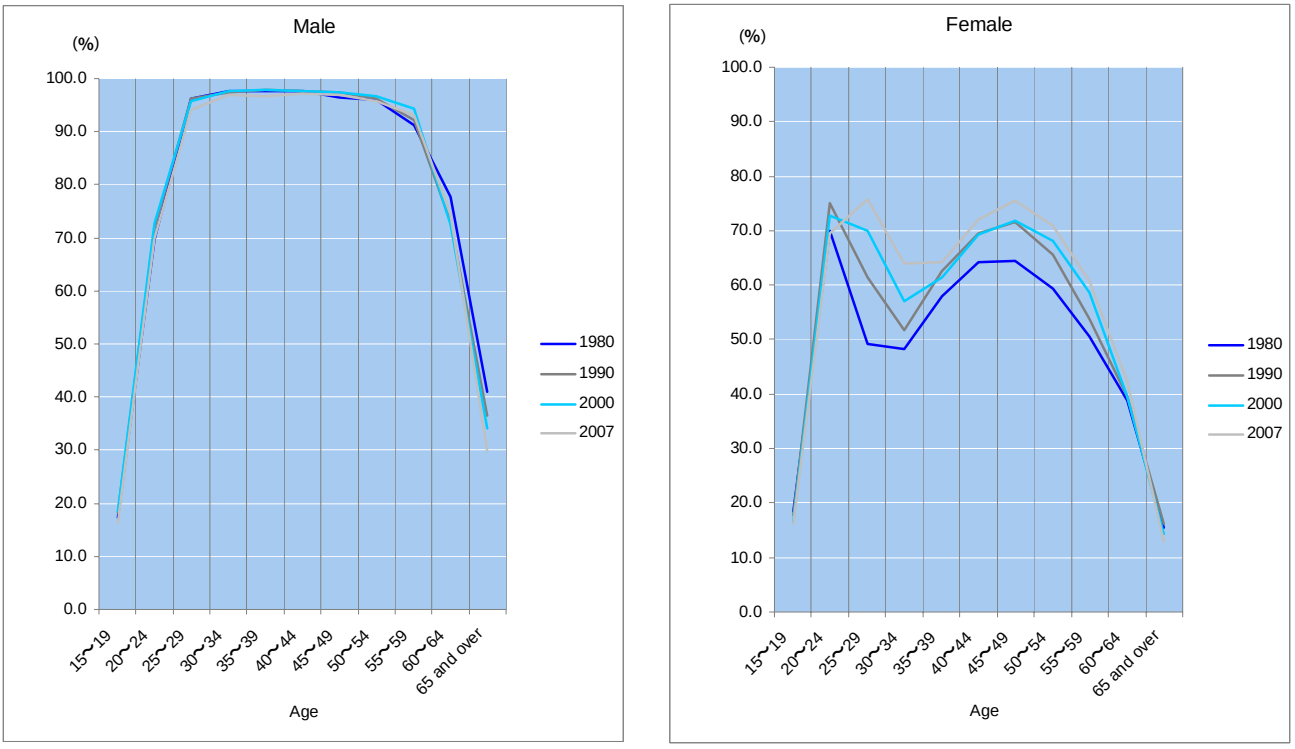
Features of Japan Visible in the Labor Force Ratio

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 o f 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) accounted 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

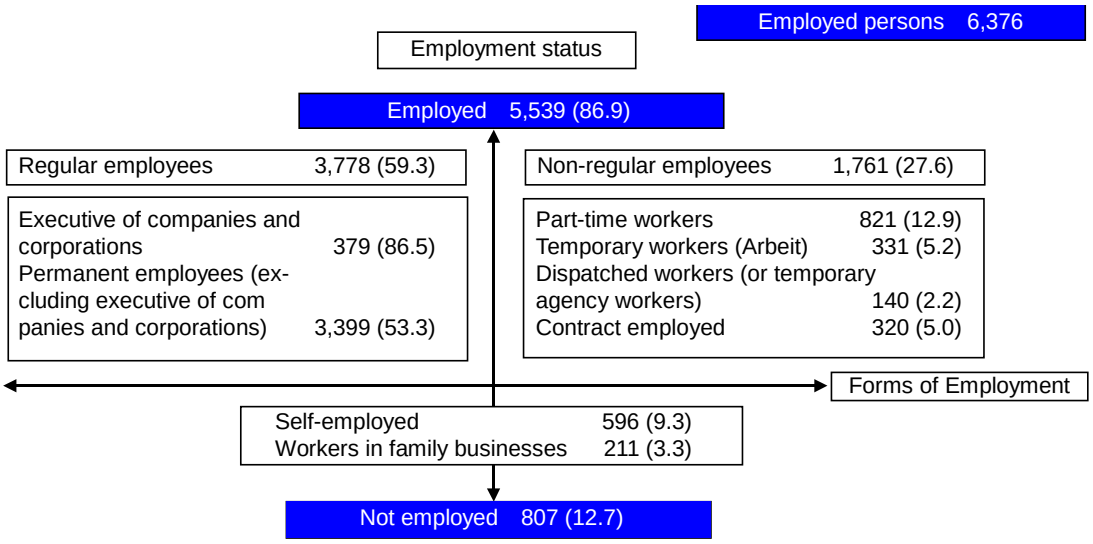
A second recent feature of employment in Japan has been the upward trend in unemployment. From the 1970s to the end of the 1980s, the overall unemployment rate remained between around 2% and 3% as it bobbed around slightly behind trends in the business cycle. Following the collapse of the bubble at the 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.

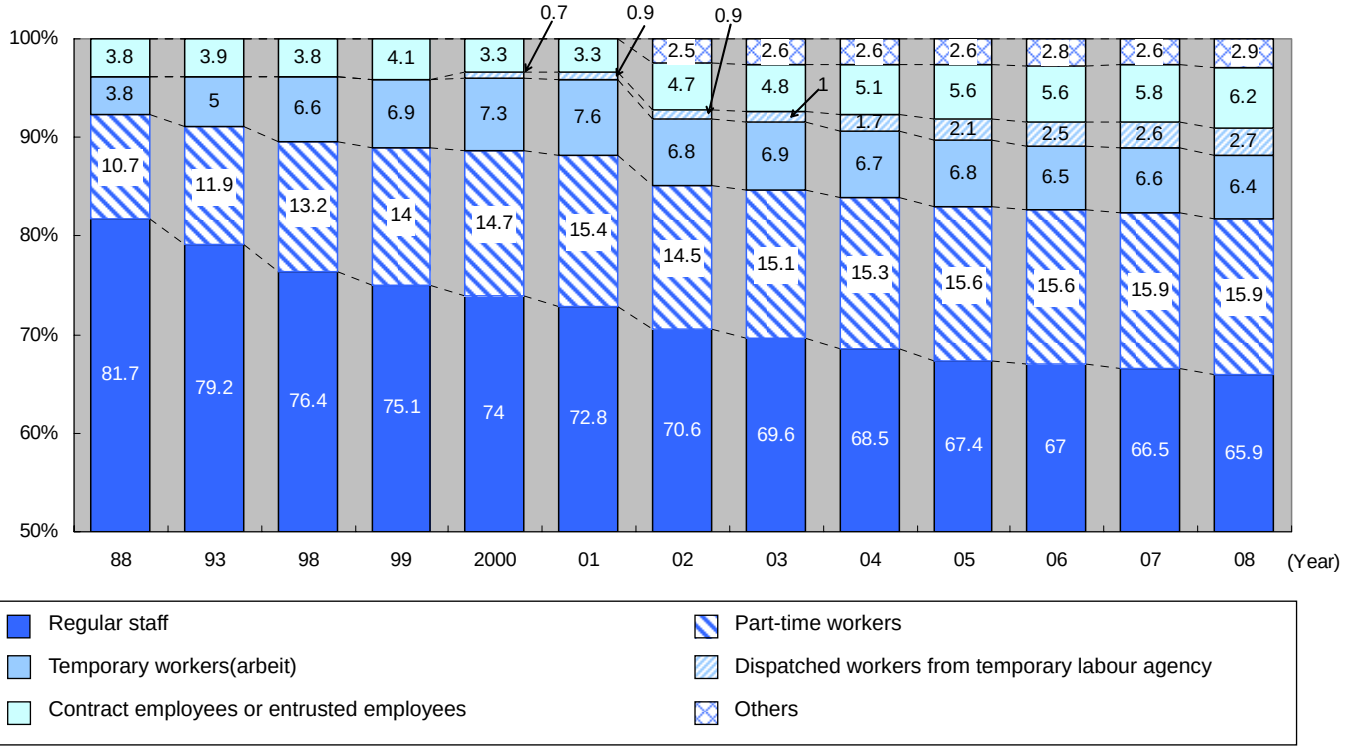
II-5 Breakdown of Employed Persons (2008 Averages)



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.

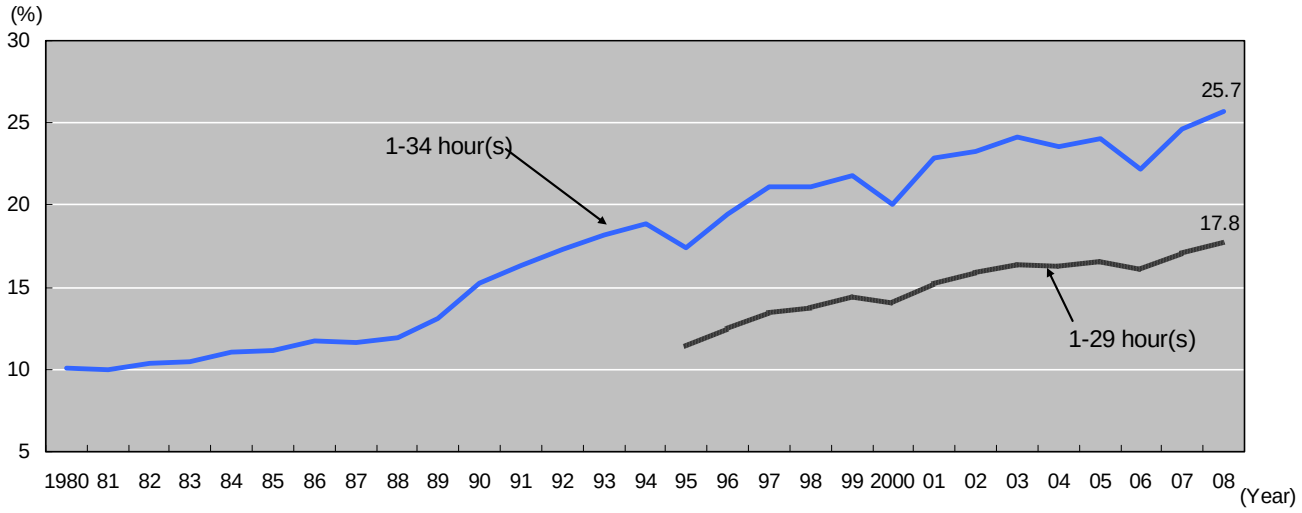
II-6 Proportion of Employees by Type of Employment



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.

