

Labor Situation in Japan and Its Analysis: General Overview 2011/2012



The Japan Institute for Labour Policy and Training

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

The Institute will concentrate our effort in the following areas.

1. Comprehensive Research on Labor Policies

The following research projects are now being conducted.

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

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

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

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

3. Dissemination of Results and Findings, Including Policy Proposals

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

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The Japan Institute for Labour Policy and Training

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Foreword

The Japan Institute for Labour Policy and Training (JILPT) was established in October 2003 with the objective of contributing to the planning of labor policies and working toward their effective and efficient implementation. In order to achieve this objective, the Institute works towards building a network with overseas research institutions and individual researchers, and is also engaged in the promotion of joint study from an international perspective.

This publication describes and analyzes the current status of labor issues in Japan. The authors are primarily JILPT researchers; assistance has been provided by officials at the relevant departments of the Ministry of Health, Labour and Welfare regarding explanations of concrete labor measures, and JILPT International Affairs Department is responsible for compilation and editing.

In principle, this publication is issued alternately as “General Overview” and “Detailed Exposition” editions. The Detailed Exposition 2011/2012 issued in March 2011, and provides recent write-ups by JILPT researchers dealing mainly with important labor issues. Consequently, as opposed to the Detailed Exposition, this General Overview 2011/2012 edition provides an exhaustive range of write-ups that covered basic points on issues related to labor issues and labor policies in Japan.

Japan suffered a great deal of damage as a result of the immense tsunami that swept over the east coast following the major earthquake that struck the Tohoku region on March 11 last year. This publication covers the labor issues caused by the earthquake as much as possible. Following this disaster, we have received very many warm messages of encouragement from people across the globe. We would like to express our sincere gratitude to everyone for their support. Japan has now begun to take steps towards reconstruction; one of the decisive factors in this will be employment. JILPT intends to make a contribution in the field of policy research relating to employment.

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

February 2012

YAMAGUCHI Koichiro, President

The Japan Institute for Labour Policy and Training

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1 The Current Status of the Japanese Economy and Its Future Prospects

The “Lost Two Decades” Following the Collapse of the Bubble Economy

In the latter half of the 1980s, the Japanese economy achieved high real economic growth in excess of 5%. This high growth potential in the real economy was also reflected in financial and securities markets, as well as in the asset value of companies. With stock prices reaching an all-time high of ¥38,915 at the end of 1989, Japanese companies were acquiring foreign companies and assets, encouraged in part by the impact of the strong yen at a time when corporate mergers and acquisitions (M&A) were a major trend. In response to these moves, Japan was highly praised by other advanced nations as the world’s number one. However, on reaching 1990, asset prices such as stock prices and land values immediately began to fall, and this decline was not stopped for a long time. Following this collapse of the so-called economic bubble, Japan entered a prolonged economic slowdown.

Thereafter, on at least three occasions to date, Japan has experienced deep recessions that could be described as the worst since the Second World War. Firstly, the decline in stock prices and land values that had been underway since 1990 eventually extended so far as to result in the bankruptcy of major financial institutions in November 1997, immediately after which a severe financial shrinkage began, which plunged Japan into a deep recession. Lending by financial institutions continued to decline sharply from 1998 and continued to fall for a long time, until a moderate increase reversed this process in mid-2005. Moreover, the unemployment rate (3.5% in November 1997) rose sharply in 1998, reaching 4.8% in June 1999, and the employment environment

increased the level of severity. In particular, with regard to the employment of those who had newly graduated from university, the period from graduation in around March 1994 to around 2005 is generally called the employment ice age, when there was a continuous period in which it was extremely difficult to find employment. The university graduate employment rate underwent a sustained decline from 66.6% for those graduating in March 1997, falling to 55.1% in March 2003.

The second recession occurred at the end of 2000 until the first half of 2002, when the financial shrinkage was still underway, caused by a worldwide recession in the field of semiconductors. Focusing primarily on electrical appliances, there was a major decrease in production in export-related areas of manufacturing industry; coupled with the deflationary effects of the financial shrinkage, this led to the unemployment rate beginning to rise from around May 2001, reaching 5.5% – the highest-ever rate – in June 2002 and again in August of that year. With regard to the job market for university graduates, as mentioned above, the job market for those graduating in March 2002 and March 2003 in particular was exceedingly harsh.

The third recession covers the period from September 2008, when the so-called “Lehman shock” (the bankruptcy of Lehman Brothers) took place, until the present day. From January 2002, the Japanese economy continued a moderate recovery (the period up to October 2007 alone became the longest since the war), and lending by financial institutions began to increase again from mid-2005, but from the end of 2007, in response to the worldwide economic slowdown, the economic situation became patchy. At

this point in time, the Lehman Shock occurred. In Japan, exports of goods such as motor vehicles fell significantly, which led to a major decrease in production in machinery-related industries. This decrease in production swiftly spilled over into all industries, as a result of the interindustry-relation effect, becoming a very fast-paced recession that was the largest since the war, with the index of industrial production demonstrating a fall of 30% compared with the previous year toward the first half of 2009. In addition, as if to add insult to injury, the East Japan Great Earthquake occurred in March 2011, when the economy had not yet completely recovered from the Lehman Shock.

Thus, over almost 20 years since the collapse of the bubble economy, Japan has been struck by a number of recessions. In recent years, apart from exceptions such as corporate profits, which have been achieving record highs, most economic indicators, including stock prices, GDP, capital investment, employee incomes and average wage levels, have either remained below the levels they were at in late 1997, when the financial shrinkage began, or are currently at levels below the 1997 levels after having exceeded them at one point. It is because of this that the period is referred to as the “lost decade” or the “lost two decades”.

Financial Shrinkage being a Major Reason for the Prolonged Recession

Opinions may differ slightly between experts, but in our own approach, the biggest reason why the “lost period” has been so prolonged is considered to be the occurrence of the financial shrinkage.

At the time, amidst the progressive introduction of current value accounting, the major fall in asset prices was detrimental to the assets (stock) not only of financial institutions, but also of ordinary companies, and in order to deal with the reduction of excessive debt, they were compelled to achieve cost reductions (flow adjustment) by cutting back production and employment. This was the occurrence of the so-called “three excesses” (capacity, employment, debt).

With regard to this mechanism, it is currently a well-known phenomenon, with the term “balance-sheet recession” having been coined, but in the early

1990s, when the fall in asset prices had only just begun, there was no awareness in Japan of what this might bring about. As the economic growth rate had not decreased by a particularly great amount, there was not even any awareness that an economic slowdown had begun. Triggered by a book written by an expert, in the autumn of 1992, when about two and a half years had passed since the fall in asset prices had commenced, people started to be aware that an economic slowdown had begun that was different from those experienced hitherto. The delay in recognizing the recession might also be one reason why it became so prolonged.

However, it did not stop here. As stated above, stemming from the failure of major financial institutions at the end of 1997, financing shrank over a long period of time. Finance is truly the lifeblood of economic activity: it is behind all production activities, with the provision of operating capital (discounting of bills), as well, of course, as finance for capital investment. As a result of this shrinkage, economic activity itself was forced to contract, and a succession of companies went bankrupt.

With regard to the cause of financial shrinkage, firstly, it is related to the structure in which, unlike in the USA (Note 1), Japanese financial institutions held a large quantity of cross-owned company shares. The major decline in stock prices and land values resulted in a swift, large-scale deterioration in the financial situation of financial institutions. In addition, it was caused by finance provided to companies rapidly becoming bad debts due to the prolonged recession, and also by an impact from moves toward international finance-institutional reforms, through which financial institutions at that time were forced to strengthen their equity ratio. As well as speeding up the recovery of debts from companies, in order to ensure that the inevitable asset deterioration was not aggravated, these financial institutions curbed new lending to a significant degree (Note 2).

The Economic Policy of the Government and the Bank of Japan and Structural Issues in the Japanese Economy

In response to these recessions, the government implemented a series of emergency economic

measures. In addition to pump-priming government expenditure, the government used public funds (taxes) to introduce capital injections to financial institutions, in order to ensure that the deterioration of loan assets into bad loans and measures to deal with this would not restrict the loan functions of these financial institutions.

At the same time, particularly from the latter half of the 1990s, in addition to the promotion of a policy of zero interest rates, the Bank of Japan implemented a quantitative easing policy as a deflationary measure, supplying a considerable amount of liquidity to commercial banks. Entering the first decade of the 21st century, with a mild economic recovery underway, the Bank of Japan was seen to explore the possibility of an “exit policy,” but up to the Lehman Shock, in the same way as the central banks of other advanced countries in the West, it adopted the unusual measure of widespread purchases not only of government bonds, but also of the negotiable securities of companies held by financial institutions, such as company bills, corporate bonds and CP, seeking to build up a supply of liquidity to the market.

However, despite these economic policies of the government and the Bank of Japan, the Japanese economy continued to experience low growth in the long term. It is thought that excessively low growth rates give rise to a vicious circle by causing the anticipated growth rate to decline, which brings about a structural stagnation in capital expenditure, as a result of which the low growth rate continues. In order to promote an internationally-competitive, technology-oriented nation, aggressive investment is essential (Note 3). Moreover, low growth not only causes increases in unemployment and wage stagnation, but also tears apart socioeconomic systems through such issues as the dissolution of employees’ pension funds and health insurance unions by companies that cannot sustain the increase of costs due to the aging of the population, conjointly with operational deterioration resulting from low interest rates, or major decreases in the national pension scheme receipt rate.

Major issues can also be seen elsewhere in terms of the economic structure. The biggest issue is believed to be the delay in improving (reforming) the

economic structure. This problem can be seen as being symbolic of the performance of the Japanese economy in regard to the strong yen since the 1980s. With regard to the strong yen and the recession, many Japanese companies responded by transferring their production hubs overseas and implementing cost reductions and operational rationalization based on an approach of “selection and concentration.” At that time, taking into consideration the fact that the rate of return on investment (investment efficiency) had been diminishing for a long time and that cost competition had become increasingly harsh due to the strong yen, this was rational behavior for companies. However, what remained as a result were an even stronger yen and the hollowing-out of domestic industry and employment. Rational behavior at the microeconomic level brought about even more deflationary tendencies and the contraction of domestic production at the macroeconomic level. What brought about the “fallacy of composition” was perhaps the fact that although the government had a plan in which it would join together with the business community to create new industries and seek a strategic switchover in the industrial structure, it did not implement initiatives that would lead to the development of projects that would attract businesses and investment from overseas utilizing yen being bought. This is a problem that many experts have been united in pointing out.

Secondly, various labor problems will be taken up in detail in the chapters that follow, such as the hollowing-out of employment, the explosion in the number of non-permanent workers, long working hours concentrated at specific workers, and the long-term stagnation of wages; although they are problems that have emerged as a result of the deterioration of the economic situation, they themselves form one of the most serious economic problems facing Japan at present.

Thirdly, the economies of Japan’s provinces are exhausted and stagnating. In combination with the deterioration of local government finances, it has also been affected by the fact that public investment has been on the decrease for a long time. The current state of the provincial economies is very serious and, as if to add insult to injury, the impact of the East Japan Great Earthquake is giving rise to even greater

concern.

Finally, because a large quantity of government bonds were issued as part of the aforementioned fiscal stimulus, Japan's public bond balance increased dramatically from the 1990s onwards, reaching 1.98 times GDP in 2010 (incidentally, with regard to the figures for other countries, 0.93 times for the USA, 0.81 for the UK, 0.92 for France and 0.80 for Germany = OECD survey), giving Japan far and away the highest proportion among all advanced countries. Furthermore, government bonds account for more than 30 – 40% of the national budget in each fiscal year, and outstanding debt is rising further. The steep rise in the public bond balance is increasing the sense of anxiety about the future destabilization of government bond markets and whether it might not result in crowding out private capital investment funds.

Prospects for the Economy in the Immediate Future

The recent East Japan Great Earthquake occurred before the economy had properly recovered from the Lehman Shock.

Companies making materials and components for manufacturing industry are concentrated in the disaster-struck area, which form the backbone supporting this technology-oriented nation. The damage afflicting these producers made it difficult for companies not only in Japan but also across the globe to procure components and other materials, leading to production stoppages and a major decrease in the capacity utilization rate. Moreover, this region is one of Japan's foremost agricultural and fishery production regions; in addition to the production areas being ruined and the producers suffering major damage, the impact of radiation contamination, therefore, has led to shipments of agricultural and marine products being ceased or restricted (including

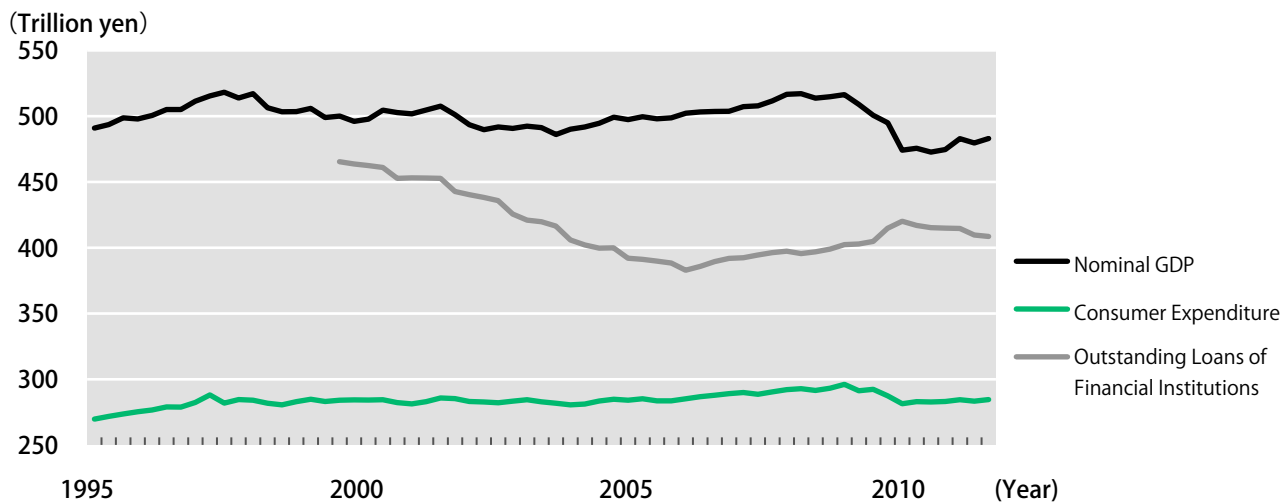
exports), which has had an immense impact on markets and ordinary households across the country, plunging them into chaos.

In the future, how can the industries and the living environment of the populace be restored? What effects will the damage to the producers and the impact of the nuclear power station accident have on economic activities and the lives of citizens across the country? Moreover, what impact will the problem of inadequate power supply have on industry in particular? Furthermore, in the medium- to long-term, companies (including those overseas) will generally replace components that have become impossible to procure with those produced by alternative companies and regions (including those overseas), which endangers the producers in the disaster-struck areas, if the recovery is delayed, to find their own business partners to supply once they have recovered. How can they overcome this situation well? Moreover, it is uncertain how the nuclear power policy will be revised and how this will affect electrical power supply? While praying that the producers and the lives of citizens will recover at the earliest juncture possible, it will be necessary to observe carefully to see how Japan can overcome the aforementioned short-, medium- and long-term challenges (Note 4).

Notes:

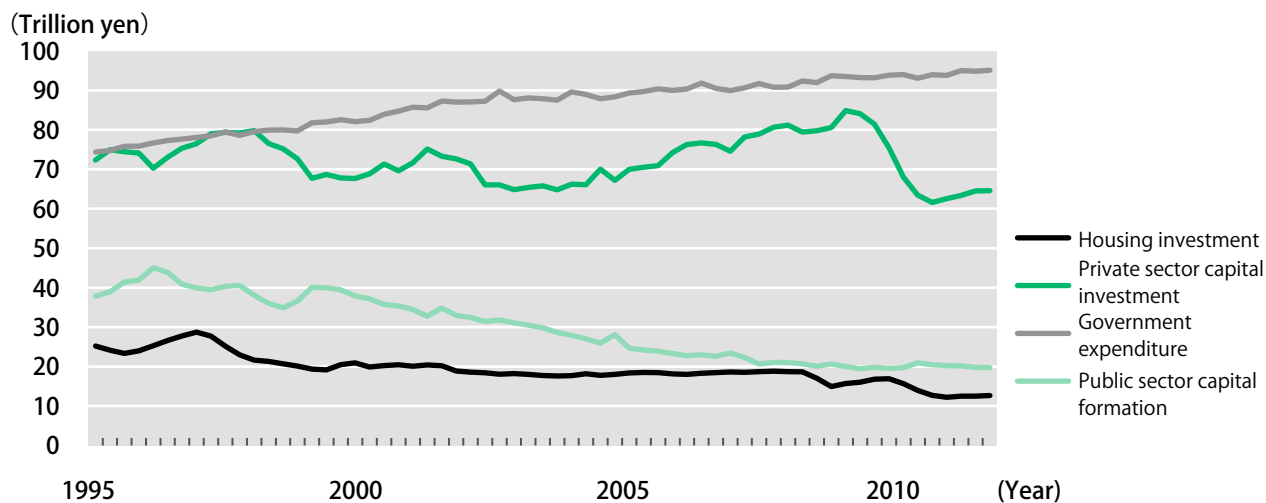
1. In the USA, as early as 1933, immediately after the Great Depression, the Glass-Steagall Act was enacted, prohibiting commercial banks from investing in company shares, which was one of the causes of the depression, to achieve the separation of duties by bank type.
2. The outstanding loans of financial institutions continued to decrease from late 1997 to mid-2005. Usually, a decrease in stock data is an extremely abnormal economic phenomenon.
3. The economist J. A. Schumpeter argued in his *Theory of Economic Development*, the original of which was in German translated under this title in the English version, that creative destruction and innovation have an important role to play in economies. In addition, at the same time, he emphasized that credit creation is vital to innovation. In relation to this paper, which also refers to financial shrinkage, this will be a crucial point that we ought to recall.
4. This is our concern as of in May 2011, when this chapter is being produced.

I-1 Developments in GDP, Capital Investment and the Outstanding Loans of Financial Institutions (All Nominal Values)

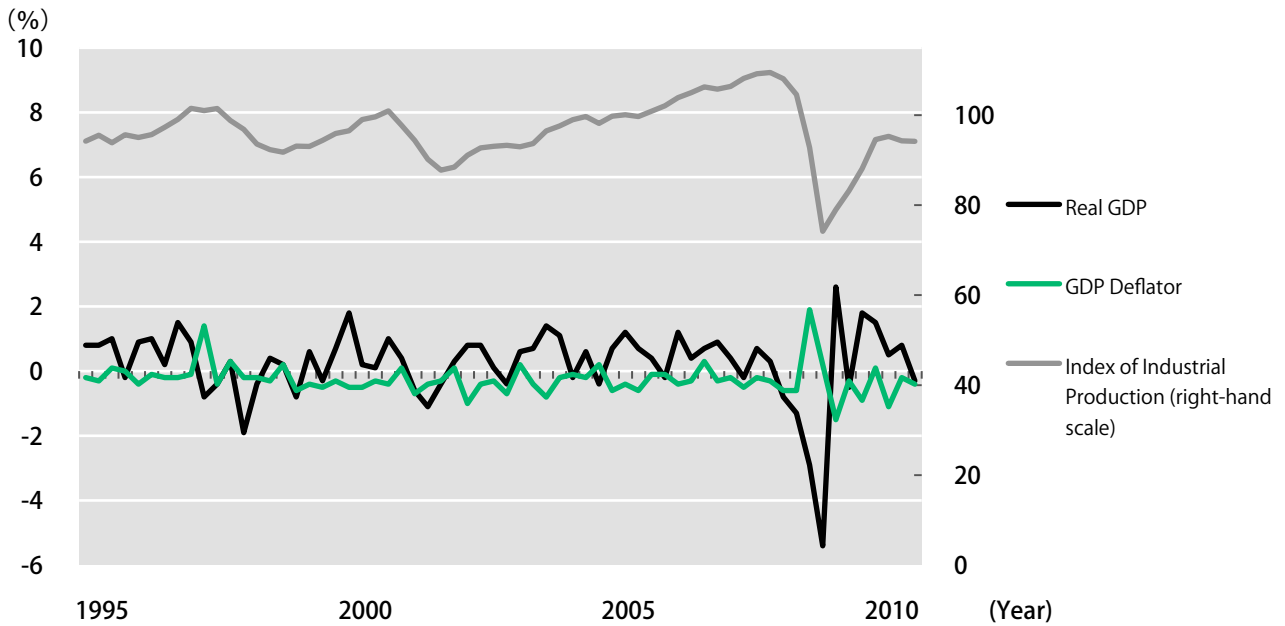


Note: Nominal GDP and consumer expenditure are seasonally-adjusted figures for each quarter. The figures for outstanding loans of financial institutions were compiled from the three-monthly average of the monthly data. In addition, it was not possible to obtain data for the outstanding loans of financial institutions before the January-to-March period 1999 (this was previously carried on the Bank of Japan website).

(Continued)

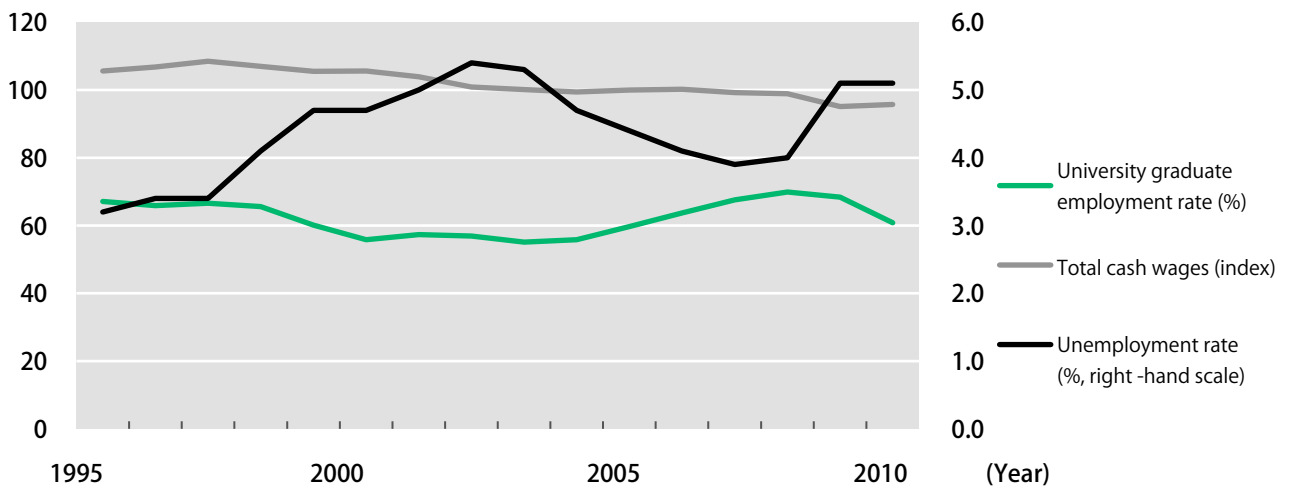


I-2 Real GDP Growth Rate, GDP Deflator and the Index of Industrial Production (Seasonally-adjusted Figures for Each Quarter)



Note: Real GDP and GDP deflator figures are the rate of change compared with the previous period. The index of industrial production is an index (2005 average = 100).

I-3 Labor-related Indicators



Note: In the index for total cash wages, 2005 average = 100

The Post-bubble Recession – Economic Expansion – Economic Crisis – Major Earthquake

The Japanese economy has gone through many twists and turns since the 1990s, after the collapse of the economic bubble, up to the present day, and debate has surfaced about revising the employment and labor situation.

The Japanese economy, which was beset by a serious recession as a result of the collapse of the economic bubble, underwent a harsh restructuring process; by the early 2000s, it had eliminated the three excesses (capacity, employment and debt) and emerged from recession as its exports to the U.S. and China intensified. The economic uptrend lasted a record 69 months from February 2002 to October 2007, exceeding the 57-month period of high growth during the late 1960s. However, during this period, the real GDP growth rate remained around 2%, so it is characterized by a very small growth rate, compared with the fact that the high growth rate during the period of economic expansion reached 10% in real terms.

Lehman shock, the worldwide economic crisis, which was triggered by the collapse on September 15, 2008 of the U.S. investment bank Lehman Brothers, completely transformed the Japanese economic landscape, and the real GDP growth rate recorded negative figures for two consecutive years, in FY2008 and FY2009. During this time, exports recovered from around the spring of 2009, and the economy was rallying, albeit weakly. Just at that point, the Great East Japan Earthquake hit the Japanese archipelago on March 11, 2011. In addition to the direct damage, the Japanese economy was overcast with dark clouds as a result of disruption to the supply of components, the nuclear power station disaster and constraints on the supply of electricity.

If one looks back over the employment situation, one can see that the problem of unemployment intensified as a result of the large-scale financial

meltdown in 1997, with the overall unemployment rate recording a record high of 5.5% in April 2003, with the figure for the whole of 2003 reaching 5.3%. During the subsequent period of economic recovery, the unemployment rate took a favorable turn and mostly remained at around the 4% level between 2004 and 2008 (falling to 3.9% in 2007). However, as a result of the storm that was the worldwide economic downturn that was triggered by the Lehman Shock, the employment situation suffered an unprecedentedly sharp deterioration, the unemployment rate once again returned to around the 5% level for two years in succession, in 2009 and 2010.

Furthermore, due to the impact of the earthquake, the prospects are anticipated to be bleak. It goes without saying that support for employment is vital in order to achieve economic recovery, and measures to support the maintenance and creation of employment will come under even closer scrutiny than before.

Changes Affecting Employment and Labor

This immense earthquake occurred amidst the aftermath of the historic transformation symbolized by the Lehman Shock and the chaos that followed in its wake. Therefore, Japanese society is even more strongly in need of a new vision for recovery and reconstruction. The employment and labor situation is no exception either. Various changes in the employment and labor situation have taken place due to adjustments that have occurred during periods of prolonged economic slump through to periods of economic expansion, and a number of issues have surfaced. In developing a vision for a major depression and the aftermath of the earthquake, there is renewed awareness that these issues should be confronted.

One was the increase in non-regular employees and widening of the wage gap. Factors including moves by companies to cut fixed costs and diversifying outlooks among workers caused the proportion of non-regular employees to rise to the

point that they now account for over 30% of employees. A serious problem was the sudden decrease in the proportion of young people in regular employment from the mid-1990s. Many of those who were unable to find regular employment during the employment “ice age” during the recession remain in non-regular employment or without jobs altogether. The number of so-called “freeters” is declining, but the situation regarding “older freeters” has not improved conspicuously and their number still remains high.

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

A second issue concerns regular employees. As companies have narrowed down their regular workforces, many such employees now find themselves having to work longer hours. To take a specific example, around 20% of 30-year-old males work 60-hour weeks or more. Japanese men spend less time on housework and with their children than their North American and European counterparts, placing a consequently greater burden on their spouses. For women, being a regular employee means having to make a choice between either remaining in employment or leaving the workforce to marry and have children, a factor that is regarded as contributing to the decline of the birthrate. This is also an issue that can have implications for mental health and even lead to death through overwork.

Although the annual number of hours actually worked per employed worker in Japan is shrinking, a more detailed breakdown shows that this has

generated an increase in part-time workers (the majority of whom are non-regular employees), as a consequence of which there has been no conspicuous shortening of regular employees’ working hours. Instead, working hours are becoming polarized around each end of the spectrum.

While regular employees enjoy strong job security, they tend to have to follow their employers’ wishes as regards, for example, working hours and place of work. Thus while they enjoy security, they are also restricted to a considerable degree. Non-regular employees, on the other hand, face fewer restrictions in terms of overtime and so forth, but do suffer a lack of job security. The existence of a rigid barrier between regular and non-regular employment has drawn severe criticism on the grounds that it prevents a diversity of human resources, such as women, older people, and the young, from exercising their abilities and impedes their use. The creation of a mechanism that provides procedures that ensure continuous treatment and a means of transitioning between the stages, rather than forcing working people to make a choice between either regular or non-regular employment, is surfacing as a challenge.

A third characteristic is the lag in improvement in wages compared with the improvement in corporate earnings during the present recovery. An examination of changes in wages over time in all industries combined according to the Laspeyres wage index (a weighted average index employing fixed attributes in each year that is used to compare the wage levels of workers of the same age profile in each year) calculated by the Japan Institute for Labour Policy and Training (JILPT) reveals that while wages increased continuously from 1986 to 2001 before declining in 2002 and then leveling out according to the simple wage index, the rate of growth in the Laspeyres index was zero in 1998, since then it has declined continuously except 2007. This reflects companies’ efforts to improve their financial soundness in the face of growing globalization, which has led to their adopting an aggressive approach to curbing personnel expenditures.

Workers have thus not felt the full benefits of economic growth in their everyday lives, and it is due in part to this that growth in consumption expenditure

has been lackluster and the recovery has, with the exception of capital investment, tended to be driven largely by growth in exports. During the worldwide economic crisis in the autumn of 2008, this dependence on exports dealt a blow to the Japanese economy, which people thought had already overcome the financial crisis, and was the reason why Japan recorded the biggest drop in GDP of all the advanced nations.

In relation to this kind of curbing of labor costs, companies have been undertaking revisions of the wage system for regular employees since the 1990s. This is the fourth characteristic. Many have opted, for example, to link bonuses to corporate results, introduce performance- and results-based pay, and downsize or discontinue regular wage hikes. Generally speaking, in order to curb overall labor costs, one can say that companies have controlled the wages of regular workers by revising wage system, while seeking to increase the number of irregular workers. However, one can also see cases in which the rapid change in wage systems has had a deleterious effect on the motivation of employees and from around the middle of the first decade of the 21st century, companies began to repent regarding the introduction of performance-based pay, which “went too far,” and moves toward remedying the situation emerged. Nevertheless, arrangements for determining wages and forms of treatment taking into consideration individual workers’ performance, results, personal approach to work, and vocational skills are now more widespread than they were before. The Shunto spring wage offensive system, which can be described as the noble cause promoted by the post-war labor movement in Japan, is a system through which in-house company unions form ranks by industry, with the unions in each industry conducting negotiations aimed at wage increases at more-or-less the same time, creating a “going rate” for wage increases, which has a ripple effect. In particular, during the postwar high economic growth period, this system significantly contributed to expanding domestic demand and equalizing the wages of Japanese workers. However, this ripple effect has been diminishing. This has also played a part in forcing the Shunto spring wage offensive, the

distinctive Japanese system of determining wages, to change and adapt.

The fifth characteristic that may be identified is the individualization of these labor relations. While collective labor disputes between employers and labor unions are down sharply compared with in the past, individual labor disputes between employers and individuals are rising. With regard to the labor legislation system in Japan, laws concerning individual labor disputes were lax because collective labor relations were emphasized, but in recent years, measures have been introduced, such as the entry into force of the Act on Promoting the Resolution of Individual Labor-Related Disputes (2001), which contains provisions relating to advice, recommendations and mediation by prefectural labor bureaus, the creation of a labor tribunal system (2006) in which judges and those with expert knowledge of labor-management relations reach a consensus, based on labor arbitration, and the enactment of the Labor Contract Act (2008).

One development to be noted in this context is the downward trend in the unionization rate. The unionization rate is facing a situation in which it is falling below 20%. In Japan, where in-house company unions form the mainstream, there are many unions whose membership is restricted to regular employees, and despite the fact that the number of irregular employees is rising sharply, their unionization is lagging behind the actual situation. Entering the first decade of the 21st century, although labor unions have begun to make an effort to unionize irregular employees as well, the unionization rate of part-time workers is still only around the 5% level.

Japan’s labor legislation system has been constructed on the basis of the approach that laws are used to determine the minimum standard for working conditions, while labor conditions in excess of these levels should be determined through negotiations between management and labor. For small companies and irregular workers, the reality is that this public stance is losing substance, because the unionization rate is so low. Consequently, the construction of a system of collective labor-management relations that reflects the interests of these sectors is also emerging as a challenge.

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

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

In June 2010, the government determined its New Growth Strategy. This set out such targets as i) achieving an economic growth rate of 3% in nominal terms and 2% in real terms, and ii) reducing the unemployment rate to 3% as soon as possible. In particular, it prescribed the creation of new demand and employment in four fields: the environment, health, Asia, and tourism. It also set forth the Employment and Personnel Strategy as a pillar supporting the growth strategy, stipulating specific figures concerning the employment rate to be achieved, with 2020 as the target year. The rate for those aged between 20 and 64 was set at 80%, with specific target figures being prescribed for four particular sectors of the labor market: young people, women, older people, and persons with disabilities.

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

Development of Safety Net and Employment Adjustment Subsidies

The financial crisis that originated in the U.S. brought about a contraction in the worldwide economy, and the employment situation in each

country rapidly deteriorated. Amidst this situation, what characterized Japan was the fact that unemployment among irregular workers, whose numbers had swelled sharply over the previous decade or so, reached remarkably high levels. The recession has dealt a direct blow to the export industries, such as automobile and electrical and electronics manufacturing, that were the mainstay of the Japanese economy, and it is in manufacturing that the problem of unemployment among temporary agency workers first became prominent, leading to terms such as *hakengiri* (dismissal of dispatched workers) and *yatoidome* (non-renewal of contracts) gaining common currency in the media.

Since the summer of 2008, the Japanese government has implemented emergency measures concerning the economy and employment on six occasions. One of the pillars of its employment-related measures is the enhancement of employment safety nets, whose defects had become apparent with the steep rise in the number of unemployed people. One of these was the reform of the employment insurance system; the system had hitherto set as a condition for enrolment "having the prospect of being employed for at least a year," so many dispatched workers fell through the gaps. Accordingly, the system was revised and the requirement was eased in 2009 to "having the prospect of being employed for at least six months," with the scope of application being further expanded from April 2010 to "having the prospect of being employed for at least 31 days."

Moves also progressed with the aim of constructing a "second safety net" to support the employment of those who were not eligible for employment insurance and create a multi-layered safety net. Firstly, an emergency program was implemented that supplemented the rent of people who had lost their homes as a result of becoming separated from their employment. From July 2009, the "emergency human resource development support project" began, which was aimed at jobseekers who were not eligible to receive employment insurance and which involves providing free vocational training and support for their living costs during the training period. The latter was made permanent in FY2011, with the establishment of the "jobseeker support

system.”

Another key element is the enhancement of the employment aid subsidy. This is a system that provides a subsidy from the state to cover costs in the event that a company is forced by recession to downsize its business and maintains employment by giving employees a temporary leave of absence from work, providing them with education or training, or dispatching them to a subsidiary company. It was established as an employment measure at the time of the first oil crisis in 1975, with reference to Germany’s “system of subsidies for workers subject to short-time working.”

In December 2008, the payout requirements were relaxed and measures aimed at a significant expansion in the content of the subsidy were implemented. For example, the proportion of wages subsidized was increased from two-thirds to four-fifths in the case of small and medium-sized enterprises. As a result, as of July 2010, the number of people on temporary layoffs in regard to whom the system was being utilized had climbed to approximately 1.21 million.

Since the collapse of the economic bubble, some have argued that the employment adjustment subsidy should be abolished, on the grounds that it aids the survival of so-called “zombie companies” and hinders the transformation of the industrial structure. However, one can say that it has had the policy effect of preventing the employment crisis during the worldwide recession becoming more severe on the margins.

Following the Great East Japan Earthquake, special measures relating to the employment adjustment subsidy have been applied to companies in the disaster-hit areas, such as reducing the production volume verification period to the last month, rather than the last three months.

Economic Crisis and Japanese-style Employment Systems

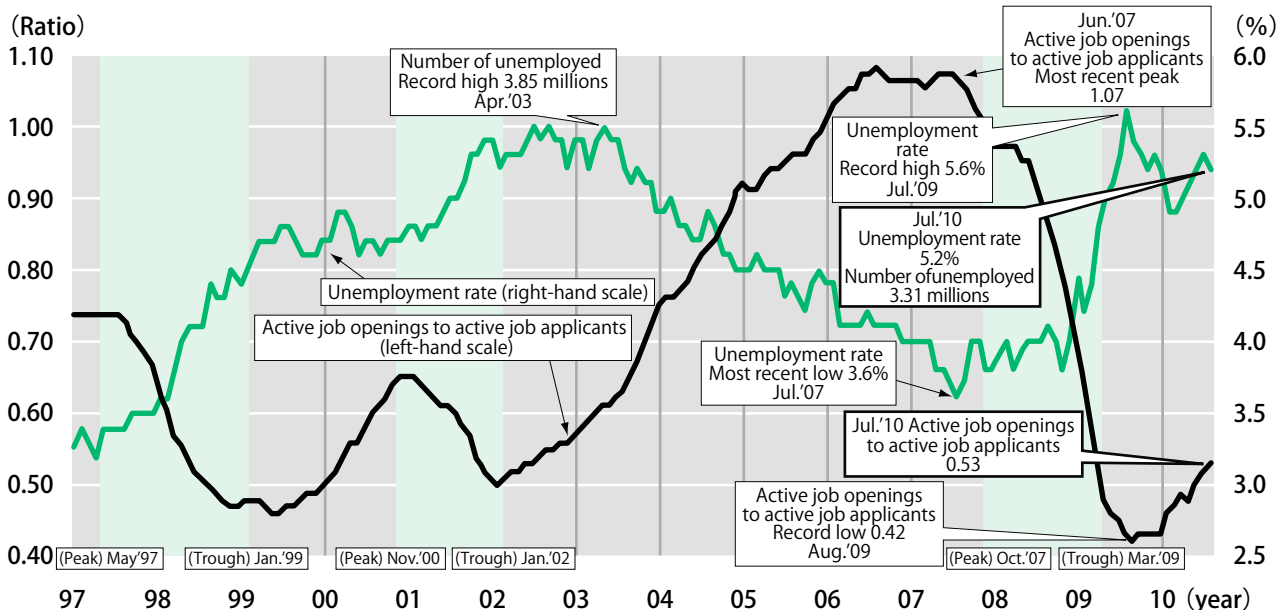
The assessment of “Japanese-style employment

systems,” which revolve around the practice of long-employment, wavered during this period. Going back slightly earlier, the Japan of the 1970s and 1980s maintained stable growth at a time when Europe and North America were mired in a prolonged slump, and Japan became the world’s largest trading nation. Following the Plaza Accord drawn up in response, Japan enjoyed unprecedented but unsustainable prosperity. During the 1980s, advocates within Japan and overseas attempted an approach that sought to get a lot closer to the prosperity of the Japanese economy, which was in contrast to the stagnation seen in the West. One area to attract interest was Japan’s employment systems, which revolved primarily around the practice of long-term employment, seniority-based wages, and enterprise unions.

During the recession of the 1990s, however, the view of Japanese-style employment systems suddenly became more critical. Looking back now, the change in the assessment was surprisingly significant. As the economy recovered, companies regained their management confidence and opinion surveys of workers, too, suggested that the perception of long-term employment practices and seniority-based wages was also recovering. The sense of solidarity with the organization and career development premised on continued employment at the same company, which had been widely criticized as weaknesses of Japanese-style employment, are also being increasingly viewed in a positive light.

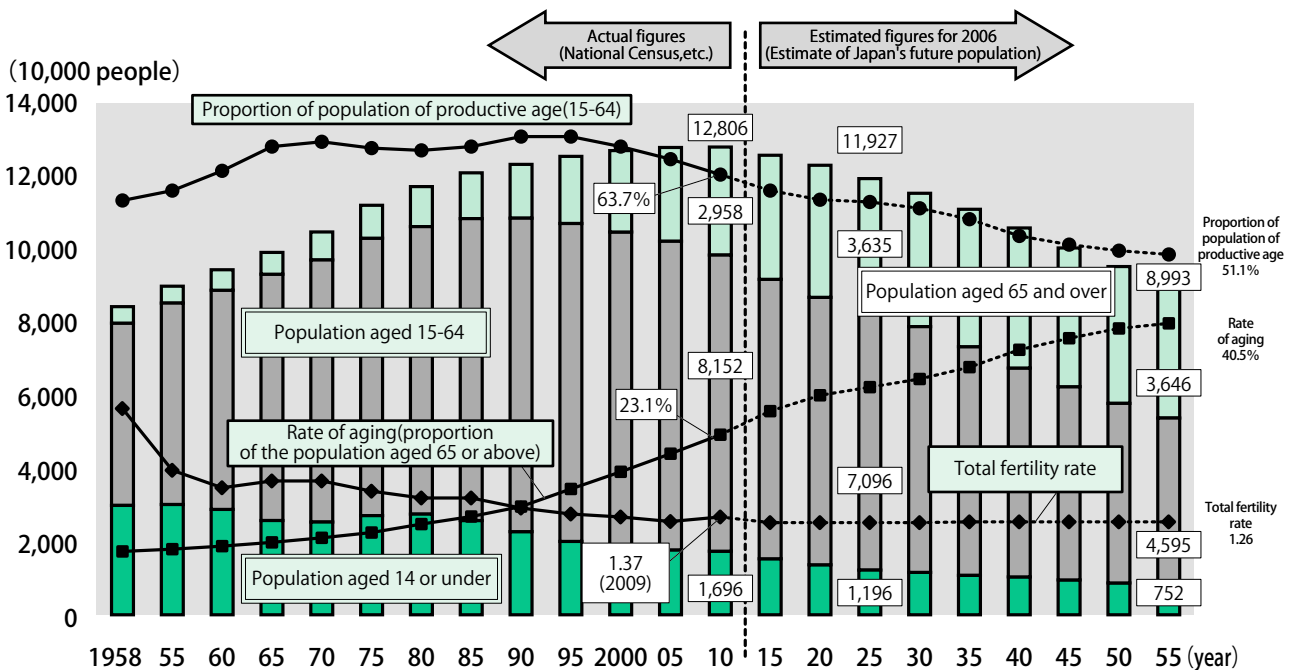
Having said that, it is hard to get away from the fact that the employment structure is changing, with irregular employees accounting for more than 30% of all employed workers, and Japan is facing the aforementioned issues. How can the virtues of the Japanese-style employment system be maintained and how can it be reformed, with a view to resolving such issues? These can be described as the questions being asked as Japan seeks to create a vision for getting through an unprecedented economic crisis and recovering from a major earthquake.

I-4 Trends in Unemployment Rate and Ratio of Active Job Openings to Active Job Applicants



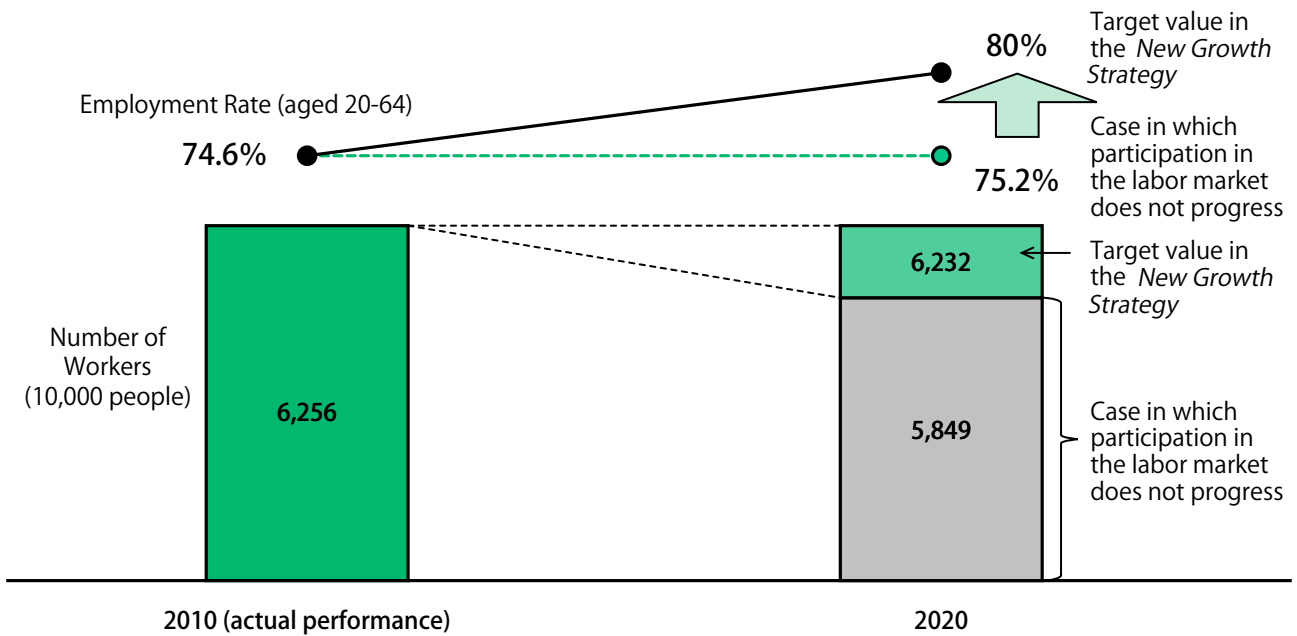
Sources: Ministry of Internal Affairs and Communications, *Labour Force Survey*
 Ministry of Health, Labour and Welfare, *Corporate Goods Price Index, Report on Employment Service*
 Note: The shaded sections indicate periods of economic downturn.

I-5 Changes in the Population



Sources: Figures up to 2005 are from the Ministry of Internal Affairs Communications Statistics Bureau *National Census*, figures to 2010 are from the Ministry of Internal Affairs and Communications Statistics Bureau *Population Estimate (as of October 1)*, and figures from 2015 onwards are from the National Institute of Population and Social Security Research *Population Projections for Japan (Estimates Dated December 2006) Intermediate Projections*

I-6 Prospects for the Number of Workers and Employment Rate



Source: Ministry of Health, Labour and Welfare, *Reference of Important Point for Labor Policy, FY 2011*

Notes: 1) In the New Growth Strategy, the target employment rate among those aged 20-64 is set at 80%(2020), with the employment rate among those aged 15 and above(56.9%) being maintained through 2020. The number of workers focuses on those aged 15 and above, and is the projected value in the event that the target employment rate for 2020 is achieved.

2) "Case in which participation in the labor market does not progress" is a case that hypothesizes that the employment rate by gender and age in 2009 does not change by 2020.

The number of workers in 2020 is calculated by multiplying the National Institute of Population and Social Security Research's projection for 2020(*Population Projections by Sex and Age Group [2020]*) by the employment rate for 2009 at each level. The 2020 employment rate(aged 20-64) is calculated by dividing the calculated number of workers(aged 20-64) by the 2020 population aged 20-64.

I-7 Laspeyres Wage Index

(Growth rate compared with the previous year)

Year	All industries		Construction industry		Manufacturing industry	
	Laspeyres wage index	Simple average index	Laspeyres wage index	Simple average index	Laspeyres wage index	Simple average index
1986	2.3	3.2	1.7	2.6	1.9	2.9
1987	1.2	2.5	2.0	4.1	1.0	2.1
1988	2.5	2.5	2.8	2.0	2.1	2.5
1989	3.1	4.3	4.8	5.8	2.9	3.6
1990	4.6	5.3	6	6.5	4.4	5.4
1991	4.1	4.6	4.4	5.8	4.3	4.7
1992	3.4	3.3	5.6	5.2	3.2	3.7
1993	1.6	2.1	2.7	1.7	1.7	2.8
1994	1.3	2.6	1.4	2.0	1.2	3.1
1995	0.1	1.0	0.2	0.9	0.1	0.8
1996	0.5	1.5	-0.4	-0.9	0.5	1.8
1997	0.3	1.1	0.1	1.8	0.6	1.2
1998	0.0	0.1	-1.5	-1.1	0.5	0.8
1999	-0.7	0.5	-0.1	1.0	-1.1	0.5
2000	-0.7	0.5	-1.4	0.0	-0.4	0.7
2001	-0.1	1.2	-0.2	1.6	0.2	1.5
2002	-1.3	-1.0	-3.5	-3.7	-1.1	-0.4
2003	-0.7	-0.2	-0.3	1.0	-0.7	0.0
2004	-0.7	-0.2	-0.5	0.8	-1.3	-1.1
2005	-0.2	0.1	-1.1	0.6	-0.2	-0.3
2006	-0.1	-0.1	0.5	0.6	1.5	2.6
2007	0.1	-0.2	-0.9	-0.7	-0.3	-0.9
2008	-0.5	-0.7	-0.9	-1.4	-0.7	-1.1
2009	-1.7	-1.5	0.2	0.6	-2.1	-2.0

Sources: Ministry of Health, Labour and Welfare, *Basic Survey on Wage Structure*, The Japan Institute for Labour Policy and Training, *Useful Labor Statistics* 2011

I-8 Polarization of Working Hours

(Million persons)

Working hours per week	2004	2006	2008	2009	2010
60 hours and more	6.39 12.2%	5.80 10.8%	5.37 10.0%	4.91 9.2%	5.02 9.4%
30 and more, less than 60 hours	33.54 64.0%	35.53 66.4%	34.37 63.7%	33.77 63.6%	33.83 63.6%
Less than 35 hours	12.37 23.6%	12.05 22.5%	14.07 26.1%	14.31 26.9%	14.14 26.6%
Total	52.43	53.53	53.94	53.13	53.16

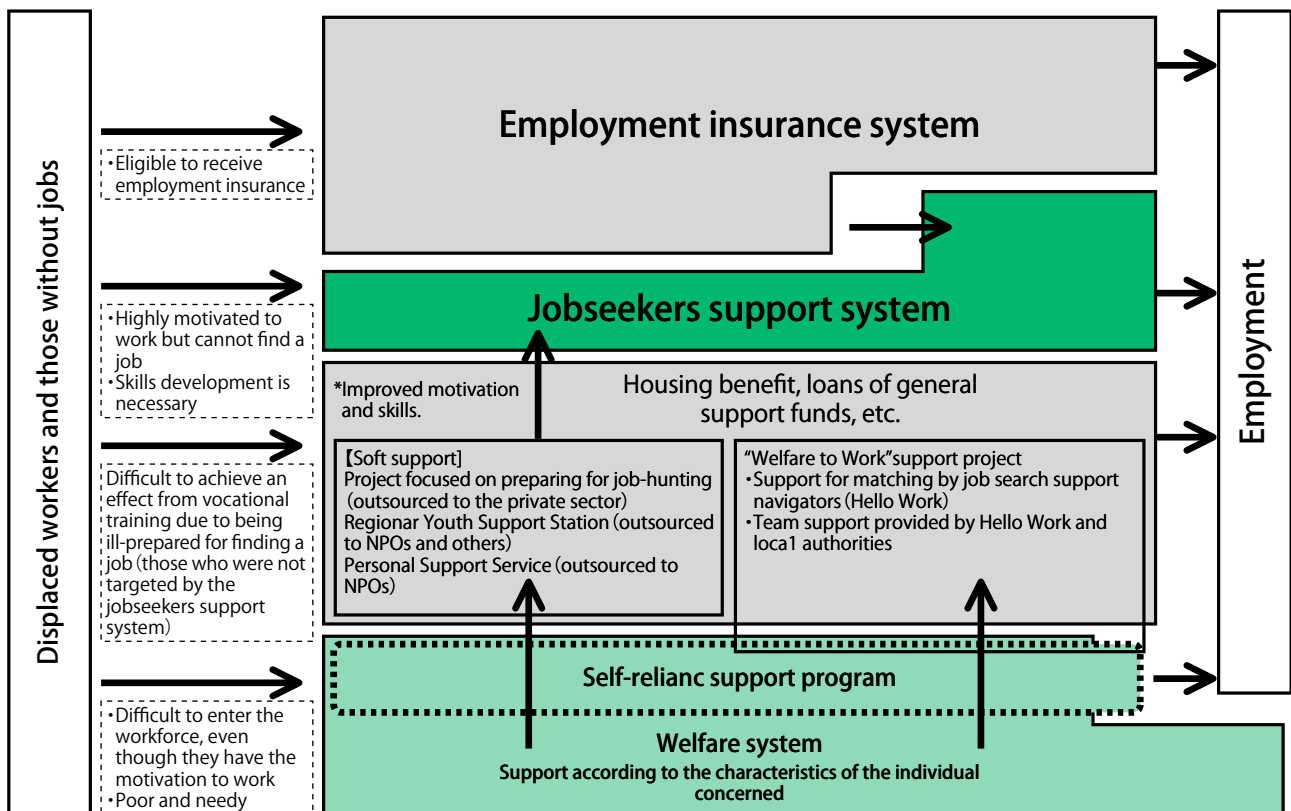
(Males in their thirties working at least 60 hours per week)

	2004	2006	2008	2009	2010
60 hours and more	1.53 20.3%	1.88 21.7%	1.72 20.0%	1.50 18.0%	1.53 18.7%

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

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

I-9 Concerning the Safety Net for the Unemployed



Source: Ministry of Health, Labour and Welfare, *Reference of Important Point for Labor Policy, FY 2011*

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 2010 (national census), Japan's population increased by a factor of about 1.77, from a reported 72.15 million to 128.06 million. Naturally, this continued increase has not been at a uniform pace over this 65 years. 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 0.2% in the last 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. (The total population in 2010 was in excess of 128 million people, as stated above, but this is thought to be because the statistical processing technique changed in March 2011, rather than indicating that the trend itself has changed.) Although population change is due to natural and societal increase and decrease, the natural increase and decrease that is considered to be the basis for population change has been gradually decreasing. Population distributions by age, too, will further increase with the tendency toward lower birth rates and a larger elderly population (see II-1). The working population is already diminishing in both real and proportional terms. As a result, there is concern over problems such as a slow-down in economic growth, and an increasing burden of support for the younger and older segments of society. As the labor force ages, a decrease in the number of young workers and overall manpower is observable.

Post-war Period Characterized by Regional Migrations in Search of Employment Opportunities

Looking at the population shifts between three

major urban areas and other areas of Japan over the postwar years shows one striking pattern—the shift from non-urban areas (farming villages) to major cities during the period of high economic growth in the 1950s and 1960s. With the exception of the eldest 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.

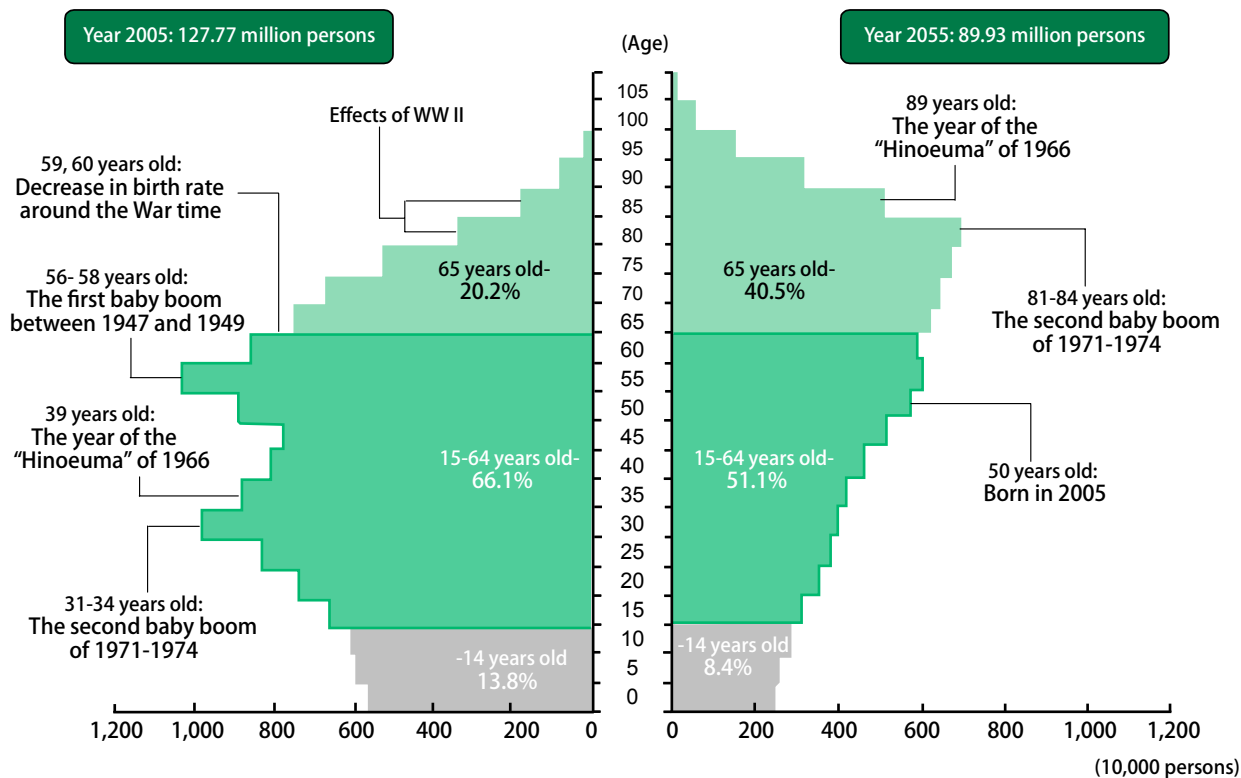
The concentration has been increasing yearly, and as of 2010 (national census), approximately 28% of Japan’s population centers in the four prefectures of

Saitama, Chiba, and Kanagawa, and Tokyo.

The Foreign National Population Declined for the First Time after Having Been on the Increase

In connection with the advance of internationalization, the foreign national population has consistently continued to increase, but as a result of such factors as the economic downturn, it declined for the first time. The figure decreased by approximately 31,000 people compared with the previous year, reaching 2.186 million in 2009. Their share of the total population of Japan is 1.71%. With regard to the breakdown of this, in the past, North and South Koreans accounted for the vast majority of Japan’s resident aliens. Their share has been decreasing, however, and as of the end of 2009, they accounted for 26.5% of the foreign population, a record low (see II-2). On the other hand, there has been an influx of people from other Asian countries such as China and the Philippines, and the number of Central and South Americans of Japanese descent who have immigrated to Japan with their families to work is also on the rise after approval of their permanent-resident visas. This trend began to gather speed during the bubble economy of the late 1980s. The Chinese population in Japan, in particular, has been increasing greatly to No.1 since 2000 and made up 31.1% of the foreign population in 2009, overtaking North and South Korea by the end of 2007.

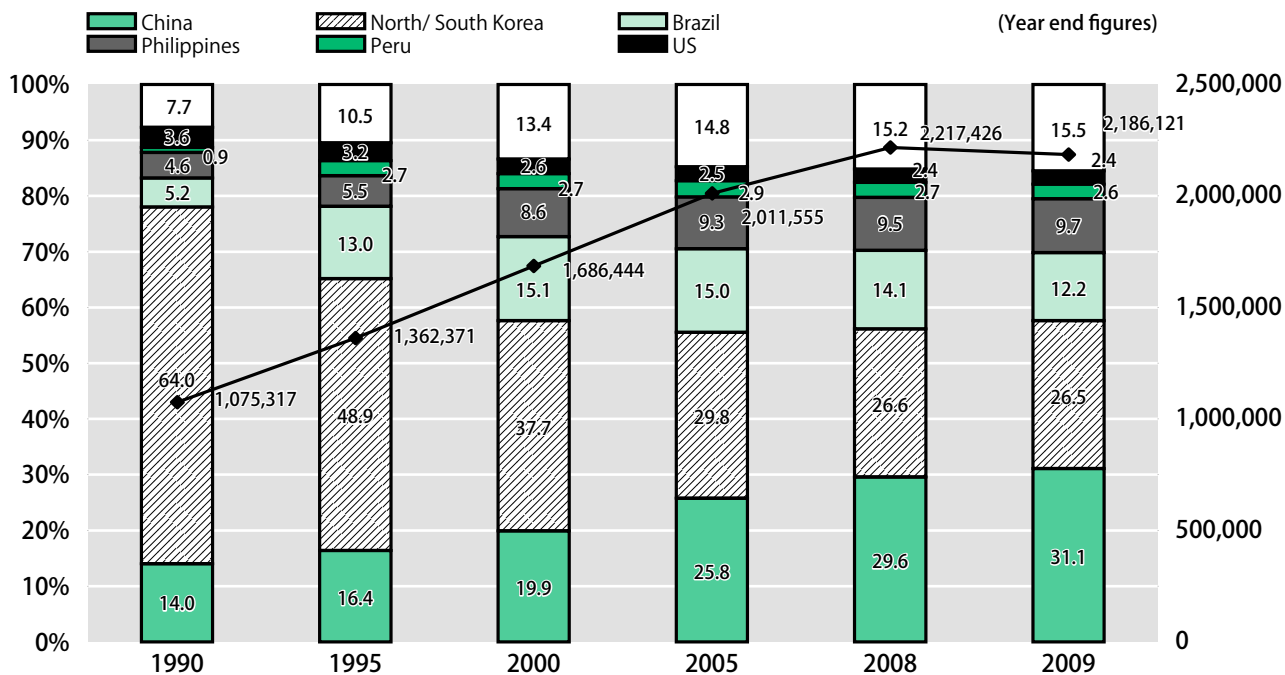
II-1 Japan's Population in 50 Years



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

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

II-2 Changes in Registered Alien Population by Nationality



Changes in Labor Force and Labor Force Ratio – Declines in Both –

The population of Japan totals 128.056 million people (preliminary figures from the 2010 National Population Census).

Of the total population, the population aged 15 or over, the age from which it is possible to work, was 65.2 million in 1960, but by 2010 it was 65.9 million (average for 2010, preliminary figures from the Labor 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%).

* As it was difficult to carry out the Labor Force Survey in Iwate, Miyagi and Fukushima prefectures due to the impact of the Great East Japan Earthquake, the average results for fiscal 2010 were published as the results for the whole country excluding the three prefectures in question (i.e. excluding Iwate, Miyagi and Fukushima prefectures). Consequently, the average results for 2010 have been used here.

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

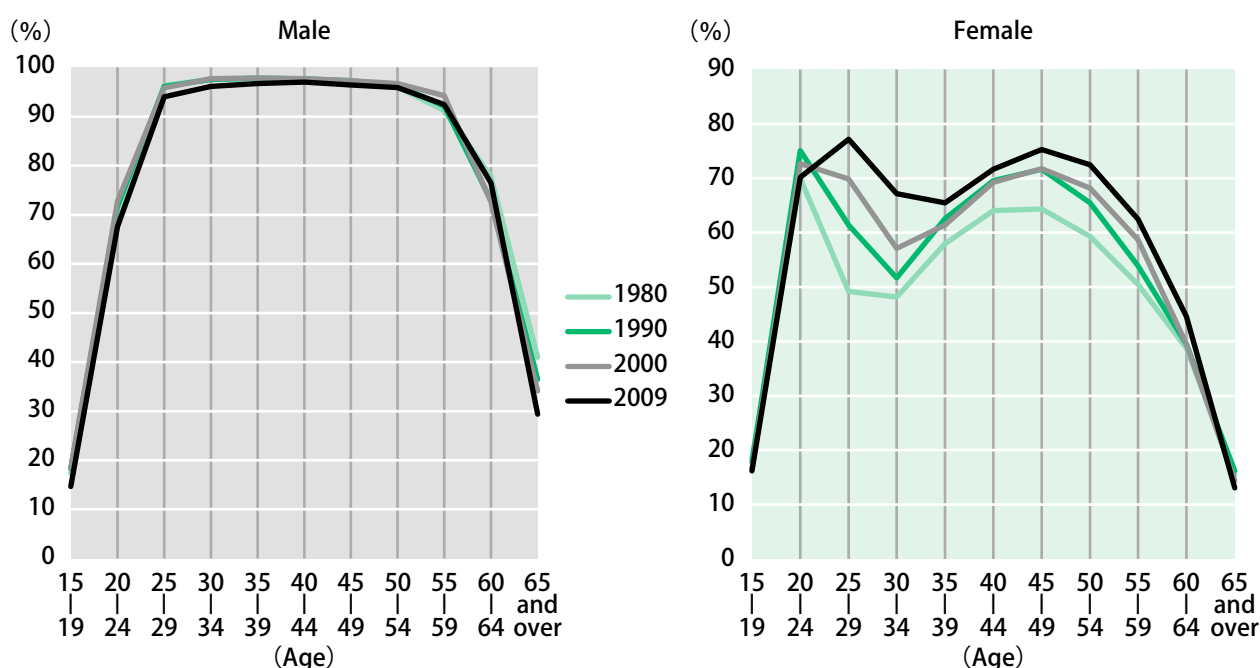
II-4 shows the labor force ratio classified by gender and age from 1970 to 2004, and points out the following characteristics as long-term trends of Japan's labor force ratio.

(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.

II-4 Changes in the Labor Force Participation by Gender 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.

(2) Concerning the period from 1990 to 2010, if one breaks down the factors behind the change in the female labor force participation rate, with regard to

women in their early 30s, as well as changes in the constituent ratio for marital status, such as the rise in the proportion of unmarried women (12.9% in 1990, 32.9% in 2010), the rise in the labor force participation rate for married women (44.3% in 1990, 52.0% in 2010) has also had a major effect. With regard to women in their late 20s, the increase in the proportion of unmarried women (39.8% in 1990, 59.7% in 2010) and the rise in the labor force participation rate for married women (39.3% in 1990, 50.4% in 2010) are also contributory factors (Ministry of Health, Labour and Welfare, 2010 White Paper on Working Women).

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 65.6% in 2010. 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.

Looking at non-regular employment, in terms of the proportion of employees other than board members for which they account, part-timers occupied the biggest share in 2010 at 16.6%, while those doing side jobs came next at 6.8%. Along with these, contract employees and temporary employees (6.5%) and dispatched workers (1.9%) have also come to account for a certain proportion.

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

Amidst the long-term development of non-regular forms of employment, the share of non-regular employees in 2009 was 33.7%, a decrease – albeit slight – from the previous year's figure of 34.1%. Against the background of the rapid contraction of economic activities as a result of the global economic crisis that was triggered by the Lehman Shock in the autumn of 2008, the sizeable decrease in the number of dispatched workers, centered primarily on manufacturing industry, was a major factor in this. In 2010 as well, the number of dispatched workers continued to falter, but as a result of robust growth in other areas of non-regular employment, the share of non-regular employees has risen again, to 34.4%.

The first of the factors that have brought about this kind of diversification in forms of employment that comes to mind is the long-term trend towards service-based industries, centering on the increase in the share of tertiary industry. The trend towards service-

based industries provides more opportunities to find jobs that involve forms of employment other than regular employment. For example, the 2007 edition of the "Employment Status Survey" conducted once every five years by the Statistics Bureau of the Ministry of Internal Affairs and Communications (MIC), providing a useful source of data for examining employment patterns in detail, indicates that the proportion of all employees (excluding company directors) 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 treatment 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. Above all, such problems have become apparent as a result of the economic depression that stemmed from the 2008 financial crisis, focused primarily on the lack of development of a 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. Thereafter, Japan entered a sustained – albeit moderate – period of economic recovery and the unemployment rate also decreased, but the scope of the decrease diminished as it approached the 4% level, bottoming out most recently at 3.9% in 2007; Japan then entered an economic recession stemming from the 2008 financial crisis and unemployment began to rise once more, reaching the 5% level again in 2009.

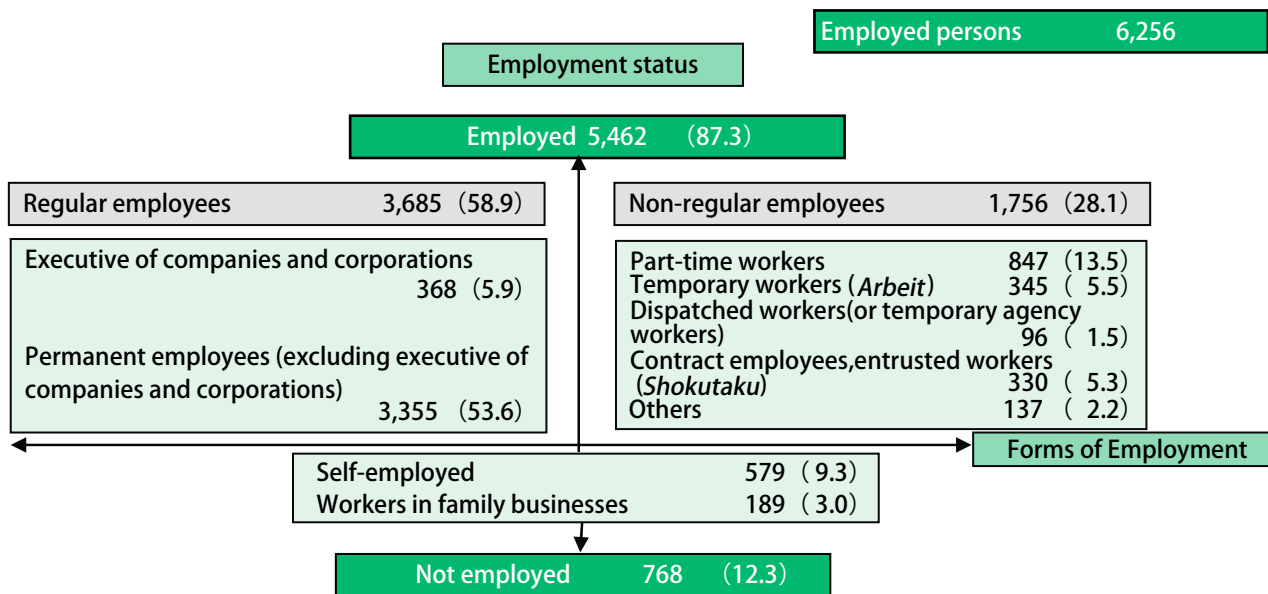
These movements suggest that the underlying

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 2010, unemployment was higher among 15- to 19-year-olds (9.4%), 20- to 24-year-olds (9.1%), and 25- to 29-year-olds (7.1%) than among all age groups combined (5.1%). 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 (2010 Averages)

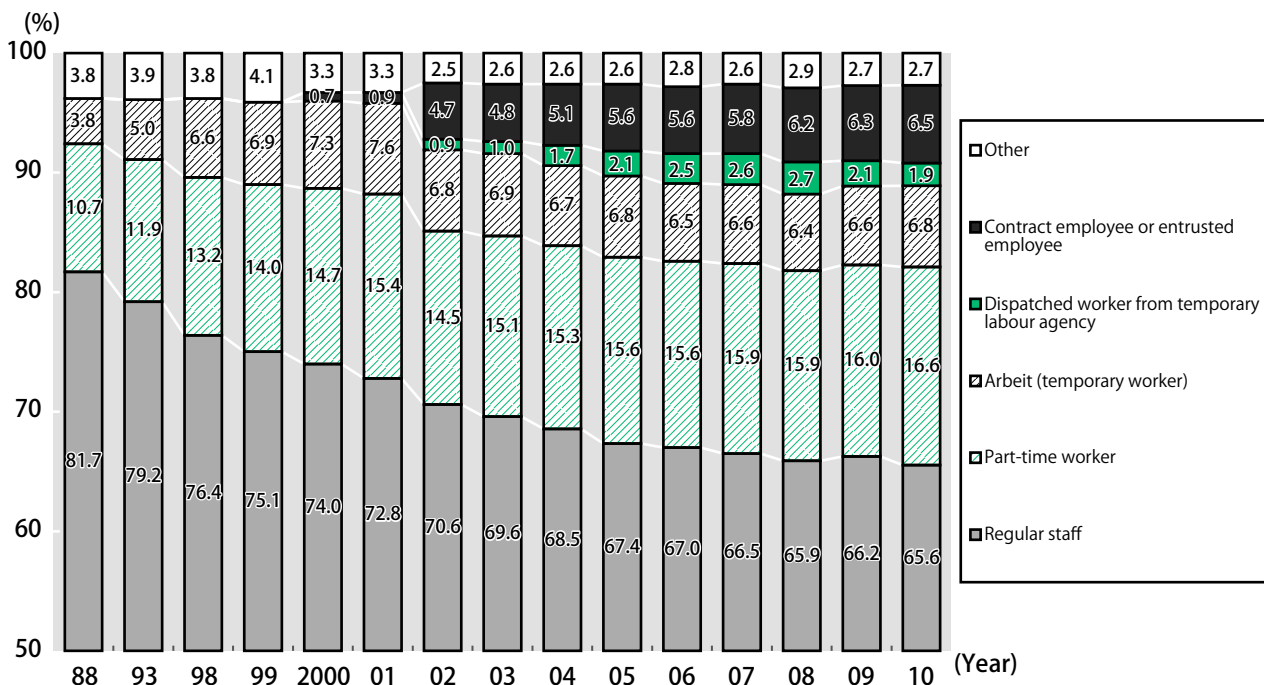


Source: Statistic Bureau, Ministry of Internal Affairs and Communications, *Labor Force Survey (Detailed Tabulation)*.

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 The Proportion of Employees by Type of Employment



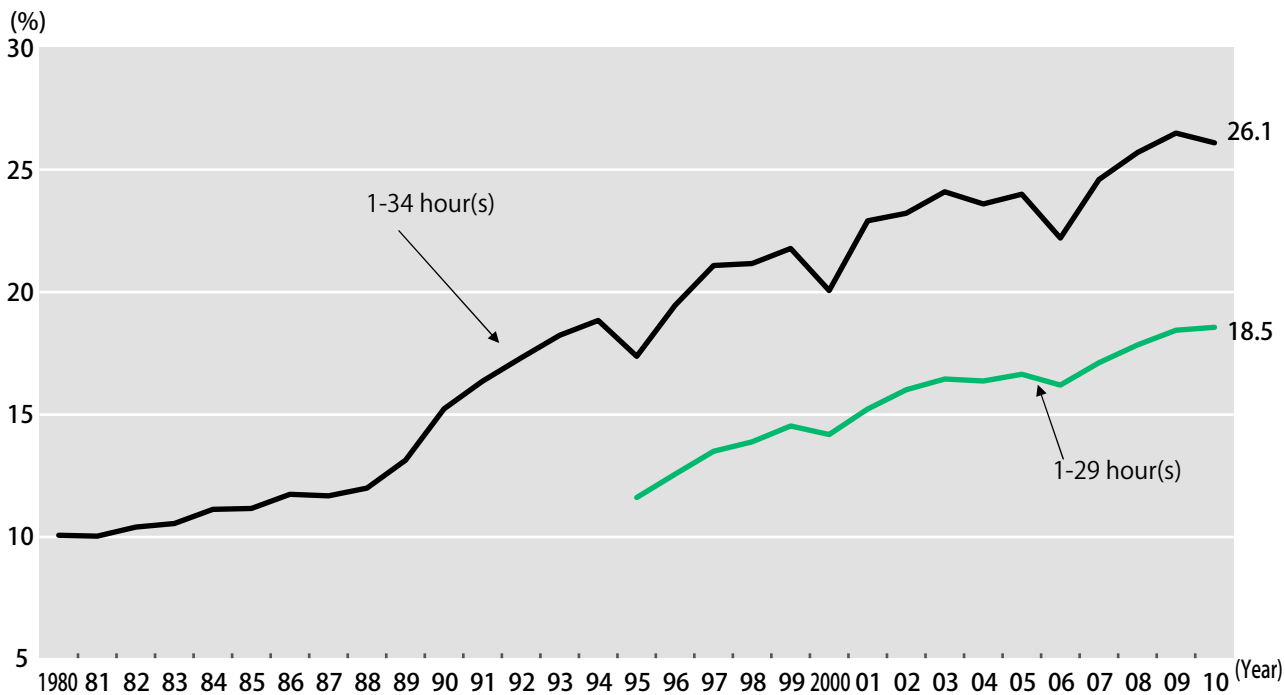
Sources: Compiled from the *Labor Force Special Survey* (survey in February each year) in the case of data for 2001 and earlier, and from the *Labor Force Survey Detailed Tabulation* (annual averages) in the case of data for 2002 onwards.

In addition, because there are differences in survey methods between the *Labor Force Special Survey* and the *Labor Force Survey Detailed Tabulation*, caution is required in comparing time series data.

Notes: 1) From 2000, "Dispatched workers" was added as an independent category, while from 2002, "Contract employees and temporary employees" was added.

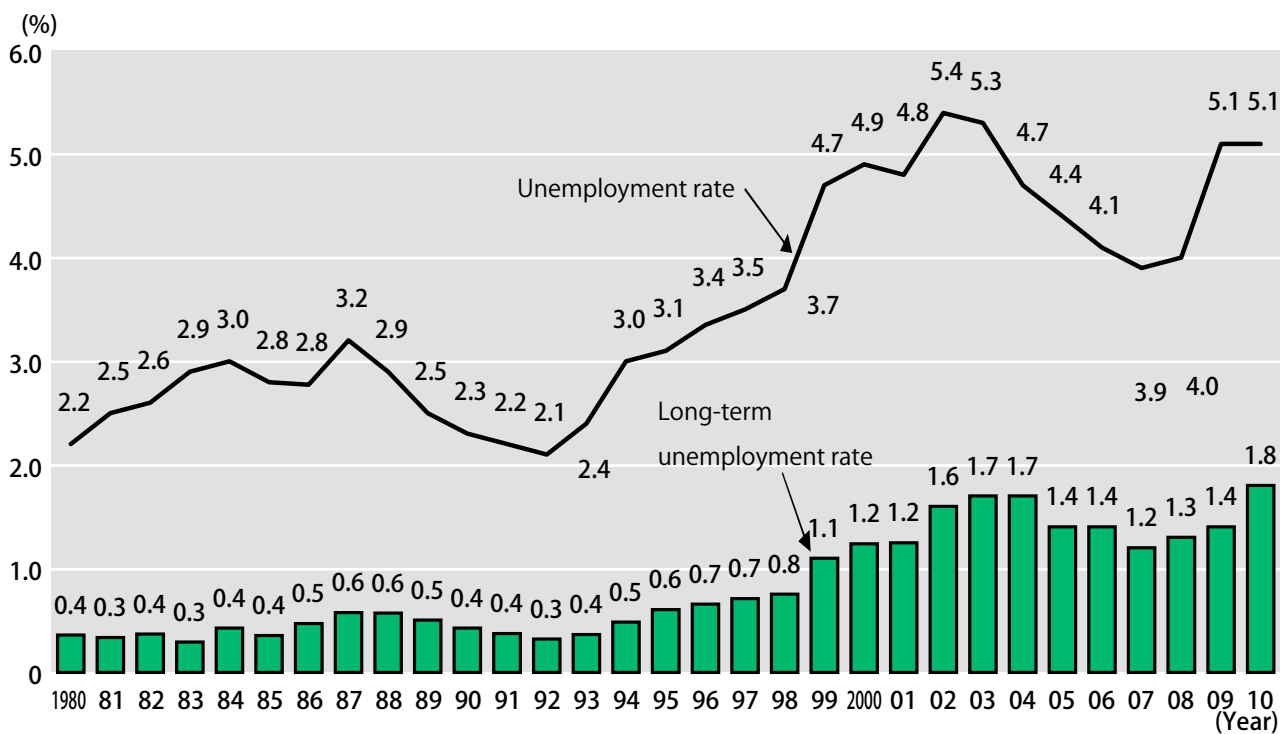
2) This is the share among employees other than board members.

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 and Long-term Unemployment Rates

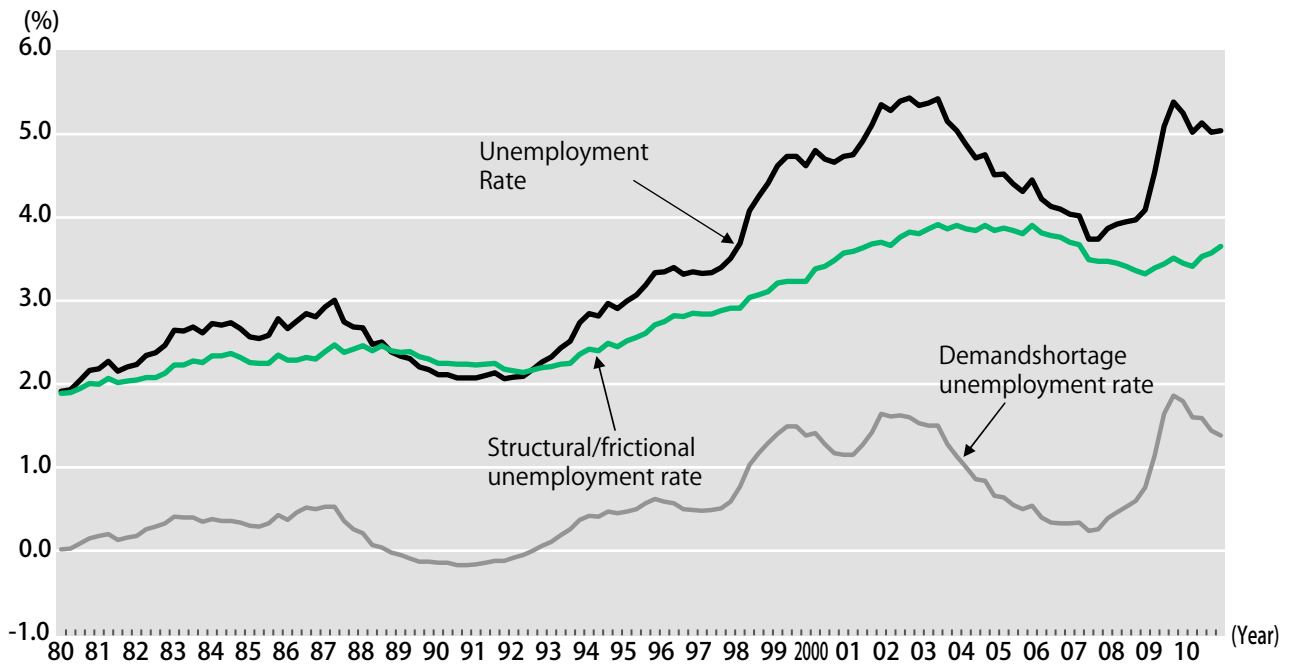


Sources: Statistic Bureau, Ministry of Internal Affairs and Communications, *Labour Force Survey*, *Special Survey of Labour Force Survey* (1977-2001), *Labour Force Survey (Detailed Tabulation)* (2002-2008)

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 2010.

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, *Labor 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

Regional Disparities

If we compare large urban areas with provincial areas in terms of employment, we can see that the disparity between the two is growing. Until the 1990s, rather than growing, regional disparities in Japan remained unchanged, supported by government spending focused primarily on public works projects implemented in provincial areas. However, since 2000, as a result of major reductions in public works projects due to fiscal restructuring, construction industry in provincial areas has fallen into decline and the gap between these areas and large urban areas with regard to the economy and employment has been growing.

The buildup of industry and employment has been markedly concentrated in the large cities of Tokyo, Nagoya, Osaka and Fukuoka and their surrounding areas. The accumulation has been most pronounced in the South Kanto region, which is centered on Tokyo, accounting for 29.1% (18.29 million people) of all employees throughout Japan (62.86 million people). In particular, the number of employees in Tokyo is 9.52 million people, accounting for 15.1% of the figure for the country as a whole.

After South Kanto, the area where the biggest buildup of employment has taken place is the Kinki region, centered on Osaka, where there are 10.20 million employees, accounting for 16.2% of the national total. The Tokai region, centered on Nagoya, has 7.83 million employees, accounting for 12.5% of the national total, and the Kyushu region, centered on Fukuoka, has 6.63 million employees, accounting for 10.6% of the national total.

In contrast to these regions, which encompass multiple large cities, in provincial regions such as Hokkaido, Tohoku, Hokuriku, Chugoku and Shikoku, there has been a significant decrease in the population and progressive aging of the population as a result of the exodus of young people, and the number of employees has dropped quite considerably, reflecting the dearth of employment opportunities (II-10).

Such disparities are basically brought about by differences between regions in terms of their industrial structures. If one looks at the proportion of employees in each region by industry, the proportion accounted for by “other services” and “information and communications” is much higher in the South Kanto region, centered on Tokyo, than in other regions. The proportion accounted for by the manufacturing industry is quite high in both the Tokai region, which is centered on Nagoya, and the North Kanto – Koshin region, which surrounds Tokyo, being in excess of 20% in both regions.

In contrast to this, in the case of provincial areas where there is only a weak buildup of industry and employment, the proportion accounted for by “construction industry” and “medical, healthcare and welfare” is quite high; in particular, the proportion accounted for by the latter is much higher than in large urban areas. In Shikoku and Kyushu, which have the highest figures, the proportion accounted for by medical, healthcare and welfare is as high as 13.5% (II-11).

Thus, the employment structure is quite different in large urban areas, where the accumulation of industry and employment are progressing, and in provincial areas, where depopulation and the aging of the population are progressing. With regard to the situation in large urban areas, in the South Kanto region, the buildup of the information and communications industry and the service industry is progressing; in the Tokai region, the buildup of the manufacturing industry is progressing, centering on the automotive industry; and in the North Kanto – Koshin region, the buildup of the manufacturing industry is progressing, centering on the electrical appliance and automotive industries, with large-scale employment creation taking place as a result.

In contrast, in provincial areas with no major cities, the proportion accounted for by industries that are influenced to a great degree by financial support from the government, namely the construction

industry and the medical, healthcare and welfare sector, is high. However, the government has built up an immense deficit, so it is becoming difficult to expand public works projects in provincial areas in the same way as before. Consequently, there is no scope for the construction industry to expand employment and the tendency towards shrinkage is continuing. On the other hand, in provincial areas, where one sees no buildup of the manufacturing industry, the medical, healthcare and welfare sector, which is supported by the nursing-care insurance system, is a growth industry with the most pronounced expansion in employment, partly because market needs are growing as a result of the progressive aging of the population.

Accumulation of the Manufacturing Industry

Excluding the South Kanto region, which is centered on Tokyo, where the buildup of the service sector and the information and communications sector is progressing remarkably, the factor that has a major impact on disparities between other regions is the degree to which the manufacturing industry has accumulated in a region. If it is possible to attract export-oriented industries in the form of the automotive or electrical appliance industries, a region can expect a significant employment creation effect. Consequently, local governments have striven to attract companies by preparing land, developing infrastructure, such as roads, and formulating preferential measures, such as subsidies and tax reductions.

From 2003, when the impact of the various reforms implemented under the Koizumi administration came to a head, until the autumn of 2008, when the Lehman Shock flared up, the Japanese economy achieved sustained economic growth. What drove this growth was export-oriented industries, namely the automotive and electrical appliance sectors; it intensified domestic investment and promoted the construction of new plants, as well as the augmentation of existing plants. Prior to this, there had been a progressive transfer of plants to locations overseas, as a result of the strong yen, and it was feared that domestic industry would become

hollowed-out, but in the process of economic recovery from 2003 onwards, the tendency to relocate the manufacturing industry back within Japan strengthened.

The number of cases of new manufacturing sites being established within Japan was 9,101 across Japan during the six years from 2003 to 2008. If we compare this to the 6,732 cases during the period 1997-2002, when the country was beset by a recession, we can see that the number of cases increased by 1.35 times. Moreover, the number of people employed as a result of these new manufacturing sites was 312,312 during the period 2003-2008, in excess of the figure for 1997-2002, which was 258,726.

If we look at the situation by region in a little more detail, we can see that the highest figure was in the Inland Kanto region surrounding Tokyo, followed by the Tokai region. However, the area that came in at third place, behind these areas in which the manufacturing industry has accumulated, was the South Tohoku region, where the buildup of the manufacturing industry has not progressed very far hitherto (II-12).

During the economic boom from 2003 onwards, the labor shortage centering on large urban areas escalated, so a succession of companies established new plants in provincial areas, which had a comparatively abundant supply of labor. The regions where these moves were particularly pronounced were the Inland Kanto and South Tohoku regions.

If we look at the number of cases of new manufacturing sites in the Inland Kanto and South Tohoku regions by prefecture, the highest number during the period 2003-2008 was in Gunma Prefecture (517 cases), followed by Ibaraki Prefecture (376 cases), Tochigi Prefecture (309 cases), Miyagi Prefecture (250 cases) and Fukushima Prefecture (244 cases), in that order.

The Impact of the Great East Japan Earthquake

The large earthquake and tsunami that suddenly hit the Tohoku region in March 2011, followed by the explosion at the Fukushima nuclear power plant, have had a catastrophic impact on the local community.

The areas where the damage from the earthquake, tsunami and Fukushima nuclear power plant is immense were the coastal regions of prefectures such as Iwate, Miyagi, Fukushima, and Ibaraki, and the industry that has been worst hit is the fishing industry.

The vast majority of fishing boats and aquaculture facilities were washed away and completely demolished; processing facilities also suffered a devastating blow, while agriculture faces lingering salt damage from the tsunami, so the local economy has suffered a serious blow. The number of workers in municipalities along the coast totals approximately 840,000 people over the three prefectures of Iwate, Miyagi, and Fukushima (Ministry of Internal Affairs and Communications, 2005 National Census), so it is thought that unemployment will emerge in the future.

In addition to these blows to the agriculture and fisheries sectors, the manufacturing industry that was being built up in this area has also suffered immense damage, and the impact has had a ripple effect that has not only reached other parts of Japan, but also extended as far as other countries. Plants manufacturing components and materials for export-oriented industries, namely the automotive and electrical appliance sectors, had accumulated in the stricken region, and the majority has been forced to shut down, halting the supply of components and materials, so the supply chain has ceased to function.

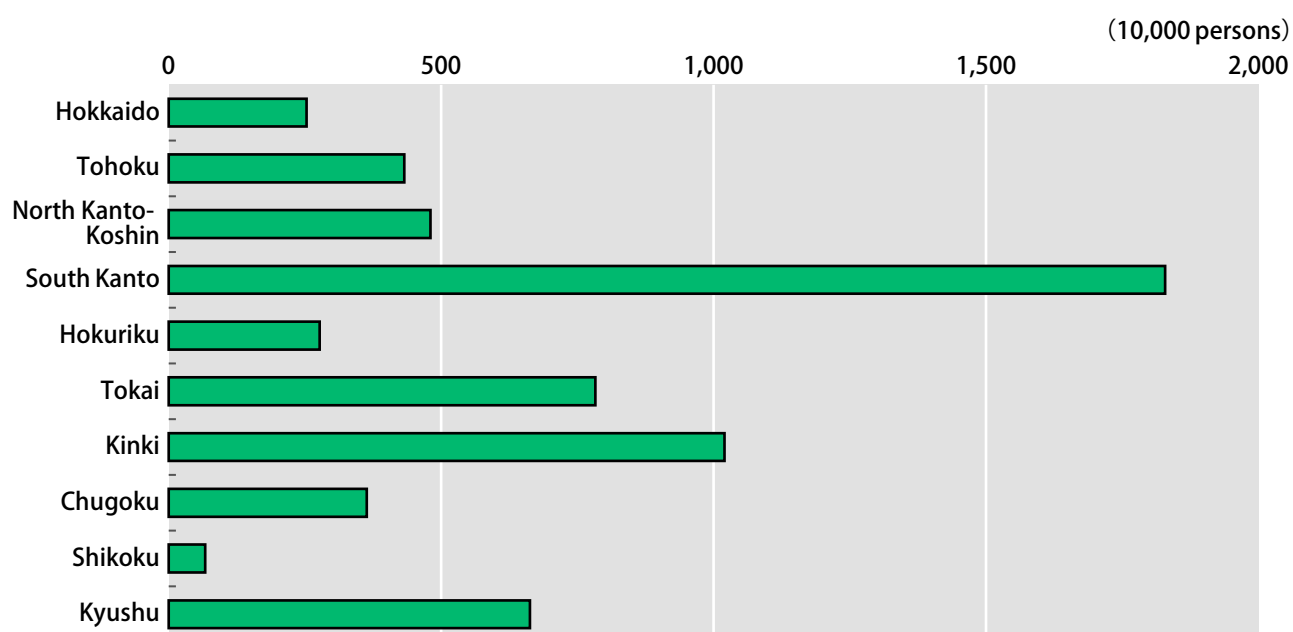
As a result, manufacturers of finished products have been forced to cut output significantly, so they have suffered serious damage to their business performance. What is more, the places to which these components and materials were supplied were not

only plants within Japan, but also plants owned by Japanese companies that have expanded overseas and even foreign manufacturers, so this major earthquake has had a serious impact on the manufacturing industry across the globe.

The shutdown resulting from the earthquake has had such a big impact because the share of a number of crucial components and materials accounted for by Japanese manufacturers is extremely high and, moreover, their production was concentrated in specific plants within Japan. The problem being faced is that these plants have very highly-skilled employees and many of them have built production systems reliant on those skills, so the technologies and production cannot easily be transferred to other plants. One could say that the strength of Japanese companies has become a bottleneck.

The restoration of the damaged plants is progressing swiftly and it seems that production will return to pre-quake levels by the summer, but on the other hand, the new problem of a lack of electricity is emerging, and there is the potential for the overseas transfer of the manufacturing industry to increase once more. A succession of companies is utilizing employment adjustment subsidies, in order to preserve highly-skilled workers. Employment adjustment subsidies are a system through which the national government subsidizes the wages and education and training costs of employees who are currently not working; hitherto, this system has had a political effect on maintaining employment during times of recession, and it is anticipated that it will do the same in this instance as well.

II-10 Number of Employees by Region



Source: Ministry of Internal Affairs and Communications, 2009 Economic Census

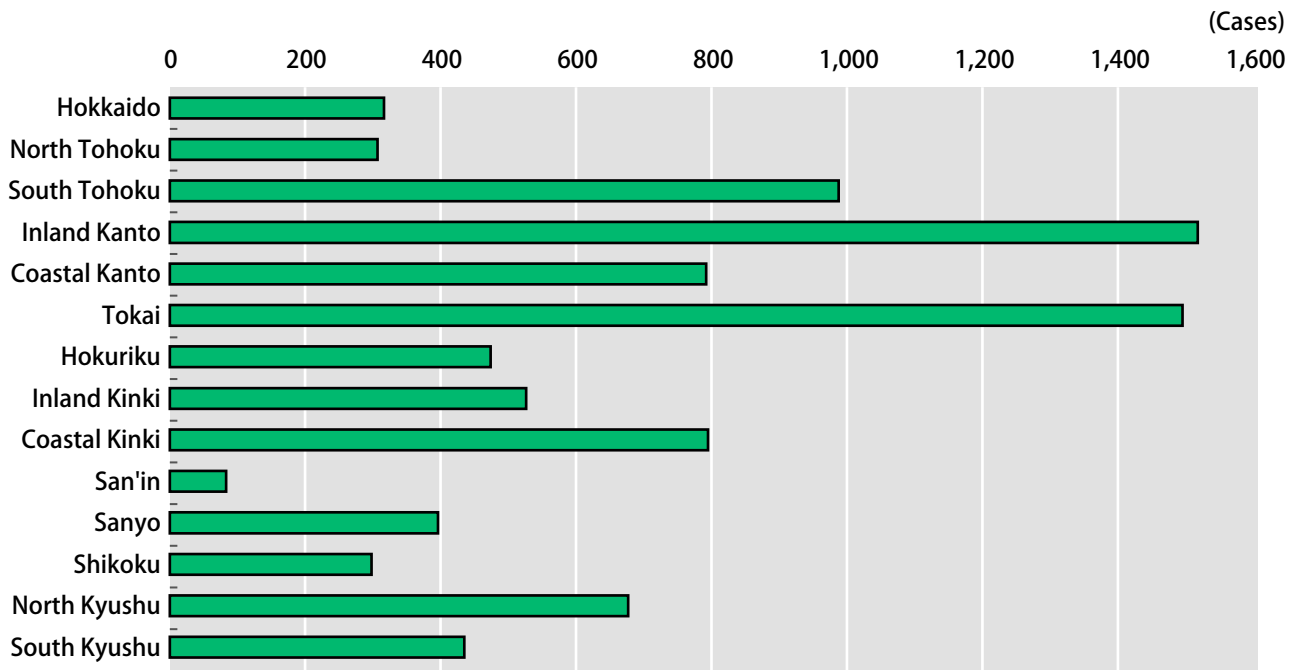
II-11 Proportion of Employees by Industry as Seen in Each Region

(%)

	Construction	Manufacturing	Information and communications	Transport & Postal Activities	Wholesale and retail trade	Accommodations, eating and drinking services	Medical, health care and welfare	Compound services
Hokkaido	8.6	8.1	1.7	6.4	20.6	9.4	11.7	21.6
Tohoku	8.8	15.3	1.3	5.4	20.8	8.1	10.8	19.5
South Kanto	6.1	12.1	5.6	6.2	20.0	9.5	8.4	22.4
North Kanto - Koshin	7.3	21.5	1.2	5.1	19.0	8.8	9.5	19.5
Hokuriku	9.0	19.4	1.3	4.9	19.7	8.2	10.3	18.6
Tokai	6.6	23.8	1.5	5.5	19.3	9.0	8.5	18.6
Kinki	5.6	16.6	2.1	5.7	21.0	9.7	10.7	20.2
Chugoku	7.6	16.6	1.3	6.0	20.2	8.0	12.0	19.2
Shikoku	7.6	14.3	1.3	5.4	20.6	8.5	13.5	19.1
Kyushu	7.8	11.3	1.6	5.5	21.0	9.3	13.5	20.0

Source: Ministry of Internal Affairs and Communications, 2009 Economic Census

II-12 Number of Cases of New Plant Sites by Region (2003-2008)



Source: Ministry of Economy, Trade and Industry, *Survey of Factory Location Trends*

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 2.52 million in 2010 (equivalent to 4.0% 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 (38.0% 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 2010, the number stood at 2.34 million, or 3.7% of the total. (see II-13 and 14).