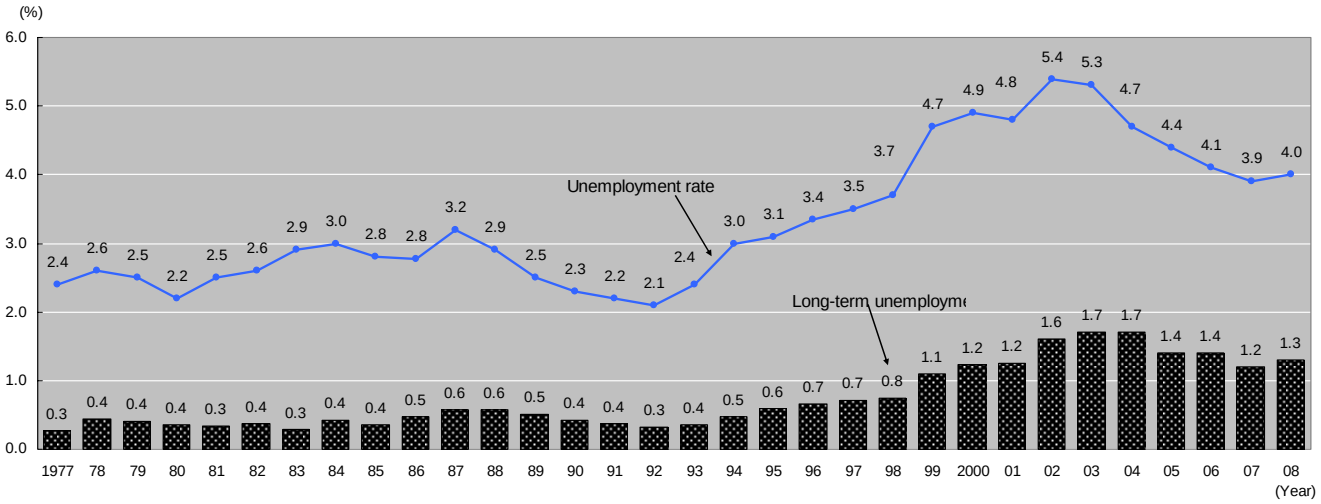
1) The data classified "Entrusted, Other" prior to Aug. 2001, except Aug. 2000 and Feb. 2001 ["Other (entrusted, etc)"]. The data subdivided "contract employee or entrusted employee" and "Other" since Aug. 2001.
2) Rates are to the totals shown in breakdown of "Employee, excluding excecutive of company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

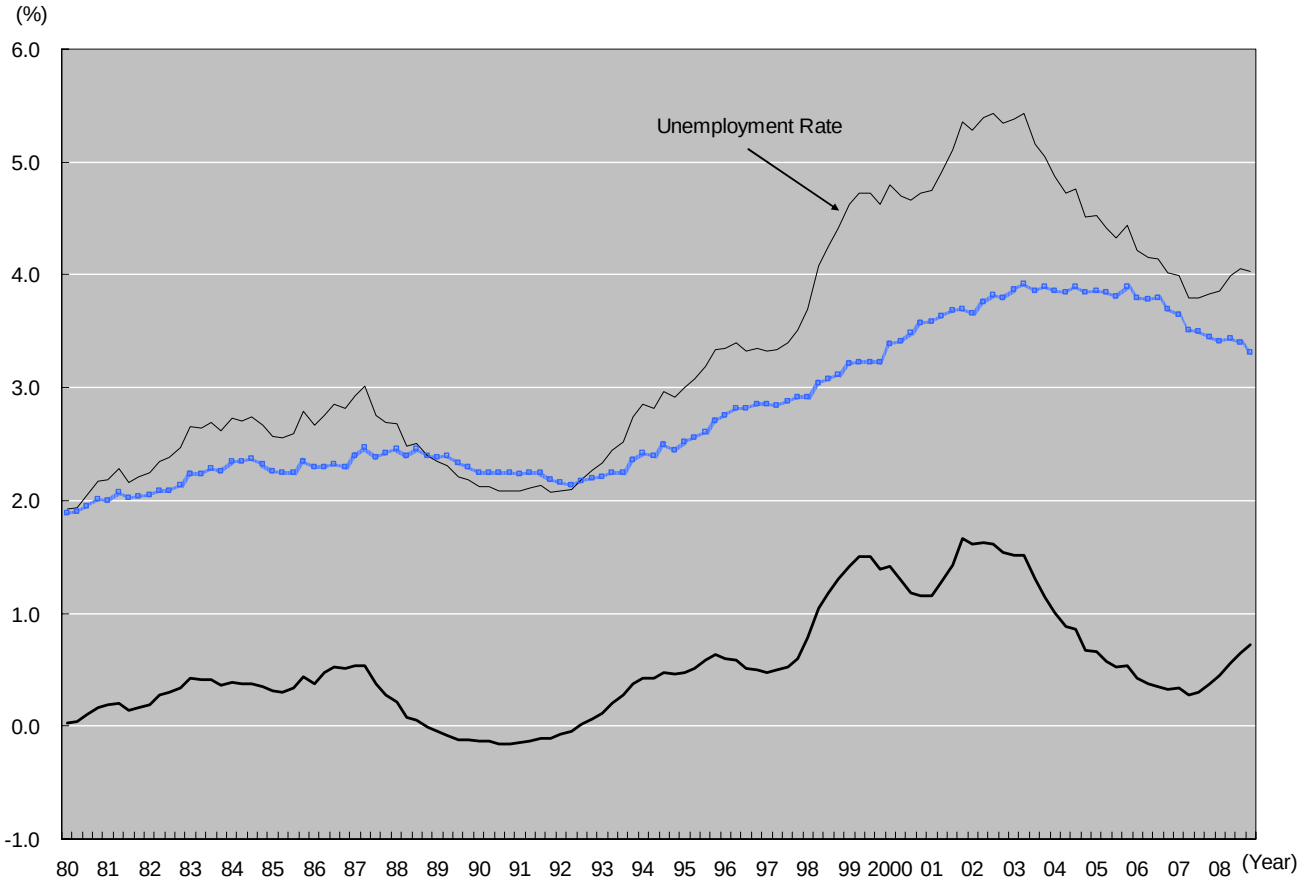


Sources: Statistic Bureau, Ministry of Internal Affairs and Communications, *Labour Force Survey, Special Survey of Labour Force Survey (1977-2001), Labour Force Survey (Detailed Tabulation) (2002-2008).*

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.