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 15.49 million (24.8% of the total) in 2010. 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 compared with 1953. When the economy slowed and entered a period of stable growth following the 1974 oil crisis, however, the number

declined for almost 10 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 10.48 million (16.8%) in 2010 without ever subsequently increasing again. However, the number of employees in manufacturing industry declined markedly during the economic slowdown that followed the Lehman Shock in the autumn of 2008, but as a result of the subsequent economic recovery, there has been a trend towards recovery to the pre-2008 level.

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 Communications 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 1953 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 over 70% (70.3% or 43.95 million) in 2010.

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 47.6% 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 2002's revision of the Japan Standard Industrial Classification renders direct comparisons between 2003 onward and earlier years impossible, the statistics show that the share of the wholesale and retail trade (excluding eating and drinking establishments) among the tertiary industry declined from 26.6% in 2002 to 24.1% in 2010. On the other hand, this type of industry, which before 2002 was classified as the transport and communication industry and had experienced a gradual sustained increase, was reorganized in the revision of the industrial classification into the transport industry and the information and communications industry. From 2002, while the transport remained generally flat, the information and communications grew from 1.58 million people in 2002 (3.8% of tertiary industry as a whole) to 1.96 million people in 2010 (4.6% of tertiary industry). As far as others are concerned, the number of employed persons in the medical, health care and welfare has demonstrated a striking increase, from 4.74 million people in 2002 (11.4% of the tertiary industry) to 6.53 million people in 2010

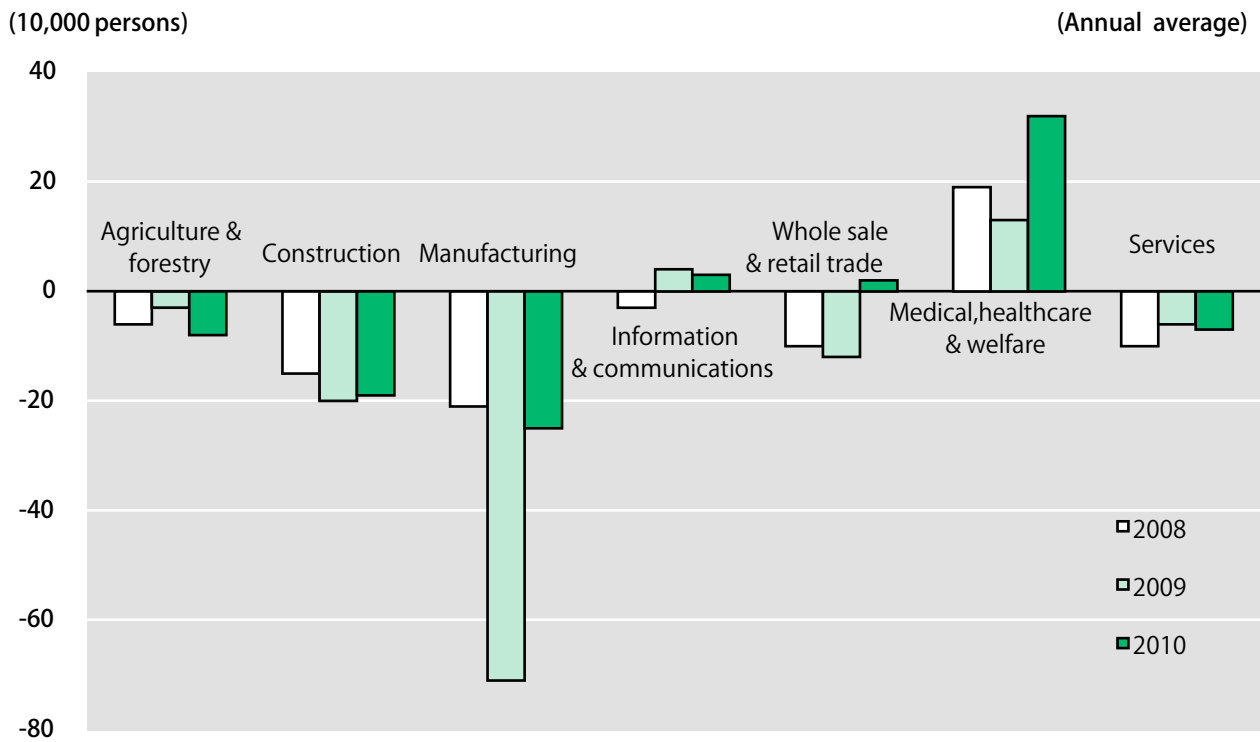
(14.9% of the tertiary industry).

Professional and Technical Occupations Experience Continued Increases

Looking at the employment structure by occupation, the number of employed persons in agricultural, forestry and fishery workers, which accounted for 38.8% (15.19 million people) of the total in 1953, has continued to decline, reflecting the change in the industrial structure, falling to 3.9% (2.47 million people) in 2010. At the same time, the share of the total accounted for by craftsman, manufacturing and construction workers depicted a gentle upward curve through the period of post-war recovery and high growth, from 25.9% (10.13 million people) in 1953, but after peaking at 32.0% (16.71 million people) in 1973, it declined once more, reaching 20.4% (12.77 million people) in 2010.

In contrast, the number of employed persons in professional and technical occupations has maintained more or less continuous growth from 1953 (1.73 million people, or 4.4% of all employees), irrespective of the fact that economic trends have fluctuated significantly; in 1986, they accounted for more than 10% of the total, reaching 15.8% (9.86 million people) in 2010. This trend is believed likely to continue in the future. (see II-15 and 16).

II-13 Number of Year-on-year Difference in the Number of Employed by Principal Industries (Total of Male and Female)



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

Note: "Service Industry" shows the total for the "academic research and professional and technical service", the "lifestyle-related services and entertainment", the "combined service sector" and "service (otherwise unclassified)".

II-14 Trends of Employed by Three Industry Divisions (Total of Male and Female)

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	40	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	4,084	-43	-7	-84	45	-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	-6	-0.8	-2.3	-2.1	-0.1	100.0	5.2	31.1	63.1
2000	6,446	326	1,979	4,102	-16	-9	-29	24	-0.2	-2.7	-1.4	0.6	100.0	5.1	30.7	63.6
2001	6,412	313	1,921	4,133	-34	-13	-58	31	-0.5	-4.0	-2.9	0.8	100.0	4.9	30.0	64.5
2002	6,330	296	1,825	4,158	-82	-17	-96	25	-1.3	-5.4	-5.0	0.6	100.0	4.7	28.8	65.7
2003	6,316	293	1,787	4,176	-14	-3	-38	18	-0.2	-1.0	-2.1	0.4	100.0	4.6	28.3	66.1
2004	6,329	286	1,738	4,236	13	-7	-49	60	0.2	-2.4	-2.7	1.4	100.0	4.5	27.5	66.9
2005	6,356	282	1,713	4,284	27	-4	-25	48	0.4	-1.4	-1.4	1.1	100.0	4.4	27.0	67.4
2006	6,382	272	1,723	4,318	26	-10	10	34	0.4	-3.5	0.6	0.8	100.0	4.3	27.0	67.7
2007	6,412	272	1,721	4,345	30	0	-2	27	0.5	0.0	-0.1	0.6	100.0	4.2	26.8	67.8
2008	6,385	268	1,684	4,359	-27	-4	-37	14	-0.4	-1.5	-2.1	0.3	100.0	4.2	26.4	68.3
2009	6,282	262	1,593	4,366	-103	-6	-91	7	-1.6	-2.2	-5.4	0.2	100.0	4.2	25.4	69.5
2010	6,256	252	1,549	4,395	-26	-10	-44	29	-0.4	-3.8	-2.8	0.7	100.0	4.0	24.8	70.3

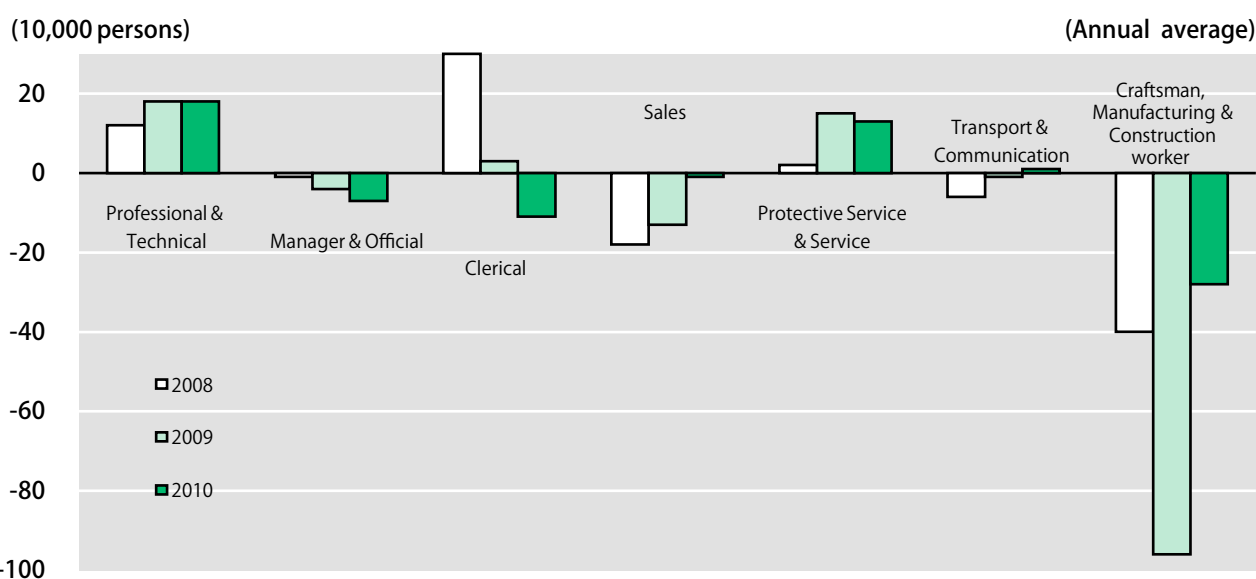
Source: Statistics Bureau, Ministry of Internal Affairs and Communications, *Labour Force Survey*

Notes: 1) Primary industry means Agriculture and forestry, and Fisheries.

2) Secondary industry means Mining and quarrying of stone and gravel, Construction and Manufacturing.

3) Tertiary industry is industry other than those detailed above (Industries unable to be classified are not included. Consequently, the actual combined total for primary, secondary and tertiary industry does not add up to the grand total).

II-15 Year-on-year Difference in the Number of Employed by Occupation



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

II-16 Number of Employed Person by Major Occupation

		Total	Professional & technical	Manager & official	Clerical	Sales	Protective service & service	Agriculture, forestry & fishery	Transport & communication	Mining worker	Craftsman, manufacturing & construction worker	Labourer
Real count (10,000 persons)	1998	6,514	844	222	1,290	928	654	340	232	3	1,634	333
	1999	6,462	846	215	1,273	921	668	332	228	3	1,604	334
	2000	6,446	856	206	1,285	911	677	321	221	3	1,580	347
	2001	6,412	873	202	1,249	968	693	309	214	3	1,506	353
	2002	6,330	890	187	1,228	934	717	291	211	4	1,468	349
	2003	6,316	906	185	1,230	917	729	289	210	4	1,437	353
	2004	6,329	920	189	1,244	901	748	284	201	3	1,415	360
	2005	6,356	937	189	1,247	892	757	279	204	3	1,416	363
	2006	6,382	937	185	1,260	881	772	269	206	3	1,432	370
	2007	6,412	938	173	1,262	888	787	269	205	3	1,441	376
	2008	6,385	950	172	1,292	870	789	264	199	3	1,401	377
2009	6,282	968	168	1,295	857	804	257	198	2	1,305	371	
2010	6,256	986	161	1,284	856	817	247	199	2	1,277	371	
Year-on-year difference (10,000 persons)	1998	-43	20	-4	17	-12	17	-6	-9	0	-72	5
	1999	-52	2	-7	-17	-7	14	-8	-4	0	-30	1
	2000	-16	10	-9	12	-10	9	-11	-7	0	-24	13
	2001	-34	17	-4	-36	57	16	-12	-7	0	-74	6
	2002	-82	17	-15	-21	-34	24	-18	-3	1	-38	-4
	2003	-14	16	-2	2	-17	12	-2	-1	0	-31	4
	2004	13	14	4	14	-16	19	-5	-9	-1	-22	7
	2005	27	17	0	3	-9	9	-5	3	0	1	3
	2006	26	0	-4	13	-11	15	-10	2	0	16	7
	2007	30	1	-12	2	7	15	0	-1	0	9	6
	2008	-27	12	-1	30	-18	2	-5	-6	0	-40	1
2009	-103	18	-4	3	-13	15	-7	-1	-1	-96	-6	
2010	-26	18	-7	-11	-1	13	-10	1	0	-28	0	

Source: Ministry of Internal Affairs and Communications, Statistics Bureau, *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. Against the background of such changes in the socioeconomic environment, the number of non-regular employees with ways of working other than those of regular employees, such as part-time workers and dispatched workers, has increased.

In order to gain an understanding of the actual status of the employment types of Japanese workers, the Ministry of Health, Labour and Welfare conducts a survey entitled the *General Survey on Diversified Types of Employment*, albeit irregularly. If one checks the results of the *Fiscal 2007 Diversification Survey*, which is the most recent set of survey results to have been published¹, one can see that in 2007, non-regular employees account for 37.8% of all employees, with the number of women greater than the number of men (see II-17).

In addition, the largest group among these non-regular employees was part-time workers (22.5%), followed by dispatched workers (4.7%), and contract workers (2.8%).

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. The increase continued thereafter and from 2007, they accounted for more than one-third of all employees.

There are various forms of non-regular employees, so let us check the changes in the breakdown over the last five years (II-19). Dispatched workers continued to increase to 2008, reaching 1.4 million people, but from 2009 onwards, following the Lehman Shock, the figure turned to decline. On the other hand, over the five years from 2006 to 2010, the number of people working as contract employees and shokutaku employees has been increasing consistently, and even looking at the figures for shares of the total, the proportion of contract and shokutaku employees is increasing.

In addition, looking at the trends by age and sex based on the same *Special Survey of the Labor Force Survey and Labor Force Survey (Detailed Tabulation)* published by the Ministry of Internal Affairs and Communications (see II-20), compared with 1985, the proportion of non-regular employees had increased in 2005 in all age groups, with the trend particularly pronounced in the 15-24 and 25-34 age groups for both men and women.

Looking at the changes from 2005 to 2010, one can see that the share of non-regular employees in the 15-24 age group for women decreased considerably, but the shares for women in other age groups demonstrated a slight increase. On the other hand, with regard to men, the share of non-regular employees in the 25-44 and 55-plus age group had increased in 2010 compared with 2005, and one can see that the proportion of men in the 25-44 age group working in non-regular employment was in excess of 20%.

Characteristics of Non-regular Employees in Japan

Non-regular employees are distributed unevenly across a whole range of fields. For example, going

¹ Recently, a survey was conducted in 2010, the results of which are due to be published in August 2011.

back to the aforementioned *Fiscal 2007 Diversification Survey*, if one looks at the figures for part-time workers, which account for a large proportion of the structure, one can see that in terms of the industry types, the restaurant and accommodation sectors have the largest number of part-time workers, followed by the wholesale and retail sector, the service sector and the medical, health care and welfare sector (see the aforementioned II-17). In addition, small to medium size work places are the most prevalent.

Next, let us review the reasons for employment by places of business and the reasons for choosing present form of employment by individuals by form of employment. Firstly, let us look at the situation for part-time workers. 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).

Moreover, with regard to the reasons why part-time workers are working as part-timers, many give the reasons “because I want to supplement the family finances / obtain money for tuition fees” or “because I can work at a time that suits me” (see II-22).

Next, if we turn our gaze to contract employees, the reasons why places of business employed them include “to deal with specialist duties” and “to secure personnel with skills and abilities that are of immediate use,” while the reasons why these employees themselves chose this form of work include “because I can utilize my professional qualifications and skills.” As this indicates, non-regular employees include these people, regarding whom, their own awareness of employment and the way they are expected to work by the places of business differ considerably from those in the case of the aforementioned part-time workers.

II-17 Proportion of Workers by Form of Employment

(%)

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

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

Note: 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 (total =100).

II-18 Trend of the Number of Non-regular Employees

Year	Number of non-regular employees (10,000 persons)	Proportion to employees excluding executives (%)
1990	881	20.2
1991	897	19.8
1992	958	20.5
1993	986	20.8
1994	971	20.3
1995	1001	20.9
1996	1043	21.5
1997	1152	23.2
1998	1173	23.6
1999	1225	24.9
2000	1273	26.0
2001	1360	27.2
2002	1451	29.4
2003	1504	30.4
2004	1564	31.4
2005	1633	32.6
2006	1677	33.0
2007	1732	33.5
2008	1760	34.1
2009	1721	33.7
2010	1755	34.3

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

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

2) Part-time workers refers to those who are referred to at their workplaces as "part-timers," "arubaito (side-job workers)" or similar terms, irrespective of the amount of hours or number of days worked.

3) Figures in brackets are the shares accounted for by part-time workers among all employees except board members.

II-19 Breakdown of Non-regular Employees (Actual Figures and Composition Ratios)

	Part-time workers	Temporary agency workers	Contract/entrusted workers	Others	Part-time workers	Temporary agency workers	Contract/entrusted workers	Others
	(10,000 persons)				(%)			
2006	1125	128	283	141	67.1%	7.6%	16.9%	8.4%
2007	1164	133	299	137	67.2%	7.7%	17.3%	7.9%
2008	1139	140	318	142	65.5%	8.1%	18.3%	8.2%
2009	1138	108	319	131	67.1%	6.4%	18.8%	7.7%
2010	1177	96	328	129	68.0%	5.5%	19.0%	7.5%

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

Note: The composition ratios were calculated by dividing the actual figures by the total number of non-regular workers.

II-20 Trends in Proportions of Non-regular Employees by Age and Sex

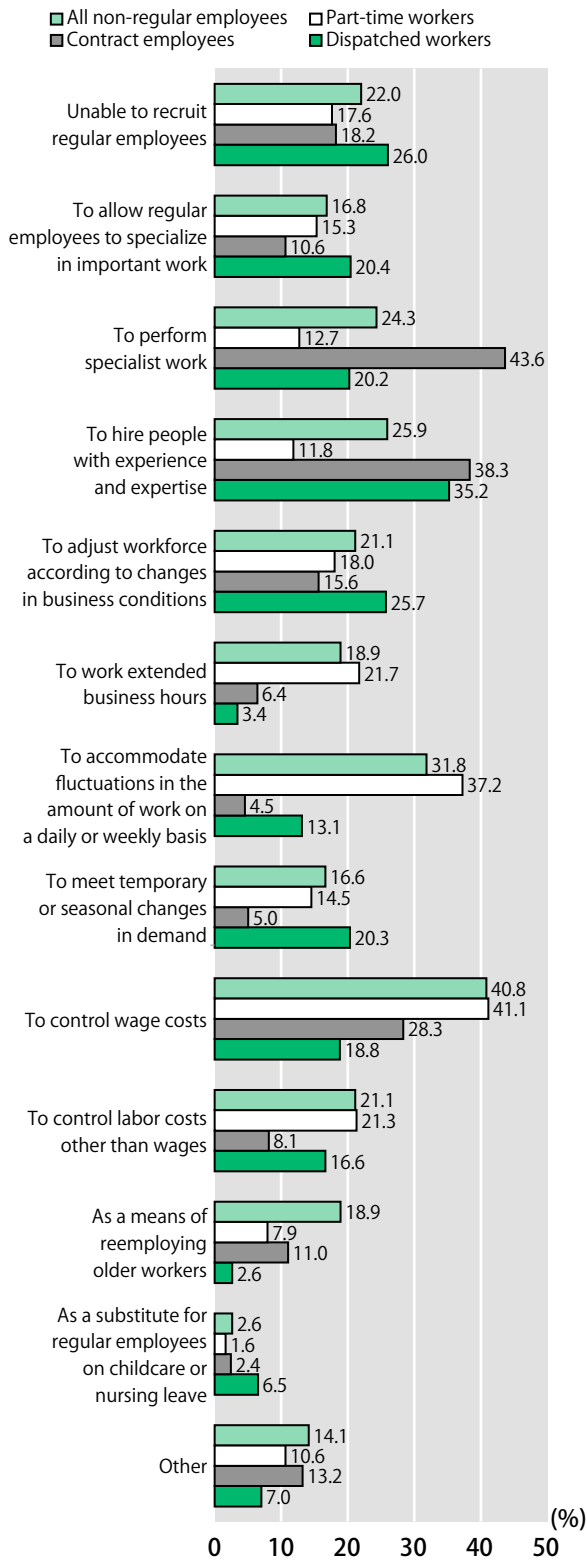
(%)

	1985	1995	2005	2010
Male				
15-24	4.7	9.2	28.9	25.1
25-34	3.2	2.9	12.9	14.0
35-44	3.1	2.3	6.9	8.1
45-54	5.0	2.9	8.4	8.1
55-64	19.2	17.4	27.1	28.9
65 and over	34.7	48.3	66.7	69.1
Female				
15-24	8.3	16.3	40.0	35.2
25-34	24.3	26.6	40.7	41.4
35-44	44.4	48.9	54.6	53.7
45-54	37.4	46.8	57.5	57.7
55-64	38.1	43.6	61.0	63.9
65 and over	45.8	48.6	69.0	69.7

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

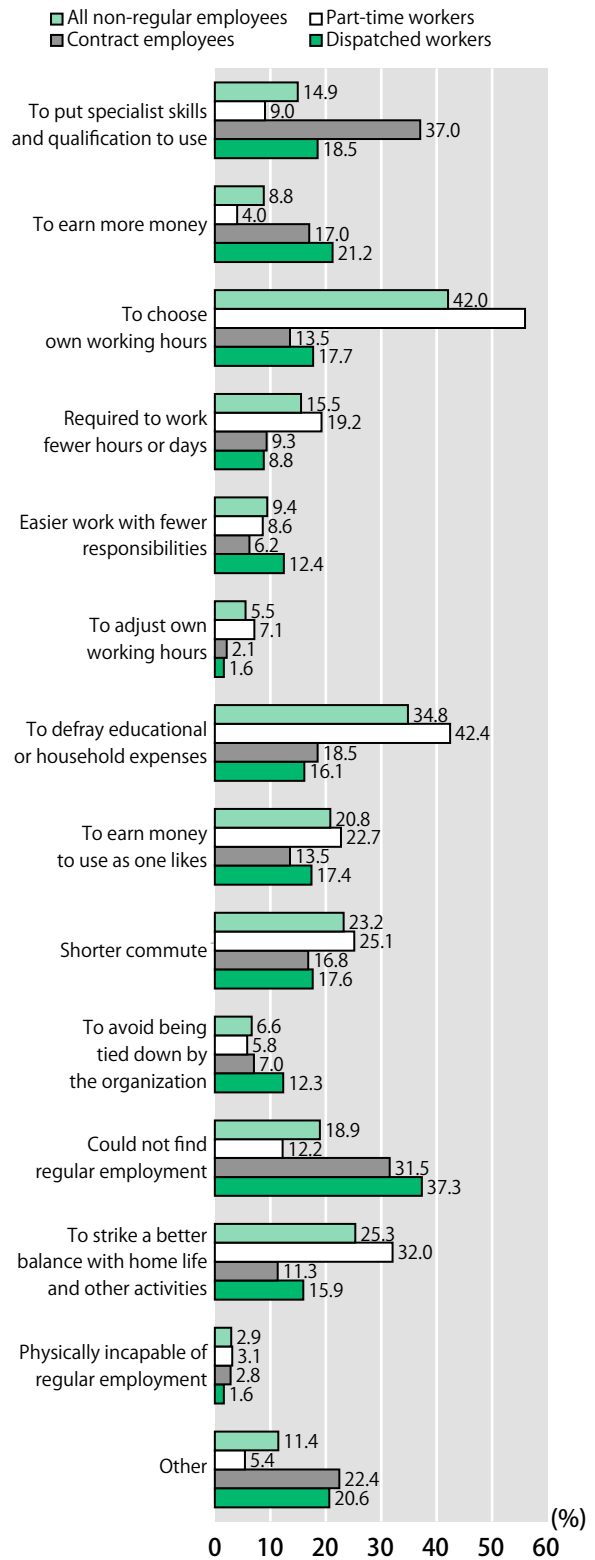
Note: The proportion of non-regular employees is the proportion of all non-agricultural/forestry employees excluding executives of companies and corporations who are part-time workers, entrusted workers, dispatched workers, or not otherwise classified. The 15- to 24-year-old age group excludes registered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

II-21 Reasons for Employment of Non-regular Employees



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

II-22 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*

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.

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.

Non-regular employees face issues relating to their working conditions, in that their wages and employment stability are low, but the bigger issues are the lack of opportunities for occupational skills development and career formation. The job card system was introduced in April 2008 as a system for supporting such people². The job card system is a system that provides practical occupational training and an opportunity for an objective, fair evaluation of the outcomes of that training, as well as supporting subsequent career formation. It is anticipated that this system, in which occupational training and occupational skills evaluation form a unified whole, will fulfil a role in eliminating the issues faced in non-regular employment. Perhaps because only three years have passed since the system was introduced, it is still not sufficiently well-known, but in the future it will be necessary to publicize it further and to develop an environment in which the job card system can fulfil its functions as per the aims of its introduction.

² For further details on the job card system, please see the following link:
http://www.mhlw.go.jp/english/policy/affairs/dl/job_card_eng.pdf

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

Youth Employment

Present Situation and Future Outlook

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

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

While the economic upturn from 2002 generated

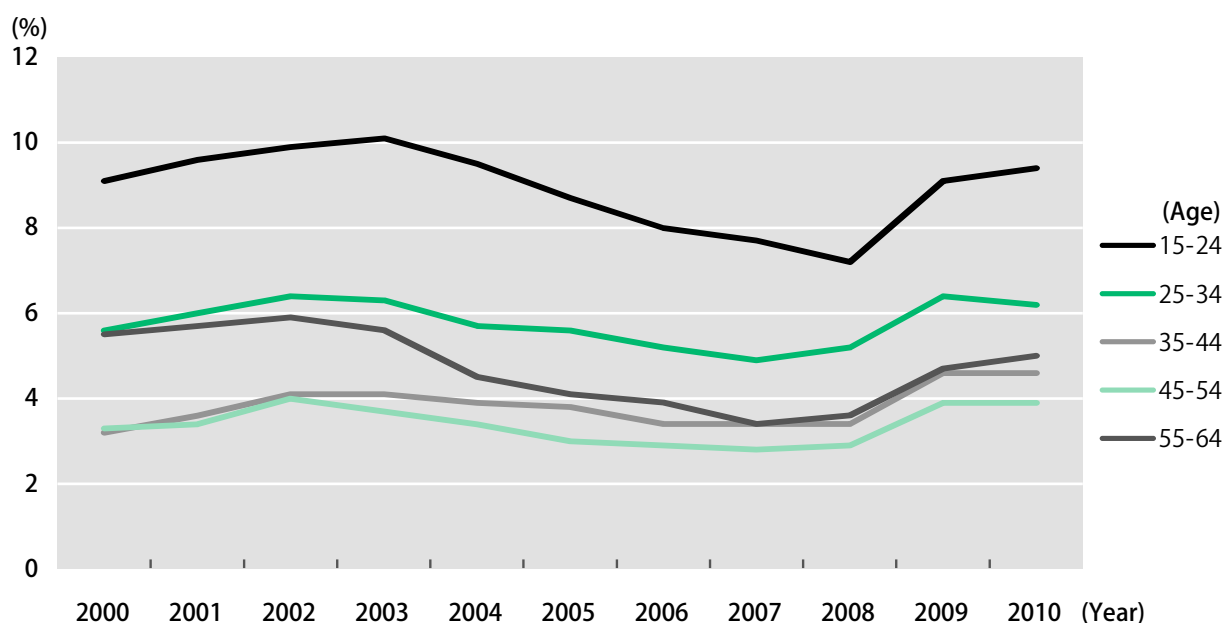
some improvement in employment conditions for the young, the labor market became polarized, even during the recovery, it was difficult for those who entered the labor market during the downturn to find stable employment.

In response to the impact of the 2008 financial crisis, demand for young workers cooled once more, and it became difficult for new university graduates to find work.

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. Since 2008, however, there are indications that unemployment is on the increase. Compared with other age groups, only youth unemployment is rising sharply.

II-23 Trends in Youth Unemployment Rates



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

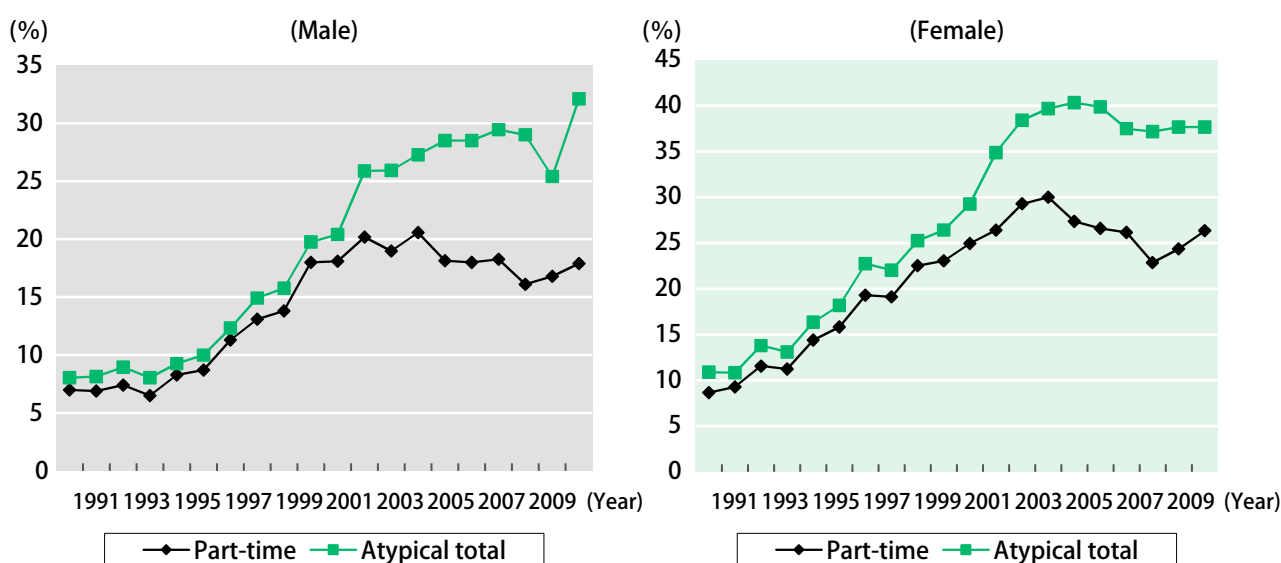
Changes in Status of Employment

II-24 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. Moreover, until 2002, most of the

atypical employment was accounted for by part-time workers and workers in temporary jobs (Arbeit), but the share of indirect employees, such as dispatched workers, contract employees or shokutaku (entrusted) employees, is growing.

However, with regard to the figures for men, the proportion of those involved in ways of working other than as permanent employees is rising, having bottomed out in 2009, and the figures for women have also been increasing again since 2008.

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



Sources: Ministry of Internal Affairs and Communications, *Special Survey of Labour Force Survey* (February each year) and *Labour Force Survey (Detailed Tabulation)*, Jan-Mar. 2002-2010

Note: Number of non-agricultural/ forestry industry employees (excluding directors)=100

Polarization 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. However, as a result of the economic recovery, there was an overall increase in the shift from atypical employment to permanent employee status. Nevertheless, when going out to work after leaving school, there has been no change in the tendency for careers to polarize into permanent employee status or atypical employment.

II-25 Status of Employment of 15-to-24-year-olds

	High school graduates	University graduates
Regular employees fixation	39.4	57.0
Regular employees turnover	17.6	15.1
Regular (temporary atypical)	3.2	1.1
Other to regular	7.3	5.6
Continuously atypical	12.0	9.0
Regular to atypical	5.2	2.4
Self-employed, family business	3.9	1.7
Without occupation	9.0	6.6
No response/ unknown	2.4	1.5
Total	100.0	100.0

Source: Japan Institute for Labour Policy and Training, *Current Status of Youth Employment, Careers and Occupational Skills Development*, Data Series No.61

Based on the special tabulation of the Employment Status Survey carried out by the Ministry of Internal Affairs and Communications in October 2007, let us check the career types.

In the case of men, “settled permanent employees” (those who became permanent employees immediately after leaving education, have not changed jobs and were permanent employees at the time of the survey), accounted for 39.4% of high school graduates and 57.0% of university graduates; “permanent employees who have changed jobs” (those who became permanent employees immediately after leaving education, have experience of changing jobs and becoming permanent employees at another company, and were permanent employees at the time of the survey), accounted for 17.6% of high school graduates and 15.1% of university graduates; “formerly atypical permanent employees” (those who were formerly atypical but are now permanent employees) accounted for 3.2% of high school graduates and 1.1% of university graduates; “permanent employees from another type” (those who were in the “other type” category immediately

after leaving education, but were permanent employees at the time of the survey) accounted for 7.3% of high school graduates and 5.6% of university graduates. In addition, “consistently atypical” (those who were in atypical employment, unemployed or without an occupation, or self-employed or employed in the family business immediately after leaving education and who were still in atypical employment at the time of the survey) accounted for 12.0% of high school graduates and 9.0% of university graduates.

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

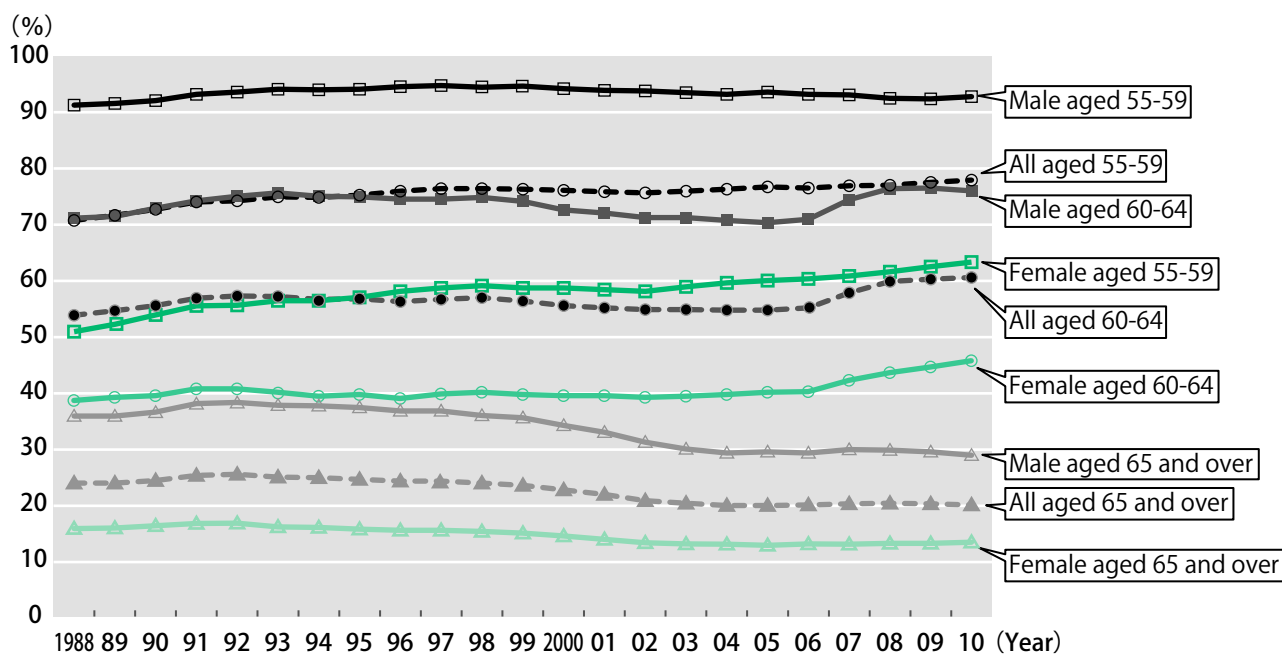
In line with the Act on Stabilization of Employment of Older Persons, “older persons” are defined in Japan as persons aged 55 or above, and we use the same definition in this section to outline the employment situation of older people divided into three age groups: 55- to 59-year olds, 60- to 64-year-olds,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

If we look at changes in the labor force participation rate so as to ascertain the level of labor supply accounted for by older persons, in the 55-59 age group, the figures for men are at the lower end of the 90% range and are more or less stable, although showing some weakness; on the other hand, the

figures for women have been increasing over the long term, reaching the lower end of the 60% range in recent years. In the 60-64 age group, the figures for men are demonstrating a slight downward trend, while the figures for women were steady at around 40%, but since 2007 they have been on the increase. In the 65-and-over age group, the figures for both men and women had been demonstrating a downward trend since the latter half of the 1990s, but this decline appears to have stopped in recent years. The proportion of employed persons in each group (i.e., the employment rate) has exhibited a similar trend.

As far as one can see from these movements, it can be said that in recent years, the employment situation for older persons has been strong, centering on those in their early 60s.

II-26 Labor Force Participation Rates among Older Age Groups, 1988-2008



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

Looking at the overall unemployment rate for older persons, during the moderate but prolonged economic recovery in recent years, the unemployment rate for all age groups had been decreasing, having peaked in 2002 and 2003. However, it began to rise

again during the economic slowdown in 2008, and apart from in some groups, it has been rising in 2010 as well. Having said that, in a comparison with the average unemployment rate for all age groups (5.1% in 2010), although the rate for men aged 60-64 is

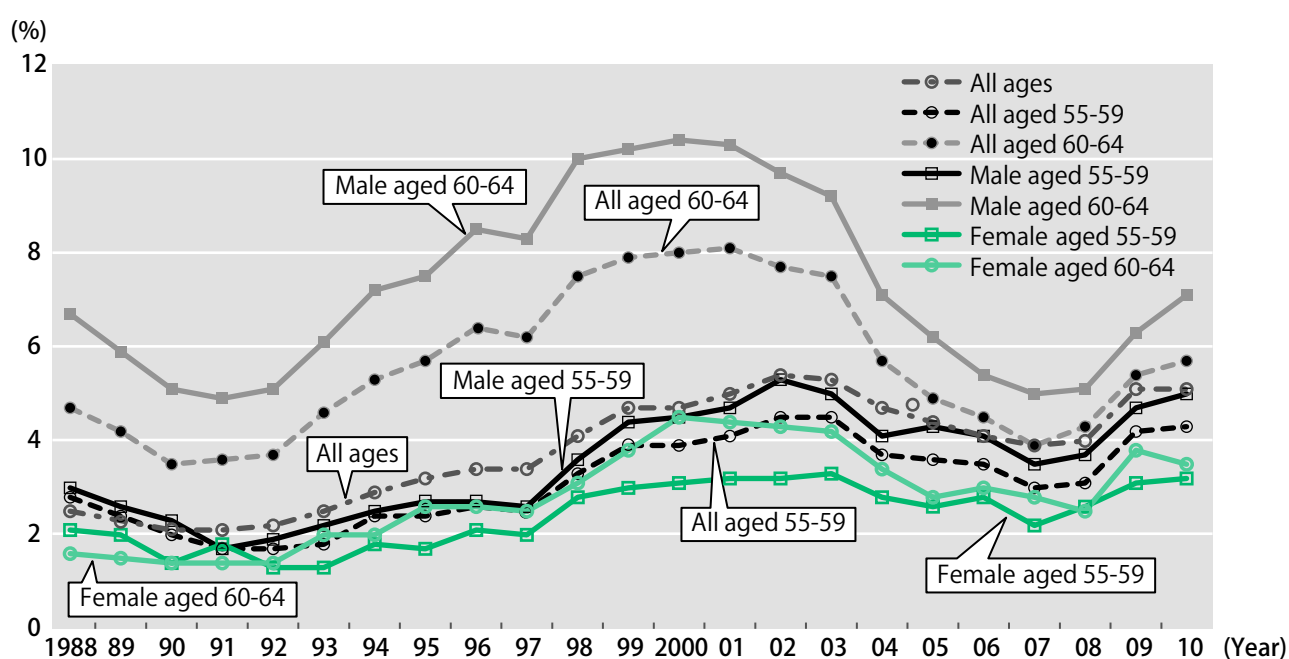
considerably higher than this (7.1% in 2010) and the rate for men aged 55-59 is around the same level (5.0% in 2010), the rate for all other age groups is lower than the total average for all age groups.

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.

In addition, if we look at developments in the

labor force participation rate and the unemployment rate, the decline in the labor force participation rate among men aged 60-64 that has been seen since the latter half of the 1990s can be said to have been due to a lack of employment opportunities, something that clearly reflects how poor the employment situation is for this age group. 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-27 Unemployment Rates among Older Age Groups



Source: Statistics Bureau of 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 Act on 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

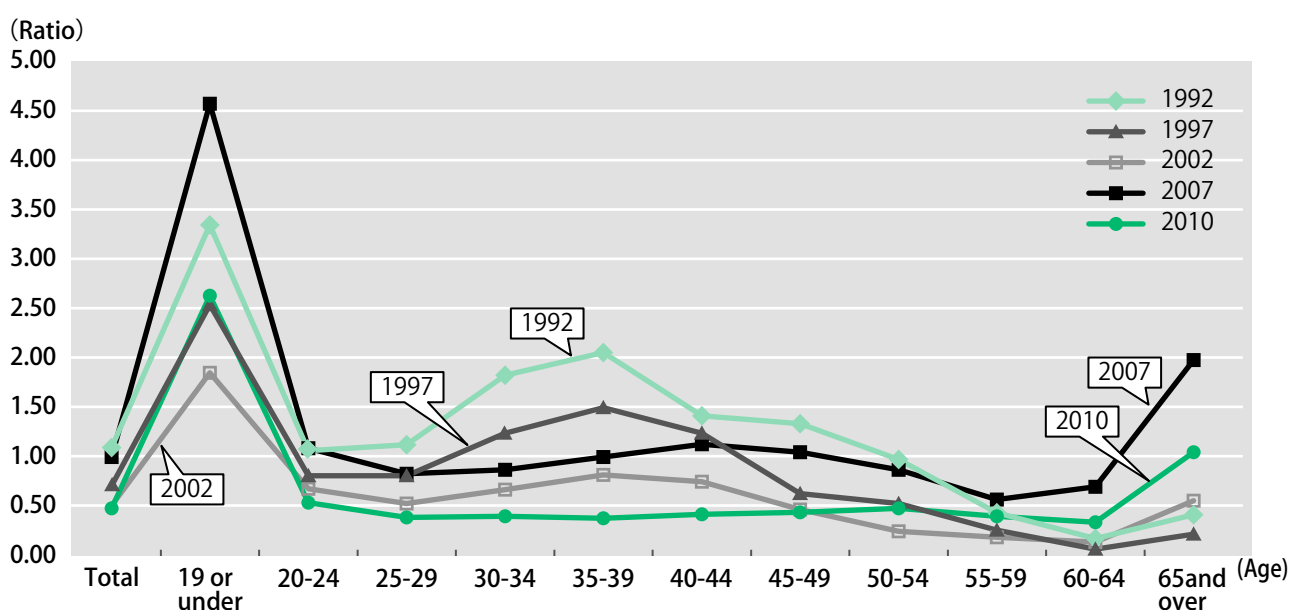
unemployment rate among 55- to 59-year-olds.

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 persons, 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-28 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 Act on 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. Amidst this situation, due to the deteriorating economic environment resulting from the 2008 financial crisis, although it was not as severe as in the 1990s, an increase in the unemployment rate can be seen in the 60-64 age group, and this fact needs to be noted.

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

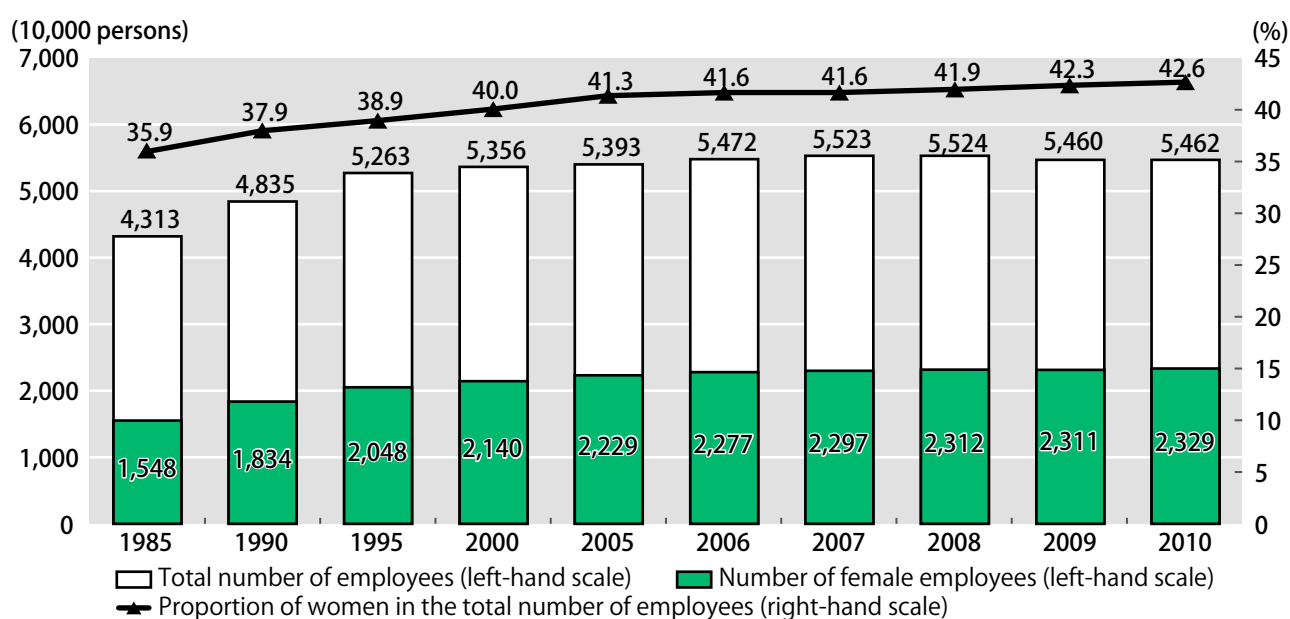
old age. Those who lost positions of permanent employment as economic difficulties were encountered in entering old age or who had to temporarily leave the workforce for health reasons, on the other hand, face severe employment conditions. Employment of older persons is quite stable provided that they 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.

Employment of Women

The Number of Female Employees Is at Its Highest-ever Level, due to the Impact of the Change in the Industrial Structure

In recent years, amidst the decline in the number of male employees, the number of female employees is on the increase. The number of female employees reached an all-time high in 2010, at 23.29 million, an increase of 180,000 compared with the previous year. Moreover, the share of women in the total number of employees also reached a record high at 42.6% (up 0.3 points from the previous year) (see II-29). Looking at trends in the number of employees by sex, during the period 2002 to 2010, the number of male employees declined by approximately 370,000, whereas female employees increased by approximately 1.68 million. This was caused by a significant change in the industrial structure. While the employment in the medical, health care and welfare sector, where there are many female workers, are increasing, the employment in the construction and manufacturing industries are declining (see II-30).

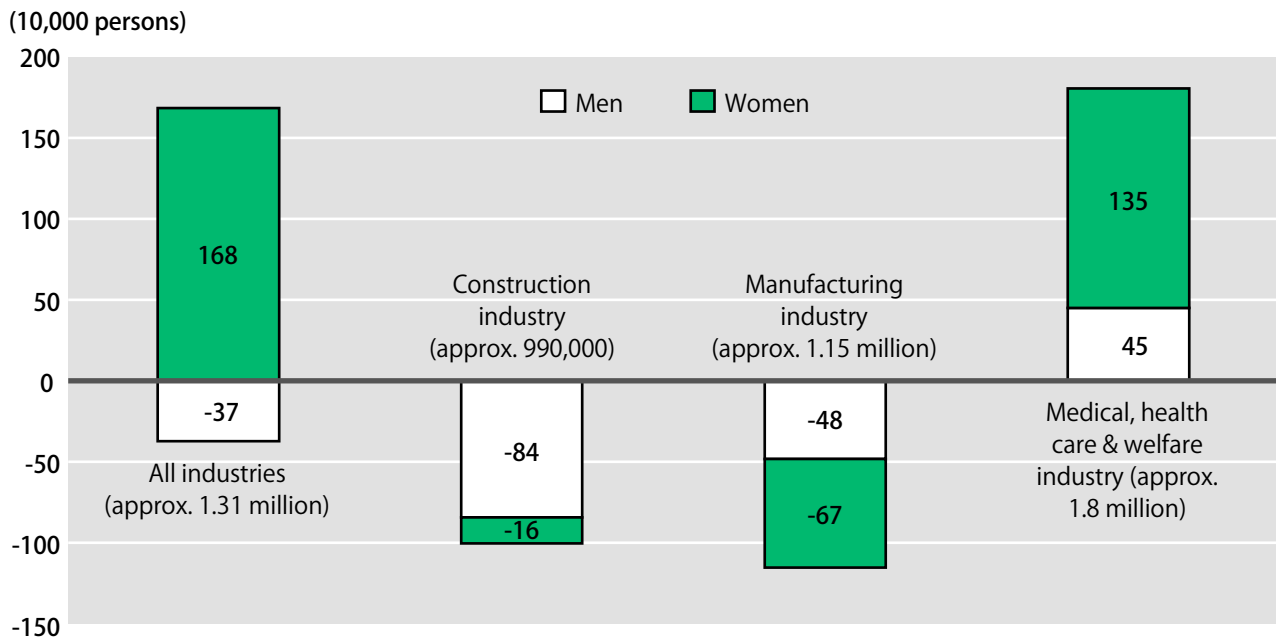
II-29 Trends in the Number of Employees and the Share of Women in the Total Number of Employees



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

Note: Figures in brackets represent the increase or decrease in the number of employees in the industry in question in 2002 – 2010 (total for men and women).

II-30 Changes in the Number of Employees by Sex and by Industry (2002 - 2010)



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

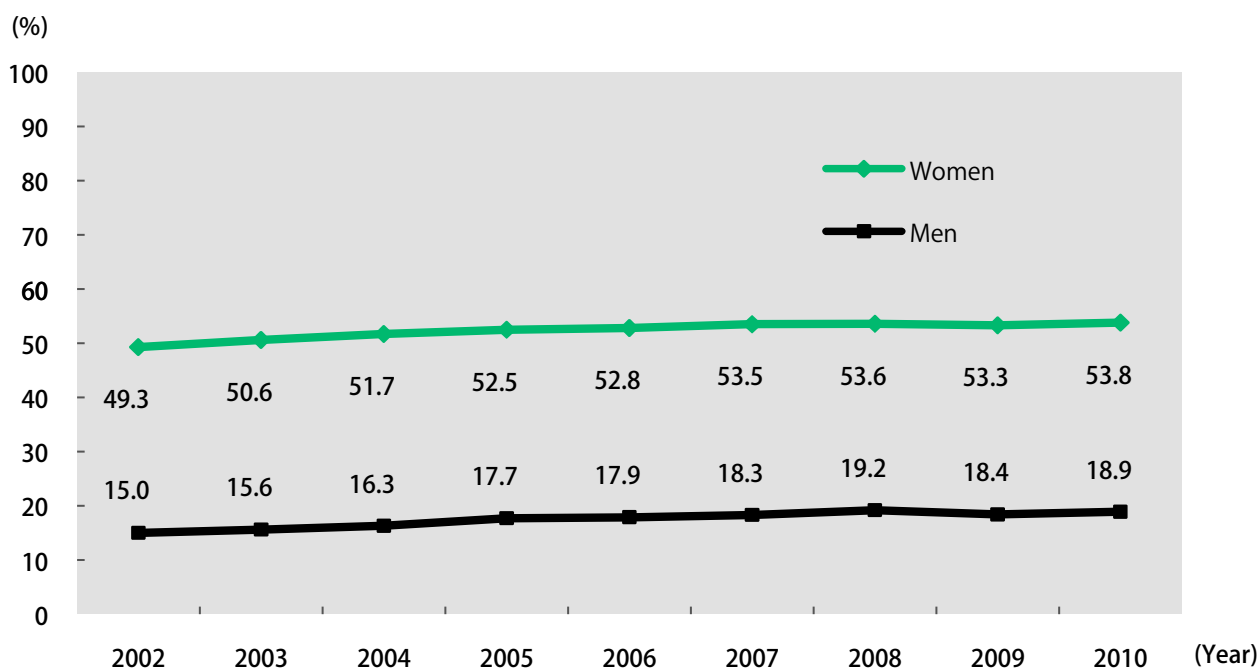
Note: Figures in brackets represent the increase or decrease in the number of employees in the industry in question in 2002 – 2010 (total for men and women).

Considerable Variation between Men and Women in Their Shares of Non-regular Employees

Next, looking at forms of employment, the proportions of men and women in non-regular employment demonstrate a gradually increasing trend. However, the proportion of men in non-regular employment in 2010 was just 18.9%, compared with

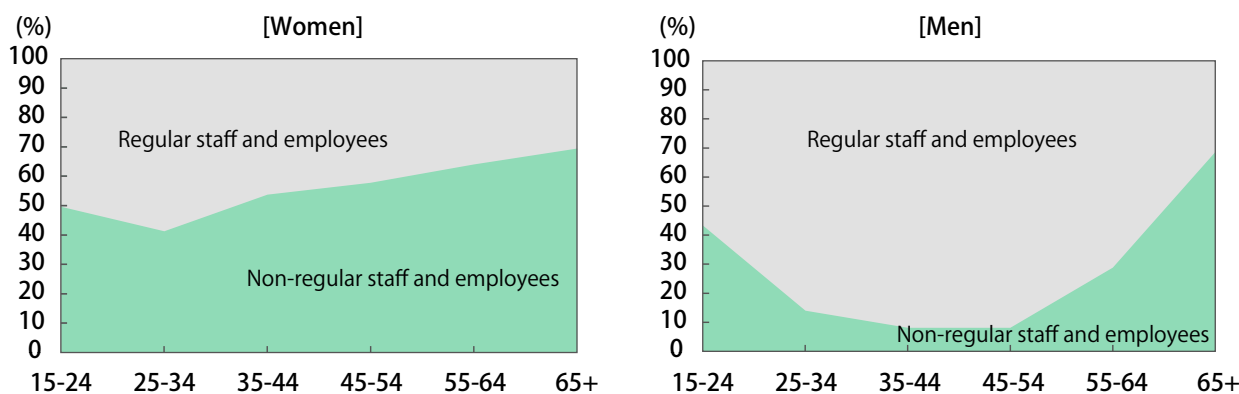
women accounted for the majority at 53.8%, which indicates a considerable disparity between men and women in their shares (see II-31). Looking at the side of age group, even in the lowest figures of 25-34 age group, approximately 40% are in non-regular employment, and the shares of non-regular employment are high in all age groups (see II-32).

II-31 Trends in the Shares of Non-regular Workers (excluding Board Members)



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

II-32 Shares of Regular and Non-regular Workers as Seen by Age Group (2010, excluding Board Members)



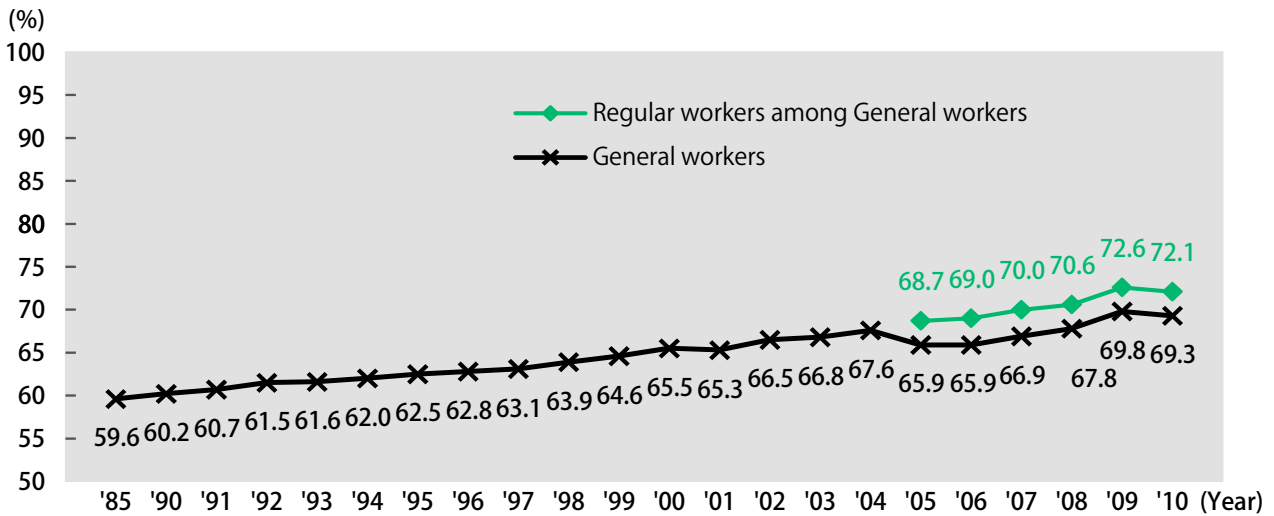
Source: Ministry of Internal Affairs and Communications, *Labor Force Survey*

The Wage Disparity between Men and Women Is in a Long-term Shrinkage, Though it Grew Slightly from the Previous Year

The disparity between men and women in terms of official pay is gradually shrinking, though, the gap

still remains. Also, if the 2010 pay level of male workers was 100, that of female workers was 69.3 (69.8 the previous year); if we compare only regular workers, it was 72.1 (72.6 the previous year), so the gap has increased slightly compared with the previous year (see II-33).

II-33 Trends in the Wage Disparity between Men and Women (Men = 100)



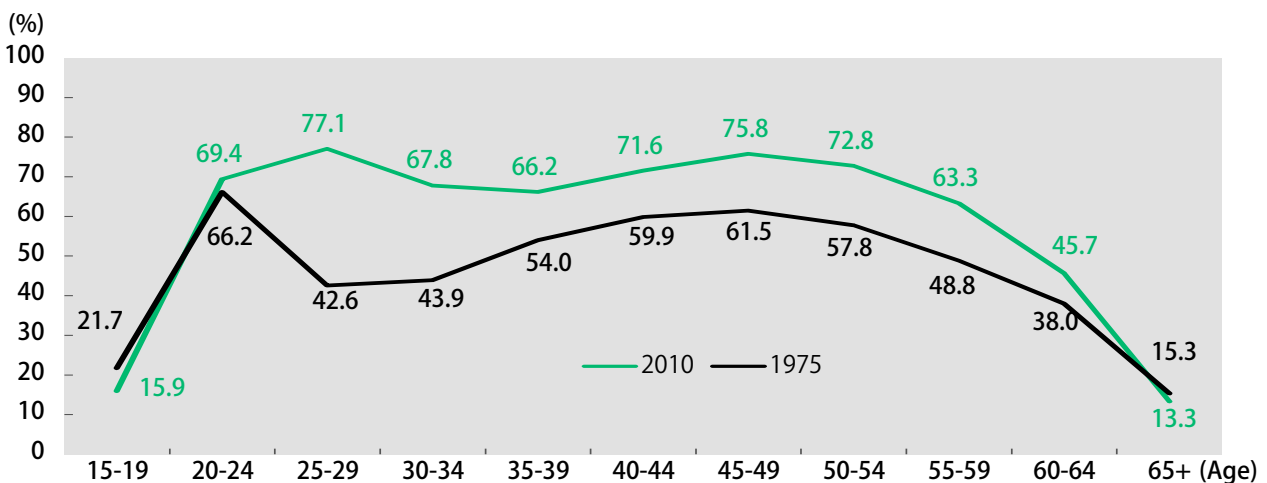
Source: Ministry of Health, Labour and Welfare, *Basic Survey on Wage Structure*
 Notes: "General workers" refers to workers who are not "short-time workers".

Changes in the M-shaped Curve Resulting from Later Marriages and Childbirth

Looking at the labor force participation rate of women by age group, it describes a so-called M-shaped curve which reaches its lowest point in the 30s; the factors behind this include the fact that there are many women who interrupt their employment to get married, give birth and raise children. When it

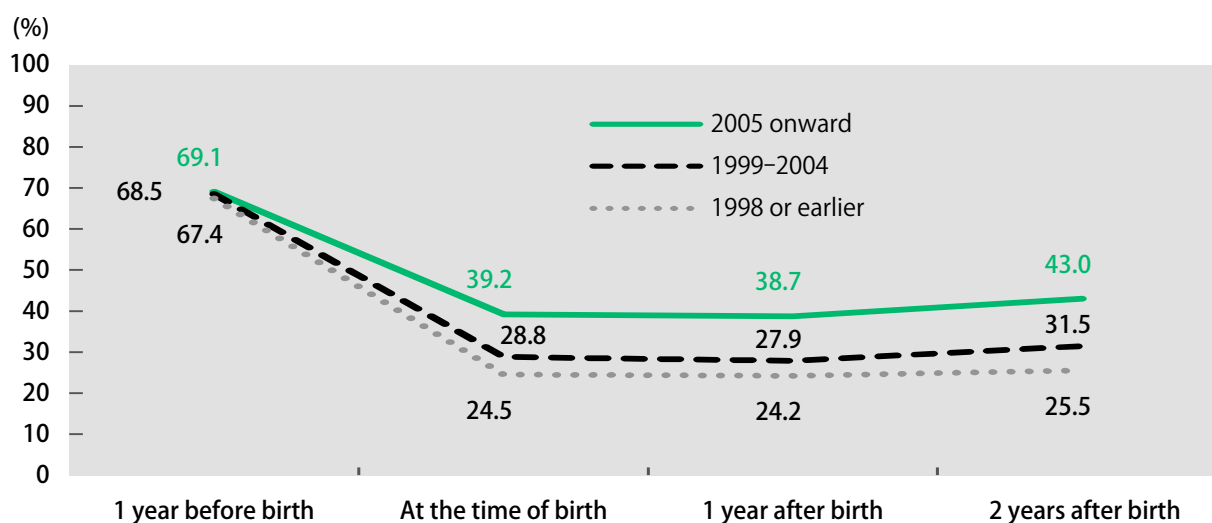
compares 1975 and 2010, the result shows that the M-shaped curve for 2010 is shallower and the trough in the M-shaped curve has moved to the right. This is due to the increase in the labor force participation rate of unmarried women, the tendency to get married and give birth later, and a gradual increase in the rate of employment of women around the childbirth period (see II-34 and II-35).

II-34 Female Labor Force Participation Rate by Age Group (1975, 2010)



Source: Ministry of Internal Affairs and Communications, *Labor Force Survey*
 Note: "Labor force participation rate": This is the share of the population aged over 15 accounted for by the labor force population.

II-35 Employment Rate of Women around the Time of Giving Birth to Their First Child (by Age at the Time of Childbirth)



Source: Japan Institute for Labour Policy and Training, *Survey Concerning Women's Ways of Working and Home Lives (2010)*

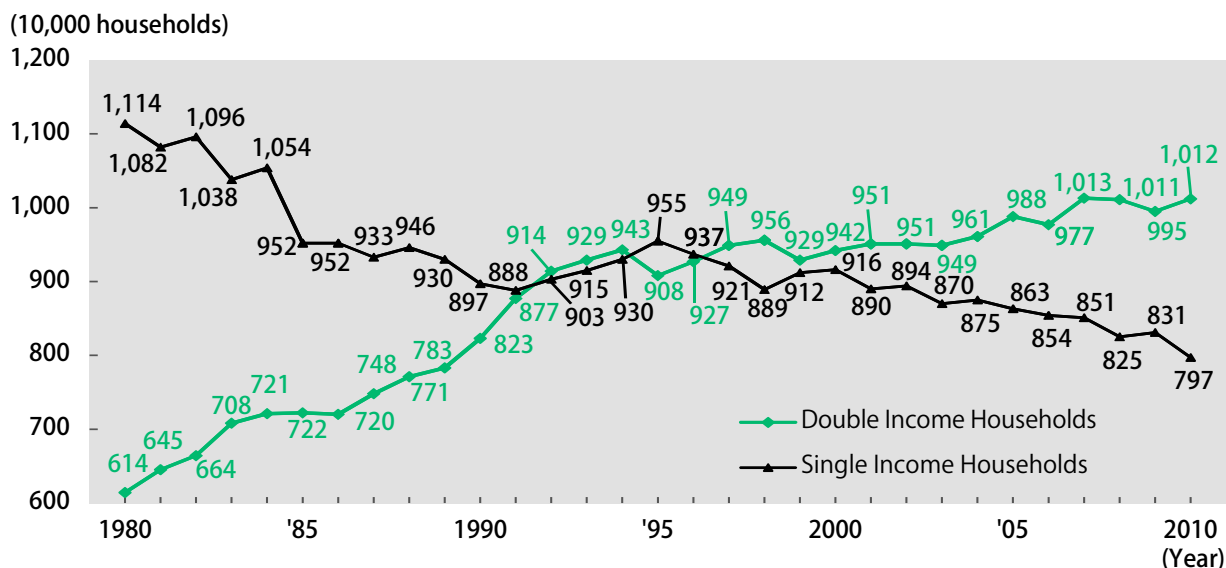
Increases of Double Income Households alongside the Length of Time for Men to do Child Care and Housework Remains at a Low Level

The number of “double income households” has been increasing annually in recent years, and since 1997, it has surpassed the number of “single income households” (see II-36). The factors behind this are believed to include changes in awareness of women’s participation in society and changes in the economic climate.

Amidst this situation, the number of women taking childcare leave is increasing, reaching 85.6%

in 2009. At the same time, the percentage of men taking childcare leave is low at only 1.72% (2009), while the time spent on housework and child care by husbands is at the lowest level on a global basis (see II-37). In the future, it will be necessary to work on such initiatives as eliminating the consciousness of division of labor by gender role, cultivating a social movement aimed at achieving work-life balance, restricting long working hours, encouraging people to take annual paid leave, popularizing diverse ways of working, such as a system of regular employees working shorter-than-usual hours, and encouraging men to take childcare leave.

II-36 Trends in the Number of Double Income Households

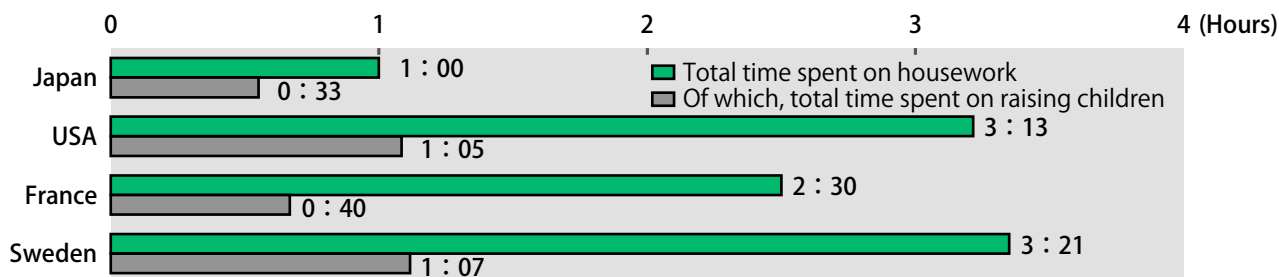


Source: Figures for 1980 to 2001 are taken from the Special Survey of the Labor Force Survey published by the Ministry of Internal Affairs and Communications (February each year. However, from 1980 to 1982, it was published in March each year). Figures from 2002 onwards are taken from the Labor Force Survey (Detailed Tabulation) (averages for each year).

Note: 1) "Single Income Households" refers to households where the husband is employed and the wife is not employed.

2) "Double Income Households" refers to households where both the husband and the wife are employed.

II-37 Time Spent on Housework and Child Care by Husbands with a Child or Children Less Than Six Years Old (per Day)



Source: Eurostat, *How Europeans Spend Their Time – Everyday Life of Women and Men (2004)*, Bureau of Labor Statistics of the U.S., *America Time-Use Survey Summary (2006)*, Ministry of Internal Affairs and Communications, *Basic Survey of Social Lifestyles (2006)*

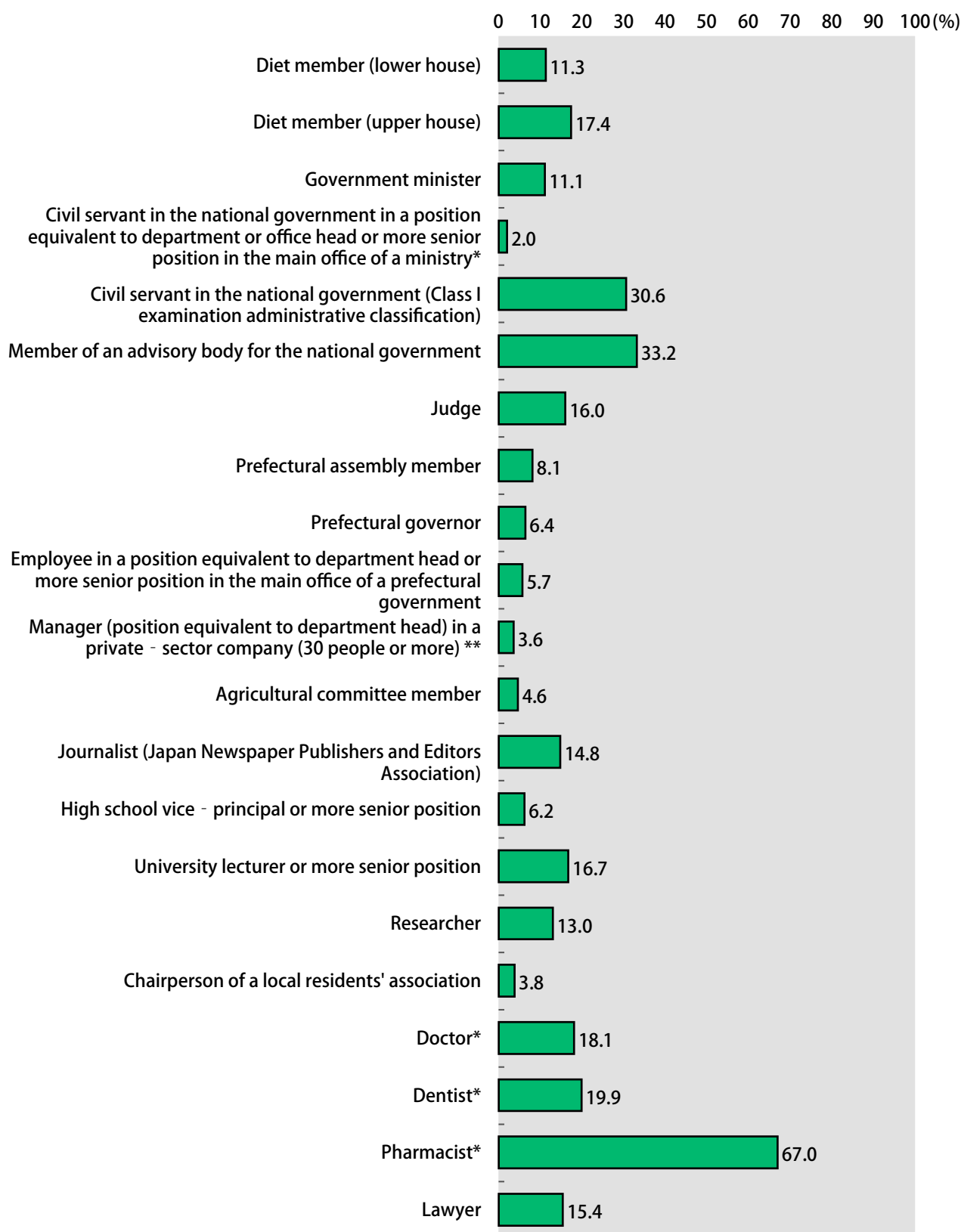
Note: Figures for Japan represent the time spent only by husbands in "households consisting of a husband, wife and child/children".

Low Level on an International Basis, towards the Achievement of Government Targets

In the Global Gender Gap Index (GGI) of the World Economic Forum, which expresses the relative gap between men and women as an index, Japan has the lowest level of all advanced nations, being placed 94th out of 134 countries (2010). Even looking at domestic statistics, the share of women in "leadership

positions" is low and is hardly anywhere near the "30% by 2020" goal prescribed by the Japanese government (see II-38). In the future, in order to achieve this target, along with changes in the behavior and ways of thinking of women themselves, through education and the presentation of role models, it will be important to implement measures aimed at promoting the participation of women, such as a workable affirmative action system.

II-38 Share of Women in Leadership Positions in Various Fields



Source: *Study on Women's Participation in Policy and Decision-making* (with some information updated)

Note: In principle, data are for 2009, but * indicates 2008, ** 2006.

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

Currently, 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, technical intern, cultural activities, short-term visitor, college student, trainee,

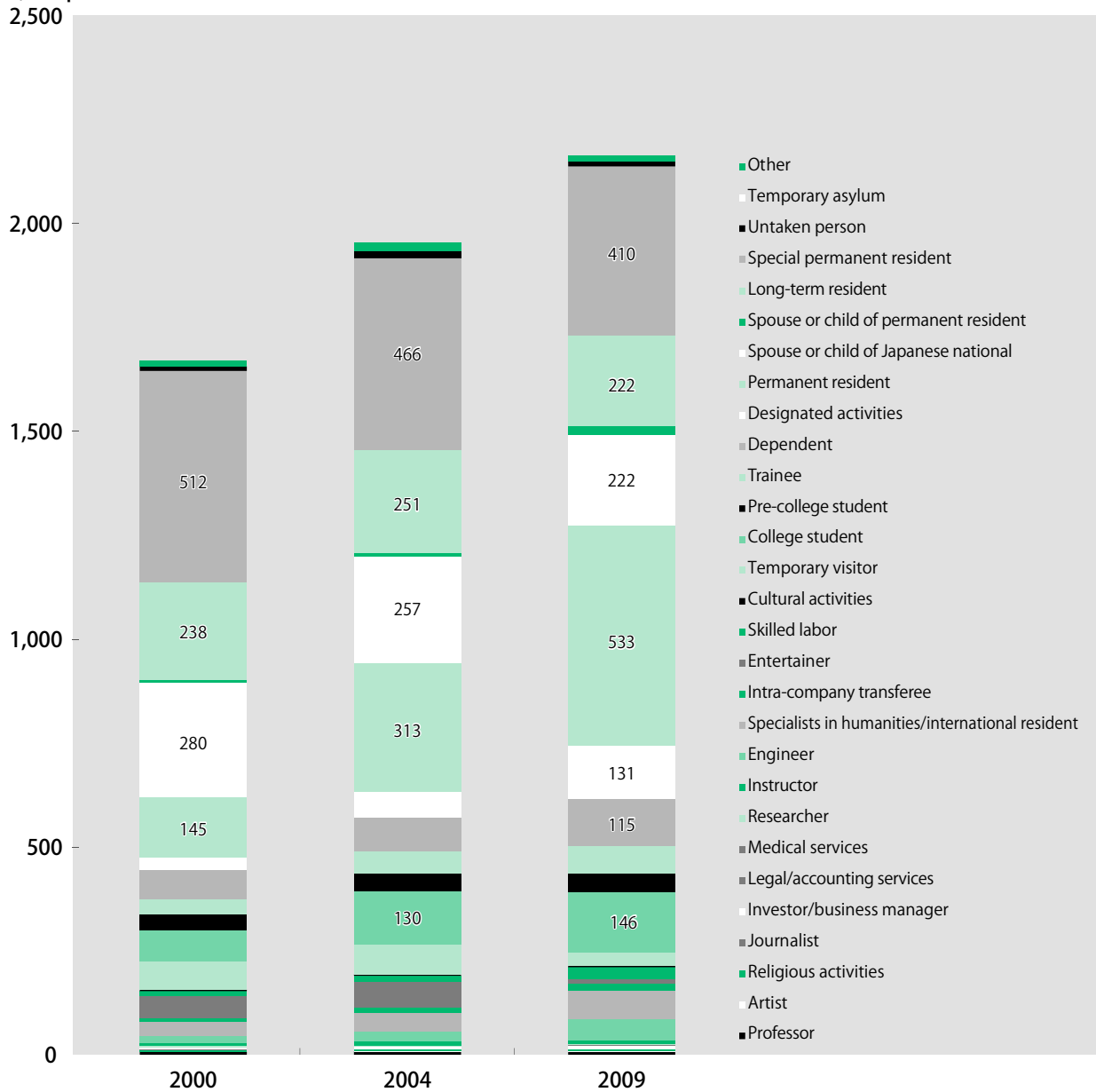
dependent, and designated activities. Of these statuses of residence, foreign nationals who have been granted one of the statuses from diplomat to technical interns, and foreign nationals who have been granted a residence status of designated activities and have received permission to engage in activities outside their residence status can only engage in profit-earning activities in those specific areas. Foreign nationals with one of the statuses from cultural activities to dependent cannot engage in profit-earning activities, but they are able to engage in specific profit-earning activities if they have received permission to engage in such activities in specific areas outside their residence status. 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-39 shows trends in the number of foreigners in Japan by status of residence. There are around 940,000 “permanent residents” (the combined total of “special permanent residents” and “ordinary permanent residents”), who account for 43% 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.

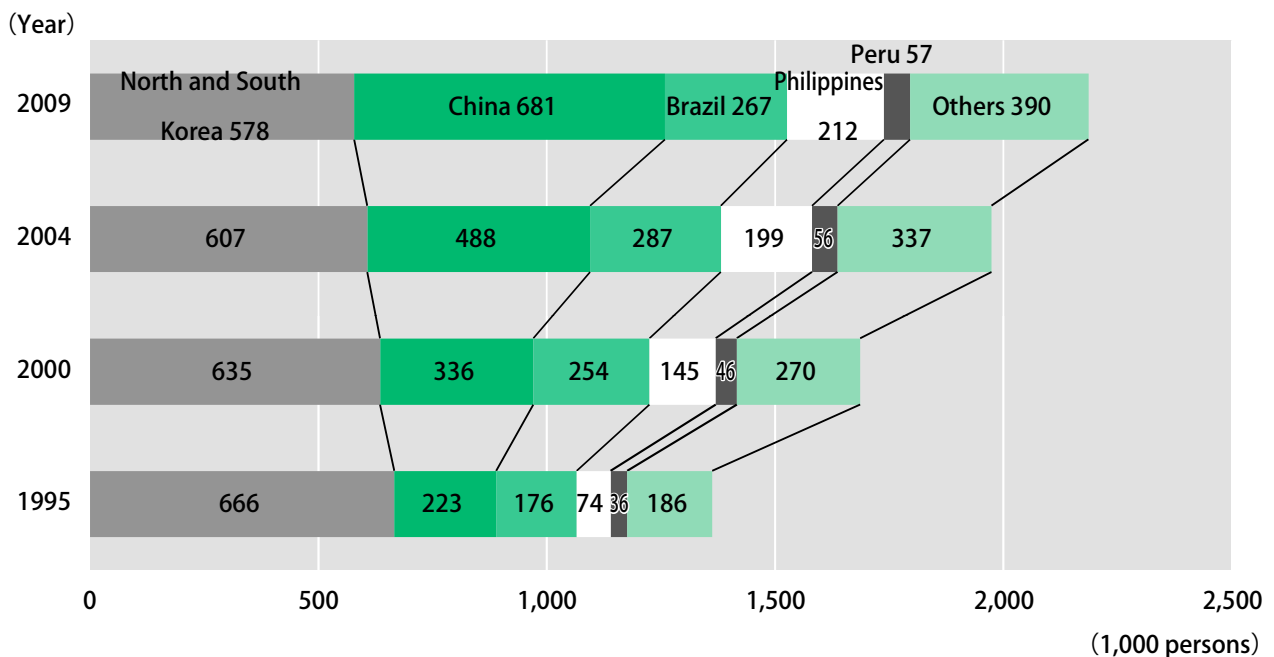
II-39 Trends in Numbers of Foreign Workers by Status of Residence

(1,000 persons)



Source: Ministry of Justice immigration control statistics

II-40 Trends in Number of Registered Foreigners by Principal Country of Origin



Source: Ministry of Justice immigration control statistics

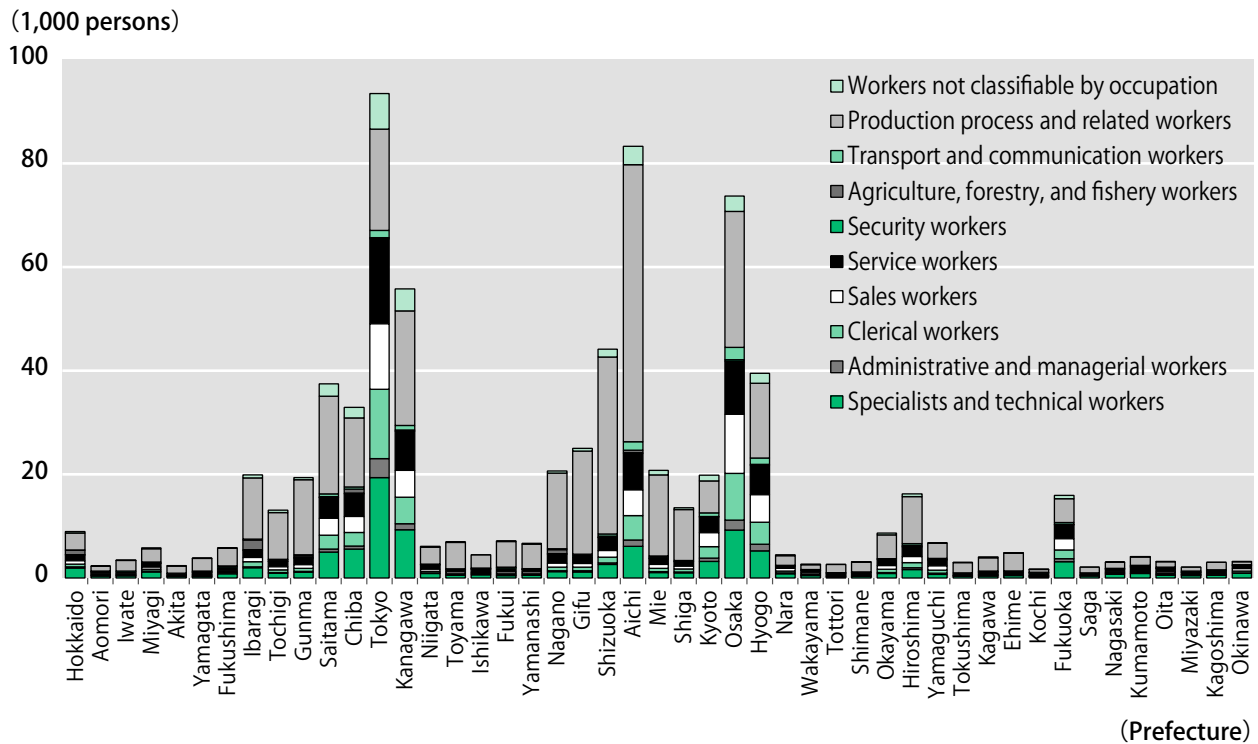
II-40 shows trends in the number of registered foreigners by nationality (place of origin). While there is a declining trend in the case of North and South Koreans, the number of foreign residents from China is increasing sharply, and in 2009, they accounted for more than 30% of all registered foreigners.

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-41 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-41 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

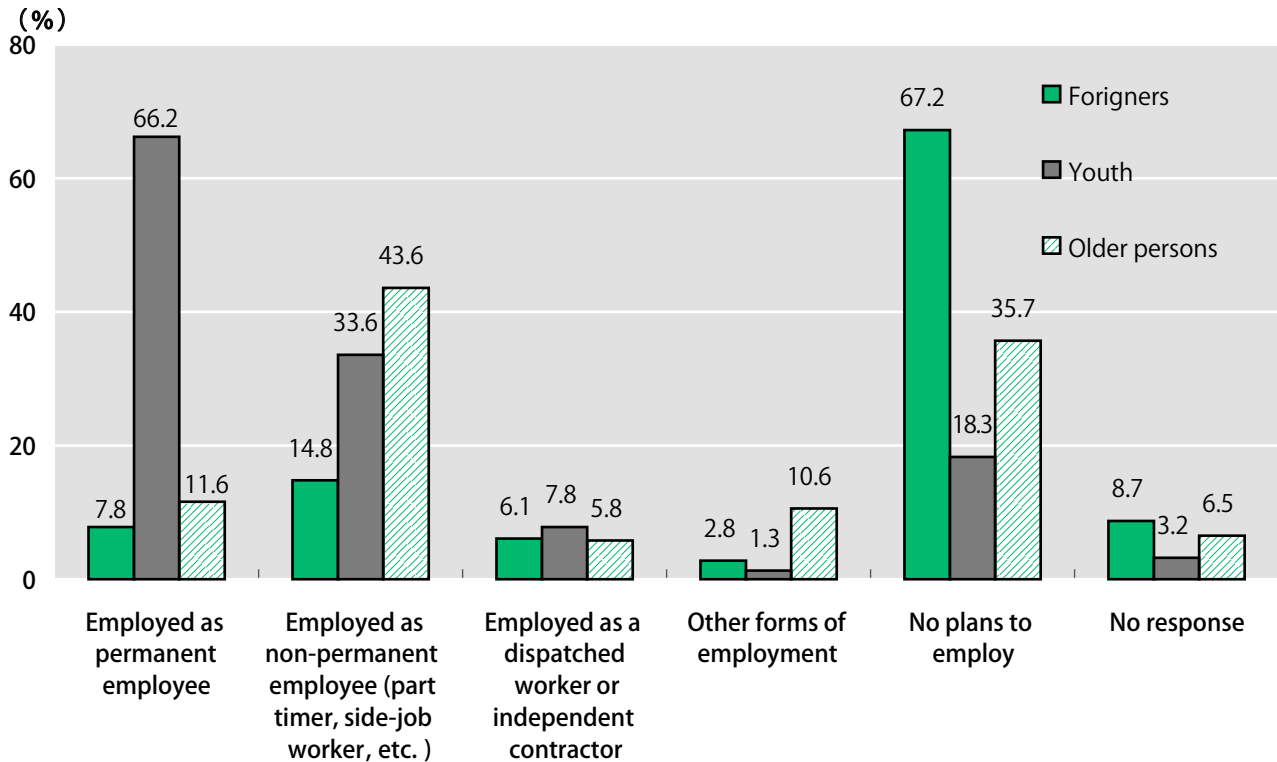
What kind of policies do Japanese companies have with regard to hiring foreign workers? If we look at the questionnaire results, with regard to form of employment and content of the job, we can see that those answering that they have "no plans" to utilize foreign workers accounted for two-thirds (II-42, II-43).

Moreover, Japanese language ability is

emphasized as a requirement when employing foreigners for places of business that have experience of employing foreigners. Work-related instructions and orders are given in Japanese, so having some level of Japanese ability is a precondition for employing foreigners.

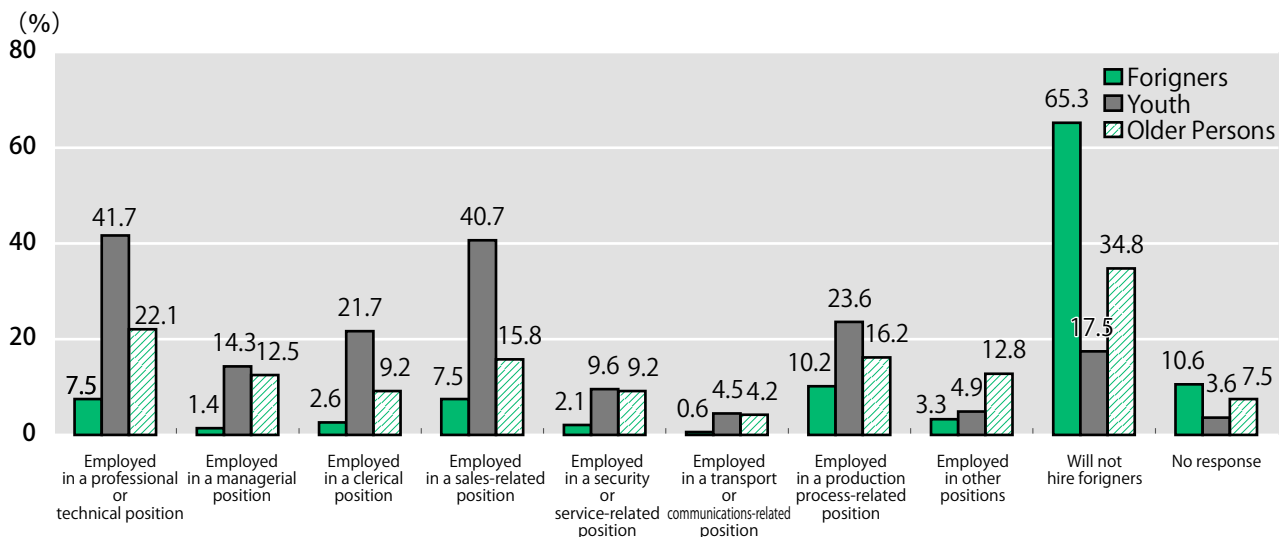
On the other hand, with regard to the reasons for never having employed a foreign worker, many responded that it was "because we were able to fill all of the job openings with Japanese people" and "in terms of personnel and labor management, we did not have the company structure in place to accept a foreigner."

II-42 Foreign Worker Employment Policy by Employment Type (n=2252, Multiple Answers)



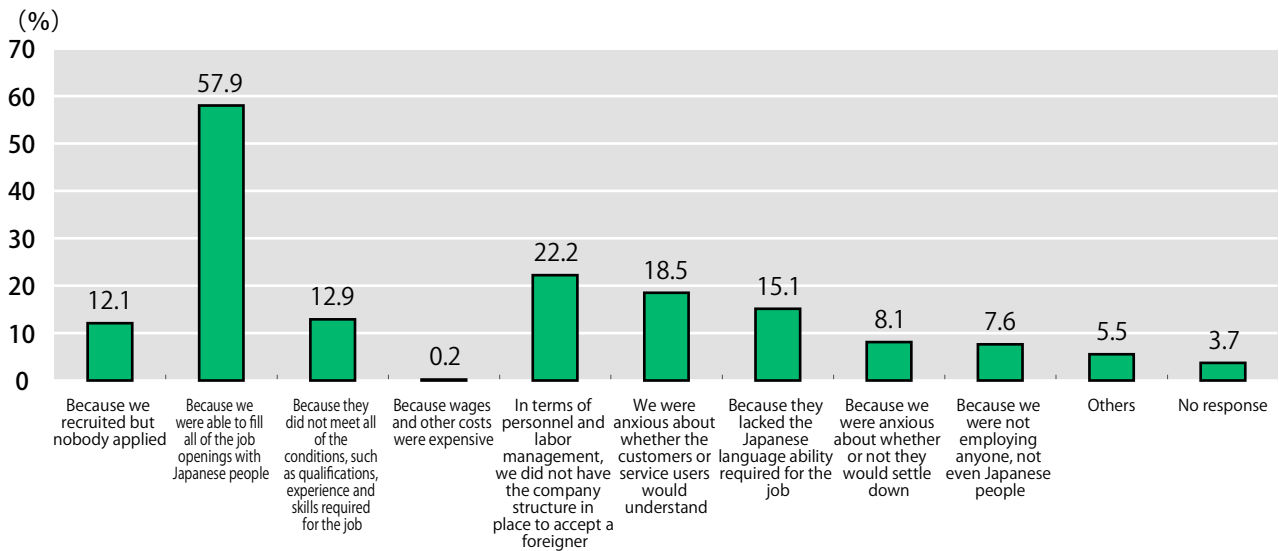
Source: Japan Institute for Labour Policy and Training (2010), *Survey Concerning Industry and Personnel Utilization After the Simultaneous Worldwide Recession*

II-43 Foreign Worker Employment Policy by Job Content (n=2252, Multiple Answers)



Source: Japan Institute for Labour Policy and Training (2010), *Survey Concerning Industry and Personnel Utilization After the Simultaneous Worldwide Recession*

II-44 Reasons for Not Employing Foreign Workers (n=1796, Multiple Answers)

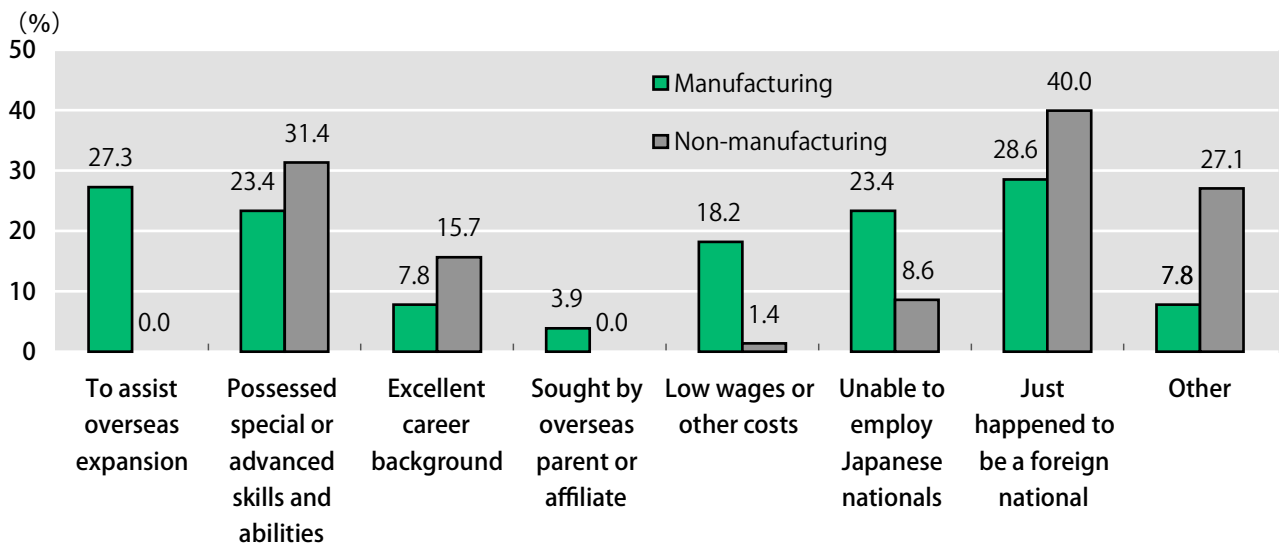


Source: Japan Institute for Labour Policy and Training (2010), *Survey Concerning Industry and Personnel Utilization After the Simultaneous Worldwide Recession*

Looking at the reasons given by companies for already employing foreign workers according to the results of another 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-45). 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-45 Reasons for Employing Foreign Workers (n=147, Multiple Answers)



Source: Japan Institute for Labour Policy and Training (2004), *Gaining an Understanding of the Current Status of Foreign Workers and Future Responses*

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. In particular, there are many places of business that utilize foreign workers via indirect hiring, and the number of foreign workers working via the indirect hiring system is growing. 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.

There are no accurate statistics about the pay received by Nikkei workers, but it is said to be at the upper end of the ¥1000 per hour range in the automotive component manufacturing sector, at the lower end of the ¥1000 per hour range in the electrical and electronic component manufacturing sector, and below ¥1000 per hour in the food manufacturing sector.

As a consequence of bringing over their families and settling, Nikkei workers’ patterns of work are gradually changing. There are even Nikkei workers who buy houses in Japan, and it is said that they can be classified into those who become settled in Japan and those who move away. However, under the current system, the rate of enrollment in employment insurance and health insurance 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

On manufacturing floors in Japan, the number of foreign trainees and technical interns has been on the increase. When shifting from the status of trainee to that of technical intern, it is necessary to obtain permission to change one’s visa status to a designated activities. From 1993, when the technical intern system was created, until the end of 2009, the number of people who switched to the technical intern status was in excess of approximately 380,000 people.

If we look at the breakdown of countries of origin in relation to the number of people switching to the technical intern status from trainee status, we can see that China accounts for almost 80%. 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.