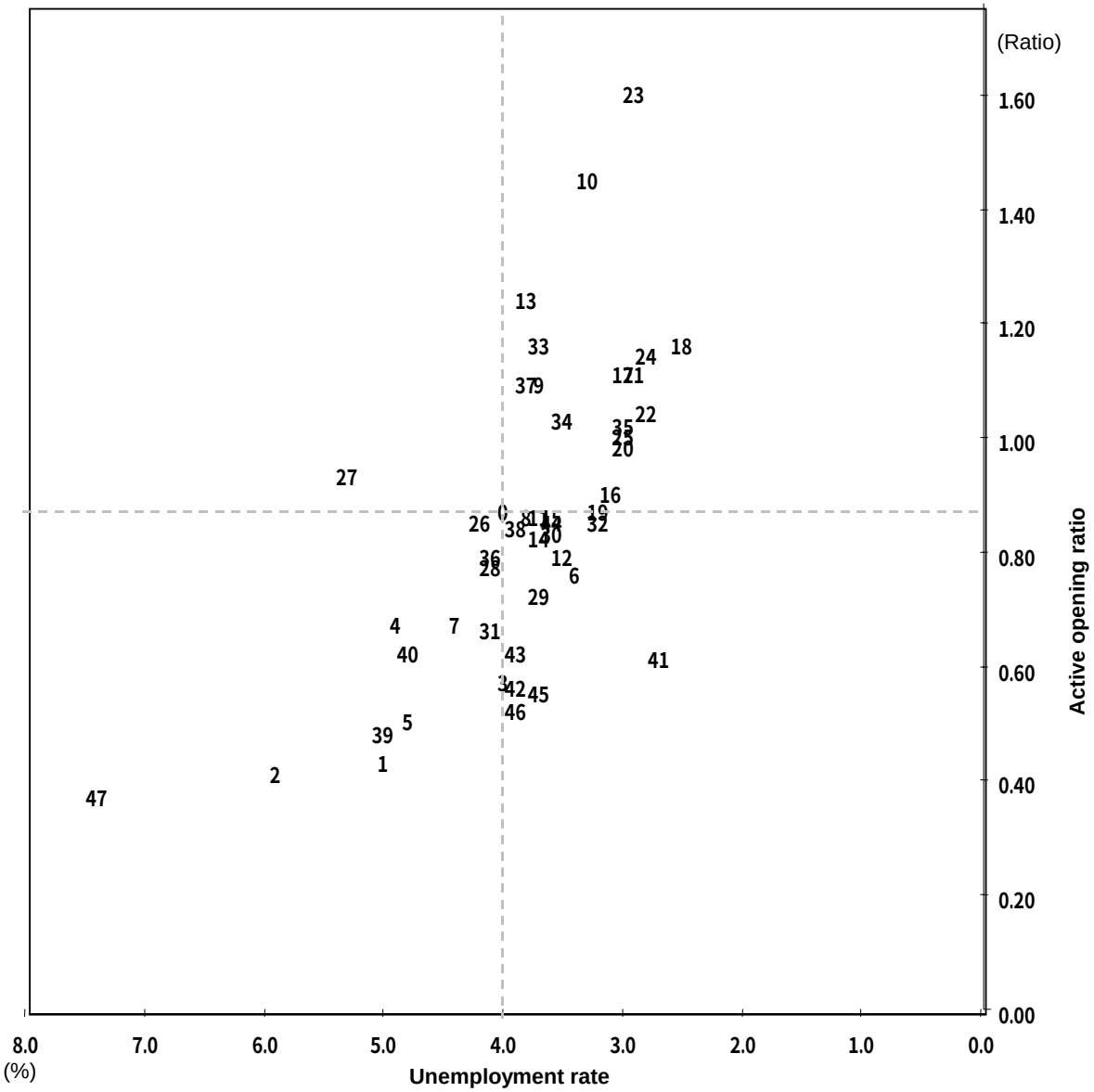
Headwind Created by Global Recession

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

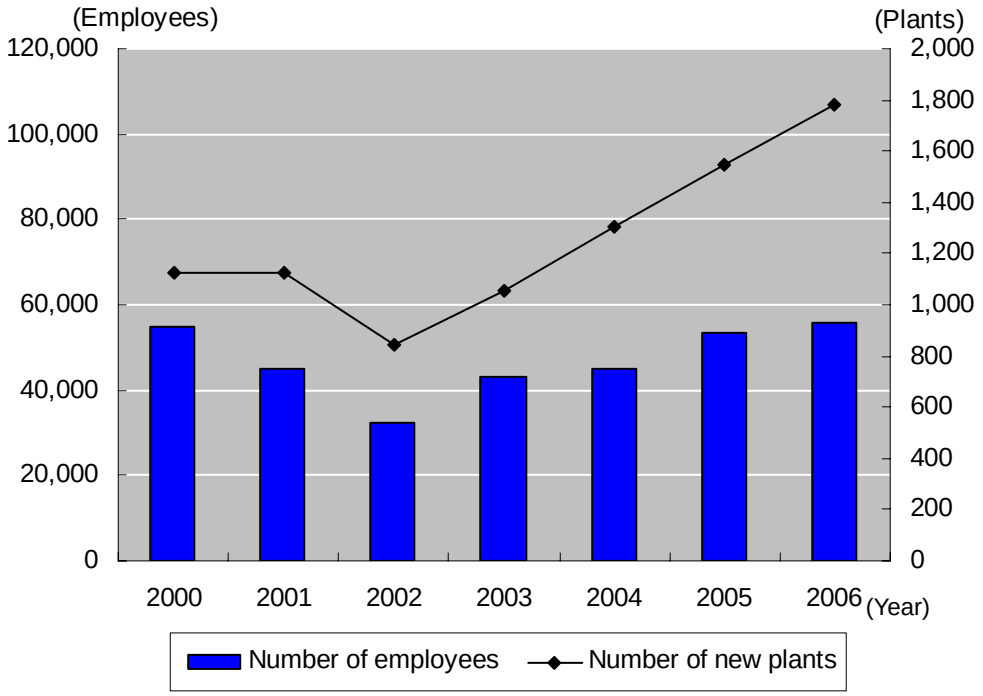
(%)

	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).

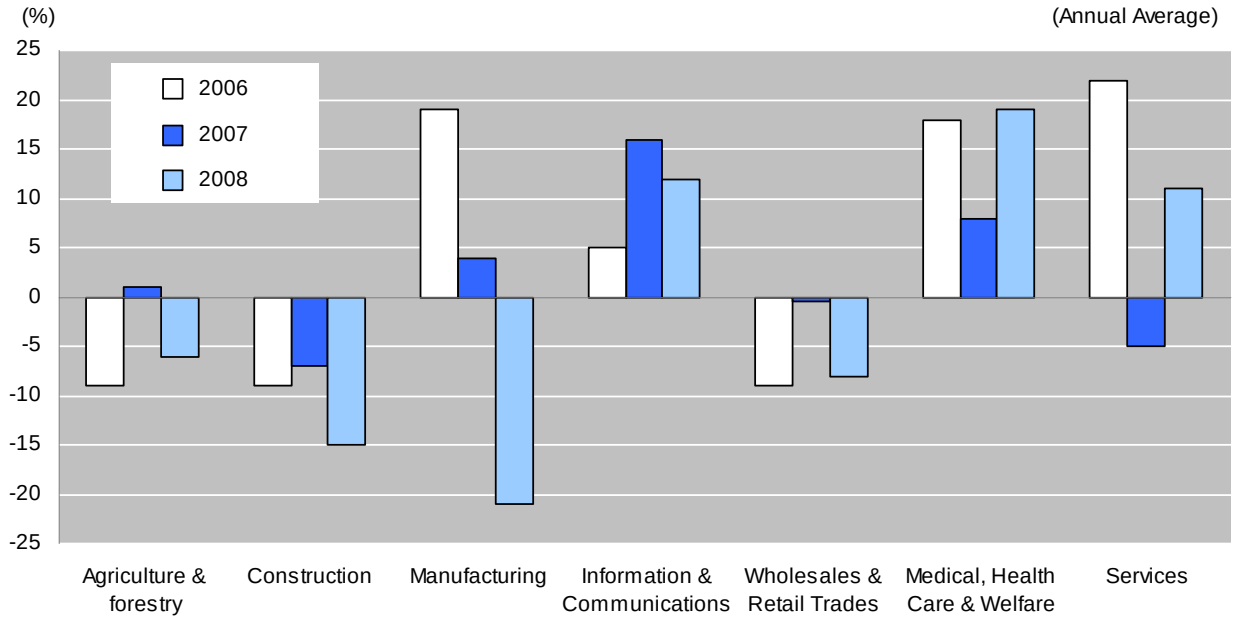
Japan Institute for Labour Policy and Training, *Chiiki Ken ni Okeru Koyô Sôshutsu no Kenkyû* (Research on Job Creation in the Regions) (2008).

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 million 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: Sevices 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 number 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

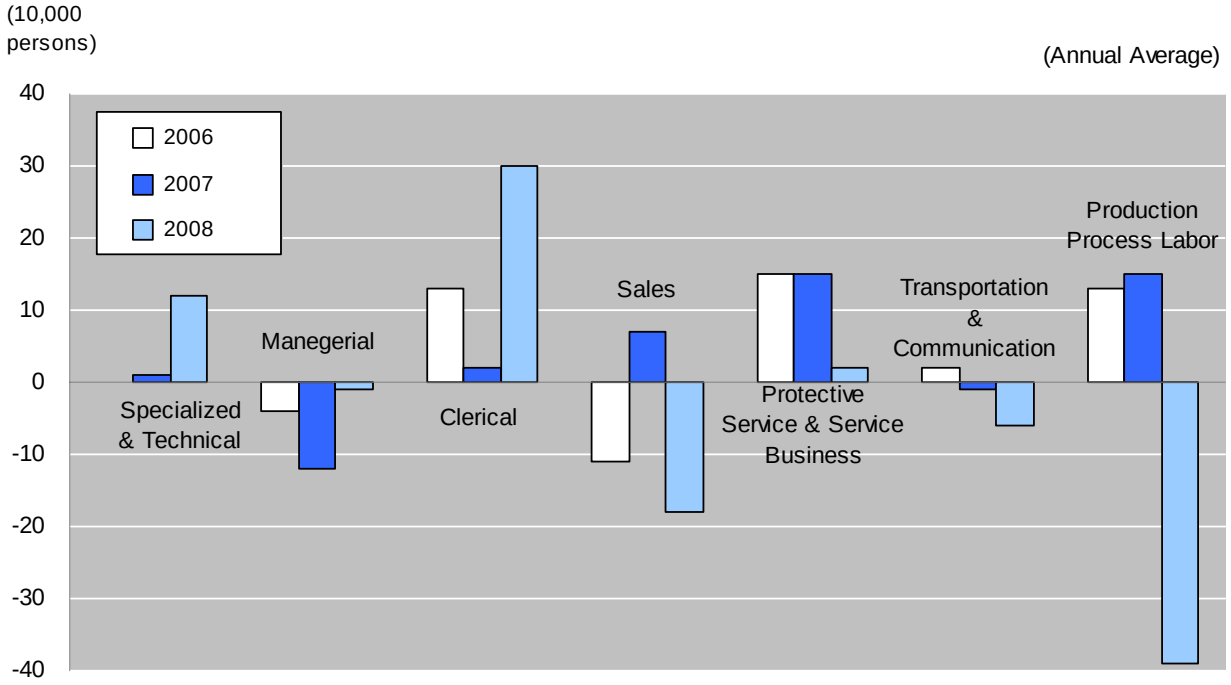
The number of people employed in tertiary industry (comprised of industries other than primary and secondary industry) has gradually increased since 1953, increasing from 35.8% (14.38 million) of all employed persons in that year to over 50.5% (26.46 million), i.e., more than half, in 1974. The proportion 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	Manegerial	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 telecommuni- cations	(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 Exectives (%)
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.

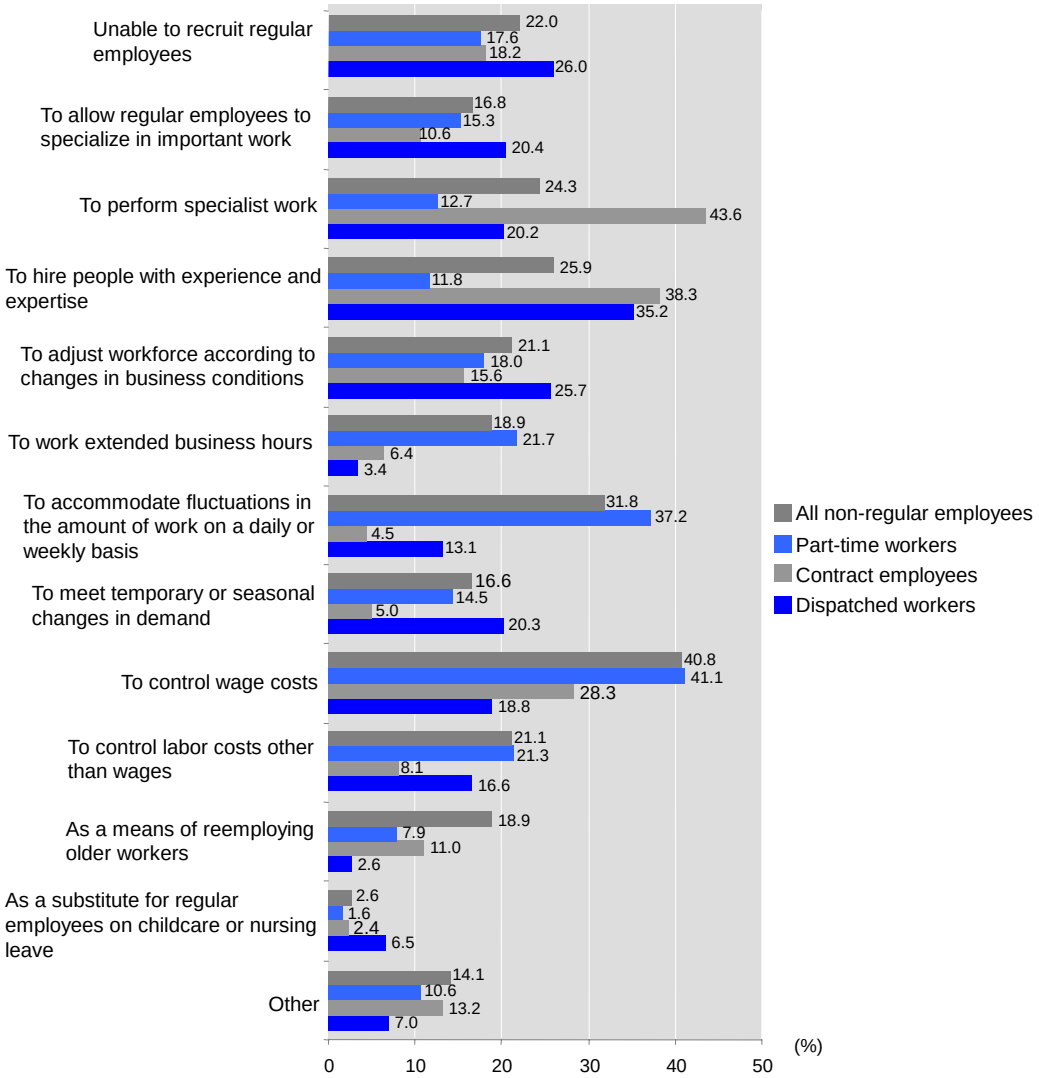
As the Ministry of Health, Labour and Welfare's (MHLW) Manpower Dispatching Business Report shows, dispatched workers grew in number from 144,000 in 1986 to approximately 3.81 million in FY2007. However, the economy then stalled in the wake of the Lehman shock in autumn 2008, prompting manufacturers 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