In order to deal with such problems, a 2009 amendment to the Immigration Control and Refugee Recognition Act created measures to strengthen the protections for trainees and technical interns. As a result of this, through measures relating to the protection of technical interns, stringent responses to improper entry into the Greater Kanto area, and the rationalization of dispatching institutions, the rectification of the trainee and technical internship system is being sought.

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) As a result of the impact of the simultaneous worldwide recession that occurred in the autumn of 2008, many foreign workers became unemployed due to being made redundant or having their employment contracts terminated; at that time, hardly any companies provided support for reemployment. Moreover, the social safety net did not function adequately for foreign workers.

Looking at it this way, there are issues relating to the employment of foreign workers that can be dealt with through rules by which employers should abide. Companies therefore need to manage their foreign

workers properly according to the demands of each stage of employment, from recruiting and hiring to severance.

1 Long-term Employment System

Employee Tenure in Japan

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

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

male workers at large companies.

Background to Long Employee Tenure: Long-term Employment Systems

Why then is employee tenure in Japan so long? One answer lies in the long-term employment systems that have developed at Japanese companies.

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

III-1 Breakdown of Employees by Employee Tenure

(%)

Country (Year)	Japan 2007	United States 2008	United Kingdom 2002	Germany 2002	France 2002	Italy 2002	Belgium 2002	Holland 2002	Denmark 2002	Finland 2002	Norway 2002	Austria 2002
Percentage of all employees												
Less than 5	36.5	52.8	55.0	43.4	42.0	37.3	45.5	57.1	57.7	41.6	54.8	45.6
5 to less than 10	18.3	20.2	15.0	15.8	12.5	15.4	12.7	10.5	17.1	13.4	13.8	15.1
10 to less than 20	24.2	16.8	19.0	23.7	22.0	24.2	22.7	19.9	17.0	22.2	22.3	23.1
Over 20	21.3	10.3	10.0	17.0	23.5	23.0	19.1	12.6	8.1	22.8	9.1	16.2

Sources: (Japan) Ministry of Health, Labour and Welfare (2008), *Basic Survey on Wage Structure 2007*
 (United States) U.S. Department of Labor (2008), *Employee Tenure in 2008*
 (United Kingdom) Office for National Statistics (2003), *Labour Force Survey*
 (Other countries) Eurostat (2006), *Structure of Earnings Survey 2002*

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

	All workers	Male workers	Female workers
All companies	11.9	13.3	8.9
1,000+ employees	14.2	15.8	9.8
100-999 employees	11.3	12.8	8.5
10-99 employees	10.3	11.2	8.6

Source: Ministry of Health, Labour and Welfare (2008), *Basic Survey on Wage Structure 2011*

raise wages in accordance with employees' length of service.

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

Transformation of Long-term Employment Systems

Although employee tenure in Japan is comparatively long by international comparison, it is in fact very slowly shrinking and the average tenure of all employees in 2003 was 0.4 years longer (12.2 years) than what it was in 2007 according to the above Basic Survey on Wage Structure.

Behind this trend is the transformation of long-term employment systems at Japanese companies. Paying higher wages to longer-serving employees necessarily carries with it a risk of pay exceeding

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

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

2 Recruiting and Hiring

Because Japan's labor market is divided into a new graduate market and a mid-career job seeker market, or into large enterprises and small businesses, there are accordingly great differences in recruiting and hiring. The collective hiring of a group of new college graduates immediately upon graduation is one of the characteristics of hiring activities in Japan. However, looking at III-3, we see that it is in great part the large enterprises hiring new graduates, and that as the size of the company decreases, the rate of hiring new graduates also decreases. On the other hand, for mid-career hires, this difference based on company size is not as large as with the new graduates; in particular, the rate of hiring mid-career workers in nonclerical positions is higher at small-scale businesses (see III-4). (Note that the *Survey of Employment Management* cited below was discontinued in 2004, and so there are no results for

subsequent years.)

Methods of Recruiting and Hiring

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

Compared to the same survey conducted three years ago, one notices that methods of recruiting and hiring have drastically changed. "Job-search magazine or job search website" became first and

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

(%)

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

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

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

III-4 Current Ratio of Hiring for Mid-career Workers (Multiple Answers)

(%)

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

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

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

2001

(%)

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

2004

(%)

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

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

third, respectively, for new college graduates and mid-career hires. "Independent company website" came fourth for mid-career hires, and methods involving the internet are increasing. On the other hand, "personal connections" (22.9%) which was third in mid-career hires three years ago has dropped to fifth (6.1%) in this survey (see III-5; survey

conducted in 2001).

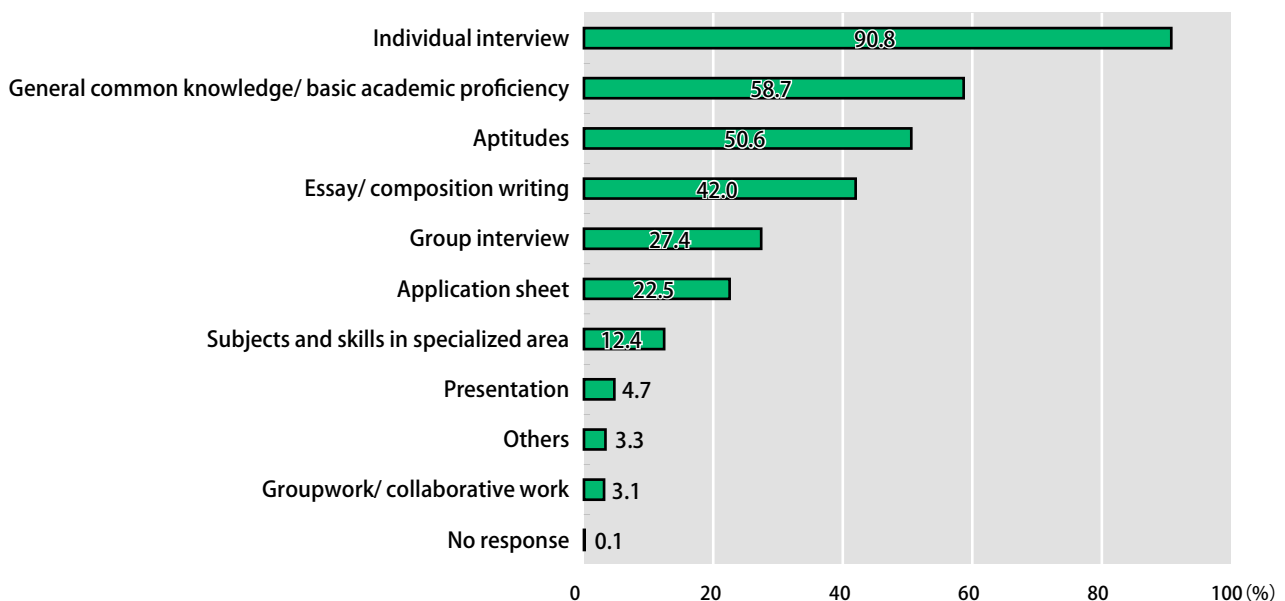
The hiring of four-year university graduates in the humanities and social sciences is generally carried out in the following way. The beginning of recruitment activities is the publication of recruitment information for students by companies (in recent years, this mostly takes place in October of their third

year). Based on this information, students apply for company information sessions. Seminars and company information sessions are held for students gathered in this way, followed by a written examination, interviews and selection. Ordinarily, conditional job offers are decided upon after two or three interviews. While the start of the communication of these conditional job offers in 1997 and 1998 peaked during June and July, it peaked around April in 2004 ("Hiring of College Graduates and Human Resource Management in a Period of Reform," Report No. 128, 2000, Japan Institute of Labour; "Survey on Hiring University Graduates," 2006, Japan Institute for Labour Policy and Training). In a recent study by Mainichi Communications, entitled MyComi Survey of Employment Plans of Those Due to Become New Graduates in 2012 (April 2011), the number of conditional job offers made around April increased, which indicates that there had been no changes ever since April in 2004. As seen in III-5, many of the requests for materials and application procedures for seminars are made through E-mails or websites due to the dissemination of the internet, and private-sector portal sites built to support such activities are widely used.

Moreover, with regard to the recruitment activities of major companies, the introduction of "web-based tests" as company entrance examinations is progressing (46.8% responded "We have introduced them" in the Results of the Questionnaire Concerning New Graduate Hiring (Those Graduating in March 2010), Keidanren, published April 2010). Employment screening methods include individual interviews and tests of general knowledge, basic academic skills and aptitude, with the proportion of individual interviews reaching 90% (III-6).

In the field of science, there are many who progress as far as a master's degree before seeking employment, so in many cases those in charge of recruitment at companies visit research laboratories in relevant fields, ask the supervisors to introduce them to students and the supervisors recommend students to the companies (recommendation by the school). At companies that conduct open entry or free application for positions in regard to recruitment, in the same way as the situation for graduates in the humanities and social scientists outlined above, some students submit applications after viewing the company's recruitment information, and go through the written examination and interview process.

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



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

As a result of the expansion of the economy, which was said to be the longest since the war, albeit a gradual one, and also due to the mass retirement of the baby boom generation, the interest of companies in hiring employees intensified and from the perspective of new graduates, it was continually a seller's market. However, the situation changed considerably as a result of changes in the economy and the worldwide financial crisis from the autumn of 2008. In addition, as a result of the decline in corporate activities and consumption following the earthquake and tsunami on 11 March 2011, the situation relating to the job search activities of students, particularly those in the northeastern region of Japan, has become harsher, with conditional job offers being withdrawn.

Points Taken Seriously in Hiring Workers

III-7 looks at the points considered important when hiring new college graduates. In Survey of Employment Management in 2004, where job types were not divided into clerical, technical/research, and

non-clerical categories, "enthusiasm and ambition," "communication skills," and "drive and executive ability" respectively came as first, second, and third priorities. In the 2001 survey where job types were divided, for each of the three job categories-clerical, technical/research, and non-clerical-the number one consideration was "enthusiasm and ambition." However, large differences could be seen in the number two and number three choices. For clerical positions, importance is attached to "general common knowledge, well educated and cultured" and "cooperative spirit and sense of balance;" "technical knowledge and skills" and "understanding and judgment" are seen as crucial for technical/research positions; and for non-clerical work "drive and executive ability" and "good health and stamina" are viewed as assets.

Looking at points considered important when hiring mid-career workers (points with a rate over 50% in III-8), "job experience" is the top consideration for both management and clerical categories while "technical knowledge and skills"

III-7 Points Considered Important When Hiring Recent College Graduates (up to 3 Multiple Answers)

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

Source: Survey of Employment Management, 2001,2004, Ministry of Health, Labour and Welfare
Note: The 2004 survey was not categorized into clerical, technical/research, and non-clerical job types.

III-8 Points Considered Important When Hiring Mid-career Workers (up to 3 Multiple Answers)

(%)

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

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

and “job experience” rank high for technical/research positions, and “enthusiasm and ambition” are the most desired attributes for non-clerical workers.

In a recent survey, which was not divided into new college graduates and mid-career workers, with regard to the qualities expected of core personnel by companies (multiple responses were permitted, up to a maximum of three), in the case of personnel in managerial positions, 61.4% responded “the ability to make decisions and get things done,” 54.3% responded “leadership ability” and 46.2% responded “generalship qualities” ; in the case of personnel in

professional and technical positions, 76.5% responded “specialist knowledge and skills,” 53.1% responded “sense of responsibility” and 48.6% responded “enthusiasm and drive” ; and in the case of personnel in front-line activities who are skilled workers, 57.6% responded “specialist knowledge and skills,” 52.4% responded “sense of responsibility” and 51.6% responded “enthusiasm and drive” (Ministry of Health, Labour and Welfare, 2007 Survey on Hiring Management at Enterprises, published August 2008).

3 Allocation and Transfer of Human Resources

Allocation and Transfer of Human Resources at Japanese Companies

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

“Transfers,” meanwhile, consist of moving employees around to perform different work, and the practice of transfers at Japanese companies exhibits several characteristics. Firstly, their main purpose is not only to reshuffle human resources to meet the needs of the organization (such as expansion, downsizing, or job reorganization), but also to act as a means of training and developing employees (III-9). Secondly, companies have an enormous say in determining transfers. The wishes of the human resources department are paramount in the allocation and transfer of newly-hired fresh graduates and the transfers of managers, while it is the wishes of the department actually responsible for the work to be

performed that largely determine transfers of regular employees. This is typically observed in transfers in large companies. Thirdly, with regard to the scope of transfers of regular employees, although the scope gradually narrows down to focus on those with specific abilities after a certain period has elapsed since joining the company, in the case of transfers resulting from promotion, there are many cases in which those in managerial positions experience transfers that span departments, due to the nature of their posts. And fourthly, temporary external transfers (where an employee of company A works at and is subject to the orders of company B while remaining an employee of company A) and permanent external transfers (where an employee leaves company A and becomes an employee of company B) entail transfers beyond the boundaries of the company for the purpose of supporting business partners and affiliates, developing employees’ skills, and securing positions for middle-aged and older employees.

New Developments in Allocation and Transfer of Human Resources

The approach to allocation and transfer of human resources employed by Japanese companies with the aforementioned four characteristics offers two

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

(%)

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

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

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

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

To combat this downside, more and more companies in Japan are introducing mechanisms such as "self-return" and "in-house recruitment" schemes to take greater account of employees' wishes. Self-return schemes are systems by which employees report their personal circumstances and wishes so that this information can be taken into account by the company in making allocation, transfer, and career development decisions. On the other hand, "in-house recruitment schemes" are systems used, for example, when a new project or business is being started up; these systems involve the content of the duties to be performed being disclosed in advance, with personnel being solicited from within the company, and those who pass the selection process take charge of those duties. In their practical application, however, these measures tend to be hindered by the wishes of employees' own departments and the difficulty of finding work to suit employees' needs, and few companies have so far been entirely successful in implementing them.

Features of Promotions

One form of allocation or transfer of employees is "promotion." A promotion is defined as the movement of an employee from a position in which they handle duties carried out in the lower grades of

an organization to a position in a higher grade. Japanese companies have a strong tendency to place more emphasis on finding human resources from within the organization, and management positions are filled more by in-house promotion than by the hiring of people from outside the company. This is one of the characteristics of promotions in Japanese companies and is called "internal promotion."

When deciding on promotions, most companies that have set forth criteria for this evaluate the performance and skills of the candidates for promotion, but there are more than a few companies that manage promotions on the basis of seniority, emphasizing the number of years of continued service. The reality is that most new college graduates employed as regular employees at the same time ("employees hired at the same time") are promoted to managerial positions at a certain level, such as section chief level, and this system is rational, as it makes most employees hope for promotion and therefore leads to increased motivation.

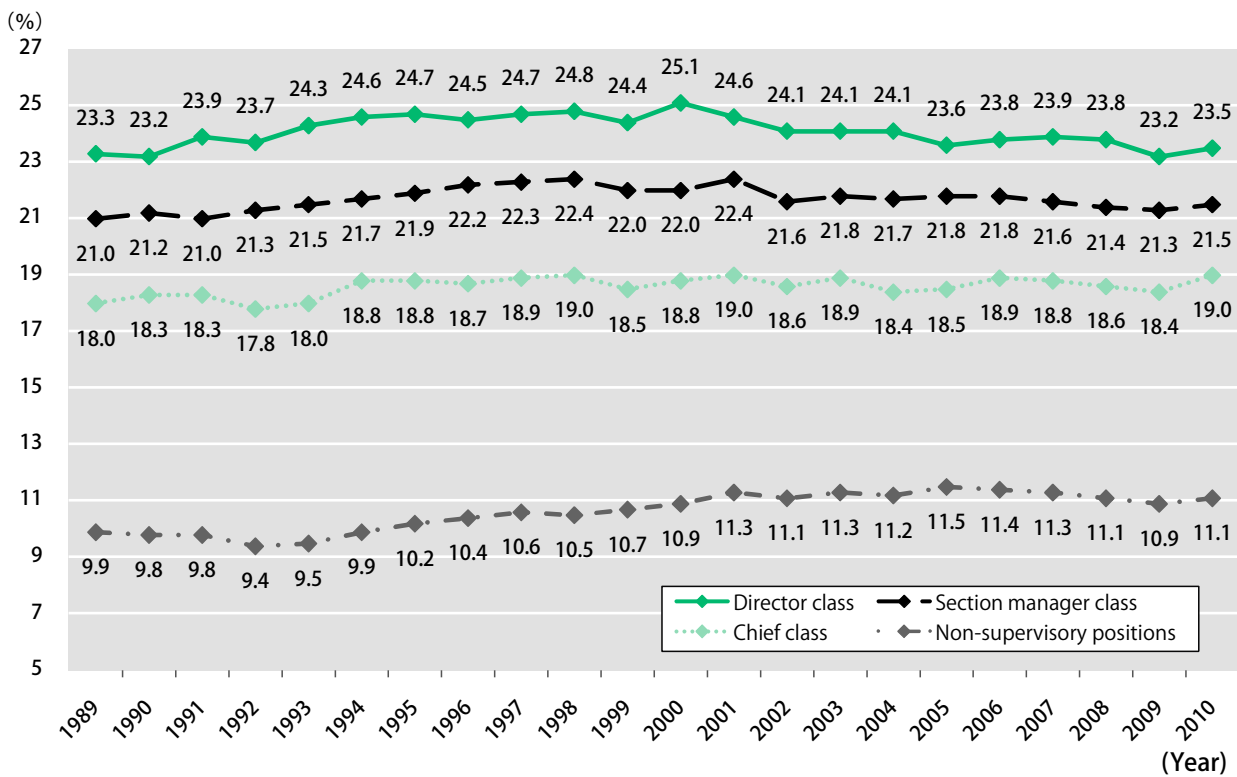
In fact, if we look at the actual situation with regard to promotions in Japanese companies, we can see that promotions in Japan are "late promotions" (the timing of the selection for promotion is late). According to the Japan Institute for Labour Policy and Training (1992), whereas the first selection period (the time when the first promotion gap emerges) is 7.85 years on average in Japan, it is 3.42 years on average in the USA and 3.71 years on average in Germany; in addition, the period of flattening out (the period when the number of employees hired at the same time is narrowed down in the competition for promotion and more than about 50% of the employees in that group have no prospect of further promotion) is 22.30 years on average in Japan, compared with 9.10 years on average in the USA and 11.48 years on average in Germany. If we look at recent trends (III-10), the first selection period corresponds to the number of years of continued service in non-managerial positions, while the period of flattening out corresponds to the number of years of continued service at section chief level, and we can see that the number of years of continued service in non-managerial positions has increased slightly and although the number of years of continued service at

department head and section chief level is declining, the fundamental trend remains unchanged.

Thus, promotions at Japanese companies have two characteristics, namely “internal promotions” and “late promotions,” but changes can be seen in the conditions that bring about the existence of “late promotions.” The reasons for this include the fact that it has become difficult to maintain the high probability of promotion, due to the flattening out of organizations and the reduction of managerial posts,

the fact that it has become difficult to provide education and training opportunities equally to all employees, due to company growth slowing down, and the fact that the desire to be promoted to managerial positions is declining, primarily among male regular employees, so it is possible that the trend towards earlier selection for managerial positions, particularly those at department chief level, will intensify.

III-10 Average Employee Tenure by Position in Japanese Company (Year)



Sources: Compiled from Ministry of Health, Labour and Welfare, *Wage Census (FY 1989-2010)*, website of Ministry of Health, Labour and Welfare
 Note: The size of enterprise is 100 employees or more.

4 Resignation, Mandatory Retirement and Dismissals

Resignation

Resignation is one of the reasons for the termination of employment contract and is the general term for a employee quitting a company where they had been working (however, dismissals are excluded from this definition).

With regard to the actual situation concerning resignation, the categories include “general resignation” and “resignation due to personal circumstances,” when an employee unilaterally terminates the employment contractual; “resignation by agreement,” “resignation at the employee’s own request” and “voluntary resignation,” which take place on the basis of agreement between the employee and employer; and “mandatory retirement,” which takes place on the basis of stipulations in the employment contract, workplace regulation or collective agreement.

Legal problems relating to resignation that have emerged in recent years include encouragement to resign resulting from business restructuring or shrinkage and preferential measures when soliciting volunteers for early retirement.

With regard to the former, unscrupulously encouraging employee to resign through persistent approaches or violence is illegal and could result in both the individual at fault and the employer becoming liable to pay damages. The details of the actual situation are unclear, but from looking at statistics concerning the system for resolving individual labor disputes, one can see that approximately 22% of disputes arising in the workplace arise from “encouragement to resign” and “bullying or harassment” that can be closely related to this (concerning this point, see Chapter 4-4 “Labor Disputes and Resolution Systems”).

With regard to the latter, there have been lawsuits in which employees have sought to be compensated for the difference in amounts in the event that they suffer any disadvantage or inequality relating to the application of preferential monetary measures

depending on the timing of their resignation. As such preferential measures have no basis in legislation, employers themselves can decide what measures to apply when and to whom. Consequently, in general, even if the application of such systems, the need for the consent of users when applying them, and any disadvantage or inequality in the application of preferential measures become an issue in litigation, employees’ claims for payment of any difference are hardly ever approved.

In addition, with regard to pension schemes established and operated independently by employers (so-called company pensions), the reduction in initial benefits, the cutting of rates of pay and the abolition of the systems themselves as a result of poor investment yields due to the deteriorating economic situation have become legal issues in recent years, and cases have been seen in which this has resulted in lawsuits (with regard to this point, see Chapter 6-2 “Income Security Systems”). This is something that is also a problem for those taking mandatory retirement, as discussed in the next section.

Mandatory Retirement

According to the summary findings of the 2010 General Survey of Working Conditions (Ministry of Health, Labour and Welfare, released on October 14, 2010), 93.1% of private enterprises with 30 or more regular employees have mandatory retirement systems, of which 98.7% have a uniform mandatory retirement age. Of these, 82.7% set the mandatory retirement age at 60, and 13.3% set it at 65 or above.

On the other hand, if we look at the legal system, Article 8 of the Act on Stabilization of Employment of Older Persons stipulates that employer may not prescribe a mandatory retirement age below 60 years of age. Moreover, Article 9 of the same Act obliges employers to take measures to secure employment up to the age of 65. There are three of these measures, which were prescribed under the 2004 amendment of the Act, namely i) raising the mandatory retirement

age; ii) introducing continued employment systems; and iii) abolishing mandatory retirement (for the background and details of the amendment, see Chapter 5-3 “Policies Designed to Secure Employment for Older and Disabled Workers”).

If we look at the 2010 Aggregate Results of the Survey on Employment Conditions of Elderly persons (released on October 29, 2010), focusing on the status of the introduction of measures aimed at securing employment up to the age of 65, as of June 1, 2010, the companies that had already introduced measures to secure employment for employees aged 60 and above, up to the age of 65, accounted for 96.6% of the approximately 138,000 companies with at least 31 employees that were the focus of the aggregate results; even just looking at small and medium-sized companies (those with between 31 and 300 employees, totaling 119,135 companies), the figure was 96.3%.

If we look at the breakdown of measures to secure employment from the same aggregate results, in order of the measures accounting for the greatest proportion of responses, “introduction of a continued employment system” accounted for 83.3%, “raising of the mandatory retirement age” accounted for 13.9%, and “abolition of mandatory retirement” accounted for 2.8% (average for aggregated companies).

With regard to the “introduction of a continued employment system,” which accounted for the greatest share of measures introduced, 47.5% of companies applied this system to “those affected by criteria based on labor-management agreements,” while 41.4% applied it to “all those who requested it.” In addition, 11.1% of companies applied it to “those affected by criteria based on workplace regulation” (average for aggregated companies).

Moreover, 89.9% of companies have set the age to which measures to secure employment are applicable at the age of 65 or above, while 10.1% have set it at the age of 64.

However, looking at the mandatory retirement system in legal terms, there is a compelling view that it is not rational to cease the employment relationship on the grounds of having reached a certain age, and that this contravenes the principle of job security.

Nevertheless, in Japan’s seniority-based long-term continued employment system, there is a general attitude that the mandatory retirement system is rational, and no courts have ruled that the mandatory retirement system is unlawful (contravening public policy as detailed in Article 90 of the Civil Code).

Moreover, due to the fact that the aforementioned Article 9 of the Act on Stabilization of Employment of Older Persons obliges employers to implement measures to secure employment up to the age of 65, discussions have recently emerged concerning the legal enforceability of that article. More specifically, there is a question about whether or not the article concerned is valid in private law. In theoretical terms, there is a conflict between the theory that sees the article to be effective in private law, so it is possible to confirm its status with regard to compensation for damages and in employment contracts, and the viewpoint that denies its effectiveness in private law, arguing that the article only imposes on employers an obligation in public law (administrative law).

Dismissals

1. General

The Labor Standards Act only prohibits the dismissal of a employee during a period of absence from work due to injuries or illnesses suffered in the course of employment, and the dismissal of a female employee during a period of absence from work before and after childbirth, or within 30 days after either type of absence, but it does not prohibit dismissal itself (Article 19). On the other hand, discriminatory or retaliatory dismissal on grounds such as gender or labor union activity is prohibited by law (by such legislation as Article 3 and Article 104, paragraph (2) of the Labor Standards Act, Article 6, item (iv) and Article 9 of the Equal Employment Opportunity Act, Articles 10 and 16 of the Child Care and Family Care Leave Act, and Article 7 of the Labor Union Act).

Amidst this legal situation, regulations based on the principle of the abuse of the right of dismissal have played a particularly important role in dismissals in general (such as dismissals due to incompetence or lack of ability to perform work). This principle is a legal theory that reviews and restricts the exercise of

the right of dismissal (to be precise, in legal terms this is the declaration of intent to dismiss), which is a unilateral termination of employment contract by the employer in regard to a employee, and it was established by Supreme Court precedents from the mid-1970s onwards.

The Supreme Court formulated the content of this principle, stating that, “the exercise of the right of dismissal by an employer shall be deemed an abuse of rights and become invalid, in the event that it lacks objectively reasonable grounds and therefore cannot be considered to be appropriate in general societal terms.” Furthermore, the Court set forth the specific elements and methods of decisions on the principle, stating that, “even when there is a reason for general dismissal, the employer may not always be able to dismiss the employee. If the grounds for dismissal in the specific situation concerned are singularly unreasonable, or if they cannot be considered to be appropriate in general societal terms, the expression of intention to dismiss in question shall be deemed an abuse of rights and become invalid.”

This legal principle is an unequivocal mandatory civil provision stipulated in the 2003 amendment of Labor Standards Act (Article 18-2). Underlying this was a recognition of two things: that these legal principles should be clearly stated because, despite having played an important role (job security = long-term continued employment) in regulating dismissals in Japan, their lack of statutory form made them unclear to the public; and that employers should be prevented from resorting to dismissals without careful consideration during the recession at time that the act was revised. This provision has now been transferred to the Labor Contract Act enacted in 2007 and stipulates that, “A dismissal shall, if it lacks objectively reasonable grounds and is not considered to be appropriate in general societal terms, be treated as an abuse of right and be invalid.” (Article 16).

2. Collective Dismissals (Dismissals for Economic Reasons)

Employment adjustment in Japan has mainly been carried out by means that do not involve any pain for employees, such as reductions in overtime, with the method of removing regular employees from the

company not being used unless the financial condition of the company was especially poor. This is due to the fact that Japanese companies emphasize long-term continued employment, as well as the difficulty of dismissing employees due to the existence of the principle of the abuse of the right of dismissal that has underpinned this.

The regulations governing collective dismissals for economic reasons of the company have been shaped in forms derived from the principle of the abuse of the right of dismissal; unless a dismissal complies with the following four criteria, it is deemed to be illegal and invalid (four criteria for collective dismissals):

i) That there was a necessity for reductions in personnel; ii) That the obligation to make every effort to avoid dismissals was fulfilled (e.g. by reducing overtime, transferring or assigning employees to other jobs, placing a freeze on new hires, temporary layoffs, soliciting applications for voluntary retirement, and reducing the number of non-regular employees); iii) That there were reasonable criteria for selecting employees to be dismissed (e.g. number of late arrivals to and absences from work, whether or not there was a history of violations of work rules, and imposing a minimal economic blow by selecting those with no dependents); and iv) That efforts were made to hold discussions with employees or labor unions (providing an adequate explanation of the background to the collective dismissal for economic reasons of the company, as well as the implementation period and methods, and holding consultations to seek feedback).

3. Disciplinary Dismissal

In general, workplace rules stipulate that disciplinary measures will be taken to punish employees who have, for example, violated an order given in relation to their work duties. Disciplinary measures are private penalties or punishments imposed by employers on employees for such reasons as violating a legitimate work order, disrupting the order of the company or workplace, or engaging in illegal acts. In ascending order of severity, the measures are admonitory warning, official warning, reprimand, reduction of salary, suspension of work,

official suggestion to resign, disciplinary dismissal.

Dismissal places employees at a significant disadvantage; particularly in the case of a employee subject to disciplinary dismissal, that person is viewed as someone who has disturbed the order of the company or workplace, so such employees are placed at an extremely great disadvantage when seeking another job. On the other hand, leaving someone who disturbs the order of the company or workplace within the company has the potential to impede the productivity of other employees, as well as the day-to-day operations of the company and workplace.

Accordingly, while giving consideration to the disadvantage to the employee and the benefit to the company, the method of judging the legal validity of disciplinary measures strictly is adopted on the basis of case law. In other words, when taking the step of disciplinary dismissal, it is necessary i) to have clearly stipulated in the workplace rules reason for the measure, as well as the type and severity of the measure to be implemented (the principle of *nulla poena sine lege*, or no punishment without law); ii) to implement a type and severity of measure consistent with those used in similar cases in the past (the principle of equal treatment); iii) for the content of the measure to correspond to the type and degree of violation, as well as other circumstances (the principle

of equivalence); and iv) for the procedures for the measure to be fair (due process: screening by a disciplinary committee, granting the employee concerned the opportunity to defend him- or herself).

Precisely because disciplinary dismissal is a form of dismissal, it was possible to cite the provisions of the amended Labor Standards Act, but currently it is regulated by the principle of abuse of the right of dismissal, which has been carried over to the aforementioned Article 16 of the Labor Contract Act. At the same time, because disciplinary dismissal is one type of disciplinary measure, it is also regulated by means of the principle of the right to take disciplinary action set forth in the Labor Contract Act (Article 15). In addition, with regard to the content of the regulation concerning the principle of the right to take disciplinary action and its interpretation, it is the same as in the case law mentioned previously, while the article concerned stipulates that, "In cases where an employer may take disciplinary action against employees, if such disciplinary action lacks objectively reasonable grounds and is not found to be appropriate in general societal terms in light of the characteristics and mode of the act committed by the employee pertaining to such disciplinary action and any other circumstances, such disciplinary action shall be treated as an abuse of right and be invalid".

Corporate In-house Education and Training Initiatives

In order to improve professional skills, i) OJT (on-the-job training), which involves learning the knowledge and skills required for the job while actually doing the job, and ii) education and training conducted away from the workplace are required. The education and training carried out away from the workplace can take two forms: ii)-a) Off-JT (off-the-job training), which is conducted under the supervision of the company, and ii)-b) “personal development activities,” which are conducted autonomously by the worker who works at a company.

Of these, i) OJT and ii)-a) Off-JT correspond to corporate in-house education and training. For most workers, the main form of training and education opportunity is OJT; in Japanese companies, where the concept of a profession is ambiguous and it is easy for the skills required in a job to be influenced by the situation surrounding the company or workplace, the importance of this is particularly high.

OJT is mainly conducted through i) learning by watching and copying the example of the work of a more senior employee who works nearby the junior employee; ii) the daily exchange of communication between manager and subordinate, and senior and junior employees; or iii) “planned OJT,” which involves designating an instructor and providing instruction while setting clear achievement targets and levels of achievement for the individual receiving instruction. In implementing planned OJT, there are cases in which “implementation plans” that summarize the achievement targets and education and training schedule until reaching the set achievement level, or “skill maps,” which make visible the level of achievement of the person receiving instruction, are used. Moreover, with regard to the management of work in the workplace, the allocation of work with the aim of encouraging the development of skills among individuals can also be described as one aspect

of education and training through OJT.

On the other hand, Off-JT has advantages that OJT does not, namely the fact that the knowledge and skills commonly required in specific divisions, job types and positions can be taught efficiently, and those undergoing Off-JT can learn knowledge and information that they would not be able to acquire in the course of their everyday duties. Off-JT at Japanese companies can be classified into i) training that focuses on “rank” across departments in the company organization, such as position and grades relating to ability and qualifications (training by rank); and ii) training that focuses on “specialist fields” in jobs (training by specialty). The latter can be further categorized into “training by division,” which is conducted in a way that corresponds to the functional field within the organization, such as sales, accounting or personnel, and “training by tasks,” which is undertaken to achieve specific tasks relating to the management of the company, such as reforms of the organizational climate and the establishment of a more efficient management system.

Issues relating to Corporate In-house Education and Training and Career Formation

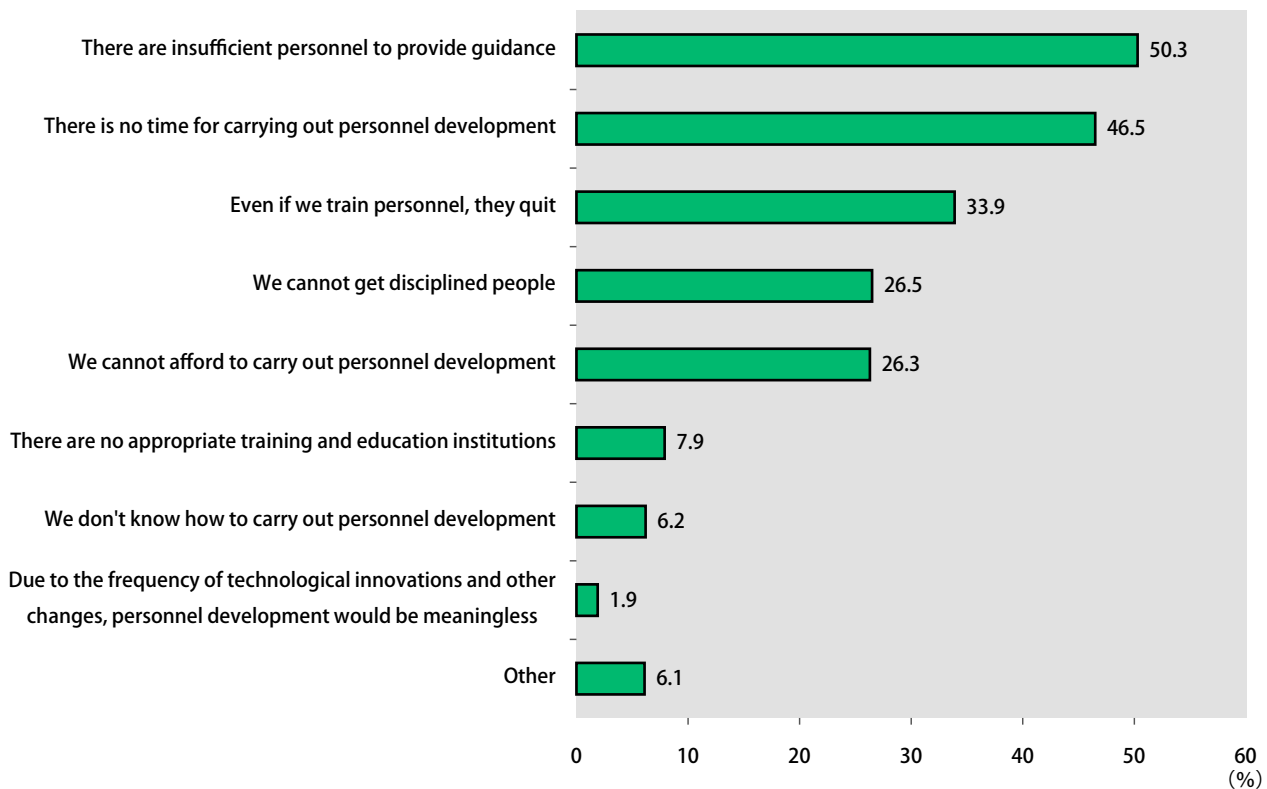
At present, various issues and limitations are becoming clear in regard to the education and training within Japanese companies that has been implemented in the forms outlined above.

The first thing that can be cited as an issue is the decreased function of the workplace, which is the venue for OJT. According to the Basic Survey of Human Resources Development conducted by the Ministry of Health, Labour and Welfare in FY2009, 69.0% of the businesses that responded believe that there are problems in conducting human resource development in their own companies; with regard to the specific problems cited, approximately half of the companies stated that they did not have sufficient people or time to conduct human resource

development in the workplace, mentioning a lack of personnel to provide instruction and a lack of time to carry out human resource development, and the proportion citing these problems was greater even

than the proportion listing problems outside the company, such as an inadequate development environment (III-11).

III-11 Problems in Human Resource Development in the Workplace (Multiple Answers)



Source: Ministry of Health, Labour and Welfare, *Basic Survey of Human Resources Development, 2009*

Furthermore, there is the problem of the motivation of employees receiving education and training within the company. Hitherto, under the stable long-term employment situation in Japanese companies, employees were guaranteed to have opportunities for advancement and the pay increases that would accompany any promotion, and this fact sustained the motivation of employees undergoing corporate in-house education and training. However, as a result of intensifying international competition, the aging of Japanese society, and a decrease in the overall population, it has become difficult for companies to depict a vision for their growth, and it is becoming harder to maintain an organizational system that can guarantee most employees a career that will

enable them to reach a certain post. In fact, of the employees who graduated from university or graduate school, the proportion who had reached section chief level by their early 40s declined from 32.3% in 1990 to 22.1% in 2008.

Moreover, the proportion of those who are able to be promoted into a managerial role within the organization has declined, and if it becomes more difficult to achieve a career of the type that involves promotion after continued long-term service, moves aimed at exploring skills development and career formation that do not rely on corporate in-house education and training will emerge. According to the aforementioned Basic Survey of Human Resources Development, when asked about their working lives,

the proportion responding that “I want to plan my career myself” was 67.1% among regular employees and 48.9% among non-regular employees, which was considerably higher than the proportion responding “I want the company to suggest a career plan” (15.2% of regular employees and 17.2% among non-regular employees). Moreover, with regard to methods of acquiring the professional skills required to achieve the working life that one desires, the highest proportion among both regular and non-regular employees was accounted for by the response “I need to make efforts to develop my skills at my own initiative” ; in particular, in the case of regular employees, almost half responded to this effect (47.2%). However, the development of education and training opportunities outside companies that will supplement, and sometimes replace, corporate in-house education and training, and which will lead to effective career formation, at last started to be recognized as a policy goal in Japan from 2000 onwards, but it still cannot be said that it is being adequately implemented.

With regard to problems relating to corporate in-house education and training in Japan, one can point

to the fact that there is a considerable disparity between regular and non-regular employees in terms of opportunities to access this. According to the Basic Survey of Human Resources Development, whereas the proportion of companies implementing planned OJT for regular employees was 57.2%, the proportion implementing it for non-regular employees was 28.3%; as far as Off-JT is concerned, the proportion of companies implementing it for regular employees was 68.5%, while the proportion implementing it for non-regular employees was 33.2%. Thus, in both cases, the proportion implementing training for non-regular employees is less than half the figure for those implementing it for regular employees. Amidst a situation in which the proportion of workers accounted for by non-regular employees is almost 40%, it has become increasingly important to consider how to enhance opportunities for corporate in-house education and training for workers other than regular employees, and what sort of new approach society should build to replace the education, training and career formation that is currently taking place within companies.

6 Wage Systems

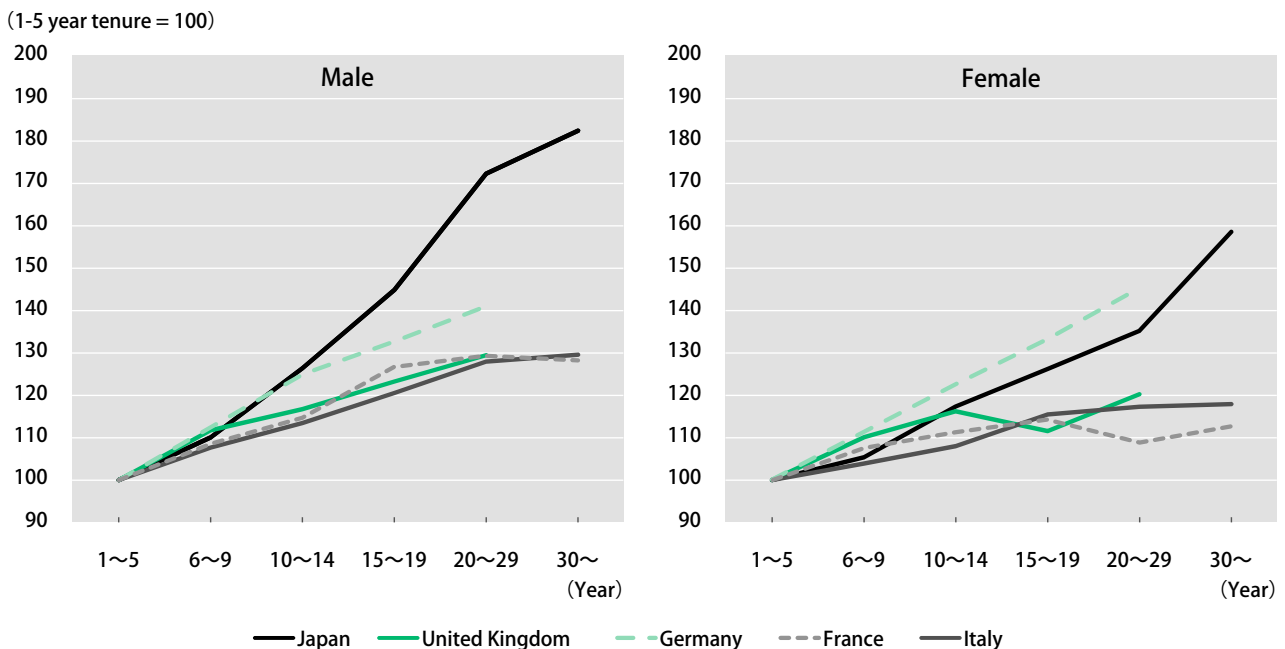
Strong “Seniority” Element

III-12 shows that the wage levels of manufacturing workers in several countries differ according to employee tenure. In all the countries shown, wage levels tend to increase with length of tenure, but this trend is particularly pronounced in the case of Japan. Looking at male workers in Japan, the wages of workers who have worked continuously for the same company for at least 30 years is almost twice as high as that of workers who have been employed 1-5 years, compared with around 1.2 to 1.4 times as high in other countries.

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

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

III-12 Wage Differences in Manufacturing according to Employee Tenure (2002)



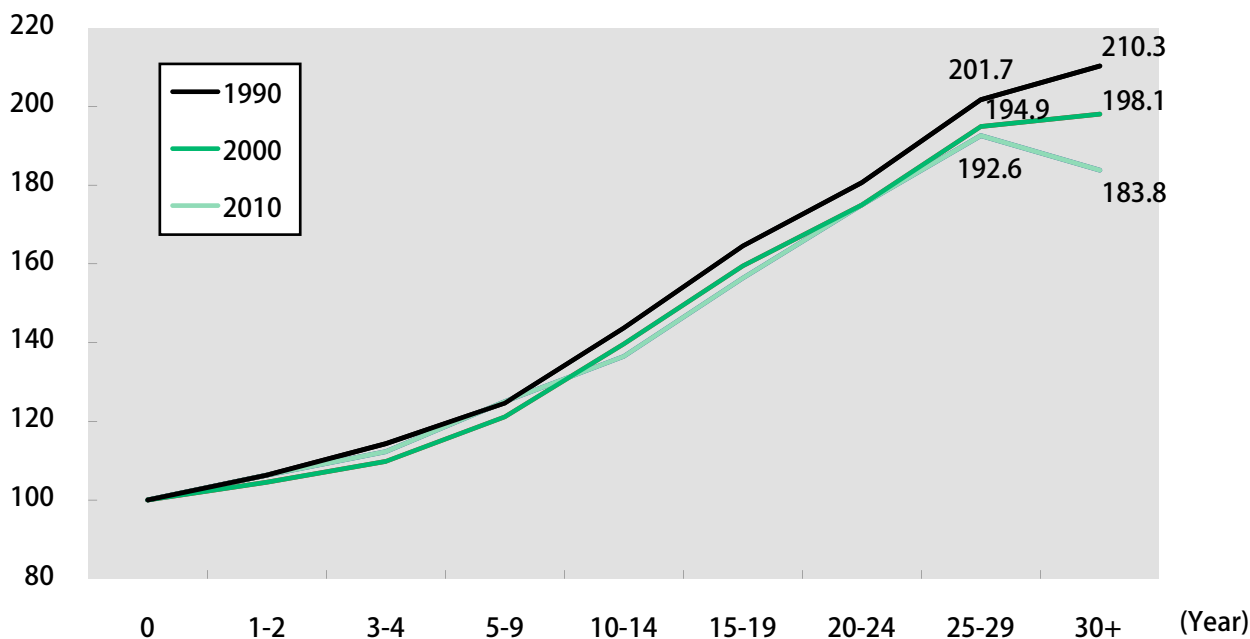
Sources: Japan—Ministry of Health, Labour and Welfare, *Basic Survey on Wage Structure* (2003.6)
Other countries—EU (November 2005), *Structure of Earnings Statistics 2002*

Trends in Revisions to the Wage System

However, as can be seen in III-13, the relationship between length of tenure and wage levels is weakening in Japanese companies. More specifically, with regard to the wages of male workers, if we take the level for newly employed workers at 100, then in

1990, the level was 201.7 for workers with 25-29 years of continued service and 210.3 for those with at least 30 years of continued service, whereas the figures were 194.9 and 198.1 respectively in 2000, and 192.6 and 183.8 respectively in 2010.

**III-13 Employee Tenure and Wage Levels
(Male Workers, Newly Employed Workers = 100)**



Source: Ministry of Health, Labour and Welfare, *Basic Survey on Wage Structure*

Note: Figures are totals by industry, academic background and age at companies with at least 10 employees.

The reason why such changes can be seen is that many Japanese companies are revising the wage system that has been in place hitherto, and are exploring new mechanisms. The *General Survey of Working Conditions* conducted in 2007 by the Ministry of Health, Labour and Welfare shows that 46.3% of companies had modified their wage systems in some way over the preceding three years. The proportion to have taken such action is greater among larger companies, with 56.5% of companies with 1,000 or more employees having done so. Regarding the types of changes made, comparatively large proportions of companies of all sizes had expanded the wage component linked to performance/results, content of work (such as job or occupational category), or job-performance skills. Even if we look at the 2010 survey, although the movement towards

the reform of the wage system is weakening, we can see that there is no change in the basic trend (III-14).

In other words, firstly, the relationship between output, in the form of performance or results, and the wages that are paid at Japanese companies has become clearer and is demonstrating a tendency to strengthen further in the future. In Japan, this trend is called the increasing prevalence of “performance-related” pay, and it has become particularly pronounced since the 1990s. Another trend is for wages to be consistent with the content of the work actually being carried out by employees. However, in Japan, employees are not often allocated to specific “positions,” so when setting wages at a level consistent with the content of the work, rather than basing them on the work itself, in many cases a mechanism is introduced that determines wages

according to the level of “responsibility” or “function” fulfilled by employees in the course of carrying out their work. This kind of mechanism is

called a “responsibility-based wage system” or a “function-based wage system.”

III-14 Percentages of Companies Making Changes to Wage Systems in Preceding Three Years and Types of Change

	Percentage of companies to have made changes	Type of change (multiple responses allowed)										
		Expansion of portion of wage linked to work content (job or occupational category, etc.)	Expansion of portion of wage corresponding to job-performance skills	Expansion of portion of wage linked to performance results	Reduction of allowances and inclusion in base pay	Reduction of retirement benefits and inclusion in base pay	Restriction of base pay and relative expansion of bonuses	Introduction of pay scale	Modification/introduction of ability-based grade system	Modification/introduction of annual salary system	Discontinuation of regular pay increases	
2010	All companies	34.6	17.5	16.9	15.0	5.5	0.4	3.1	5.2	6.9	3.0	4.6
	1000 and over	37.0	18.8	14.6	15.4	8.0	0.4	2.1	6.5	12.7	4.8	2.5
	300-999	35.1	14.9	14.6	13.5	7.4	0.7	1.3	8.5	11.2	4.0	3.0
	100-299	35.5	17.0	15.5	16.0	7.7	0.7	3.5	6.0	10.5	3.9	3.5
	30-99	34.3	17.8	17.5	14.8	4.7	0.3	3.1	4.7	5.4	2.5	5.1
2007	All companies	46.3	23.3	22.1	23.7	9.1	1.1	6.0	7.7	11.0	4.0	7.1
	1000 and over	56.5	27.2	23.0	31.3	18.1	0.9	5.7	11.9	22.3	8.9	11.5
	300-999	52.9	23.7	23.5	30.2	15.3	0.7	6.2	13.8	19.1	8.3	10.2
	100-299	45.5	21.7	19.7	24.9	10.3	1.4	5.1	10.4	14.4	5.7	6.1
	30-99	45.5	23.7	22.6	22.4	7.8	1.0	6.2	6.2	8.7	2.8	6.9

Source: Ministry of Health, Labour and Welfare, *General Survey on Working Conditions 2007, 2010*

Issues Encountered in Revision of Wage Systems

Moves to strengthen the link between wages and work content and output are always designed to correct the demerits of wages with a seniority element. The aging of corporate workforces with the graying of society as a whole and the decline of the birthrate, combined with the destabilization of the business environment faced due especially to the intensification of international competition, has rendered it unfeasible for Japanese companies to continue to maintain the conventional seniority element of their wage systems. Moreover, companies feared that by continuing to operate a seniority-based wage system, the motivation of young employees or high-performing employees would decline.

However, revising wage systems is not without its pitfalls. If wages are to be linked to performance and

results, mechanisms for evaluating performance are needed. According to the *General Survey on Working Conditions (2010)*, 45.1% of companies have introduced a performance evaluation system, but only 23.0% of those companies acknowledged that their performance evaluations are “going well,” with the remaining companies perceiving that problems are arising with regard to such issues as the individual concerned not accepting the results of their evaluation and evaluations resulting in decreased will to work. Introducing function and responsibility-based wages to strengthen the linkage between work content and wages also has only a limited corrective effect on conventional seniority-based wage systems if the details of roles and responsibilities are not clearly established. Japanese companies will have to tackle issues such as these as they design and administer their wage systems in the future.

7 Working Hours

Japan's Working Hours Legislation - 40 Hours per Week

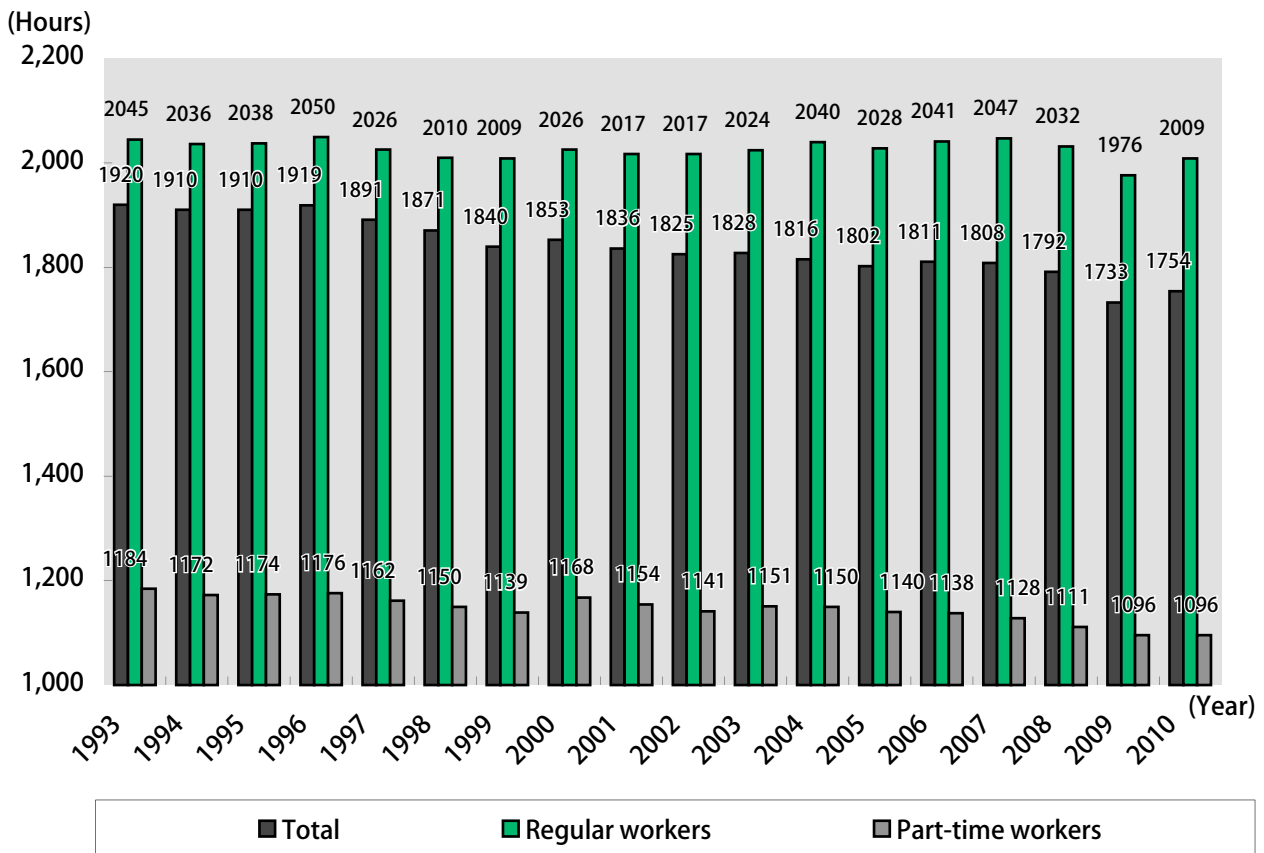
Japan's working hours legislation is provided in the Labor Standards Act, which has been in effect since 1947. Because the shortening of working hours became a big policy issue in the latter half of the 1980s, the traditional 48-hour workweek set by the law was gradually shortened since 1988. Now, aside from the 44-hour weeks served by workers at commerce, motion picture and theatre, health and hygiene, and service and entertainment workplaces of fewer than 9 employees, the workweek across all industries and business sizes has become 40 hours

long.

Annual Total of Hours Actually Worked

III-15 shows the annual total of hours actually worked of regular workers and part-time workers. If we look at the "Total for regular and part-time workers," we can see that the annual total of hours actually worked has been steadily decreasing and fell below 1,800 hours from 2008. However, when reading these data, caution is required with regard to a couple of points. Firstly, the decrease in the annual total of hours actually worked since 2008 was brought about by the economic slump that followed the so-

III-15 Annual Total of Hours Actually Worked by Regular and Part-time Workers



Source: Compiled from MHLW, *Monthly Labour Survey* (establishments with five or more workers)

called “Lehman Shock.” Secondly, if we look only at regular workers, who have long working hours, we can see that they have hardly decreased at all for 18 years, and even in 2010 the figure was in excess of 2,000 hours. In other words, the contraction in overall working hours during this time has been influenced by the increase in the number of part-time workers, who have shorter working hours.

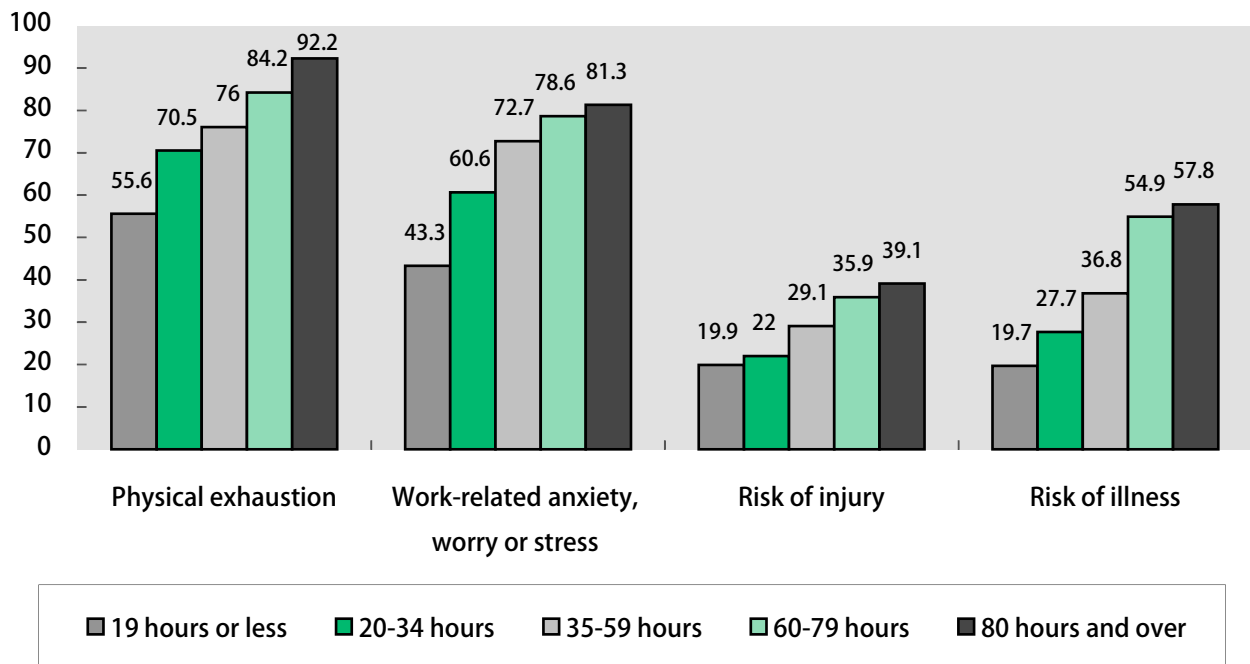
The Reality of Working Long Hours

The characteristics of the working hours of Japanese people are not simply that the total hours worked are long, but also that there are many people working exceedingly long hours. According to the

Labor Force Survey carried out by the Ministry of Internal Affairs and Communications, even from the first decade of the 21st century, the proportion of those working long hours totaling at least 60 hours a week has been around 10% of all employees. Furthermore, if we restrict this to male employees in their 30s, that proportion is in excess of 20%.

These people working long hours are easily exposed to physical exhaustion, mental stress, and the danger of injury or illness. According to a questionnaire carried out by the JILPT in 2010, one can clearly see that the longer the hours worked by a person in a week, the easier it is for them to be exposed to stress and health risks as a result.

III-16 Relationship between Weekly Working Hours, Stress and Health Risks (%)



Source: From JILPT, 2009 *General Survey of the Actual Employment Situation of Japanese People*
 Notes: 1) These figures focus on all workers (including those other than employees).
 2) The % figures are totals for those responding “Very much feel” and “Somewhat feel.”

Karoshi (Death from Overwork)

An infamous Japanese expression that has become widely known internationally is “*karoshi*.” This can be translated broadly as death that occurs as a result of excessive work (involving such things as extremely long working hours or unnaturally high stress levels).

However it must be noted that it is extremely difficult to have such cases handled by the legal system if a causal association with the work is not proved. In a more limited sense, death as a result of cerebrovascular disease or ischemic heart diseases (such as brain infarctions, subarachnoid hemorrhage,

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

There is no doubting the fact that the principal factor behind the occurrence of “death from overwork” is exceptionally long working hours. Consequently, when determining the application of workers’ compensation, firstly, the question of whether the duties from immediately before the date of occurrence up to the previous day were excessive is looked at, and then consideration is given to the situation regarding duties up to a week before the date of occurrence. Furthermore, from 2001, consideration began to be given to whether or not there were excessive duties for a long period of time (whether more than 45 hours of work were done per month outside normal working hours for a period of 1-6 months before the date of occurrence, or whether more than 100 hours of work were done outside normal working hours for the month before the date of occurrence, with more than 80 hours of work being done outside normal working hours per month for a period of 2-6 months before the date of occurrence).

According to data published by the Ministry of Health, Labour and Welfare in June 2010, from fiscal 2005 to fiscal 2009, the number of reported cases of “death from overwork” was around 300, while the number of reported cases of “suicide through overwork” was around 150, so we can see that there is a tendency for the figures to remain at a high level.

Annual Paid Leave

What is effective in reducing working hours is taking annual paid leave. III-17 looks at the number of days of annual paid leave granted, the number of days taken, and the acquisition rate with these as the denominator and numerator. The Labor Standards Act prescribes that 10 days of annual paid leave shall be granted to those with a work attendance rate of at least 80% after six months of continued service, with 20 days being granted to those who have reached six and a half years of continued service. But unfortunately the average number of holidays taken

throughout Japan in 2010 was 8.5. So, in actuality, many paid leave days are not used up. There is a variety of factors behind this such as that company personnel management do not presume that all the holidays will be used, and that workers are often too busy with work to use holidays.

Various measures need to be devised in order to increase the take-up rate of annual paid leave. One of these is a system of scheduled annual paid leave. A scheduled annual paid leave system is a mechanism that involves annual paid leave being used up simultaneously or in turn in the workplace, based on an agreement between management and labor. Even looking at III-17, we can see that in companies that have introduced a scheduled annual paid leave system, the annual paid leave take-up rate is around 5% higher in comparison to companies that have not introduced this system.

Flexible Working Hours System

At the beginning of this section, the 40-hour working week system was touched upon, but the Labor Standards Act also prescribes a system of irregular working hours. Within this system are: a system of monthly variation, a system of annual variation, flexitime, and a free-style system of weekly variation. In the monthly and annual variation systems, the weekly scheduled working hours will be increased to over 40 hours for, respectively, a specified week(s) or specified month(s); all other weeks/months will be shorter. Therefore, this system can be applied to situations such as a manufacturing industry for which the exceptionally busy periods vary with season, and the corresponding clerical fields. For the annual variation system, it has been possible since April 1999 to plan scheduled working hours flexibly for a period greater than one month, but maximums have been set at 10 hours per day and 52 hours per week. Flexitime is a system allowing workers self-management over their comings and goings to and from the workplace during a one-month settlement period. The free-style system of weekly variation was designed for types of businesses such as retail shops, restaurants, and Japanese-style inns, where business may slow down greatly on certain days of the week. This system provides for advance

III-17 Days of Annual Leave Given and Taken and Percentage Consumed (2010)

	Total			With a scheduled annual leave system			No scheduled annual leave system		
	Days given	Days taken	Percentage consumed	Days given	Days taken	Percentage consumed	Days given	Days taken	Percentage consumed
	(days)	(days)	(%)	(days)	(days)	(%)	(days)	(days)	(%)
All sizes	17.9	8.5	47.1	19.1	10.1	52.7	17.4	7.8	44.5
1,000 employees or more	19.0	10.2	53.5	19.8	11.0	55.6	18.3	9.5	51.5
300-999 employees	18.1	8.1	44.9	18.4	9.2	49.7	18.0	7.7	43.0
100-299 employees	17.3	7.8	45.0	18.4	9.3	50.4	17.0	7.4	43.4
30-99 employees	16.9	6.9	41.0	18.0	8.6	47.6	16.6	6.6	39.4
Mining and quarrying of stone and gravel	18.5	11.6	63.0	-	-	-	18.5	11.6	62.6
Construction	18.6	7.1	38.1	21.2	7.8	36.7	18.2	6.6	36.2
Manufacturing	18.6	9.9	53.2	20.2	12.9	64.0	17.7	8.6	48.5
Electricity, gas, heat supply and water	19.6	14.6	74.2	19.2	11.6	60.8	19.7	14.9	75.5
Information and communication	18.8	10.3	54.6	21.0	13.1	62.5	18.3	9.8	53.5
Transport and postal activities	17.2	8.4	48.9	17.7	6.4	36.3	17.2	8.7	50.5
Wholesale and retail trade	17.5	6.0	34.6	19.3	7.0	36.3	17.3	5.7	33.1
Finance and insurance	19.6	8.5	43.3	19.6	8.9	45.3	19.7	8.1	41.0
Real estate and goods rental and leasing	17.0	7.2	42.2	16.6	7.9	47.4	16.9	7.0	41.4
Scientific research, professional and technical services	18.2	9.7	53.3	21.9	13.2	60.1	18.0	9.2	51.1
Accommodations, eating and drinking services	15.8	5.0	31.4	16.0	5.0	31.1	15.9	4.9	31.1
Living-related and personal services and amusement services	15.4	6.5	42.0	16.4	8.5	51.5	15.3	6.4	41.7
Education, learning support	16.7	6.6	39.5	18.3	10.5	57.4	16.1	6.2	38.7
Medical, health care and welfare	14.5	6.4	44.0	17.9	8.1	45.5	14.4	6.3	43.7
Services	16.5	8.7	52.7	19.3	10.1	52.1	16.1	8.3	51.5
2004	18.0	8.5	47.4						
2005	18.0	8.4	46.6						
2006	17.9	8.4	47.1						
2007	17.7	8.3	46.6						
2008*	17.8	8.5	47.7						
2009*	18.3	8.8	48.1						
2010*	18.1	8.7	48.2						

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

Notes: 1) "Days given" does not include days carried over.

2) "Days taken" is the number of days actually taken during a year.

3) The percentage consumed is calculated as follows: total number of days taken / total number of days given x 100 (%)

4) The scope of the survey was expanded from "private enterprises whose main office has 30 or more regular employees" up to 2007 to "private enterprises that have 30 or more regular employees" from 2008.

5) * shows the figures for "private enterprises whose main office has 30 or more regular employees," and should be referred to for the purpose of making comparisons over time.

changes (made by the end of the previous week) in the scheduled working hours for a particular day or days, keeping the weekly scheduled hours at a fixed constant.

Furthermore, the Labor Standards Act also stipulates a de-facto working hours system. Firstly, in the case of pit work, the total time spent from the time the worker enters the underground workplace until he or she leaves it will, including the recess time, be considered as part of the working time. Secondly, it deals with a system for work which is “conducted outside of the official workplace without specific command or supervision provided and for

which it is difficult to calculate the amount of time spent,” and is targeted at work such as sales and reporting/information gathering. Thirdly it deals with what is so-called discretionary scheduling system. This consists of two parts: the “discretionary scheduling system for specialized work” that is aimed at specialized work such as research and development, computer programming, mass communication-related work such as editing, broadcast and film directing, as well as designing, and the “discretionary scheduling system for planning work” that is aimed at white-collar work involving such areas as planning and project development.

8 Company Benefits

Long-terms Trends in Company Benefit Costs

According to a survey by Nippon Keidanren, the cost of compulsory and non-compulsory company

benefits combined in 2009 accounted for 18.3% of the total value of cash earnings (III-18). This is slightly higher than in the early 1990s, when the proportion was 15-16%.

III-18 Trends in Monthly Benefit Costs and Retirement Benefits per Employee

Survey	Fiscal year	Category	Total value of cash earnings (yen)	Benefit costs (yen)			Retirement benefits (yen)	Proportion of benefit costs to total value of cash earnings (%)
				Total	Compulsory	Non-compulsory		
35th	90		482,592	74,482	48,600	25,822	36,466	15.4
36th	91		492,587	77,091	49,865	27,226	42,786	15.7
37th	92		501,188	79,130	50,782	28,348	36,866	15.8
38th	93		500,983	79,543	50,998	28,545	38,171	15.9
39th	94		513,412	82,169	53,291	28,878	42,908	16.0
40th	95		525,651	88,174	58,679	29,495	45,341	16.8
41st	96		542,368	90,989	61,233	29,756	48,288	16.8
42nd	97		541,209	91,828	62,896	28,932	56,745	17.0
43rd	98		546,116	91,575	63,162	28,413	63,341	16.8
44th	99		548,191	92,188	63,763	28,425	72,775	16.8
45th	2000		550,802	93,203	65,423	27,780	69,256	16.9
46th	01		562,098	95,883	68,482	27,401	80,495	17.1
47th	02		558,494	96,755	68,552	28,203	87,283	17.3
48th	03		565,935	100,811	72,853	27,958	92,037	17.8
49th	04		578,054	102,372	74,106	28,266	80,499	17.7
50th	05		583,386	103,722	75,436	28,286	81,685	17.8
51st	06		587,658	104,787	76,437	28,350	76,605	17.8
52nd	07		586,008	103,934	75,936	27,998	71,551	17.7
53rd	08		572,781	103,311	75,621	27,690	65,839	18.0
54th	09		533,379	97,440	71,480	25,960	67,006	18.3

Source: Nippon Keidanren, *Results of the FY2009 Survey of Company Benefit Costs*

Breakdown of Benefit Costs

Compulsory benefit costs refer to costs such as social insurance premiums that are borne by companies. Consequently, the area where companies differ considerably is in that of non-compulsory benefit costs, which companies take on voluntarily.

III-19 shows a breakdown of benefit costs in FY2009.

First, the bulk of compulsory benefit costs consists of the portion of employees' pension insurance, health insurance, and long-term care insurance borne by the employer, which accounts for approximately 91% of compulsory benefit costs, 67% of total benefit

costs, and 12% of the total value of cash earnings. A breakdown of non-compulsory benefit costs reveals a relatively high proportion to be accounted for by housing-related expenses, which account for approximately 49% of non-compulsory benefit costs and 13% of total benefit costs. However, the amount spent on many categories of non-compulsory benefit costs is decreasing. Areas where the decline is greater than the decline in the total value of cash earnings include the following: support for living costs (down 8.7%); congratulatory or condolence-related benefits (down 9.7%); cultural, sporting and recreational benefits (down 8.5%); mutual aid associations (down 14.6%); welfare service agency costs (down 12.9%); and other benefits (down 11.9%).

By the way, non-compulsory benefit costs account for approximately 27% of total benefit costs, but only 4.9% of the total value of cash earnings. In contrast, retirement packages at Japanese companies are substantial and, as shown in the table, expenditure on retirement payments account for approximately 13% of the total value of cash earnings.

Retirement Benefits System

In Japan, the monetary allowance in the event of retirement can be divided into the two categories of lump sum retirement allowances and retirement pensions. A look at III-20 shows that enterprises that paid retirement benefits accounted for 83.9% of the total in 2008. Among these, only lump sum retirement allowances and only retirement pensions constitute 55.3% and 12.8% respectively, while the figure for cases where these categories are combined is 31.9%. If we look at the relationship to the scale of the company, the smaller the company, the more likely it is that a worker will receive only a lump-sum payment on retirement, while the larger the company, the more likely it is that a worker will receive either a retirement pension or both a lump sum and a pension.

It is generally seen that both lump sum retirement allowances and retirement pensions are paid in proportion to the number of years of continuous service at a specific business. However there is a demarcation done on the basis of the reason for leaving the company. The ratio of payment is low for those workers who have left on their own convenience while the ratio is raised for long-term workers who have retired at the mandatory age after long-term employment and for those who had to resign at a company's request as those seen in recession etc. It is for this reason that the lump sum retirement allowances and retirement pension have become a factor that promotes the long-term work tenures of workers in Japan. In addition to this, in the past it was largely the case that the amount for the lump sum retirement allowance was large, and the worker received a considerable amount of money at the time of mandatory retirement. However in the course of the last few years the proportion of the retirement pension has been on the rise. Factors behind this include the fact that the aging of employees has led to an increase in the amount paid by companies as a lump sum retirement allowance and the fact that companies can receive tax benefits if they turn their retirement benefits into a pension system.

However, the status of the introduction of retirement benefit systems differs considerably according to the form of employment. According to the General Survey on Diversified Types of Employment carried out in 2003 by the Ministry of Health, Labour and Welfare, whereas the proportion of companies that had introduced a retirement benefit system for their "regular employees" was 66.1%, the proportion that had introduced them for "contract workers (full-time workers on fixed-term contracts)" was 16.6%, and in the case of "part-time workers" it was 7.3%.

III-19 Breakdown of Welfare Expenses in FY2009 (All-industry Monthly Average per Employee)

Category	Amount (yen)	Change from previous fiscal year (%)
Total value of cash earnings	533,379	- 6.9
Benefit costs	97,440	- 5.7
Compulsory	71,480	- 5.5
Health and long-term care insurance	24,711	- 3.9
Employees' pension insurance	40,194	- 3.0
Employment and workers' accident insurance	5,896	- 24.0
Child allowance contributions	657	- 5.9
Other	22	- 40.5
Non-compulsory	25,960	- 6.2
(Main category)(Sub-category)		
Housing related	12,654	- 4.2
Housing	12,059	- 3.5
Home ownership support	595	- 16.4
Health and medical care	2,989	- 3.5
Operation of medical and health care facilities	2,119	- 6.1
Healthcare support	870	3.3
Living assistance	5,939	- 8.7
Meals	2,076	- 12.3
Purchases and shopping	269	- 13.8
Clothing	396	- 17.3
Insurance	1,025	- 0.1
Nursing care	25	- 16.7
Childcare	177	17.2
Family support	340	3.0
Asset accumulation	1,008	- 14.5
Commuter buses and parking	494	2.3
Other	128	- 14.1
Congratulatory and condolences	713	- 9.7
Allowance for congratulatory and condolences	652	- 11.3
Fringe benefits in excess of legal minimum	61	10.9
Culture, sport, and recreation	2,021	- 8.5
Facilities and operation	1,070	- 6.1
Subsidization of activities	951	- 11.0
Mutual aid money	245	- 14.6
Benefit agency services	298	- 12.9
Other	1,100	- 11.9
Commuting allowance and commutation costs	9,597	- 6.2
Retirement benefits	67,006	1.8
Lump-sum retirement allowance	30,736	1.6
Retirement annuity	36,271	1.9

Source: Nippon Keidanren, *Results of the FY2009 Survey of Company Benefit Costs*

III-20 Percentages of Enterprises with Retirement Benefit (Lump Sum/Annuity) Schemes and Breakdown by Type

(%)

Enterprise size, industry, and year	All enterprises	Enterprises with retirement benefit (lump sum/annuity) scheme ¹⁾					Enterprises with no retirement benefit (lump sum/annuity)	(Re-grouped) With retirement benefits	
		Lump sum only	Annuity only	Lump sum and annuity	Lump-sum scheme (inc. enterprises with both)	Annuity scheme (inc. enterprises with both)			
All sizes	100.0	83.9	(100.0)	(55.3)	(12.8)	(31.9)	16.1	(87.2)	(44.7)
1,000 employees or more	100.0	95.2	(100.0)	(19.3)	(24.0)	(56.7)	4.8	(76.0)	(80.7)
300-999 employees	100.0	92.2	(100.0)	(30.7)	(23.7)	(45.6)	7.8	(76.3)	(69.3)
100-299 employees	100.0	88.0	(100.0)	(41.1)	(17.7)	(41.2)	12.0	(82.3)	(58.9)
30-99 employees	100.0	81.7	(100.0)	(63.0)	(9.9)	(27.1)	18.3	(90.1)	(37.0)
Mining	100.0	96.4	(100.0)	(64.5)	(15.3)	(20.2)	3.6	(84.7)	(35.5)
Construction	100.0	91.9	(100.0)	(50.6)	(10.1)	(39.2)	8.1	(89.9)	(49.4)
Manufacturing	100.0	88.8	(100.0)	(51.7)	(13.9)	(34.4)	11.2	(86.1)	(48.3)
Electricity, gas, heat supply and water	100.0	100.0	(100.0)	(32.9)	(13.6)	(53.6)	-	(86.4)	(67.1)
Information and communication	100.0	89.3	(100.0)	(42.4)	(17.8)	(39.8)	10.7	(82.2)	(57.6)
Transport	100.0	78.1	(100.0)	(59.8)	(13.7)	(26.5)	21.9	(86.3)	(40.2)
Wholesale and retail trade	100.0	87.3	(100.0)	(55.2)	(12.6)	(32.3)	12.7	(87.4)	(44.8)
Finance, insurance	100.0	95.6	(100.0)	(28.7)	(27.8)	(43.5)	4.4	(72.2)	(71.3)
Real estate	100.0	79.4	(100.0)	(69.6)	(9.9)	(20.5)	20.6	(90.1)	(30.4)
Eating and drinking place, accommodations	100.0	69.9	(100.0)	(71.3)	(8.6)	(20.1)	30.1	(91.4)	(28.7)
Healthcare, welfare	100.0	62.3	(100.0)	(82.2)	(3.4)	(14.3)	37.7	(96.6)	(17.8)
Education, learning assistance	100.0	79.9	(100.0)	(67.7)	(15.6)	(16.7)	20.1	(84.4)	(32.3)
Services (Not otherwise classified)	100.0	72.5	(100.0)	(61.1)	(11.2)	(27.6)	27.5	(88.8)	(38.9)
1989	100.0	88.9	(100.0)	(49.3)	(11.3)	(39.3)	11.1	(88.7)	(50.7)
1993	100.0	92.0	(100.0)	(47.0)	(18.6)	(34.5)	8.0	(81.4)	(53.0)
1997	100.0	88.9	(100.0)	(47.5)	(20.3)	(32.2)	11.1	(79.7)	(52.5)
2003	100.0	86.7	(100.0)	(46.5)	(19.6)	(33.9)	13.3	(80.4)	(53.5)
2008 ²⁾	100.0	85.3	(100.0)	(53.1)	(13.2)	(33.7)	14.7	(86.8)	(46.9)

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

Notes: 1) Figures in parentheses indicate the proportion as a percentage of enterprises with retirement benefit (lump sum/annuity) schemes.

2) The survey date is as of the end of December in the case of figures for 1999 and earlier, and as of January 1 from 2001 onwards. The years shown in the table represent the survey years.

3) The scope of the survey was expanded from "private enterprises whose main office has 30 or more regular employees" up to 2007 to "private enterprises that have 30 or more regular employees" from 2008.

20* shows the figures for "private enterprises whose main office has 30 or more regular employees," and should be referred to for the purpose of making comparisons over time.

1 Labor-management Relations in Japan

In-House Labor-management Relations Play a Key Role

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

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

In corporations where labor unions exist, collective bargaining takes place between the labor union and corporation, and working conditions such as annual wage increases, lump-sum benefits, working hours, welfare issues and others are

determined. At corporations, in addition to collective bargaining, labor-management consultation systems exist in diverse formats at voluntary bases. This system is widely seen also at corporations which are not unionized and the system is used to discuss such issues as management policy and the formulation of production plans, among others. This labor-management consultation system is said to contribute to the establishment of stable labor-management relations.

Labor-management Relations at Industry and National Levels

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

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

submitted to the central government.

A second point of importance is the role in governmental councils on the formation of labor and social policy. Representatives of labor organizations and management organizations and management organizations participate in these councils and endeavor to ensure that in the process of consensus building on policy, the position of workers and employers is duly reflected.

Shortcoming of the Conventional Modality

The long-term employment practice is faltering due to changes in the labor market structure such as decreasing birth rate and rapidly aging society as well as long-term economic stagnation since the 1990s, and revision of the seniority-based wage system is being advanced.

A rapid increase in atypical workers such as part-time workers has imposed tremendous influence on the modality of collective labor-management relations.

The labor union membership rate fell below 20% in 2003, declining to 18.1% in 2007, but it recovered slightly in 2010, reaching 18.5%. If we look at the situation in the private sector alone, the figure is 17.0%. Labor unions focused on regular employees are definitely lagging behind the unionization of atypical workers, but the unionization rate among part-time workers is rising gradually, from 2.7% in 2001 to 5.6% in 2010 (see IV-1). In addition, looking

at the situation by scale of corporation reveals stark differences in organization of labor unions. In other words, in 2010, the unionization rate among corporations with more than 1,000 employees was 46.6%, but among corporations with between 100 and 999 employees this figure was 14.2%, and for corporations with less than 99 employees, the figure was 1.1%. This demonstrates that labor unions in small, medium and micro enterprises have diminished even further in presence.

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

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

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

Year	Number of labor union members among part-time workers			Ratio to all union members (%)	Number of short-time workers (in 10,000)	Estimated unionization rate (%)
	(in 1,0000)	Year-on-year difference (in 1,0000)	Year-on-year difference ratio (%)			
2001	28.0	2.0	7.8	2.5	1,042	2.7
2002	29.2	1.3	4.5	2.7	1,097	2.7
2003	33.1	3.8	13.1	3.2	1,098	3.0
2004	36.3	3.1	9.5	3.6	1,107	3.3
2005	38.9	2.6	7.3	3.9	1,172	3.3
2006	51.5	12.6	32.4	5.2	1,187	4.3
2007	58.8	7.3	14.2	5.9	1,218	4.8
2008	61.6	2.8	4.7	6.2	1,232	5.0
2009	70.0	8.4	13.7	7.0	1,317	5.3
2010	72.6	2.6	3.7	7.3	1,291	5.6

Source: *Survey of Labour Unions*, 2010, Ministry of Health, Labour and Welfare

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

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

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

2 State of Unionization and Labor Union Structure

Unionization Rate of 18.5%

According to the “Survey of Labor Unions” issued by the Ministry of Health, Labour and Welfare, as of June 30, 2010, there were 55,910 unit labor unions in Japan. The estimated unionization rate is 18.5%, with about 10.054 million out of a total of around 54.47 million employed workers belonging to unions.

The organizational structure of Japan’s labor unions is overwhelmingly dominated by enterprise unions. Craft unions and industry trade unions also exist —though in small numbers— but in Japan where long-term employment is common, over 90 percent of unions are enterprise unions.

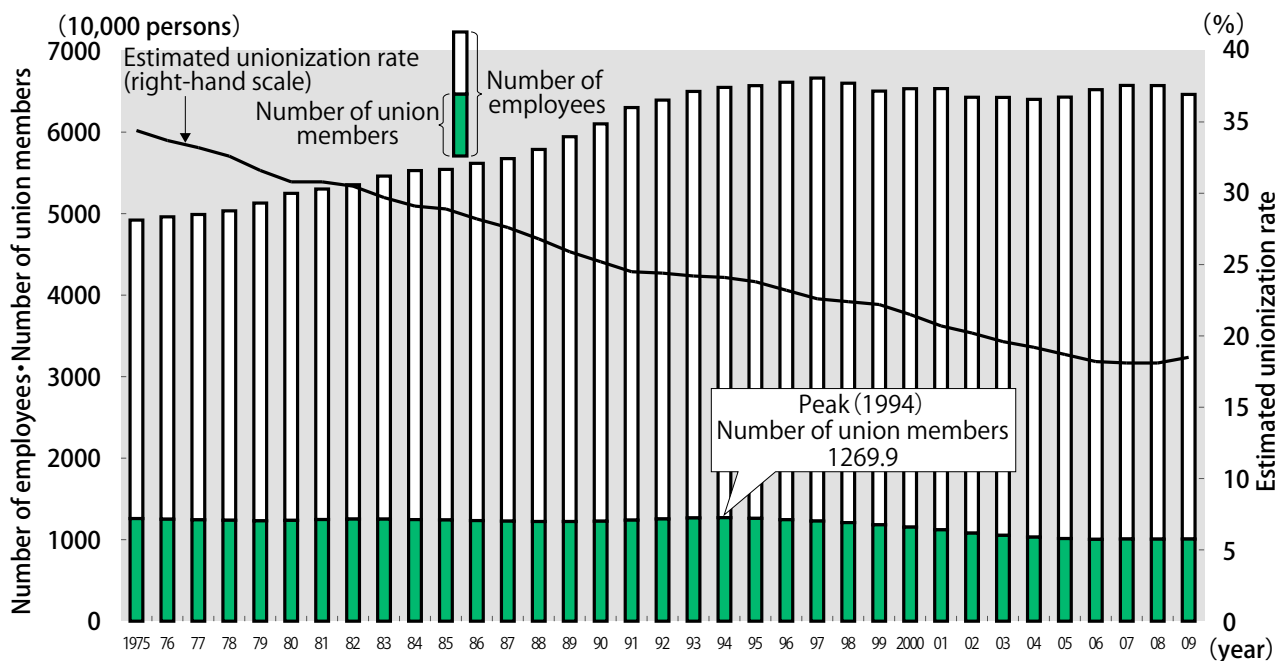
The Unionization Rate Has Been Declining Since its Peak in 1949, But Has Held Steady or Risen in Recent Years

Since its peak in 1949, the estimated unionization

rate has continuously declined because the growth in the number of union members has not kept up with the growth in numbers of employees. In addition, the number of union members in 1994 peaked at around 12.62 million, before going into steady decline (see IV-2).

Broken down by industry, unionization rates are high in compound services (52.2%), electricity, gas, heat, and water supply (43.5%), government service (43.4%), and finance and insurance (42.0%). In contrast, rates are low in industries such as agriculture, forestry, and fisheries (2.7%), real estate and rental and leasing of goods (2.7%), accommodations and eating and drinking places (4.0%), services (miscellaneous) (4.6%), and living-related/personal services and amusement (6.4%). The industry with the largest number of union members is the manufacturing industry (27.9%) (see IV-4).

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



IV-3 Unionization Rate by Size of Enterprise

(10,000 persons, %)

Size of enterprise	The number of union members	The number of employees	Estimated unionization rate
Total	836.7	4,917	16.5
More than 1,000 workers	516.4	1,108	46.6
300-999 workers	123.5	1,346	14.2
100-299 workers	67.6		
30-99 workers	22.6		
Fewer than 29 workers	3.5	2,425	1.1
Others	103.1	-	-

Source: *Survey of Labour Unions*, 2010, Ministry of Health, Labour and Welfare

Notes: 1) The total number of unit unions

2) "Others" includes members of unions that embrace more than one industry (excluding group enterprises) and unions whose size is not known.

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

IV-4 Unionization by Industry

Industry	Number of union members (1,000 persons)		Number of employees (10,000 persons)	Estimated unionization rate (2010) (%)
		Percentage (%)		
All industries	9,988 [2,962]	100.0	5,447	—
Agriculture, forestry, and fisheries	14 [1]	0.1	57	2.5
Mining	5 [1]	0.1	3	18.1
Construction	893 [60]	8.9	394	22.7
Manufacturing	2,739 [437]	27.4	980	27.9
Electricity, gas, heat supply and water	190 [25]	1.9	41	46.3
Information and communications	397 [72]	4.0	190	20.9
Transport	890 [80]	8.9	331	26.9
Wholesale and retail trade	1,176 [572]	11.8	938	12.5
Finance and insurance	742 [368]	7.4	171	43.4
Real estate	28 [7]	0.3	94	3.0
Scientific research, professional and technical services	147 [27]	1.5	151	9.7
Eating and drinking place, accommodations	124 [61]	1.2	325	3.8
Living-related and personal services and amusement services	116 [60]	1.2	180	6.5
Education and learning support	571 [307]	5.7	257	22.2
Medical health care and welfare	468 [363]	4.7	608	7.7
Combined services	266 [67]	2.7	47	56.5
Services	185 [37]	1.8	413	4.5
Public service	974 [397]	9.7	223	43.7
Other industries	64 [21]	0.6	69	—

Source: *Survey of Labour Unions*, 2010, Ministry of Health, Labour and Welfare

Notes: 1) The total number of unit labor unions

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

3) Figures in brackets represent female union members

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

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

Labor Union Structure

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

Enterprise Labor Unions: Asserting Labor’s Basic Rights

Enterprise labor unions are Japan’s dominant form of labor organization because each enterprise union exercises labor’s three primary rights: the rights to organize, bargain collectively, and strike. Each enterprise union has most of the staff, funding, and other materials necessary to exercise labor’s three primary rights. Labor unions play the role of maintaining and improving workers’ quality of life and working conditions. In order to do so, they engage in three primary activities: activities with management, activities within the unions, and activities outside the organization. First of all, as individual unions, enterprise unions maintain and improve working conditions as in figure IV-5 and participate in management through collective bargaining and consultation with the management. Next, as for activities within the unions, enterprise unions not only deal with organizational operations

but also provide their members with services through various kinds of mutual aid activities.

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

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

Industrial Trade Unions: The Mechanism and Roles

Enterprise unions are limited by their own resources to engage in the above-mentioned three activities. In order to expand their effectiveness, they have established industrial trade unions. Industrial trade unions support their member unions’ actions against business owners by consolidating requests concerning chief working conditions such as wages and working hours on the industrial level, collecting and providing information and basic materials, and coordinating negotiation strategies. In terms of activities within the organization, industrial trade unions provide their members with a variety of services through mutual aid activities, including life insurance, pension, medical insurance and so on. In addition, industrial trade unions participate in the formation and decision-making processes of national industrial policies, consult with economic organizations and develop international cooperation among labor unions.

National Centers: The Mechanism and Roles

National centers (mainly Rengo-the Japanese Trade Union Confederation) provide members with

support for actions against business owners by, for example, deciding comprehensive standards for requests regarding working condition issues such as wages and working hours. However, the most important role of the national centers is their participation in national politics. Rengo, the largest of the national centers, maintains and improves workers' quality of life by sending its members to various advisory bodies in the government, participating in the decision making processes of government policy making, and concluding and maintaining cooperative relations with political parties.

Acts of Labor Dispute Take Place at the Company Level

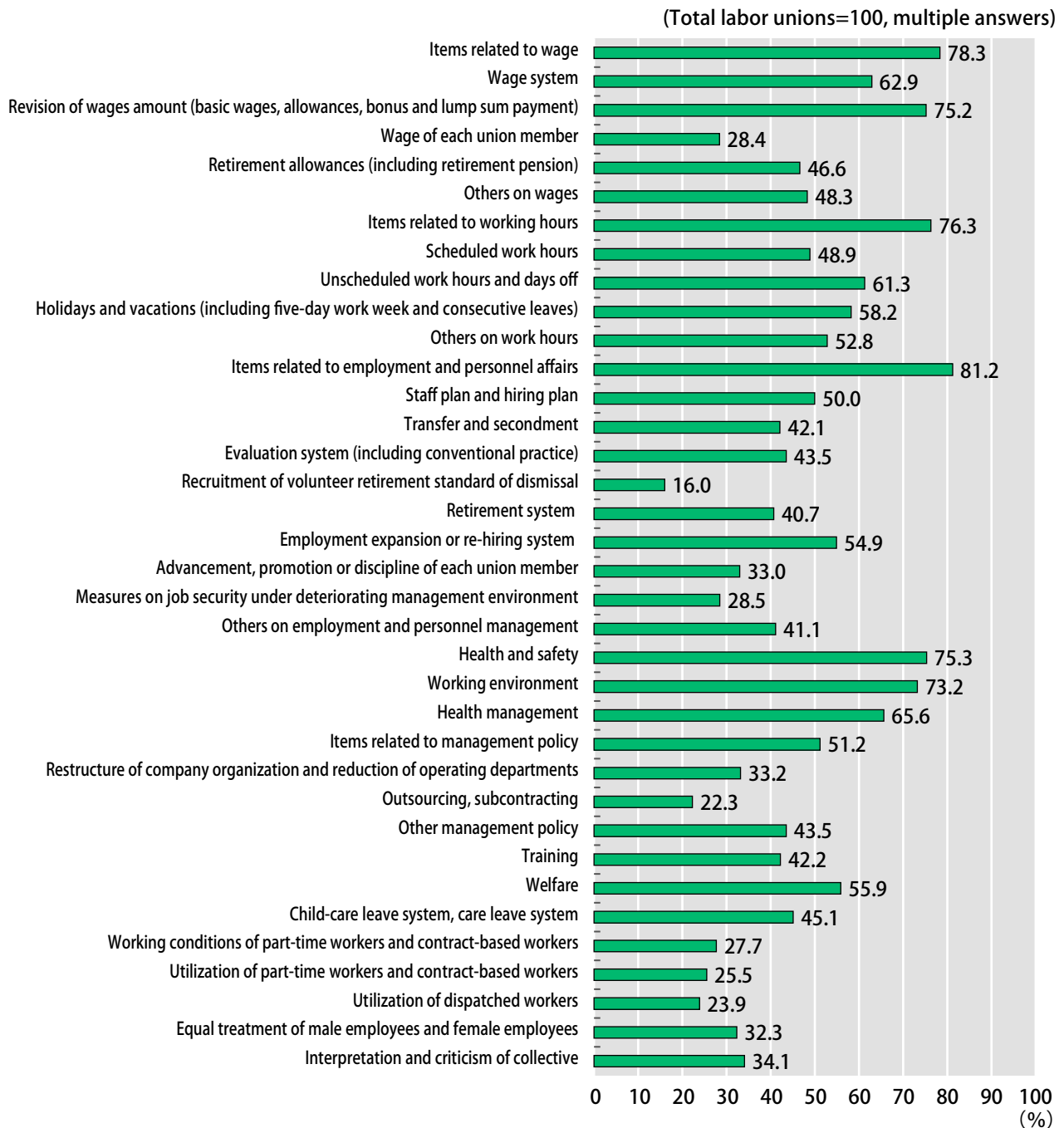
Japan's labor-management relations are basically cooperative, but labor disputes do occur occasionally. 6.0% of labor unions "have had labor disputes" between labor unions and employers in the last three years representing a decline from the figure of the previous survey. Looking at the ratio of labor unions with labor dispute by their size, while labor unions of all sizes were in the range of 5% to 6%, labor unions with 1,000 to 4,999 members alone marked a lower rate of 3.2%. Furthermore, in industrial trade unions,

more labor disputes occurred in the transport and communication industry than in other industries. Most labor disputes take place in enterprises.

Above we examined the structure and function of Japan's labor unions, and labor disputes, but enterprise unions are most familiar to their members and play the most immediate role in maintaining and improving their quality of life. Furthermore, enterprise unions serve as the foundation for relations with industrial unions and national centers. For example, staff and financial resources move from individual enterprise unions to industrial unions in the form of dispatches and financial contributions, and then flow further from industrial unions to national centers.

Accordingly, most board members of industrial trade unions and national centers are dispatched from enterprise unions, and hold positions at those enterprises. Moreover, union dues of major enterprise unions often exceed those of their affiliated industrial trade unions. Labor disputes occur almost exclusively at the enterprise level. However, there are also cases in which there is a reverse flow of information and policies from national centers, through industrial trade unions, to the individual enterprise unions.

IV-5 Ratio of Labor Unions by Items regarding Subject between Labor and Management, Whether or Not Negotiation Was Held and Session through Which Negotiation Was Held (in the Past 3 Years)



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

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

3 Shunto: Spring Wage Offensive

What Is Shunto?

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

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

An End to Rapid Growth and a Shift in Shunto Policy

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

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

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

Shunto in the Post-bubble Era

The collapse of the bubble economy resulted in Japan falling into a recession which has become known as the “lost decade.” From the latter half of the 1990s deflationary tendencies intensified, and the labor-side’s demand structure of “annual pay increases + commodity price increases + improvements in living standards” at Shunto lost effectiveness, due to the fact that they had been premised on continuous economic growth. The wage increase rate accordingly slumped (see IV-6).

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

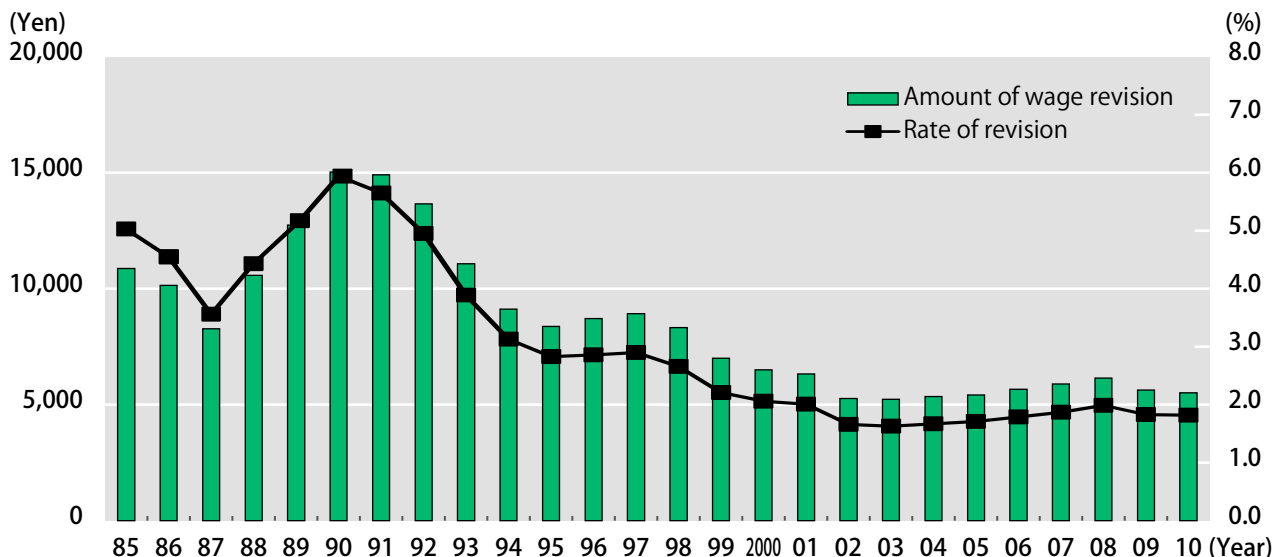
base pay, and the phenomenon of Shunto ceasing to seek wage hikes continued. Therefore, management has thus declared that “Shunto is dead” in that industry-wide settlements for hikes in base pay have come to an end.