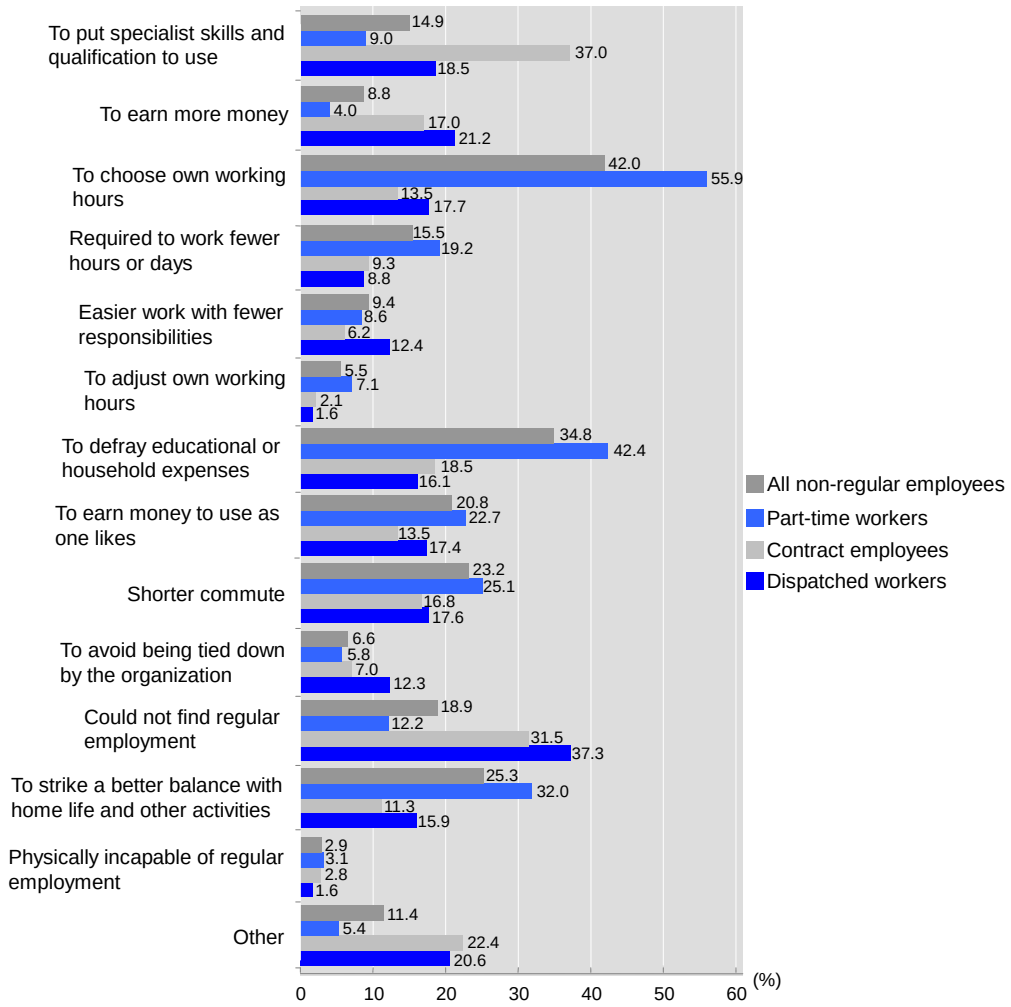
Thus have non-regular employees come to account for around one third of Japan's labor market. While the deterioration of the economy has led to dismissals and non-renewal of contracts of non-regular employees in some industries, Japanese business management would be near impossible without access to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

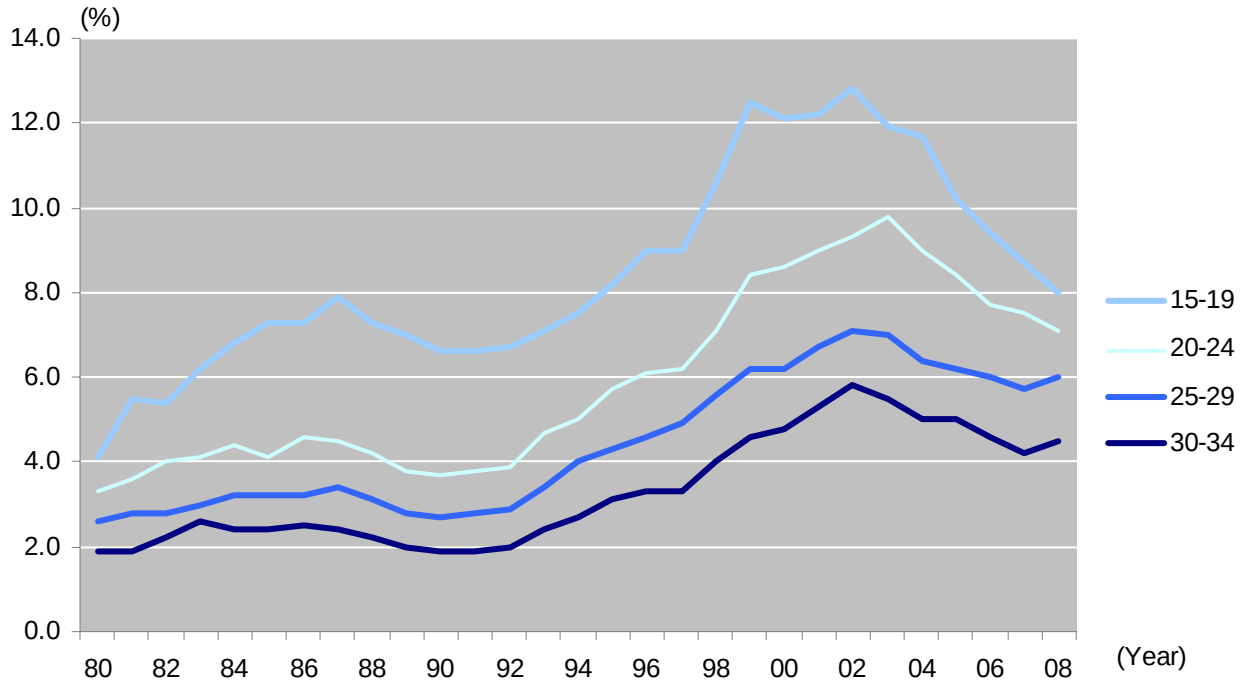
While the economic upturn from 2002 generated some improvement in employment conditions for the young, the labor market become polalized, even during the recovery, it was difficult for those who entered the labor market during the downturn to find stable employment.

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



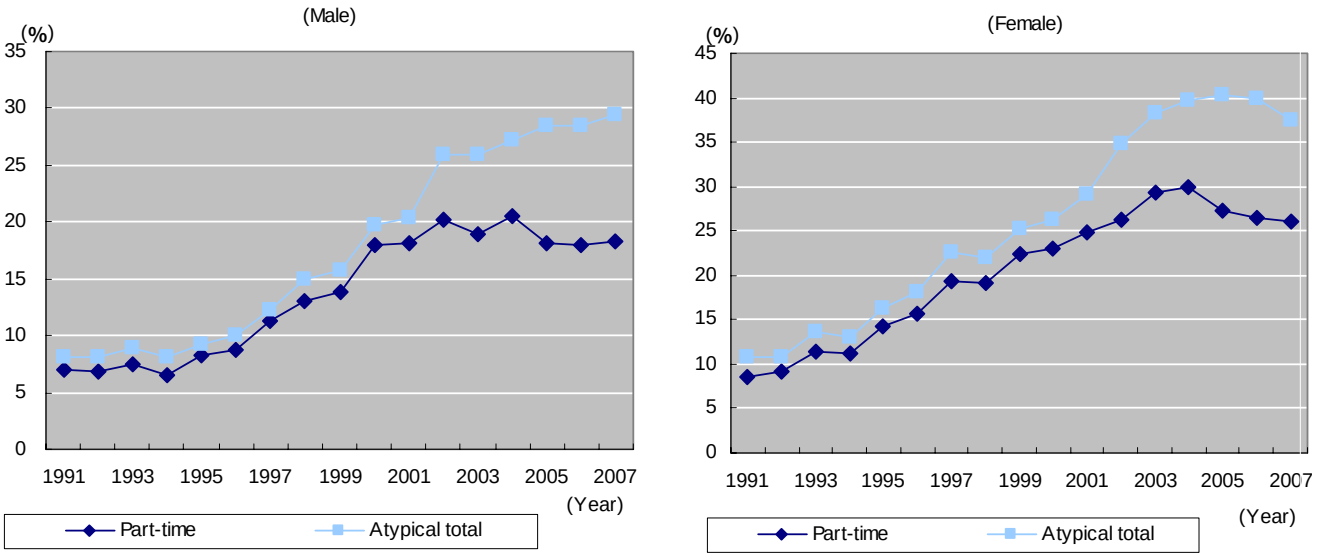
Source: Statistics Bureau of Ministry of Internal Affairs and Communications, *Labour Force Survey.*

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 polalization. Career opportunities have differntialized 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

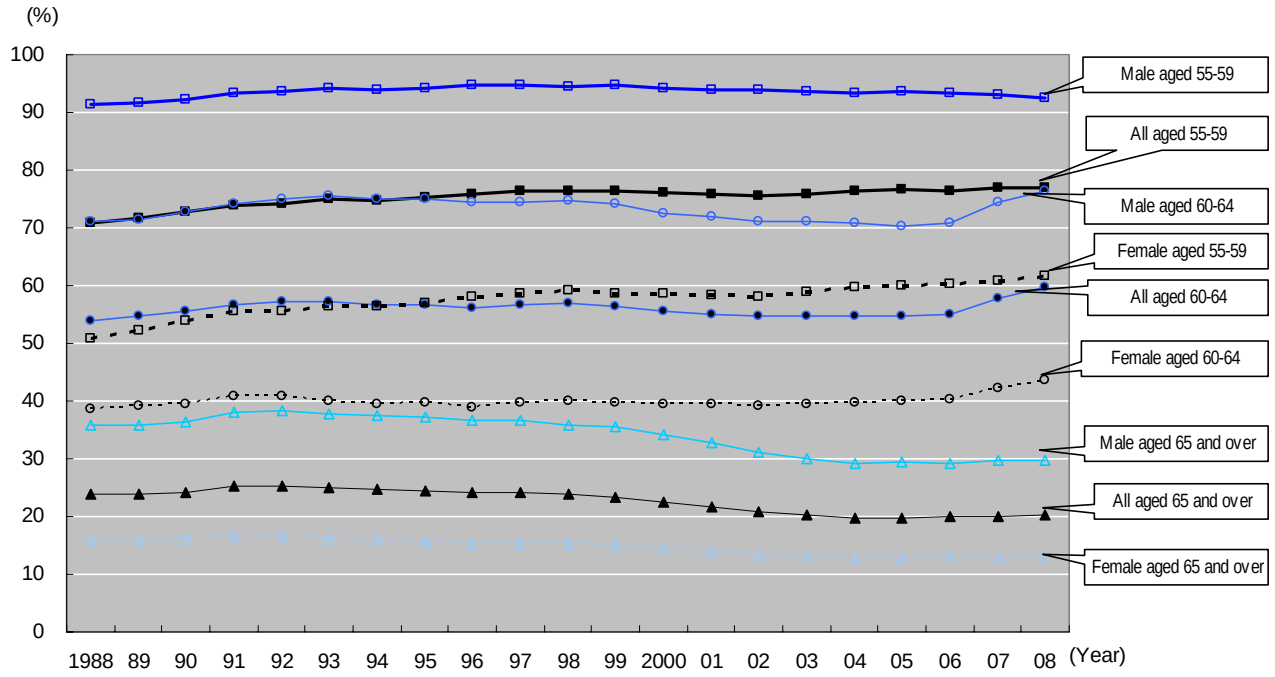
Relatively Stable Trends of Employment of Older Persons

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.*

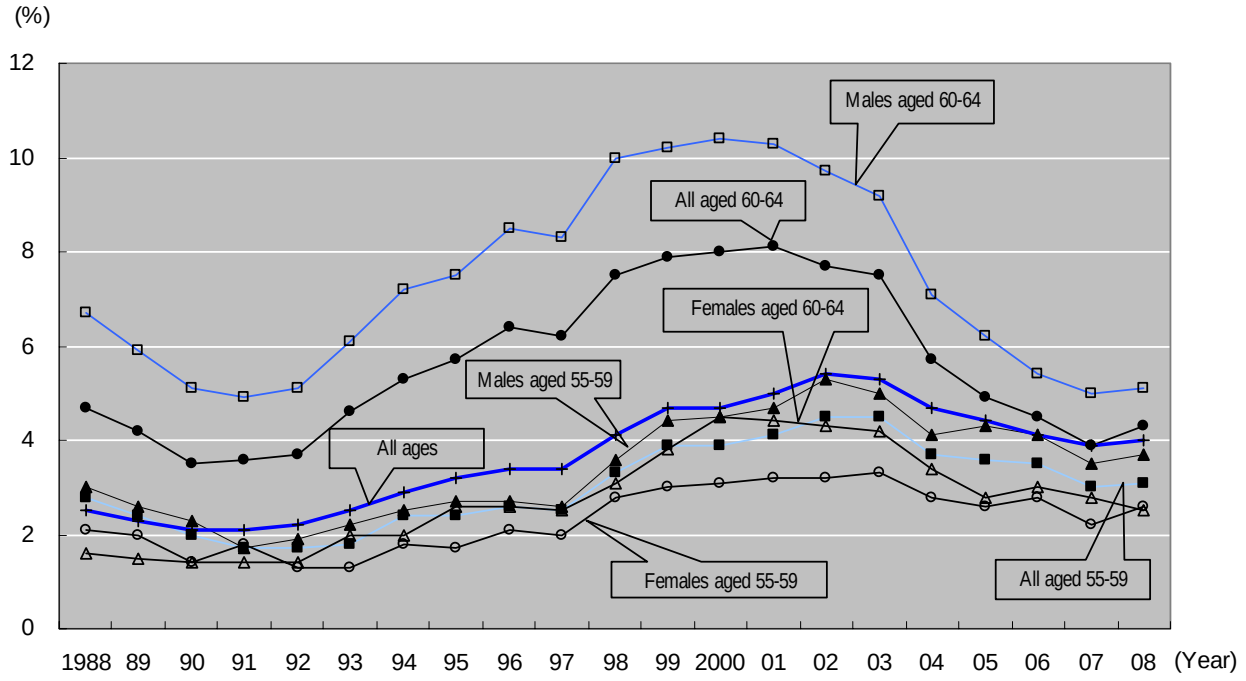
Looking at the overall unemployment rate among older persons, it can be seen that, while the rate for 60- to 64-year-old males (5.1%) was considerably higher in 2008 than the overall average for all ages (4.0%), unemployment in all other age groups has remained below the overall average. Moreover, unemployment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

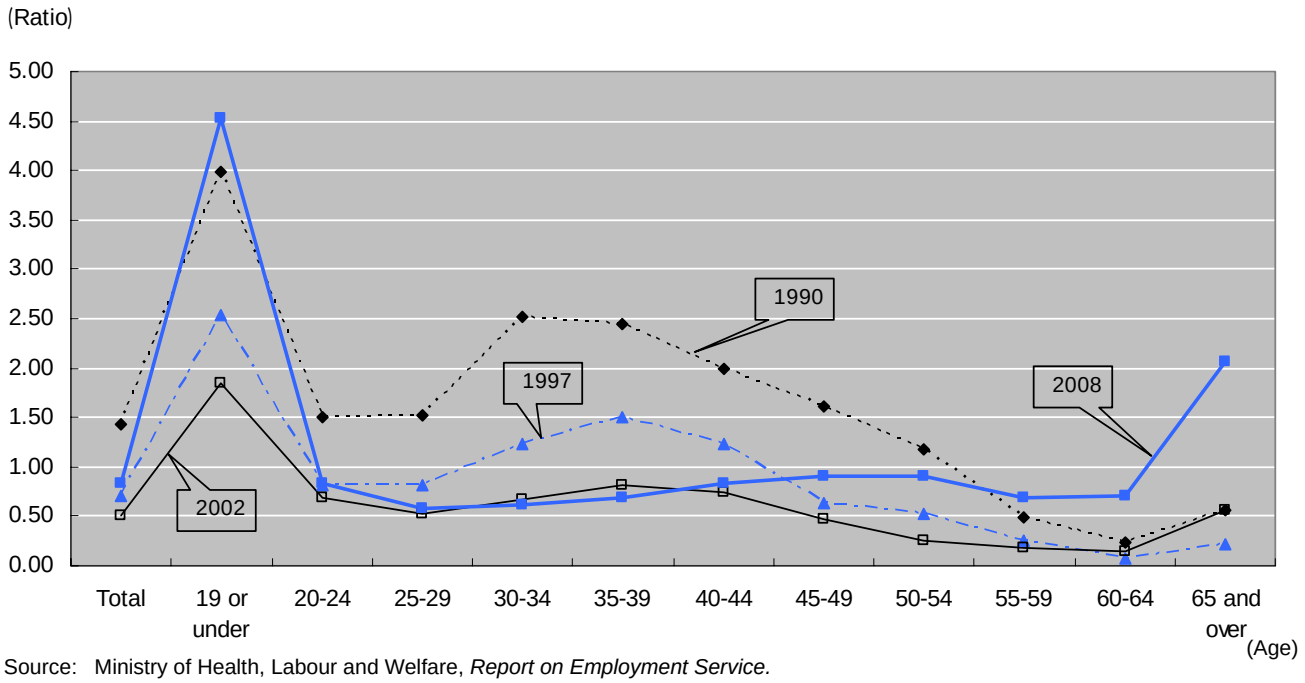
The main factors affecting the employment of older persons in Japan are the mandatory retirement system employed by firms and the age at which mandatory retirement is set. For a considerable period following World War II it was set at 55, at which age workers encountered major changes in the employment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



Source: Ministry of Health, Labour and Welfare, *Report on Employment Service.*

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 unemployment 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.

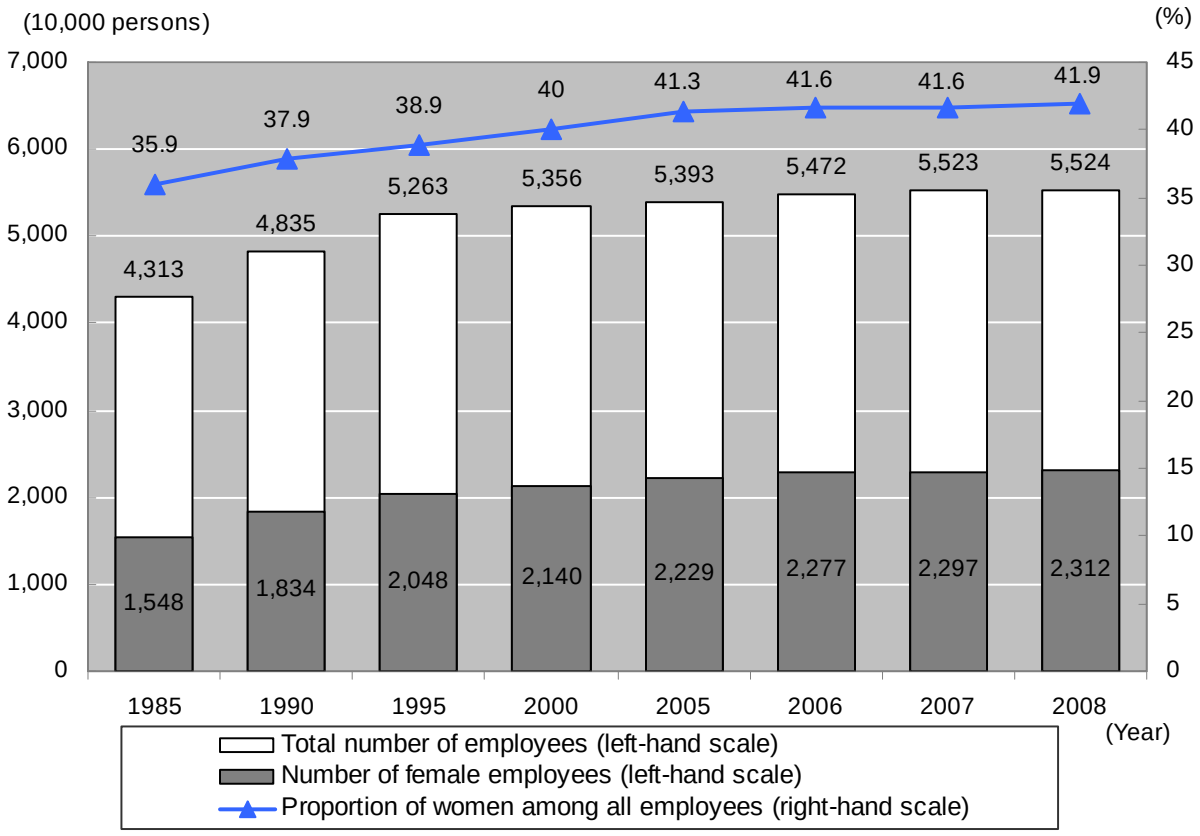
Women's Employment

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).