Since being written off for a second time, however, a new role is being sought for Shunto as a means of correcting disparities. One new initiative for remedying disparities between enterprises is the determination of wages based on occupational rates. IMF-JC is exploring migrating to an occupational wage-based method of determining wage levels, while the Japanese Electrical, Electronic and Information Union moved to an occupational wage-based demand system, beginning from the 2007 Shunto, to demand wages commensurate with the value of work according to occupation. Moreover, based on the fact that there are pronounced wage gaps depending on the scale of the company (between large companies and small and medium-sized enterprises) and also depending on the form of employment (between regular and irregular

employment,) the Japanese Trade Union Confederation (JTUC-RENGO) launched the “joint offensive for small and medium-sized enterprises” and the “joint offensive for part-time workers.” Both joint offensives aim to redress the gap by raising the overall level of wages and working conditions.

The overall wage level in Japan has been on a continuing declining trend, having peaked in 1997. As if to add insult to injury, due to the impact of the worldwide economic crisis in the autumn of 2008, wages in 2009 were forced into their biggest fall since the Second World War. Accordingly, in the 2011 Shunto, labor representatives entered into negotiations based on a stance of the recovery of wage levels to their peak levels, but just at the critical point, the Great East Japan Earthquake occurred. With both management and labor working towards the recovery of industry and the region concerned, and developments such as a decision being taken to cut the wages of national civil servants by 5-10% for the next three years, it is impossible to predict how the situation will develop in the future.

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



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

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

4 Labor Disputes and Resolution Systems

Decline in Collective Disputes and Increase in Individual Disputes

Due to the impact of the diversification of forms of employment resulting from changes in Japan's socioeconomic structure, the unionization rate is demonstrating a downward trend (standing at an estimated 18.5% as of the end of June 2010, according to the summarized findings of the 2010 Basic Survey on Labor Unions published by the Ministry of Health, Labour and Welfare on December 14, 2010), and the dispute settlement and collective industrial dispute resolution functions of unions (measured in terms of the number of unfair labor practice relief and dispute adjustment cases) are weakening. At the same time, the diversification of forms of employment and consequent increase in individualized employment management are pushing up the number of individual labor disputes.

After providing an overview of the collective and individual dispute resolution systems, this section examines the operational status of each and provides an introduction to recent trends in collective and individual disputes.

Collective Labor Disputes

1. Resolution systems

The Labor Union Act prescribes a system for obtaining relief from unfair labor practices (Article 7) and a system of labour relations commissions (Article 19 onwards) involved in providing such relief in order to protect and promote labor union activity by providing an avenue of redress in the event that an employer commits certain acts against a labor union or its members.

The Labor Relations Adjustment Act takes as its starting point the settlement of labor disputes through voluntary adjustment by the parties concerned (Articles 2 and 4), and provides for government assistance with this process (Article 3).

(1) Unfair labor practice relief system

The unfair labor practice relief system in the Labor Union Act prohibits prejudicial treatment, refusal of collective bargaining, and dominance and intervention by employers against labor unions and union members, and provides for corrective measures in the event of such acts in order to normalize future relations between labor and management and ensure the functioning of the right to organize, the right of collective bargaining, and right of collective action as guaranteed in Article 28 of the Constitution of Japan.

The bodies involved in providing relief are labour relations commissions (both prefectural and central), which are independent tripartite administrative bodies made up of representatives of the public interest, employees, and employers.

Examinations of unfair labor practice cases consist of the following steps: (1) filing of a complaint in order to apply for relief, (2) investigation (at which point the parties present their arguments, evidence is gathered, and the points at issue are identified), (3) hearing (including questioning of witnesses), (4) meeting of a public interest committee (to determine the facts and details of any order to be issued in response), and (5) issuance of an order (Article 27 onwards).

At the final stage of the proceedings, the labour relations commission either rejects the case or orders remedial action through an administrative decision. Relief orders are drafted according to the actual circumstances of each case, and labour relations commissions are allowed considerable discretion in formulating the details of such orders (Second Hato Taxi Case: Judgment of the Grand Bench of the Supreme Court dated February 23, 1977).

Parties that object to the decision of the prefectural labour relations commission following the first examination may request reexamination by the Central Labour Relations Commission (hereinafter referred to as the CLRC) (Article 27-15) or dispute the case further in court by bringing an action to have the order (administrative decision) annulled (Article

27-19).

In the event that an opportunity arises for resolution of a case through discussion between labor and employer in the process of the investigation and hearing, a labor relations commission may recommend that the parties concerned reach a settlement (Article 27-14, paragraph (1)). If a settlement is reached, the case is concluded (Article 27-14, paragraph (2)).

(2) Labor disputes adjustment system

The methods of adjustment of labor disputes stipulated in the Labor Relations Adjustment Act are conciliation, mediation, and arbitration. Labour relations commissions are involved in adjustment. As well as situations where dispute tactics have already taken place, labor disputes subject to adjustment also include situations where there is concern that dispute tactics might take place (Article 6). Moreover, in the Labor Relations Adjustment Act, dispute tactics refer to actions that hinder the normal duties carried out by the parties concerned on both the labor and the management side, such as slowdowns and lockouts, as well as strikes (Article 7). The following provides an outline of the adjustment methods by type.

[Conciliation] Conciliation (Article 10 onwards) commences following an application by one or both parties concerned. Conciliators appointed by the labour relations commission chairperson from among a register of conciliators (often consisting of a mix of representatives of the public interest, employees, and employers) ascertain the assertions of each party and produce a conciliation proposal. However, the decision on whether to accept this proposal is left up to the parties themselves.

[Mediation] Mediation (Article 17 onwards) commences following either: (1) an application from both parties, (2) an application based on the provisions of a collective agreement by one or both parties, or (3) in cases involving public services, an application from one interested party, the decision of the labour relations commission, and the request of the Minister of Health, Labour and Welfare or the prefectural governor. Mediation is carried out by a tripartite mediation committee formed of representatives of the public interest, employees, and

employers, which is appointed by the labour relations commission chairperson and on which employees and employers are equally represented. Both parties present their opinions, and the mediation committee drafts a mediation proposal that it advises them to accept. Acceptance of this proposal is left up to the parties themselves.

[Arbitration] Arbitration (Article 29 onwards) takes place in the event of an application either by both parties, or by one or both parties in accordance with the provisions of a collective agreement. The chairperson of the labour relations commission appoints three people agreed to by the parties concerned from among public interest members to form an arbitration committee. This committee meets after hearing about the circumstances from the parties concerned, and determines the details of an award by means of a majority vote of the arbitration members. The arbitration award is prepared in writing (Article 33) and has the same force as a collective agreement (Article 34).

However, in the case of dispute tactics being undertaken by parties involved in public services (Article 8: transportation, postal and telecommunications services, water, electricity and gas supply, or medical and public health services), the labour relations commission and the Minister of Health, Labour and Welfare or prefectural governor must be informed at least 10 days in advance (Article 37, paragraph (1)). Moreover, in the event of dispute tactics relating to any kind of business, the parties must immediately notify the labour relations commission or prefectural governor (Article 9).

2. Operational status and trends relating to cases

(1) Unfair labor practice cases

The number of unfair labor practice cases handled over the past six or seven years is shown in IV-7 and 8. Looking at these, one can say that the number of pending cases is on the decline, both in the case of first examinations and reexaminations. In particular, with regard to reexaminations, although the number of new cases being filed is declining, one can see no major change in the number of cases undergoing first

examination (although the number of cases has been increasing since reaching fewer than 300 cases in 2005). At the same time, the number of cases carried over from the previous fiscal year is falling (although in 2009 only, the number of first examinations rose compared with the previous year). As a result of this, the total number of pending cases is also declining.

With regard to the number of cases brought to a conclusion, whereas, generally speaking, there is a tendency for more reexaminations (see IV-8) to be concluded by “order/decision” than by “withdrawal/settlement,” the overwhelming majority of first examinations (see IV-7) are concluded by “withdrawal/settlement” rather than by “order/decision.” Moreover, in the case of first examinations, although there is some variation in the total number

of cases concluded, depending on the year, it would seem reasonable to conclude that, in general, the figures are holding steady. On the other hand, the total number of reexamination cases concluded fell into decline after peaking in 2006, subsequently declining or holding steady, but in 2009 there was a significant fall, reaching 53 cases.

Incidentally, the unfair labor practice relief system was revised by means of an amendment to the Labor Union Act in 2004, in order to expedite examinations and increase their accuracy by improving examination procedures and systems. The main revisions were as follows: (1) systematic examination (formulation of examination plans and establishment of targets for examination periods); (2) swifter and more accurate fact-finding (through ordering the appearance of

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

Year	Cases pending			Cases concluded		
	Carried over from previous year	New cases	Total pending	Withdrawals/settlements	Orders/decisions	Total concluded
2003	856 (1)	363	1,219 (1)	280	116	396
2004	823 (1)	311	1,134 (1)	240	135	375
2005	759 (1)	294	1,053 (1)	273	135 (1)	408 (1)
2006	645	331 (2)	976 (2)	247	108	357 (2)
2007	619	330 (1)	949 (1)	314 (1)	147	461 (1)
2008	488	355	843	210	98	308
2009	535	395 (1)	930 (1)	273	103	377 (1)

Source: Central Labour Relations Commission website (compiled by the author from statistical tables published for multiple years)

Note: Figures in brackets denote the number of first examinations conducted by the CLRC included in the main figure. The total number of cases concluded in 2006 includes two cases that were transferred. The total number of cases concluded in 2009 includes one case that was transferred.

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

Year	Cases pending			Cases concluded		
	Carried over from previous year	New cases	Total pending	Withdrawals/settlements	Orders/decisions	Total concluded
2004	270	83	353	47	25	72
2005	281	90	371	57	65	122
2006	249	77	326	79	69	148
2007	178	76	254	37	59	96
2008	158	51	209	38	57	95
2009	114	54	168	19	34	53

Source: Central Labour Relations Commission website (compiled by the author from statistical tables published for multiple years)

witnesses and submission of articles, and by limiting the submission of evidence in annulment actions relating to articles subject to submission orders); (3) upgrading of the CLRC's examination system (to enable the issuance of orders through consultations by a subcommittee consisting of five public interest members, and the provision of training and assistance to prefectural labour relations commissions by the CLRC); and (4) promotion of settlements (by allowing labour relations commissions to advise the parties to reach a settlement, and by deeming the execution of written statements of settlement to be a debt).

Of these institutional developments, in the case of the establishment of targets for examination periods mentioned in (1) above, the target set is "to conclude new cases within as short a period as possible within one year and six months" (moreover, as of November 2010, the same target was set for cases submitted for reexamination by the CLRC during the three years from 2011 to 2013). In addition, if we look at the "conclusion status" of "new cases filed" from January 2005, which is shown on the Examination Period Target Achievement Status (End of 2010) published on the website of the CLRC, we can see that the number of new cases filed was 434, of which the "total number of cases concluded" was 352 (incidentally, the figure for "average number of days required for processing" was 418). Furthermore, of the total number of cases concluded, the number of

cases concluded within the target period of one year and six months was 272, giving a target achievement rate of 77.3%.

Moreover, another of the CLRC's targets was "to resolve during the next three years as many as possible of the cases that had been pending for more than one year and six months as of the end of 2007 (long-term backlogged cases), with the understanding and cooperation of the parties concerned"; as of the end of that year, there were 93 long-term backlogged cases. With regard to the status of those cases as of the end of 2010, 64 of them (68.8%) had been concluded, while 29 remained unconcluded.

(2) Labor dispute adjustment cases

The situation regarding pending and concluded labor dispute adjustment cases is shown in IV-9. Looking at this, with regard to pending cases, one can say that although the number of cases carried over from the previous year has demonstrated a downward trend in recent years, compared with the situation previously, the number of newly pending cases and the total number of cases have, generally speaking, leveled off.

Broken down by means of adjustment, the overwhelming majority are adjusted by conciliation. This is thought likely to be due mainly to the simplicity of the procedures and the fact that conciliation actually fulfills a mediatory role in identifying the various points at issue.

IV-9 Number of Pending and Concluded Adjustment Cases

Year	Cases pending					Cases concluded				Carrying over to next year	
	Carried over from previous year	New cases pending				Total	With-drawal	Settle-ment	Aban-doned		Total
		Concil-iations	Medi-ations	Arbitra-tions	Total						
2004	130 (10)	526 (8)	4	1	531 (8)	661 (18)	147	279 (4)	133 (2)	559 (6)	102 (12)
2005	102 (12)	560 (5)	4	0	564 (5)	666 (17)	139	270 (4)	130 (1)	539 (5)	127 (12)
2006	127 (12)	515 (2)	5 (1)	1	521 (3)	648 (15)	108	289 (3)	173 (2)	570 (5)	78 (10)
2007	78 (10)	467 (3)	5 (1)	0	472 (4)	550 (14)	103 (12)	219 (2)	149	471 (14)	79
2008	79	546 (4)	6 (2)	0	552 (6)	631 (6)	85	264 (4)	181 (2)	530 (6)	101

Source: Central Labour Relations Commission website

Notes: 1) Figures in brackets denote the number of cases relating to specified independent administrative institutions included in the main figure.

2) Figures for withdrawals include cases that did not get underway.

Regarding the status of the conclusion of cases, whereas the total number and the number of resolutions have largely remained constant, the number being concluded by withdrawal has been declining, while the number being concluded due to abandonment or failure of adjustment can be said to be on the rise.

If we look at the conclusion status, we can see that the resolution rate has been demonstrating a downward trend each year (see IV-10). One of the reasons for this would seem to be the decline in the number of cases being withdrawn.

Regarding the grievances leading to labor dispute adjustment, we can see that, in general, financial grievances have accounted for approximately 35% and non-financial grievances for approximately 65% in all years (see IV-11). A breakdown of the financial grievances shows that the proportion accounted for

by “lump-sum payments” is somewhat higher than all other categories except “other.” The most common non-financial grievance is “pursuit of collective bargaining,” at around 30%, followed by “management/personnel,” at around 22%.

Looking at trends in the resolution rate, we can see that it has been on the decline year-on-year (see IV-12). Until 2008, the figures for the number of cases concluded and the number of cases resolved were both mostly holding steady, but there was a rise in 2009 compared with the previous year, in cases handled by prefectural labour relations commissions and all labour relations commissions, with the number of cases concluded increasing by 200 and the number of cases listed as resolved increasing by 100. It is thought that this might be one of the reasons for the decline in the resolution rate.

IV-10 Adjustment Case Resolution Rate

Year	Number of cases concluded (a)	Number of cases withdrawn (b)	Number of cases resolved (c)	Resolution rate
2004	559 (6)	147	279 (4)	67.7%
2005	539 (5)	139	270 (4)	67.5%
2006	570 (5)	108	289 (3)	62.6%
2007	471 (14)	103 (12)	219 (2)	59.5%
2008	530 (6)	85	264	59.3%

$$\text{Resolution rate} = \frac{\text{Resolution (c)}}{\text{Number of cases concluded (a) - Number of cases withdrawn (b)}} \times 100$$

Source: Central Labour Relations Commission website

Notes: 1) Figures in brackets denote the number of cases relating to specified independent administrative institutions included in the main figure.

2) Figures for withdrawals include cases that did not get underway.

IV-11 Grievances Giving Rise to New Pending Labor Dispute Adjustment Cases (All Labour Relations Commission)

(Number of cases and percentage of total)

	2005		2006		2007		2008		2009	
Total	991(13)	100.0	956(6)	100.0	851(6)	100.0	1,014(13)	100.0	1,324(6)	100.0
Financial	333(7)	33.6	371(4)	38.8	306	36.0	332(4)	32.7	451(7)	34.1
Wage increases	35(3)	3.5	40(1)	4.2	27	3.2	34(2)	3.4	41(7)	3.1
Lump-sum payments	75	7.6	95	9.9	54	6.3	49	4.8	76	5.7
Working hours and holiday leave	27	2.7	30	3.1	35	4.1	31	3.1	44	3.3
Other	196(4)	19.8	206(3)	21.5	190	22.3	218(2)	21.5	290	21.9
Non-financial	644(6)	65.0	569(1)	59.5	531(6)	62.4	667(9)	65.8	855	64.6
Management/personnel	228	23.0	192	20.1	191	22.4	222(1)	21.9	313	23.6
Pursuit of collective bargaining	317(5)	32.0	263(1)	27.5	246(4)	28.9	294(3)	29.0	380(1)	28.7
Union approval/activities	33	3.3	40	4.2	21(1)	2.5	42(5)	4.1	68	5.1
Other	66(1)	6.7	74	7.7	73(1)	8.6	109	10.7	94	7.1
Conclusion or complete revision of agreement	14	1.4	16(1)	1.7	15	1.8	15	1.5	18	1.4
Total number of cases	564		521		472		552		733	
Average number of grievances per case	1.76		1.83		1.80		1.84		1.81	

Source: Secretariat of the Central Labour Relations Commission, *64th Annual Report on Labour Relations Commissions 2009*, (2010) pp.137

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

IV-12 Labor Dispute Adjustment Cases Resolution Rate (excluding Specified Independent Administrative Agencies)(All Labour Relations Commission)

(Number of cases and percentage of total)

Labour Relations Commission	Case	Year				
		2005	2006	2007	2008	2009
Prefectural labour relations commissions	No. of cases concluded excluding withdrawals and transfers	350	368	316	377	571
	No. of resolutions	237	226	187	222	335
	Resolution rate	67.7	61.4	59.2	58.9	58.7
Central Labour Relations Commission	No. of cases concluded excluding withdrawals and transfers	3	2	2	6	6
	No. of resolutions	2	0	2	6	5
	Resolution rate	66.7	0.0	100.0	100.0	83.3
All labour relations commissions	No. of cases concluded excluding withdrawals and transfers	353	370	318	383	577
	No. of resolutions	239	226	189	228	341
	Resolution rate	67.7	61.1	59.4	59.5	59.1

Source: Secretariat of the Central Labour Relations Commission, *64th Annual Report on Labour Relations Commissions 2009*, (2010) pp.146

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

If we look at the average time required for adjustment, we can see that there is considerable variation according to the form of adjustment and the year (see IV-13). If one were compelled to list the characteristics in recent years, one would have to say that in 2009, in the case of conciliation by all labour relations commissions, the number of cases concluded increased by more than 100, and we can see that the total number for all labour relations commissions consequently increased in the same way. This, probably, is why the average number of days required for adjustment is growing.

Having said that, the aforementioned statement does not necessarily apply to conciliation by the CLRC or mediation by all labour relations commissions. More specifically, with regard to the former, only two cases were concluded in 2009, down significantly from ten cases in 2008, but the number of days required for adjustment grew considerably,

from 28.1 days to 119.0 days. Moreover, with regard to the latter, although the number of cases concluded rose considerably from three cases in 2008 to 24 cases in 2009, it would be fair to say that the average number of days required for adjustment remained more or less steady in both years.

Incidentally, in recent years, according to data published on the CLRC website (published on May 20, 2011), with regard to collective labor dispute adjustment cases, the number of joint labor union cases and last-minute cases where a worker joined a joint labor union after having become subject to dismissal or other disposition and the union in question applied for adjustment (excluding those made by specified independent administrative institutions) has been on the rise; in particular, the share of these two cases among all cases has been growing (see IV-14). In 2010, the number of joint union cases was 393, approximately 70% of all cases;

IV-13 Average Length of Labor Dispute Adjustment Cases (All Labour Relations Commission)

(Number of cases and days)

Year	Conciliations				Mediations				Total			
	All Labour Relations Commission		Central Labour Relations Commission		All Labour Relations Commission		Central Labour Relations Commission		All Labour Relations Commission		Central Labour Relations Commission	
	Cases concluded excluding withdrawals and transfers	Average length of days	Cases concluded excluding withdrawals	Average length of days	Cases concluded excluding withdrawals	Average length of days	Cases concluded excluding withdrawals	Average length of days	Cases concluded excluding withdrawals and transfers	Average length of days	Cases concluded excluding withdrawals and transfers	Average length of days
2005	393	47.9 (34.3)	8	39.8 (32.5)	3	48.0 (30.7)	—	— (—)	396	47.9 (34.3)	8	39.8 (32.5)
2006	452	47.1 (34.2)	7	34.4 (28.0)	4	27.5 (27.5)	1	8.0 (8.0)	456	47.0 (34.2)	8	31.1 (25.5)
2007	361	42.8 (36.6)	4	56.3 (43.5)	4	52.8 (32.5)	—	— (—)	365	42.9 (36.6)	4	56.3 (43.5)
2008	442	43.7 (33.6)	10	28.1 (20.1)	3	19.3 (19.3)	2	9.5 (9.5)	445	43.6 (33.5)	12	25.0 (18.3)
2009	554	50.5 (36.1)	2	119.0 (61.0)	24	18.9 (18.9)	7	33.4 (33.4)	578	49.2 (35.4)	9	52.4 (39.6)

Source: Secretariat of the Central Labour Relations Commission, *64th Annual Report on Labour Relations Commissions 2009, (2010)* pp.147

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

Author's note: There are no statistical data for arbitration, so this has been omitted.

among these, 207 were last-minute cases, accounting for approximately 53% of the total number of joint union cases, and even as a proportion of all cases, these cases account for approximately 37%. This is just conjecture, but the main reasons for this are thought to be the decline in the unionization rate, the rise in the number of irregular employees, and the increase in the number of non-unionized staff in managerial positions.

With regard to the occurrence of labor disputes, according to the Ministry of Health, Labour and Welfare's *Overview of the Results of the 2009 Survey*

on *Labour Disputes* (published on August 19, 2010), while the number of labor disputes involving dispute tactics, such as strikes, was confined to 92 in 2009, the number of labor disputes not involving dispute tactics was 688. Moreover, if we look at trends in labor disputes over the last ten years, we can see that the number of labor disputes involving dispute tactics accounts for a low proportion in comparison with those that do not involve such tactics, and that the figures for the former are demonstrating a gradual downward trend.

IV-14 Trends Relating to Joint Labor Union Cases and Last-minute Cases among Adjustment Cases (Collective Labor Disputes) (excluding Specified Independent Administrative Institutions)

Year	cases	All cases	Joint labor union cases	Last-minute cases	
2004		523	300 (57.4%)	134	<44.7%> (25.6%)
2005		559	333 (59.6%)	165	<49.5%> (29.5%)
2006		518	305 (58.9%)	131	<43.0%> (25.3%)
2007		468	305 (65.2%)	143	<46.9%> (30.6%)
2008		546	375 (68.7%)	181	<48.3%> (33.2%)
2009		730	487 (66.7%)	269	<55.2%> (36.8%)
2010		563	393 (69.8%)	207	<52.7%> (36.8%)

Source: Central Labor Relations Commission, *2010 Summary of the Total Number of Labor Disputes Handled Nationwide* (published on May 20, 2011), Table 3

Note: Figures in round brackets denote the share of all cases. Figures in angle brackets denote the share of joint labor union cases.

"Joint labor union" refers to labor unions organized by workers as a regional unit that transcend the boundaries of a single company; these are characterized by the fact that their members are mainly individuals who work at small or medium-sized enterprises. More specifically, they are called "joint labor unions," "general unions," or "regional unions".

"Last-minute cases" refers to cases where the worker joins the joint labor union after being dismissed and the union in question applies for conciliation in regard to the dismissal.

Individual Labor Disputes

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

1. Administrative system

(1) Resolution system

The administrative system for the resolution of individual labor disputes is based on the Act on Promoting the Resolution of Individual Labor Disputes. Put simply, the resolution system prescribed by this act is focused on voluntary resolution between

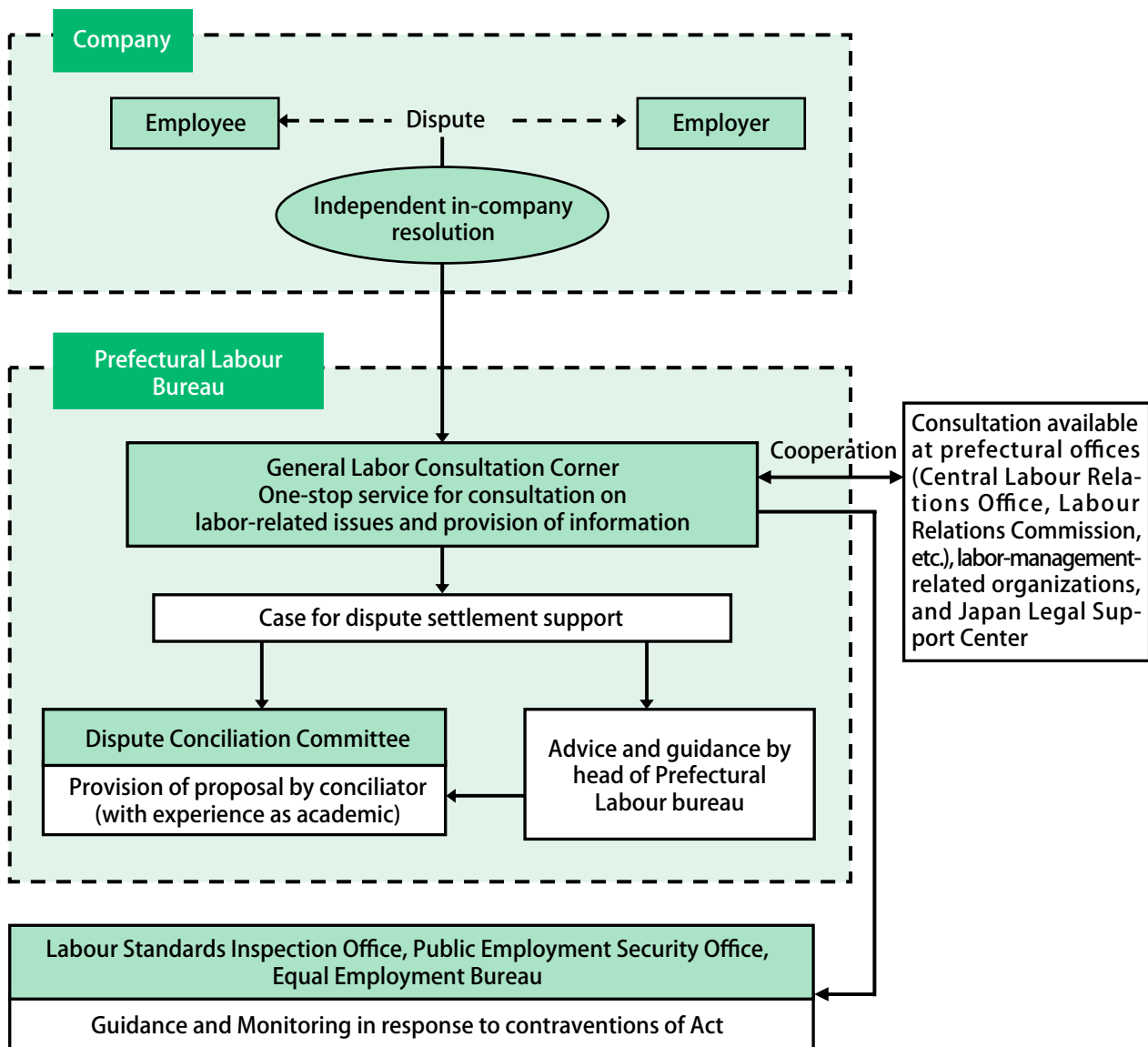
the parties concerned (Article 2) and consists of the following three steps: "information provision and consultation" for the parties concerned at a consultation service (Article 3), followed by "advice and guidance" by the head of the labour bureau in question, in the event that a voluntary resolution cannot be achieved between employee and employer (Article 4), and finally "conciliation" by the Dispute Resolution Council (Article 5) (see IV-15).

A wide range of disputes concerning the initiation, conduct, and termination of employment are eligible

for resolution by this system, including problems at the time of hiring, withdrawal of job conditional offers of employment, redeployments, temporary secondments, job transfers, Lowering of working conditions, discrimination such as sexual harassment in the workplace, and dismissals (including dismissals due to economic reasons and termination of fixed-

term contract) (Article 1 and *Concerning the Enforcement of the Act on Promoting the Resolution of Individual Labor-Related Disputes*, September 19, 2001, Ministry of Health, Labour and Welfare Notification No.129, (2) Individual Labor-Related Disputes, 1. Purpose).

IV-15 Flowchart for Dispute Settlement According to the Act on Promoting the Resolution of Individual Labor Disputes



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

(2) Operational status and trends relating to cases

The following provides an overview of how this dispute settlement system operated in FY2010 (based on *The Operational Status of the Individual Labor Dispute Resolution System in FY2010* published by the Ministry of Health, Labour and Welfare on May 25, 2011).

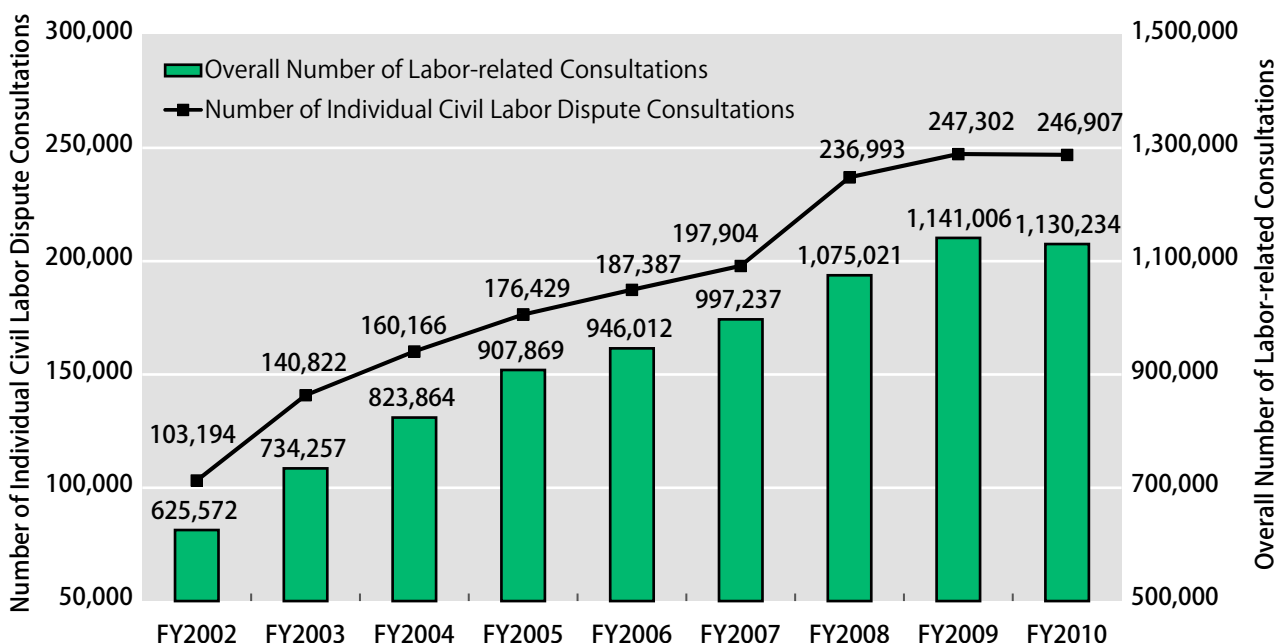
[Consultations] There were approximately 1,130,200 consultations in FY2010, representing a slight decrease of 0.9% on the previous fiscal year. Of these, the number involving individual civil labor disputes (including dismissals not related to contravention of labor legislation or the deterioration of working conditions) amounted to approximately 247,000, a slight decrease of 0.2% compared with the previous fiscal year, similar to the situation for consultations in general (see IV-16).

With regard to the breakdown of individual civil labor disputes, the most common consultation was in regard to “dismissals” (21.2%), followed by “other working conditions” (17.6%), “bullying or

harassment” (on the rise, at 13.9%), “lowering of working conditions” (13.1%), “inducement toward retirement” (9.1%), and “termination of employment contract” (due to the expiry of the term of a fixed-term contract) (4.9%) (see IV-17).

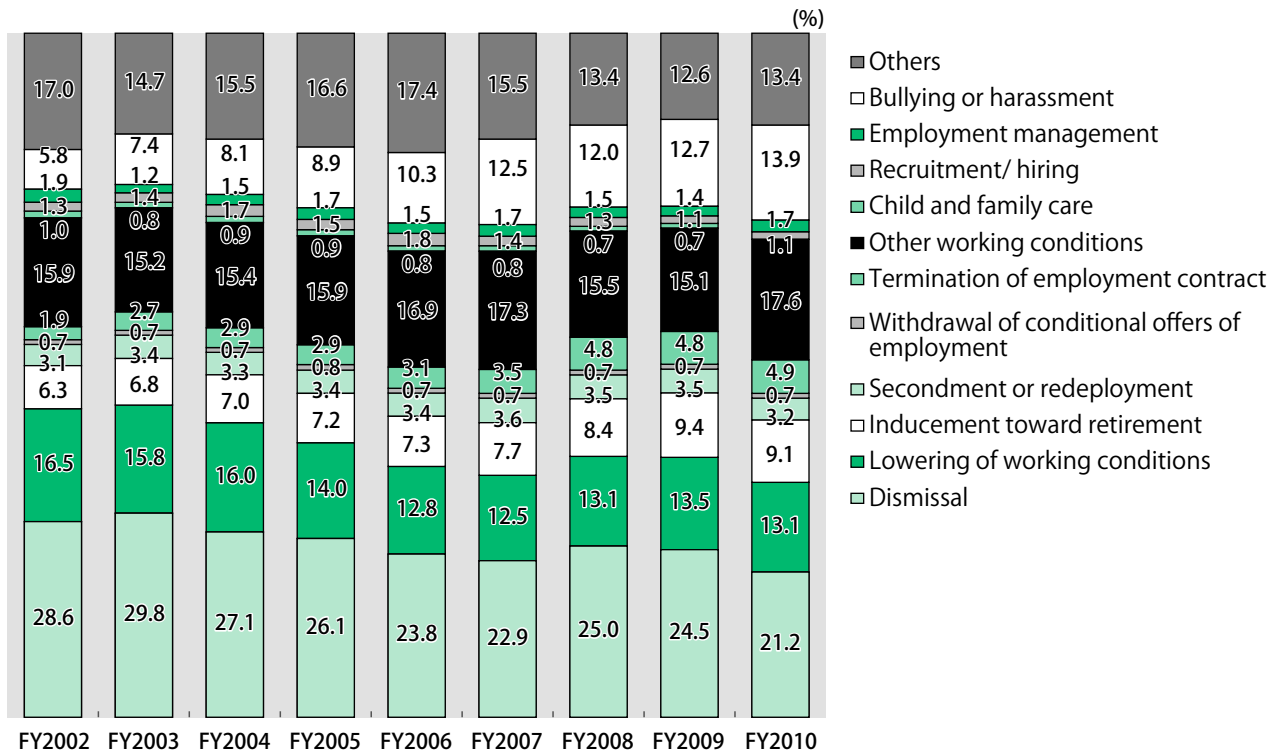
It would be fair to say that the trends in the breakdown of these consultations are more or less the same at the stage of applications for advice and guidance from the heads of prefectural labour bureaus and at the stage of application for conciliation by the Dispute Resolution Council. Thus, in the sense that the same kind of trend is seen in regard to “bullying or harassment,” this signifies that this problem is becoming a crucial issue in relation to labor policy. However, the only thing that appears to differ in the overall trend for conciliation in particular is that, at the application stage, while cases relating to “dismissals” account for a high proportion, at around 40% each year (37.5% in FY2010), cases involving “lowering of working conditions” have fallen to somewhere in the middle of the 8% range in recent years (see IV-18).

IV-16 Trends in the Number of Cases of General Labor Consultations (FY2002-2010)



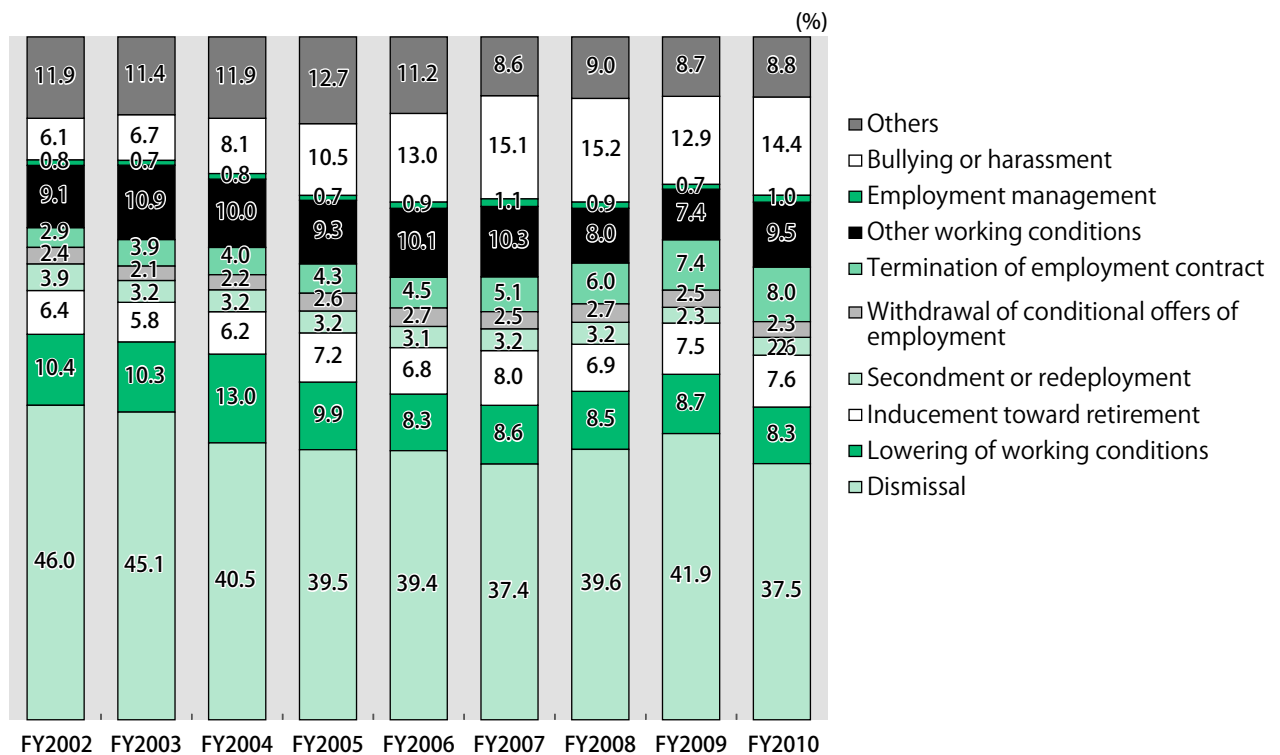
Source: Ministry of Health, Labour and Welfare, Status of Implementation of Individual Labour Dispute Resolutions Systems in FY 2010 (Released May 25, 2011) Fig. 1

IV-17 Breakdown of Individual Civil Labor Disputes (FY2002-2010)



Source: Ministry of Health, Labour and Welfare, *Status of Implementation of individual Labour Dispute Resolutions Systems in FY2010* (released May 25, 2011), Fig. 2

IV-18 Breakdown of the Content of Applications for Conciliation (FY2002-2010)



Source: Ministry of Health, Labour and Welfare, *Status of Implementation of individual Labour Dispute Resolutions Systems in FY2010* (released May 25, 2011), Fig. 6

Moreover, if we look at the forms of employment of those seeking consultations, whereas there was a downward trend year-on-year in relation to so-called “regular employees,” down to 44% in FY2010, the figure for “fixed-term contract employees” reached an all-time high of 10.2% (see IV-19). A similar situation can be seen with regard to applications for advice and guidance, and conciliation, with a downward trend in relation to cases involving regular employees, and an upward trend in relation to cases involving non-regular employees.

[Advice and guidance] The number of requests received for advice or guidance from the heads of prefectural labour bureaus amounted to 7,692 in FY2010, a decrease of 1.1% compared with the previous fiscal year.

Regarding the attributes of applicants, a breakdown of employees by employment status shows that 3,715 cases were filed by regular employees (4,006 in the previous fiscal year), 1,823 cases were filed by part-time employees or employees with side-jobs (*arbeit*)

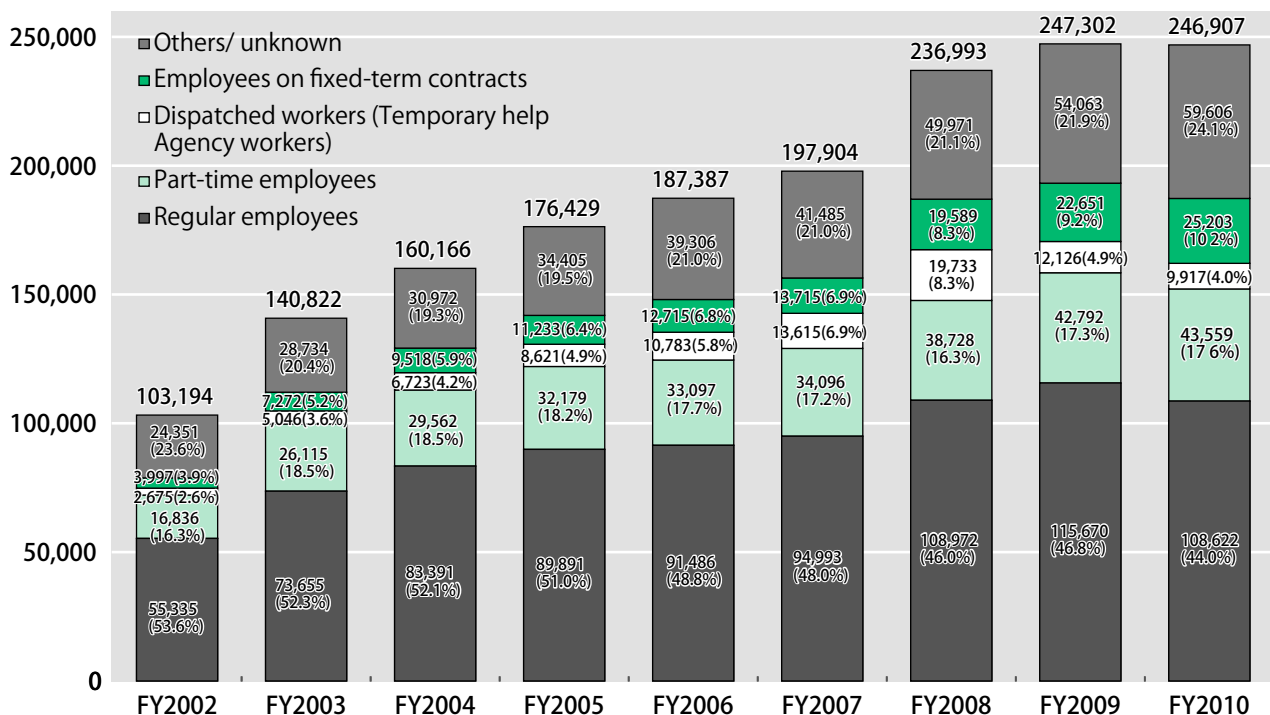
(1,769 in the previous fiscal year), 356 cases were filed by dispatched employees (temporary help agency workers) (348 in the previous fiscal year), and 1,297 cases were filed by employees on fixed-term contracts (1,080 in the previous fiscal year).

In terms of the scale of the business establishment to which they are affiliated, the largest proportion – 31.8% – was accounted for by those from establishments with 10 to 49 employees, followed by 18.5% from establishments with fewer than 10 employees, and 11.7% from establishments with 100 to 299 employees. Moreover, applications from employees at non-unionized establishments accounted for 65.5%. Consequently, it seems that individual labor disputes tend to arise at quite small or comparatively small business establishments with no labor union.

Of the applications received, the number of cases for which procedures were completed during FY2010 totaled 7,673, of which the number of cases for which advice or guidance was provided was 7,486 (97.6%).

97.6% of the applications received for advice or

IV-19 Trends in the Number of Cases of Individual Civil Labor Dispute Consultations (FY2002-2010, by form of employment)



Source: Ministry of Health, Labour and Welfare, Status of Implementation of individual Labour Dispute Resolutions Systems in FY2010 (released May 25, 2011), Fig. 3

guidance concerning disputes were dealt with within a period of one month, an increase of 2.0% compared with the previous fiscal year.

[Conciliation] The number of conciliation applications received in FY2010 amounted to 6,390, a considerable decrease of 18.3% compared with the previous fiscal year.

Looking at the breakdown of applicants in terms of the scale of the business establishment to which they are affiliated, the largest proportion – 31.0% – was accounted for by those from establishments with 10 to 49 employees, followed by 18.9% from establishments with fewer than 10 employees, and 12.5% from establishments with at least 300 employees. Moreover, 72.0% of employees were from business establishments with no labor union.

Of the applications received for conciliation, the number of cases for which procedures were completed during FY2010 totaled 6,416, with 2,362 cases (36.8%) resulting in agreement between the parties in dispute, 394 cases (6.1%) being withdrawn due to reasons pertaining to the applicant, and 3,629 cases (56.6%) resulting in conciliation being broken off for reasons such as the non-participation of one or other of the parties in dispute. With regard to the time taken to deal with these cases through conciliation, 56.9% were dealt with within a period of one month, while 36.7% were dealt with within a period of more than a month but less than two months, meaning that 93.6% were dealt with within a period of two months (an increase of 3.1% compared with the previous fiscal year).

In addition, since 2004, prefectural labour relations commissions have also been conducting consultations and conciliation relating to individual labor disputes (the following is from *2010 Summary of the Total Number of Labor Disputes Handled Nationwide*, published by the CLRC on May 20, 2011).

The number of cases of conciliation undertaken by 44 prefectural governments in individual labor disputes was 423 in FY2010, and the resolution rate in the same fiscal year was 66.4%. Some variation can be seen by year in terms of the number of cases handled, but the resolution rate over the last seven years has been around 65%, and has been increasing

over the last two or three years. With regard to the reasons for conciliation, there is a tendency for many of the cases to relate to “dismissal,” “non-payment of wages,” and “abuse or power-related harassment.”

Moreover, the number of cases of consultations and advice carried out by 14 prefectural labour relations commissions has been increasing year-on-year over the last seven years, reaching 2,123 in FY2010. The reasons for consultations and advice are the same as the aforementioned reasons for conciliation.