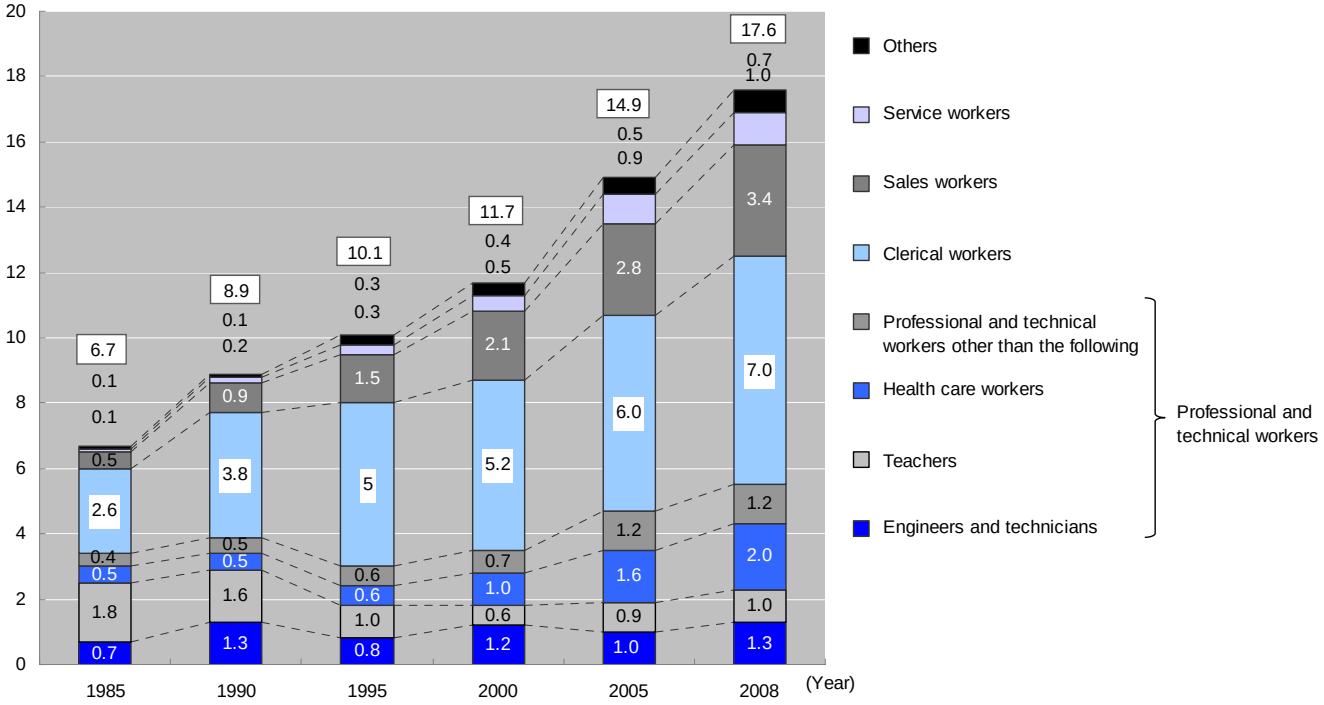
Statistics on the numbers and occupations of female university graduates in employment show that this rise in women's participation in the labor market has seen growing numbers working as "clerical and related workers" and "professional and technical workers" (II-29).

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

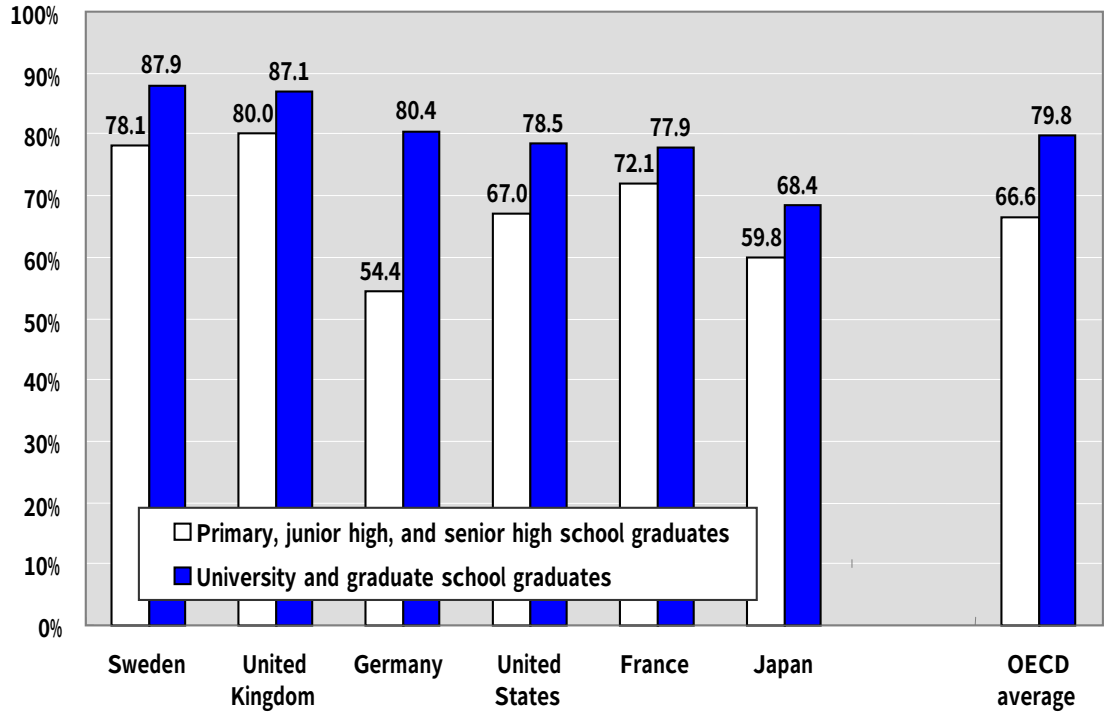
Although the number of women in employment has thus risen in recent years, the proportion of women working in Japan remains low in comparison with other OECD members. A breakdown of the employment rates of women aged 25 to 64 by educational background reveals that employment rates are higher in all countries 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).

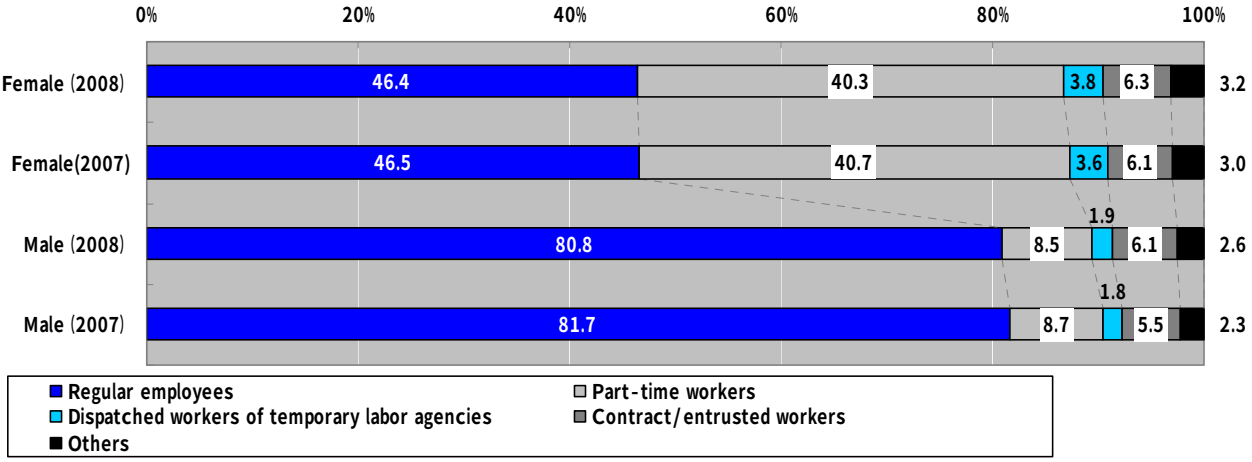
Breaking down the gender difference in form of employment by age, II-32 shows that the proportion of women in non-regular employment rises substantially with age, and there is a considerable difference between the sexes.

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



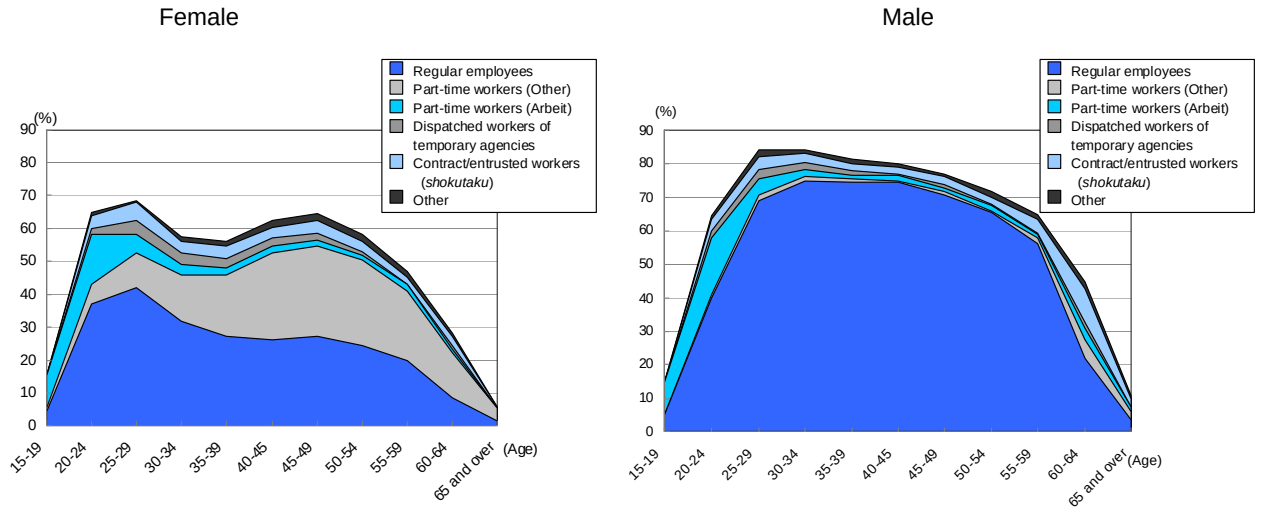
Source: OECD *"Educational at a Glance 2008"*
Note: Figures for 2006.

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



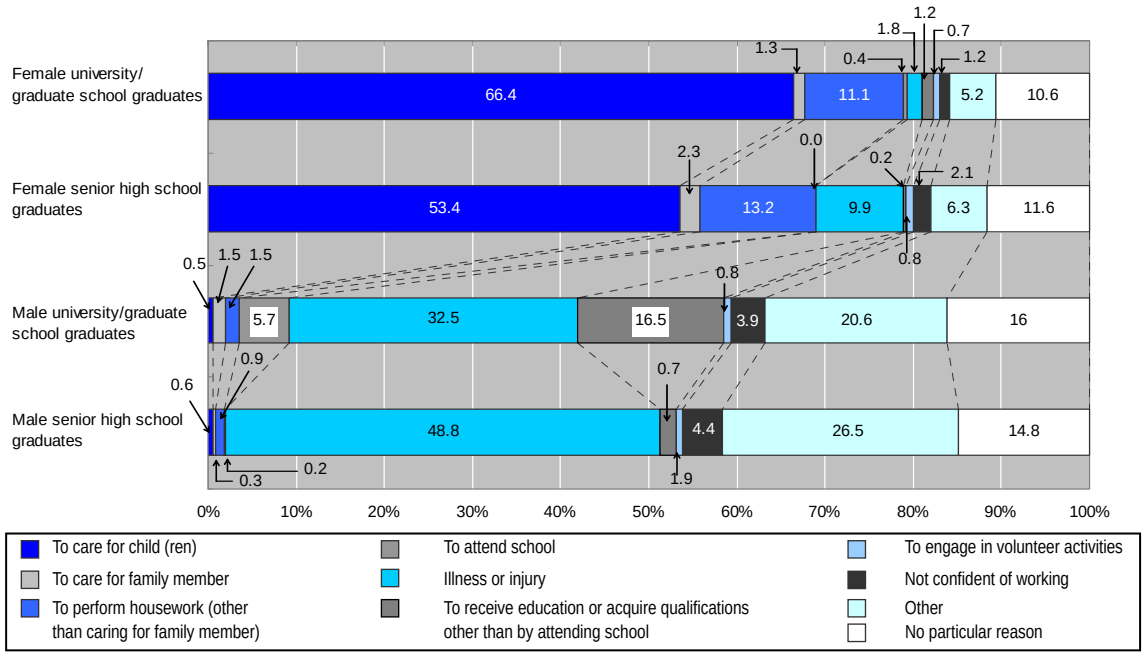
Source: Ministry of Health, Labour and Welfare, *Situation of Working Women (2007).*

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

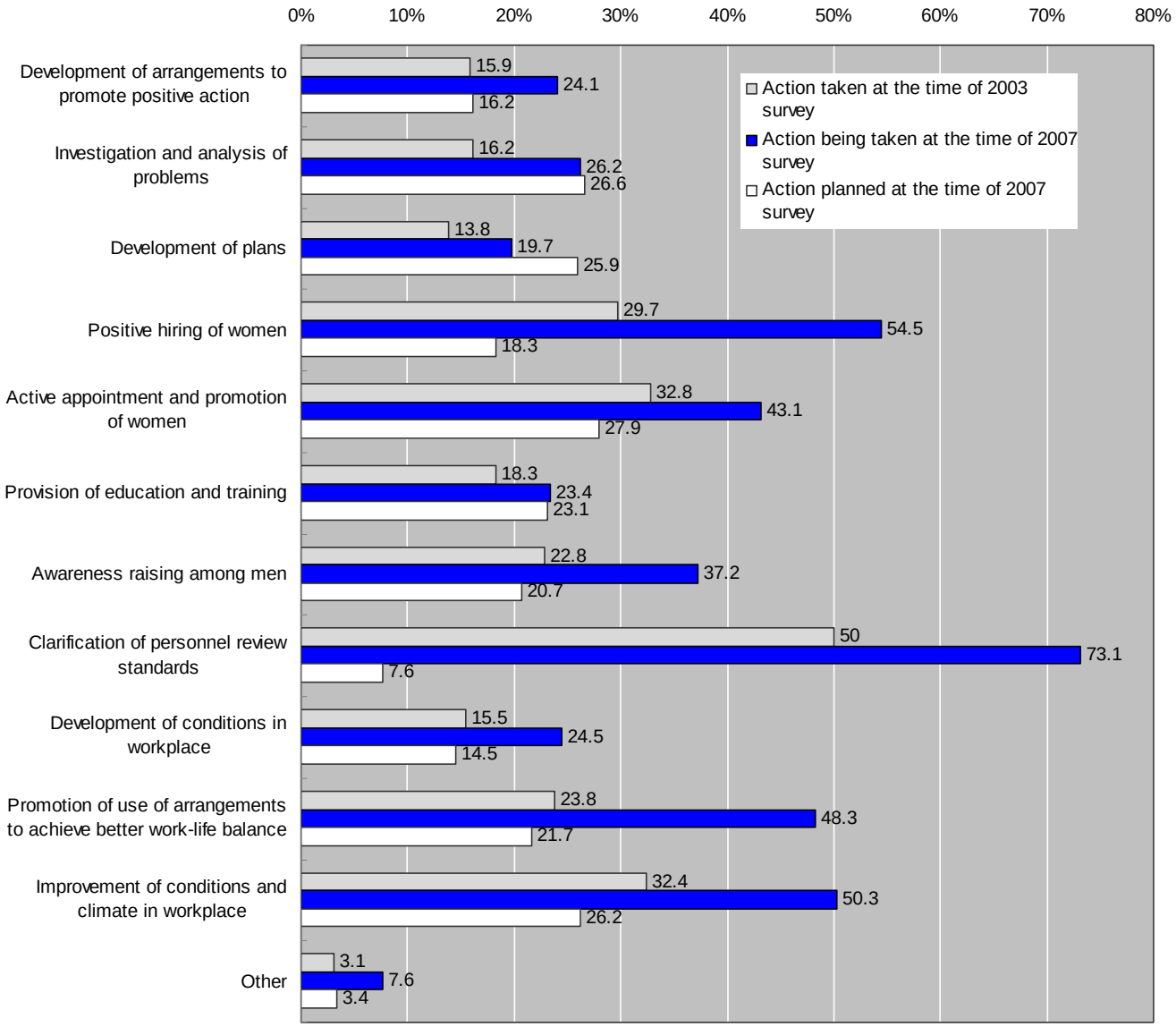
Japanese society has entered demographic decline, it is essential to create a society in which everyone can play a part and those want to work can find employment in order to maintain and raise the country's social and economic dynamism in the future. Regarding women in particular, education levels are 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 employment 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 childcare 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 following 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 intensified. 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

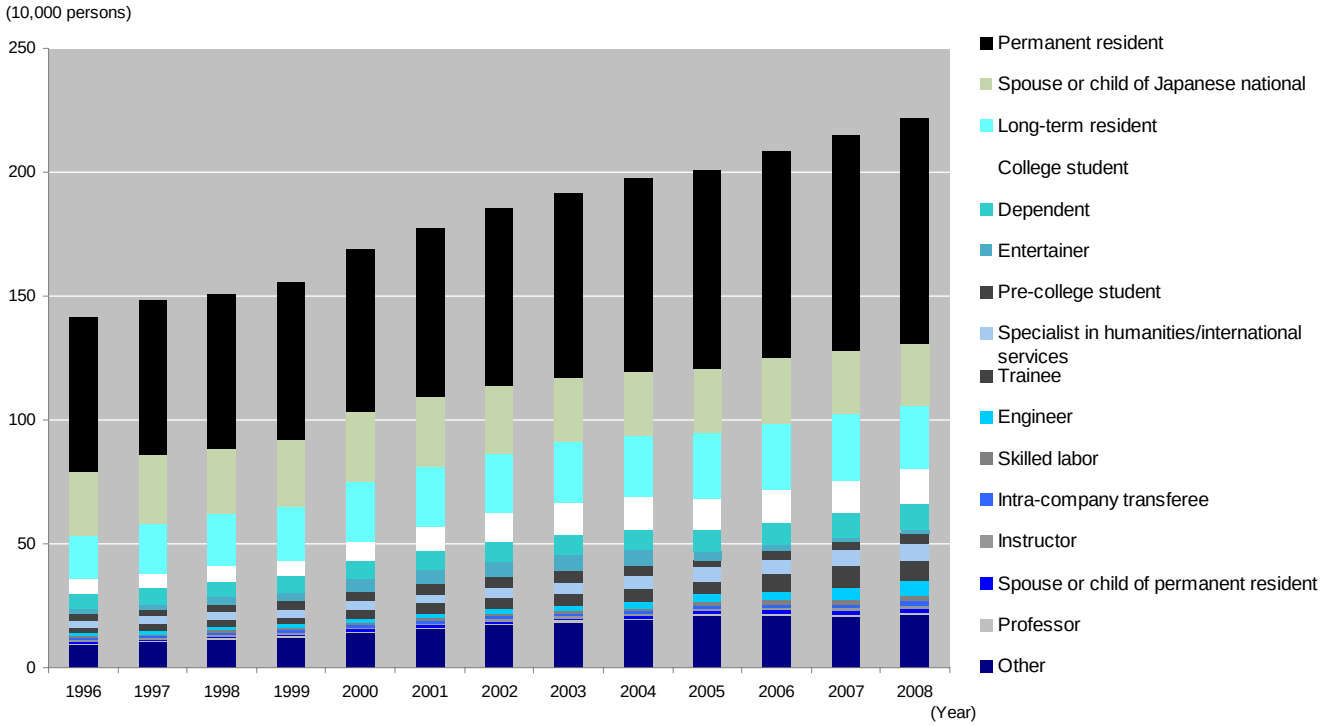
II-35 shows trends in the number of foreigners in Japan by status of residence. There are around 840,000 "permanent residents" (the combined total of "special permanent residents" and "ordinary permanent residents"), who account for 40% of the total number of registered foreigners. If these are combined 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

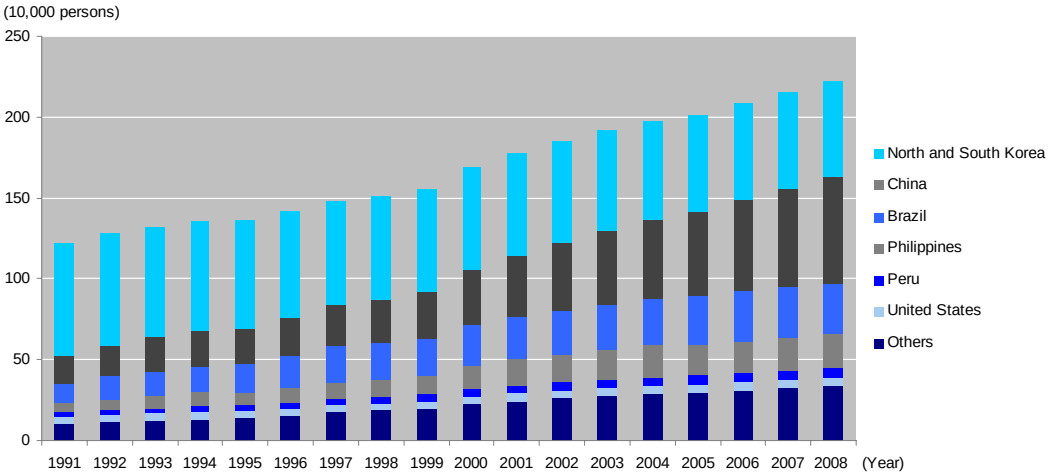
The number of foreign residents varies according to prefecture. This is because the number of foreign residents in a region depends on, for example, employment and unemployment conditions if they are seeking employment, and by the number of universities and other institutes of learning if they are pre-college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

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



Source: Ministry of Justice immigration control statistics.

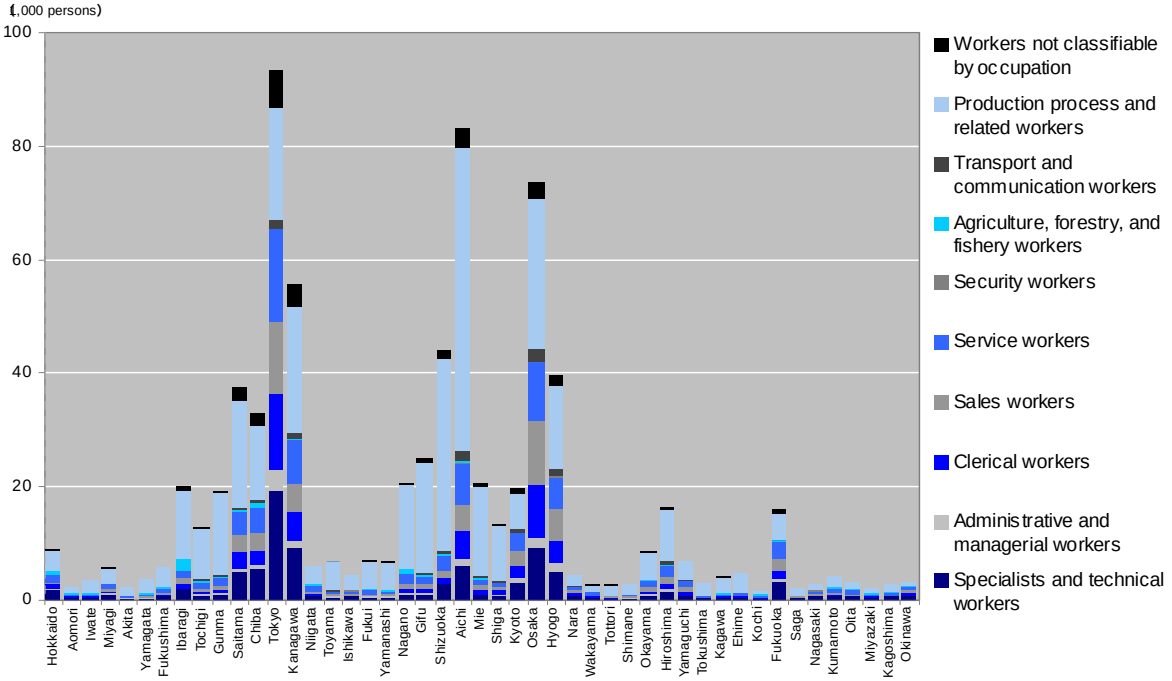
II-36 Trends in Number of Registered Foreigners by Country of Origin



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. Occupationally, 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.

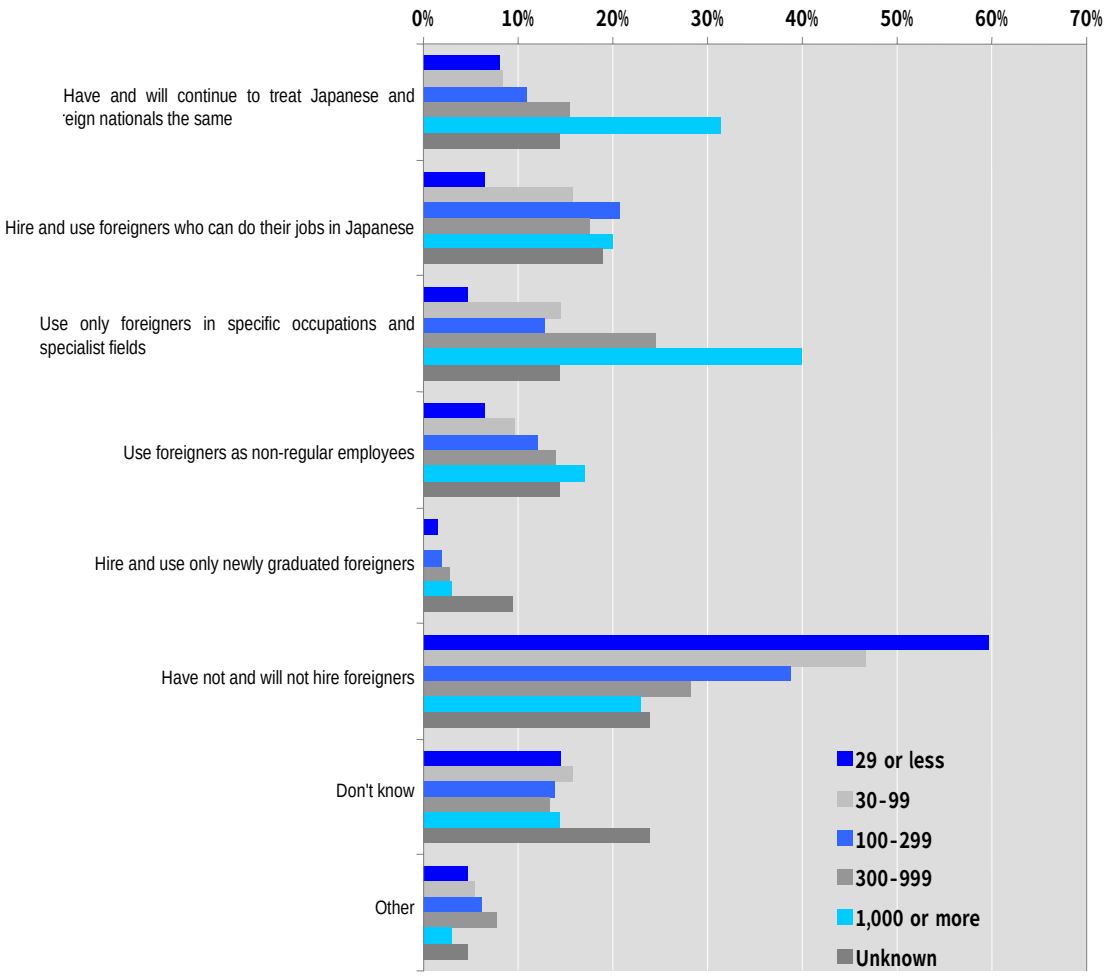
Companies' Employment Management of Foreign Workers

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 Japanese 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.

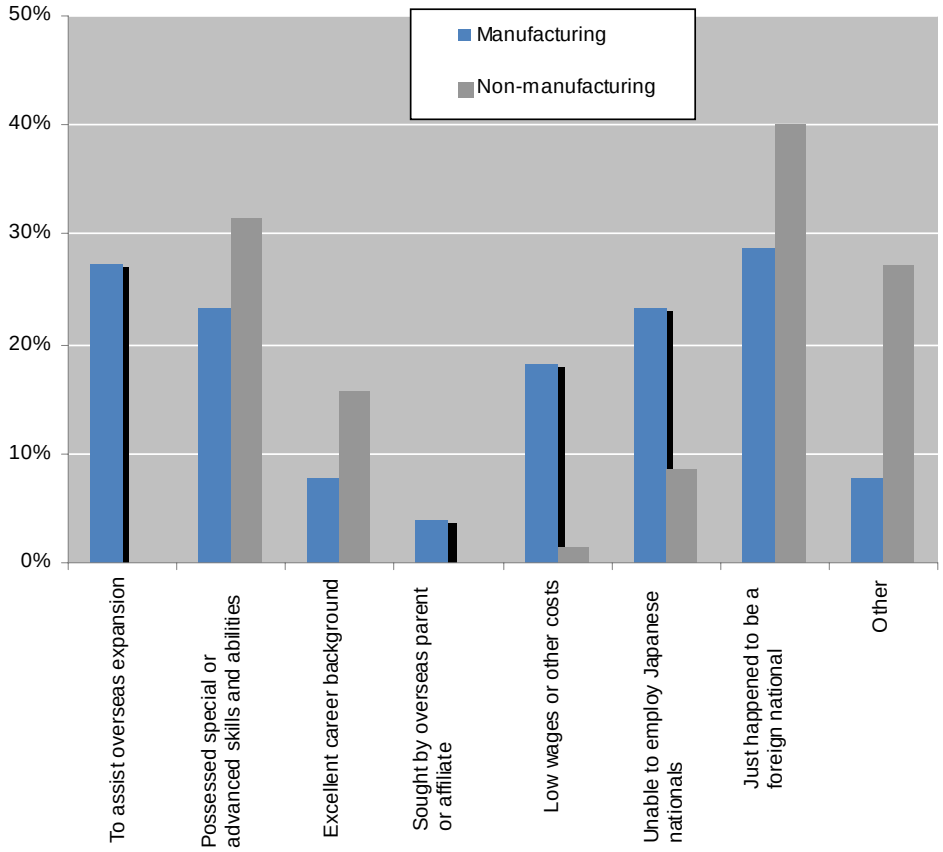
II-38 Policies on Employment of Foreign Workers (N=730)



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, relatively 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.