2. Judicial system

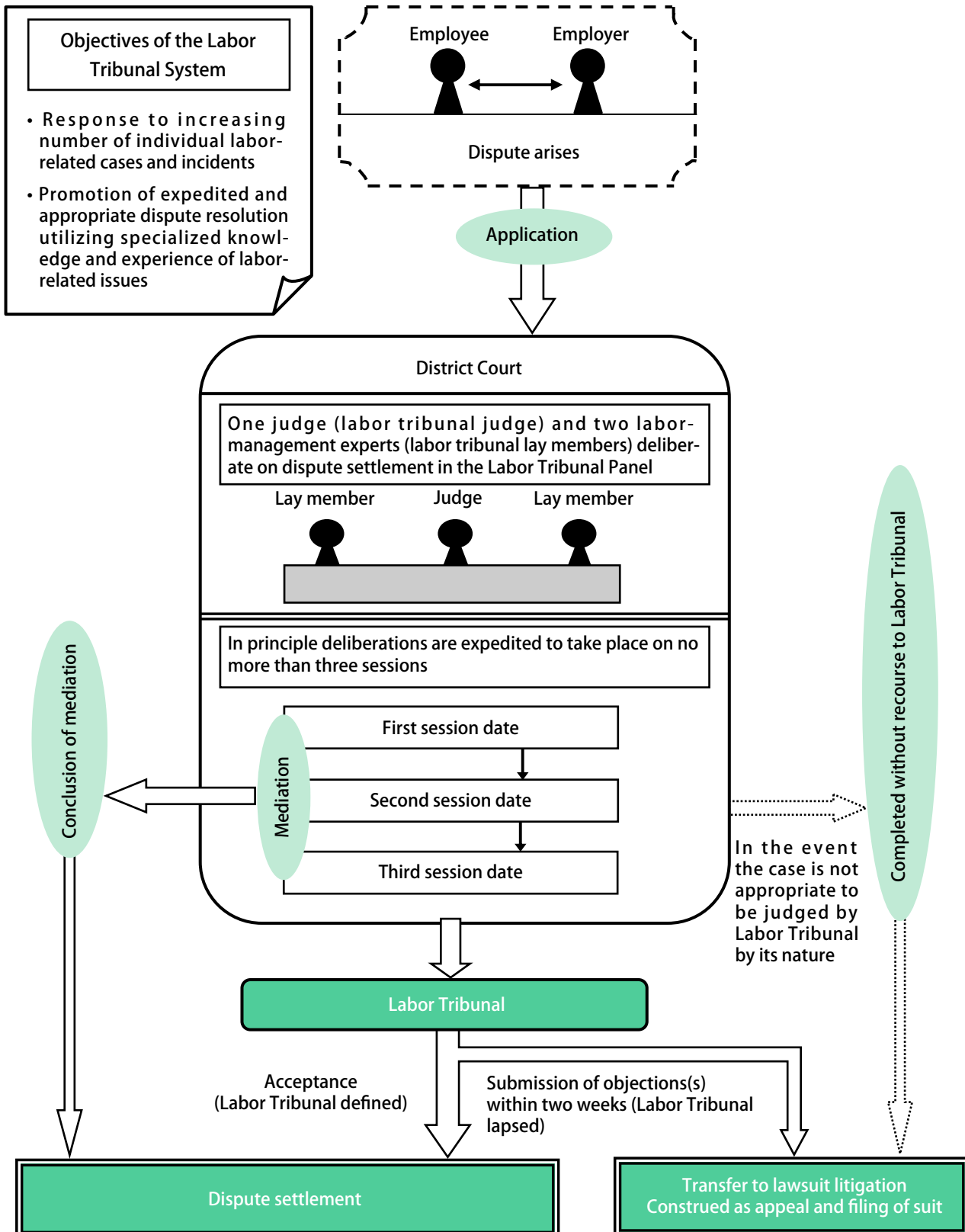
(1) Resolution system

Two methods of the judicial resolution of individual labor disputes are available: civil litigation and the labor tribunal system, which began operating in April 2006. As the former is conducted in accordance with the procedure for civil actions, in the same way as other civil cases, it is the latter that is explained below.

To put it simply, the labor tribunal system is aimed at disputes concerning rights and obligations in individual contractual labor relations (individual civil disputes in labor relations) (Article 1); in contrast to ordinary civil litigation cases, procedures for dispute resolution take place at district courts (main branch) and are accelerated by a tribunal composed of a judge (labor tribunal judge) and persons involved in industrial relations who have expert knowledge and experience in this field (labor tribunal lay members) (Articles 7, 9 and 15). This tribunal panel attempts a resolution by mediation where possible (Labor Tribunal Ordinance Article 22), but if this ends in failure, then a ruling is handed down (Article 20). This takes place within three sessions, as a rule: Article 15, paragraph (2)). If there is any objection to a decision, the parties can make a submission to this effect (Article 21), in which situation, the case proceeds to become an ordinary civil lawsuit, with the institution of action deemed to have taken place from the date of the initial submission to the labor tribunal (Article 22, paragraph (1)) (see IV-20).

The following first of all provides an overview of civil litigation relating to labor relations and then looks at the labor tribunal system.

IV-20 Overview of the Labor Tribunal System



Source: Website of Prime Minister of Japan and His Cabinet

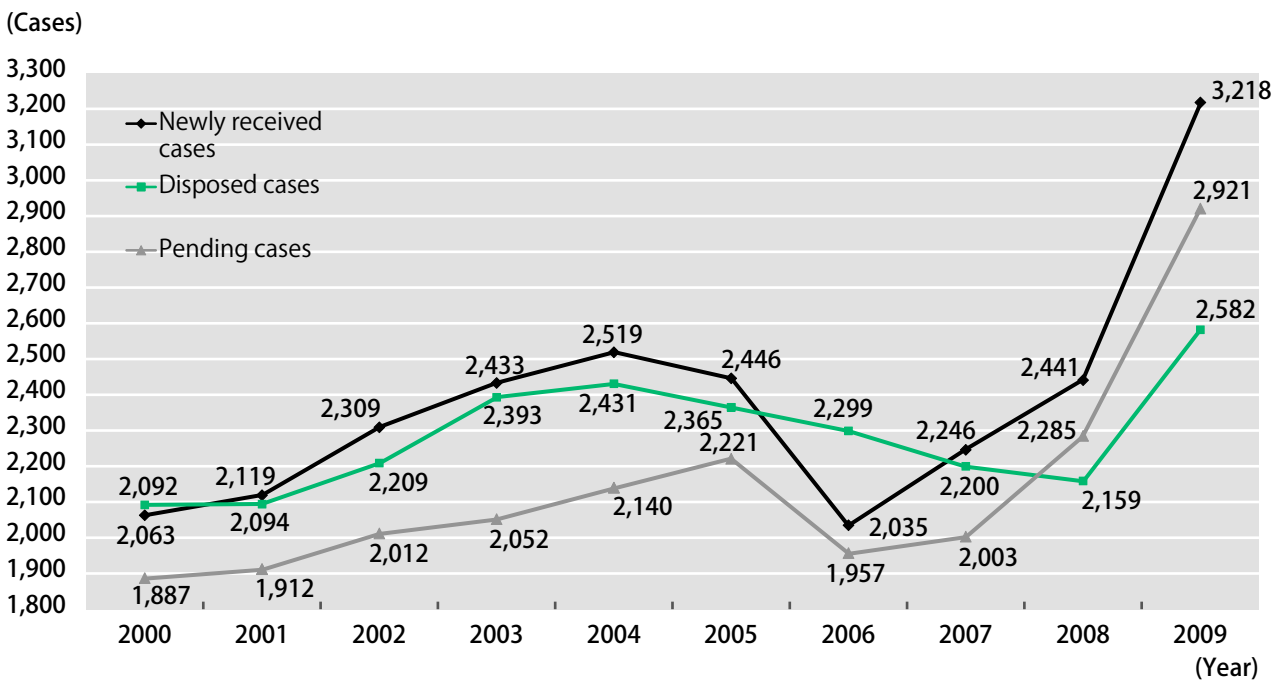
(2) Operational status of ordinary civil litigation concerning labor relations and trends relating to cases

Firstly, if we look at trends in changes over time, we can see that the number of new cases of ordinary civil litigation concerning labor relations that were received by district courts demonstrated a downward trend until 2006, but there has been an upturn over the last few years, with a major increase to approximately 3,200 cases up to 2009 (see IV-21).

The most recent statistical figure is for the number of new ordinary civil litigation cases concerning labor

relations received by district courts in 2009, which was 3,218 (see IV-22). Of these, there were 3,068 cases in which the plaintiff was the employee and the defendant was the employer; if we look at a breakdown of these cases, we can see that the most common petition was for “wages, etc.” at 1,633 cases, followed by 956 cases of petitions for “confirmation of the existence of an employment contract,” which relate to resignation or dismissal, and 479 cases described as “other,” which include cases of petitions for damages.

IV-21 Number of Newly Received, Disposed, and Pending Ordinary Civil Litigation Cases concerning Labor Relations (District Courts, 2000-2009)



Sources: Compiled by the author from General Secretariat of the Supreme Court, *2009 Overview of Civil and Administrative Labor Relations Cases, Hosono Jiho (Lawyers Association Journal), Vol.62, No.8, p.43 (2010)*

IV-22 Number of Newly Received Ordinary Civil Litigation Cases concerning Labor Relations by Party and Type of Claim (District Courts, 2003-2009)

Year	Newly received	Total	Plaintiff: Employee Defendant: Employer			Plaintiff: Employee Defendant: Employer	Other
			Confirmation of existence of employment contract, etc.	Wage, etc.	Other	Confirmation of absence of employment contract, compensation, etc.	Confirmation of invalidation of resolution of expulsion etc.
2003	2,433	2,319	530	1,473	316	103	11
2004	2,519	2,309	573	1,427	309	186	24
2005	2,446	2,303	507	1,437	359	135	8
2006	2,035	1,900	456	1,130	314	124	11
2007	2,246	2,105	537	1,246	322	121	20
2008	2,441	2,300	638	1,249	413	126	15
2009	3,218	3,068	956	1,633	479	138	12

Source: Compiled by the author from General Secretariat of the Supreme Court, *2007 Overview of Civil and Administrative Labor Relations Cases*, Hosono Jihō (Lawyers Association Journal) Vol.60 No.8 p.50 (2008), and the same institution's *2009 Overview of Civil and Administrative Labor Relations Cases*, Hosono Jihō (Lawyers Association Journal) Vol.62 No.8 p.49 (2010)

On the other hand, the total number of cases handled at district courts that were disposed of in 2009 was 2,582 (see IV-23). Of these, whereas the number dealt with by means of a “judicial decision” was 914, the number dealt with by means of a “settlement” was 1,314, so we can see that the number of settlements was greater than the number of judicial decisions. This trend remains unchanged even when we look at the figures for at least the last five years.

Looking at the duration of deliberations in regard to the cases that were disposed of in 2009, the “average deliberation period” was 10.8 months, which was the shortest period for the past five years (see IV-24). The breakdown in descending order of proportion is 886 cases (34.3%) taking six months or less, 763 cases (29.6%) taking a year or less, and 754 cases (29.2%) taking two years or less, so we can see that approximately 93% of cases were dealt with within two years or less. In addition, we can say that this trend has, broadly speaking, not changed over the past five years.

(3) Operational status of the labor tribunal system and trends relating to cases

With regard to labor tribunals, the number of new cases filed at district courts in 2009 was 3,468, a figure that has increased considerably since the system began operating (see IV-25).

The breakdown of applications in 2009 can be broadly classified into “cases with non-pecuniary objectives,” at 1,793 cases, and “cases with pecuniary objectives,” at 1,675 cases, so there were over 100 cases more of the former type than of the latter. If we look at a more detailed breakdown, the most common of the former were “confirmation of status” (under employment contracts relating to retirements/dismissals and personnel transfer cases) at 1,701 cases, followed by “wages and benefits,” which fall into the latter category, at 1,059 cases. In addition, the wages and benefits category would seem to include cases involving petitions for payment for overtime hours worked and pay in lieu of notice of dismissal. Moreover, 411 of the pecuniary cases were classified as “others,” which in many instances are likely to be claims for compensation for various reasons.

IV-23 Ordinary Civil Litigation Cases concerning Labor Relations by Party – Number of Cases Disposed of and Outstanding(District Courts, 2005-2009)

Year	Plaintiff	Disposed Cases							Outstanding
		Total	Judicial decision		Decision/ order	Settlement	Withdrawal/ other		
			Total	Petition accepted (including partial acceptance)				Petition dismissed with prejudice, petition dismissed without prejudice	
2005	Total	2,365	884	539	345	26	1,185	270	2,221
	Employee	2,170	819	498	321	22	1,090	239	2,104
	Employer	186	59	38	21	4	94	29	96
	Other	9	6	3	3	0	1	2	21
2006	Total	2,299	844	518	326	28	1,139	288	1,957
	Employee	2,168	792	487	305	26	1,089	261	1,836
	Employer	117	44	27	17	2	44	27	103
	Other	14	8	4	4	0	6	0	18
2007	Total	2,200	767	475	292	24	1,092	317	2,003
	Employee	2,044	698	437	261	19	1,043	284	1,897
	Employer	135	57	31	26	5	47	26	89
	Other	21	12	7	5	0	2	7	17
2008	Total	2,159	750	443	307	26	1,115	268	2,285
	Employee	2,025	710	420	290	24	1,061	230	2,172
	Employer	116	32	19	13	2	47	35	99
	Other	18	8	4	4	0	7	3	14
2009	Total	2,582	914	554	360	23	1,314	331	2,921
	Employee	2,430	856	522	334	22	1,248	304	2,810
	Employer	136	46	24	22	1	63	26	101
	Other	16	12	8	4	0	3	1	10

Source: General Secretariat of the Supreme Court, *2009 Overview of Civil and Administrative Labor Relations Cases*, Hoso Jiho (Lawyers Association Journal) Vol.62 No.8 p.50 (2010)

Notes: 1) Cases in which the plaintiff is the employee refer only to cases where the defendant in the case is the employer; cases in which both the plaintiff and the defendant are employees are included in "Other."

2) In this table, cases where the petition was dismissed with or without prejudice also include the number of cases of judgments for other reasons.

IV-24 Ordinary Civil Litigation Cases concerning Labor Relations: Number of Cases Disposed of by Deliberation Period – Average Deliberation Period (District Courts, 2005-2009)

Year	Number of cases disposed of	Within 6 months	Within a year	Within 2 years	Within 3 years	Within 5 years	More than 5 years	Average deliberation period (months)
2005	2,365	786 (33.2)	699 (29.6)	708 (29.9)	113 (4.8)	52 (2.2)	7 (0.3)	11.2
2006	2,299	709 (30.8)	685 (29.8)	680 (29.6)	157 (6.8)	55 (2.4)	13 (0.6)	12.0
2007	2,200	701 (31.9)	639 (29.0)	649 (29.5)	156 (7.1)	52 (2.4)	3 (0.1)	11.7
2008	2,159	671 (31.1)	633 (29.3)	673 (31.2)	135 (6.3)	41 (1.9)	6 (0.3)	11.6
2009	2,582	886 (34.3)	763 (29.6)	754 (29.2)	144 (5.6)	33 (1.3)	2 (0.1)	10.8

Source: General Secretariat of the Supreme Court, *2009 Overview of Civil and Administrative Labor Relations Cases*, Hoso Jiho (Lawyers Association Journal) Vol.62 No.8 p.51 (2010)

Note: Figures in brackets denote percentages of the total, with figures rounded to one decimal place. Consequently, the totals may not necessarily add up to 100.

IV-25 Number of Newly Received Labor Tribunal Cases by Type of Case (District Courts, 2006-2009)

Year	Newly received	Non-pecuniary			Pecuniary			
		Confirmation of status	Other	Wages and benefits	Retirement allowances	Other		
2006	877	463	418	45	414	266	66	82
2007	1,494	780	719	61	714	441	126	147
2008	2,052	1,078	1,022	56	974	620	114	240
2009	3,468	1,793	1,701	92	1,675	1,059	205	411

Sources: Compiled by the author from General Secretariat of the Supreme Court, *2007 Overview of Civil and Administrative Labor Relations Cases*, Hoso Jiho (Lawyers Association Journal) Vol.60 No.8 p.56 (2008), and the same institution's *2009 Overview of Civil and Administrative Labor Relations Cases*, Hoso Jiho (Lawyers Association Journal) Vol.62 No.8 p.55 (2010)

Note: The figures for 2006 indicate the number of disposed cases from April to December of that year.

The number of “cases disposed of” in 2009 was 3,226, approximately 70% (2,200 cases, or 68.2%) of which were concluded by means of “successful mediation” (see IV-26). In addition, including mediation, the trends in the reasons for conclusion have remained the same since the system began operating. The next most common reason for conclusion after “successful mediation” was “labor tribunal judgment,” at 600 cases (18.6%). However, of the cases in which a labor tribunal judgment was made, what catches the eye is the fact that objections were filed in 388 cases, or more than 60% (64.7% of 18.6%). (In addition, the “Article 24 conclusion” referred to in IV-26 is a situation in which the members of the labor tribunal conclude procedures on the basis of their own authority in light of the nature of the case, based on Article 24 of the Labor Tribunal Act.)

If we look at the “average deliberation period” in regard to the cases that were disposed of in 2009, more than around 70% of all cases were concluded in three months or less; with regard to the detailed

breakdown, 3.7% (119 cases) were dealt within a month or less, 34.0% (1,096 cases) were dealt within two months or less, 36.3% (1,170 cases) were dealt within three months or less, and 25.6% (827 cases) were dealt within six months or less (see IV-27). Moreover, the average deliberation period in 2009 was 2.5 months; there has been no change in this trend since the system first began operating and, compared with the situation concerning ordinary civil litigation, which we looked at previously, we can say that cases are resolved fairly swiftly under the labor tribunal system.

Looking at the situation by the number of tribunal sessions held in 2009, approximately 97% of “cases disposed of” were concluded within three sessions; with regard to the breakdown, 6.2% (199 cases) involved “no sessions,” 21.3% (687 cases) involved “one session,” 36.2% (1,168 cases) involved “two sessions,” and 33.4% (1,079 cases) involved “three sessions,” so we can say that the system is being operated in line with the principles of the Labor Tribunal Act (see IV-28).

IV-26 Number of Disposed Labor Tribunal Cases by Reason for Conclusion (District Courts, 2006-2009)

(Cases, figures in brackets are percentages)

Year	Number of cases disposed of	Labor tribunal judgment		Successful mediation	Article 24 conclusion	Withdrawn	Rejected or transferred, etc.
			Objection filed				
2006	606	107 (17.7)	74 [69.2]	427 (70.5)	19 (3.1)	50 (8.3)	3 (0.5)
2007	1,450	306 (21.1)	178 [58.2]	997 (68.8)	47 (3.2)	93 (6.4)	7 (0.5)
2008	1,911	347 (18.2)	228 [65.7]	1,327 (69.4)	59 (3.1)	169 (8.8)	9 (0.5)
2009	3,226	600 (18.6)	388 [64.7]	2,200 (68.2)	107 (3.3)	294 (9.1)	25 (0.8)

Sources: Compiled by the author from General Secretariat of the Supreme Court, *2007 Overview of Civil and Administrative Labor Relations Cases*, Hosono Jihō (Lawyers Association Journal) Vol.60 No.8 p.56 (2008), and the same institution's *2009 Overview of Civil and Administrative Labor Relations Cases*, Hosono Jihō (Lawyers Association Journal) Vol.62 No.8 p.55 (2010)

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

IV-27 Labor Tribunal Cases: Number of Cases Disposed of by Deliberation Period – Average Deliberation Period (District Courts, 2006-2009)

(Cases, figures in brackets are percentages)

Year	Number of cases disposed of	Within a month	Within 2 months	Within 3 months	Within 6 months	Within 1 year	Average deliberation period (months)
2006	606	36 (5.9)	192 (31.7)	207 (34.2)	171 (28.2)	0	2.4
2007	1,450	59 (4.1)	428 (29.5)	545 (37.6)	408 (28.1)	10 (0.7)	2.5
2008	1,911	64 (3.3)	598 (31.3)	718 (37.6)	517 (27.1)	14 (0.7)	2.5
2009	3,226	119 (3.7)	1,096 (34.0)	1,170 (36.3)	827 (25.6)	14 (0.4)	2.5

Source: General Secretariat of the Supreme Court, *2009 Overview of Civil and Administrative Labor Relations Cases*, Hosō Jiho (Lawyers Association Journal) Vol.62 No.8 p.56 (2010)

IV-28 Labor Tribunal Cases: By Number of Tribunal Sessions – Number of Cases Disposed of (District Courts, 2006-2009)

(Cases, figures in brackets are percentages)

Year	Number of cases disposed of	No session	1 session	2 sessions	3 sessions	4 sessions	More than 5 sessions
2006	606	32 (5.3)	101 (16.7)	215 (35.5)	245 (40.4)	13 (2.1)	0
2007	1,450	67 (4.6)	235 (16.2)	542 (37.4)	563 (38.8)	42 (2.9)	1 (0.1)
2008	1,911	101 (5.3)	370 (19.4)	717 (37.5)	671 (35.1)	49 (2.6)	3 (0.2)
2009	3,226	199 (6.2)	687 (21.3)	1,168 (36.2)	1,079 (33.4)	87 (2.7)	6 (0.2)

Source: General Secretariat of the Supreme Court, *2009 Overview of Civil and Administrative Labor Relations Cases*, Hosō Jiho (Lawyers Association Journal) Vol.62 No.8 p.56 (2010)

1 Overview of Employment Measures

The employment situation in Japan has deteriorated rapidly, due to a combination of multiple factors, such as a strong yen and deflation, as well as a worldwide economic crisis that has been referred to as a one-in-a-century event, but in early 2011, moves toward recovery were strengthening. Those moves slowed as a result of the Great East Japan Earthquake in March 2011, but with regard to the employment and unemployment situation for FY2010, the ratio of job offers to job seekers was 0.63 times in March 2011, returning to a level last seen around two years previously, with the average figure for the fiscal year rising 0.11 points on the previous year to 0.56 times; in addition, the overall unemployment fell to 4.6% in February 2011, while the average for the fiscal year fell to 5.0%, down 0.2 points from the previous year, so moves towards a recovery in the employment and unemployment situation were seen.

If one looks at the employment situation by region, one can see that the ratio of job offers to job seekers improved in all regions from FY2009 to FY2010, and the overall unemployment rate improved in seven out of ten regions. However, regional disparities in the employment situation can still be seen, such as the fact that the ratio of job offers to job seekers is almost twice as high in the regions of Chugoku (ratio of job offers to job seekers in March 2011: 0.82 times) and Shikoku (0.79 times (id.)) as in the Hokkaido region (0.44 times (id.)).

Moreover, if one looks at the situation by age, one can see that there is still a considerable mismatch, with the overall unemployment rate among those aged 15 - 24 rising 0.3 points on the previous year to 9.4%, which is even higher than the overall unemployment rate for all age groups (5.1%).

Furthermore, the ratio of job offers to job seekers for regular employee positions (seasonally-adjusted) was 0.34 times in April 2011, an increase of 0.08 points on the same month of the previous year, but it was still low compared with the overall figure (0.61 times).

Promotion of Urgent Countermeasures and Medium- to Long-term Measures to Improve the Employment Situation

Amidst this situation, since the recession in 2008, the government has repeatedly implemented urgent countermeasures, endeavoring to improve the employment situation through such measures as easing the requirements for the Employment Adjustment Subsidy and establishing the Job Creation Fund program.

Furthermore, in order to deal with the harsh employment and unemployment situation resulting from the strong yen and deflation, a set of measures decided upon by the Cabinet on September 10, 2010, entitled The Three-Step Economic Measures for the Realization of the New Growth Strategy is being implemented.

The content consists of the following three steps:

Step 1: "Urgent countermeasures" using the FY2010 contingency reserves detailed in The Three-Step Economic Measures for the Realization of the New Growth Strategy

Step 2: "Comprehensive urgent economic measures to deal with the strong yen and deflation, using the FY2010 supplementary budget"

Step 3: Full-scale implementation of the New Growth Strategy using the FY2011 budget and tax system

More specifically, using measures such as those outlined below, the government is working on a policy of “connecting,” “creating,” and “protecting” employment.

i) Measures aimed at new graduates

As well as deploying twice as many Job Supporters, and aiming to use the “New Graduate Employment Project,” which provides financial incentives to businesses employing those who have graduated within the last three years, New Graduate Support Hello Work branches have been established in all prefectures, to implement support for new and recent graduates in finding jobs.

ii) Employment creation projects in priority fields

In order to create new employment opportunities and develop human resources in fields that are expected to become growth fields, such as nursing care and medical care, funds created by each prefecture with grants from the national government have been used as a source of funding to implement projects that seek to create employment opportunities in these fields; these programs have been expanded by augmenting the funds and extending the duration of the programs.

iii) Employment Adjustment Subsidy

This is a system that subsidizes part of the leave allowance paid by employers that have suspended operations due to being compelled to contract their business activities due to cyclical change, shifts in the industrial structure or other economic reasons; in response to the appreciation of the yen, the requirements relating to this subsidy have been eased. In conjunction with this, measures to prevent fraudulent receipt of the subsidy have been strengthened.

iv) Jobseeker support system

A jobseeker support system that provides financial support for vocational training and living costs during the training period has been created for jobseekers who cannot receive payments under the employment insurance system (to be implemented from October 2011).

Employment Insurance System

The employment insurance system is intended to stabilize workers’ living circumstances during times of unemployment and to encourage the unemployed to quickly find reemployment. It functions as an important employment safety net, and the number of insured persons and persons receiving benefits respectively averaged 38,240,000 and 650,000 in FY2010.

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

Because of the need to provide benefits at a sufficient level to enable people to maintain as far as possible their living standards before becoming unemployed and to be able to calmly search for fresh employment, this daily basic allowance is set at a fixed proportion of a person’s wage prior to unemployment. In order to ensure that the period of unemployment is no longer than necessary and that unemployed persons quickly reenter the workforce, however, benefits are gradually decreased as the wage level prior to job loss rises so that they do not exceed wages on the labor market in the event of reemployment. More specifically, the benefit rate is set at 50% to 80% of a person’s wage prior to unemployment (45% to 80% in the case of 60- to 64-year-olds).

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

Employment Measures in Relation to the Great East Japan Earthquake

As described above, the Great East Japan Earthquake that occurred on March 11, 2011 had a major impact on the employment situation.

With regard to the employment and unemployment situation in April, immediately after the earthquake occurred, both the overall unemployment rate and the ratio of job offers to job seekers deteriorated, having experienced sustained improvement until March. Moreover, with regard to the three prefectures that sustained the worst of the damage, namely Iwate, Miyagi and Fukushima, the employment situation in the affected areas is bleak, with approximately 120,000 separation notices being issued under the employment insurance system during the three months after the earthquake (more than twice as many as in the previous year).

In response to this situation, the government devised the “Japan as One” Work Project and collaborated with relevant ministries and agencies, publishing the comprehensive emergency measures as Phase 1 on April 5, with the supplementary budget and legislative measures being compiled as Phase 2 on April 27.

More specifically, the government is working on creating, maintaining and securing employment through the implementation of measures such as the following:

Creating employment through reconstruction projects and the expansion of the employment creation fund program

As well as asking private-sector companies to submit details of job vacancies on reconstruction projects to Hello Work offices, the employment creation fund program will be expanded and, as a program aimed at responding to the earthquake, a project will be implemented to create employment opportunities for those affected by the disaster.

Augmenting grants for companies employing those affected by the disaster

A subsidy for developing employment for those affected by the disaster will be created, which will provide grants (¥500,000 for large companies, and ¥900,000 for small and medium-sized enterprises) to companies employing those who have been separated from their jobs due to the disaster and those living in affected areas who are seeking employment.

Special provisions concerning the Employment Adjustment Subsidy

Regarding the aforementioned Employment Adjustment Subsidy, as well as easing the requirements for businesses located in areas to which the Disaster Relief Act is applicable (except the Tokyo metropolitan area), special provisions have been put in place regarding such matters as the procedures and number of days for which the subsidy can be received.

Maintaining employment through special provisions concerning employment insurance

Preferential measures relating to employment insurance will be applied in the event that a worker's company located in the affected area has suspended operations and the worker is unable to receive wages or leave allowance; this will allow the worker to receive unemployment benefit, even if they have not actually left their job.

In addition, with regard to the affected areas, a preferential measure will be implemented, through which the 60-day extended payment period that applies as a general rule can be extended for a further 60 days.

Moreover, in addition to these initiatives, the government will consider its medium- to long-term response based on its overall design for reconstruction.

2 Employment Measures for Young People

As well as reinforcing employment support for new and recent graduates, for whom the employment environment is forecast to be harsh, it is necessary to implement comprehensive support for young people, in order to ensure that the young people who will be responsible for the future of Japan can work with peace of mind and conviction, and can adequately exercise their abilities and motivation, by such means as promoting support at public employment security offices, aimed at helping “freeters” (part-time workers employed on a casual basis) find regular employment.

Major Employment Measures Aimed at Young People in FY2011

1. Employment support for new and recent graduates

- Using School and University Graduate Job Supporters
 - (1) Providing employment support that focuses on high school and university graduates in an integrated manner, and promoting their matching with small and medium-sized enterprises
 - (i) School and University Graduate Job Supporters, whose numbers were doubled in FY2010 under the Contingency Fund for Responses to the Economic Crisis and Regional Revitalization and the supplementary budget, will continue to be deployed in branches of Hello Work; they will cooperate in the organization of job interview sessions, by such means as securing details of vacancies, as well as making visits to corporate briefing sessions organized by universities, in order to undertake consultations in regard to job search activities.
 - (2) Support aimed at looking for employment while still at school, involving guardians as well
 - (i) In collaboration with schools, lectures will be held on the significance of working and job search activities while still at school, involving guardians as well; in addition, corporate briefing sessions involving local companies will be held within high schools and information will be proactively disseminated to relevant parties.
 - (1) Using the New Graduate Employment Support Headquarters and New Graduate Support Hello Work branches
 - (1) Using the New Graduate Employment Support Headquarters and New Graduate Support Hello Work branches
 - (i) In order to implement effective employment support based on the actual situation in the region in question, efforts will be made to seek the utilization of the “New Graduate Employment Support Headquarters”, which consists of relevant individuals from Hello Work, local government, the labor sector, business circles and schools, and to implement employment support for new and recent graduates in collaboration with related local organizations.
 - (ii) Efforts will be made to publicize the New Graduate Support Hello Work branches, which specialize in employment opportunities for new and recent graduates; further efforts will be made to promote their utilization, in order to support the employment of new and recent graduates.
 - (2) The New Graduate Employment Project
 - (i) In order to promote the employment of those who have graduated within the last three years, a “Subsidy to Expand Employment of Those who Have Graduated Within the Last Three Years (Treatment as New Graduates)” and a “Subsidy for Trial Employment of Those who Have Graduated

Within the Last Three Years” (“New Graduate Employment Project”) will be created under the Contingency Fund for Responses to the Economic Crisis and Regional Revitalization; these will be augmented under the supplementary budget and extended until the end of FY2011.

- (ii) Under the supplementary budget, a “Subsidy to Support the Development of Recent Graduates” will be established, to provide support to those who require long-term support for their development.

2. Promoting a switch to regular employment among “freeters” and other non-regular workers

- (1) Hello Work support for promoting a switch to regular employment among “freeters” and other non-regular workers
 - (i) Thorough, consistent support for “freeters” wishing to find regular employment, based on a case worker system that operates from the initial career consultation and employment referral, through to the individual becoming settled at their workplace.
- (2) Implementing meticulous employment support at Job Cafes
- (3) Employment support through the utilization of subsidy systems, such as the trial employment system

- (i) Utilizing the trial employment subsidy for young people (¥40,000 per person per month for a maximum of three months), efforts will be made to achieve a switch to regular employment among young people (those aged under 40).
- (ii) Efforts will be made to promote further initiatives aimed at promoting a switch to regular employment among “freeters” and other non-regular employees, by paying employers who employ older “freeters” and other non-regular employees as regular employees a special subsidy, called the “Special Subsidy for Promoting Regular Employment Among Young People” (¥1 million yen per person for small and medium-sized enterprises, and ¥500,000 yen for large companies).

3. Enhancement of vocational independence support for NEETs and other young people

- Expansion of “Community Youth Support Stations”
 - Expansion of number of “Community Youth Support Stations,” which serve as local centers of support for NEETs and other young people, strengthening of network functions in collaboration with educational institutes, etc., and active encouragement of young people and their parents or guardians.

3

Policies Designed to Secure Employment for Older and Disabled Workers

Measures for Older Workers

With the labor force forecast to decline as a result of the rapid aging of society and a decline in the birthrate, it will be necessary to utilize the knowledge and experience of older people effectively in the economy and society, in order to maintain the dynamism of the economy and society, ensure that more people can support the social security system, and increase the sustainability of that system.

In the New Growth Strategy (Cabinet decision taken on June 18, 2010), an objective has been set forth of general mobilization in order to achieve the policy of increasing the employment rate among all sectors of the population, based on the realization of a society (with “opportunities” and “a place” for them) in which all Japanese people can participate in a variety of social activities in the labor market, according to their wishes and abilities. Moreover, it sets forth the target of achieving a labor force participation rate of 63% among those aged 60-64 by 2020.

In order to secure stable employment for older people, as well as imposing on employers the obligation to secure employment opportunities up to the age of 65, either by increasing the mandatory retirement age set by employers, introducing a system of continued employment, or abolishing the mandatory retirement age, the Act on Stabilization of Employment of Elderly Persons seeks to enhance measures relating to the promotion of the re-employment of middle-aged and older people (45-65 years old) and enhance measures aimed at securing opportunities for temporary and short-term employment for those who have retired after reaching the mandatory retirement age.

In line with this law, measures focused on the employment of older people are being comprehensively promoted, with a particular focus on the following measures.

Securing Stable Employment for Older Workers by Raising the Mandatory Retirement Age and Introducing Continued Employment Schemes, Etc.

Legal revisions effective from April 2006 have made it mandatory for employers to take steps to ensure the employment of older workers, and those that do not take such steps receive guidance and advice from public employment security offices. Effective counseling and advice is also provided to them by senior citizen employment advisers in partnership with Japan Organization for Employment of the Elderly and Persons with Disabilities (JEED).

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

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

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

Action is being taken to support employers that provide continued employment for older workers who find it difficult to find jobs by, among other things, providing guidance to employers on how to draw up “job-hunting support documents,” the provision of

financial incentives for enterprises that employ middle-aged and older workers on a trial basis for a fixed period, and referrals by public employment security offices and similar agencies.

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

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

Promotion of Diverse Employment and Social Involvement of Older People

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

Focusing on the fields of "education, childcare, nursing care, and the environment", these centers are working with local governments to expand support for ventures planned and put forward by them, and are also expanding secure job opportunities for members in their communities and the range of job categories catered for that appeal to female members.

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

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

The Current Status of the Employment of Persons with Disabilities

With regard to the employment of persons with disabilities, one can see that there has been further progress, with the actual employment rate amongst private-sector companies recording a record high for the fifth year in succession, reaching 1.68% (up from 1.63% in the previous year) as of June 1, 2010. There has been particularly remarkable progress in the employment of persons with disabilities at large companies (those with at least 1,000 employees), at which the actual employment rate is 1.90%, higher than the statutory employment rate (1.8%). Moreover, despite the harsh employment situation, the number of cases of employment gained through Hello Work employment offices in FY2010 grew significantly from the FY2009 level of 45,257 cases, reaching an all-time high of 52,931 cases.

Employment Measures for Persons with Disabilities

Of the policies designed to support persons with disabilities, the following deal with support for employment measures: the Basic Programme for Persons with Disabilities (FY2003 to FY2012) was formulated in December 2002 and provides a basic direction for measures for disabled persons over a ten-year period. Based on that Programme the government has also formulated the Five-Year Plan for Implementation of Priority Measures (FY2003 to FY2007) which incorporates specific priority measures. In addition the Ministry of Health, Labour and Welfare formulated in March 2003 the Fundamental Policy for Employment Measures for Disabled Persons (FY2003 to FY2007). More specifically, employment measures for people with disabilities are being actively pursued to achieve targets—such as employment of 640,000 disabled persons by FY2013, a combined total of jobs found for people with disabilities through public employment security offices between FY2008 and FY2012 of 240,000, and movement into regular jobs of 9,000 people per year—through the further promotion of employment of people with disabilities led by the employment quota system for disabled persons provided for in the Five-Year Plan for

Implementation of Priority Measures, enhancement and reinforcement of “team support” provided mainly through public employment security offices, and facilitation of movement from welfare facilities into regular employment. Furthermore, in FY2005, the Act for Employment Promotion, etc., of the Disabled was partially revised and this revision is being smoothly implemented from April 2009 in line with the Act for Promotion of the Independence of Persons with Disabilities.

Employment Quota System for Disabled Persons and Levy and Grant System for Employing Persons with Disabilities

The Act for Employment Promotion, etc. of the Disabled stipulates that quotas be established for the hiring of the physically and or intellectually disabled, specifying the percentage of a company’s workforce to be occupied by persons with disabilities. Business owners are required to hire persons with disabilities in numbers equivalent to or greater than the legally mandated quota.

From April 2006, moreover, persons with mental disabilities (those holding a Health Welfare Handbook for Persons with Mental Disabilities) are included in the employment quotas of companies.

The current statutory employment rate is 1.8% among private-sector companies (with government-affiliated corporations having a rate of 2.1%), and 2.1% among the national government and local government bodies (with boards of education having a rate of 2.0%).

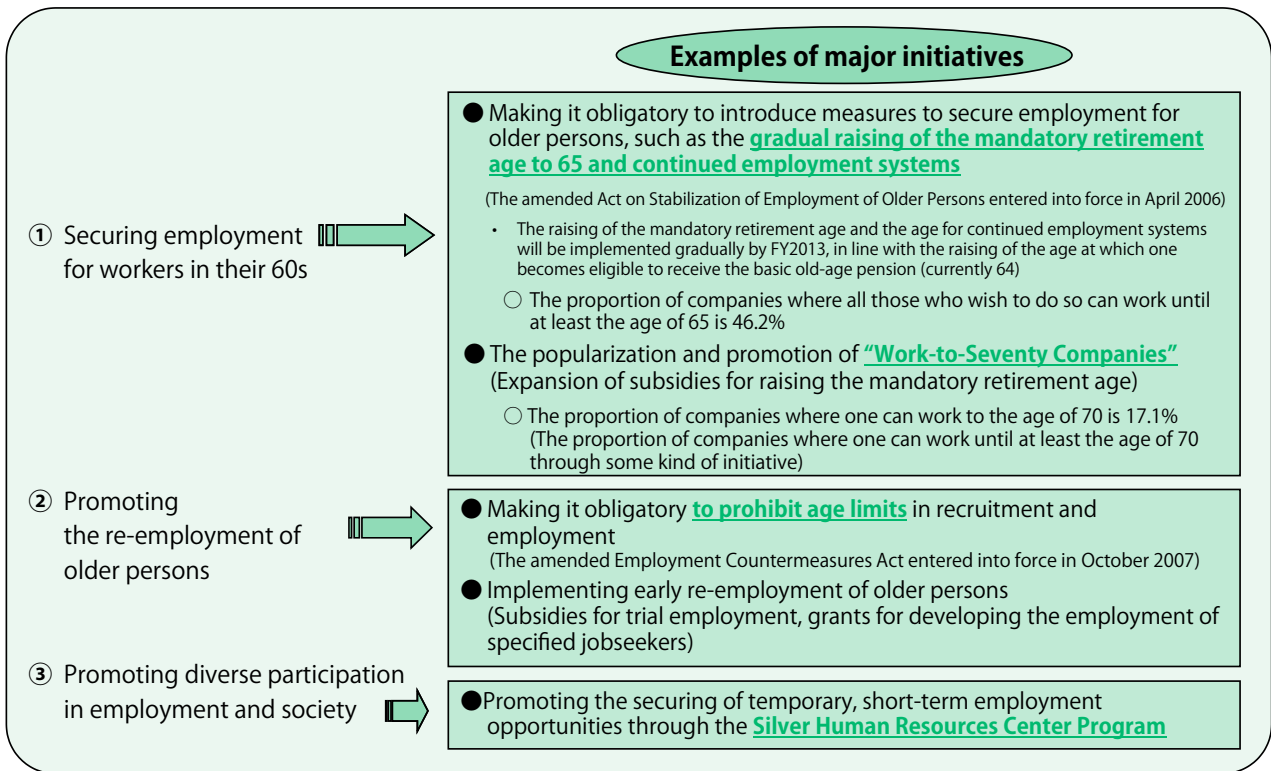
Public Employment Security Offices promote the employment of persons with disabilities by directing the following to submit a hiring plan: (1) business owners whose hiring practices fall significantly below the quota, (2) business owners who need to meet the quota by hiring a large number of persons with disabilities, and (3) business owners in the private sector who plan to hire a large number of workers in the future. A warning is issued to any business owner who does not implement a submitted plan.

The Levy and Grant System for Employing Persons with Disabilities was established to ease the economic burden on business owners who hire persons with disabilities, and to increase job opportunities for the disabled. Levies (50,000 yen) are collected from companies that fail to fulfill the employment quota, and distributed as compensatory payments (27,000 yen) and bonuses (21,000 yen) to companies that employ more physically or intellectually disabled persons than the quota. A number of grants are also awarded to encourage the hiring of the disabled. By informing business owners of these requirements and dispensing grants, we seek to stabilize employment of persons with disabilities and maximize their employment opportunities.

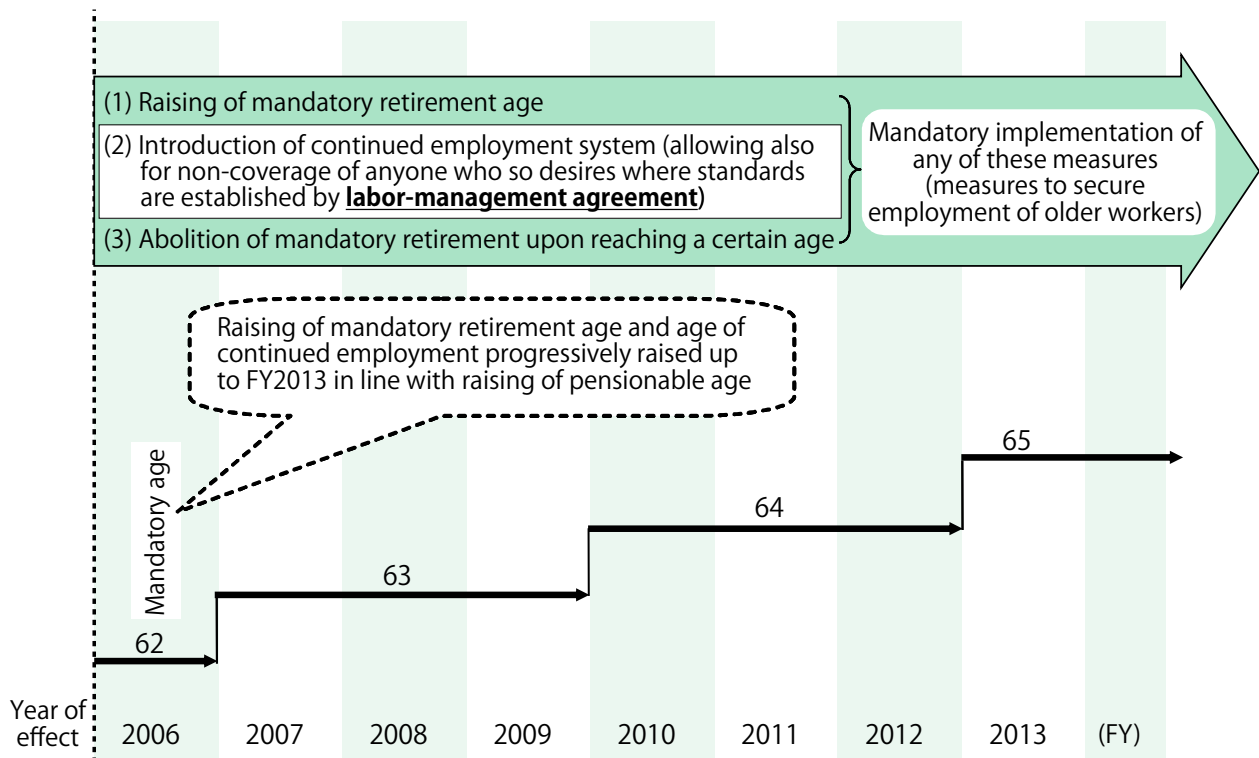
Response to the Convention on the Rights of Persons with Disabilities

At present, the government is considering ways of promoting intensive reforms of Japan’s systems relating to persons with disabilities, including the upgrading of domestic legislation required in order to ratify the Convention on the Rights of Persons with Disabilities. In order to deal with ensuring “reasonable consideration” in the field of employment and labor, which is a new concept in Japan, the Ministry of Health, Labour and Welfare has been holding “Workshops on Approaches to Responses to the Convention on the Rights of Persons with Disabilities in the Field of Labor and Employment” since April 2008 (a total of 11 times) and, since October 2009, it has been holding discussions concerning approaches to that response in meetings of the Labour Policy Council’s Subcommittee on the Employment of Persons with Disabilities (a total of 6 times). In the future, in conjunction with the government’s ratification of the Convention on the Rights of Persons with Disabilities, the Ministry will continue to hold deliberations to enable it to respond to the Convention.

V-1 Organization of Measures concerning the Employment of Older Persons



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



V-3 FY2011 Organization of Measures concerning the Employment of Older Persons

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

- Promotion of raising of mandatory retirement age to 65 and introduction of continued employment schemes, etc.
 - Publicizing and raising of awareness of measures to secure jobs for older workers
 - Instruction, counseling, and advising of employers by public employment security offices
 - Consultations and support provided by senior citizen employment advisers
- Popularization and promotion of companies where everyone who wishes to do so can work until the age of 65 and companies where one can work until the age of 70 under some kind of initiative, according to the actual status of the company
 - Development and guidance for employers through public employment stabilization offices
 - Gathering advanced examples, providing information and giving advice concerning revisions to the personnel treatment system, as well as building the momentum for initiatives by prefectural labor bureaus focused on a system that will enable all those who wish to do so to work until the age of 65 and a system that will enable people to work until the age of 70. (The "Work-to-Seventy Companies" Promotion Project)
 - Utilizing subsidies for raising the mandatory retirement age (subsidies for raising the mandatory retirement age at small and medium-sized enterprises, grants for expanding the job categories occupied by older persons, and subsidies for further ensuring employment for older persons)

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

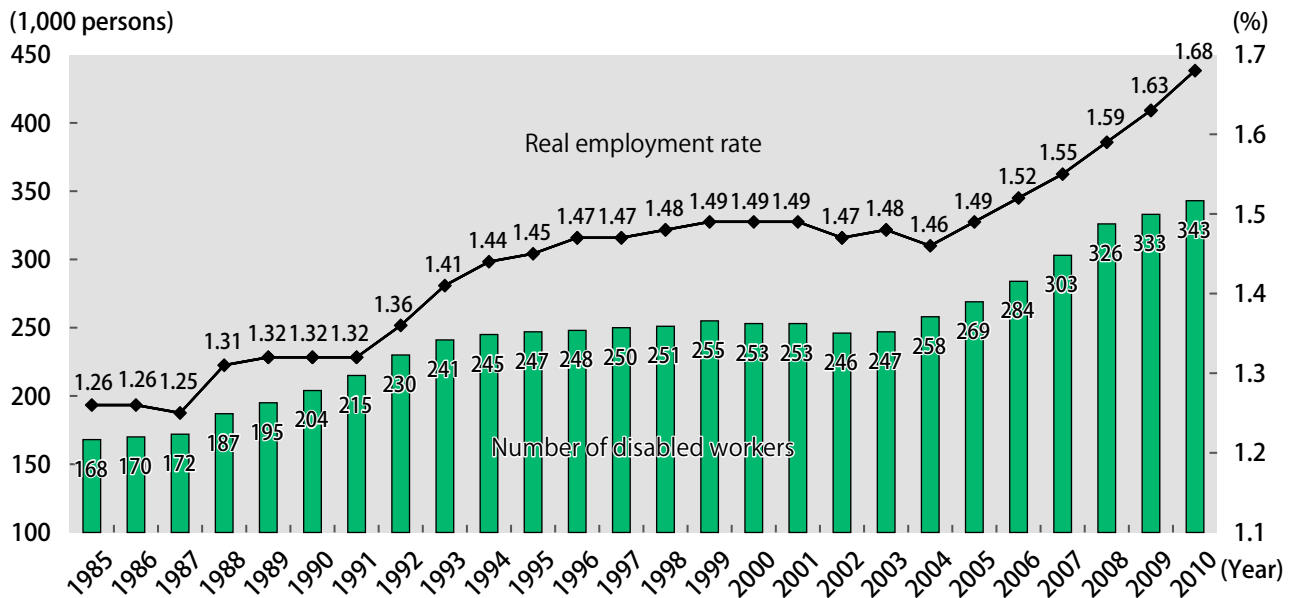
- Promotion of reemployment of middle-aged and older workers
 - Finely-tailored vocational counseling and job search services at public employment security offices
 - Financial incentives for trial employment of middle-aged and older workers
 - Subsidies to develop employment of certain categories of job seekers
 - Integrated provision of skills courses and job fairs in collaboration with industry groups and public employment security agencies (senior citizen work program activities)
- Raising of awareness of prohibition of age limits in recruitment and hiring (obligation to specify grounds for setting age limits where special grounds exist)
- Guidance and support for employers that help middle-aged and older workers who have had to leave their jobs to find reemployment
 - Raising of awareness and provision of guidance regarding requirement to prepare and issue job-hunting support documents in job card format

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

- Promotion of projects by Silver Human Resource Centers
 - Joint support by Silver Human Resource Centers and local governments of ventures planned and proposed by them focusing on "education, childcare, nursing care, and the environment"
- Development of system for registration of skills, expertise, qualifications, and occupational experience, etc. of older people and matching of needs of older people with those of local enterprises, organizations, and local communities, etc. (senior citizen employment support program activities)

Source: Ministry of Health, Labour and Welfare, Elderly Workers' Affairs Division

V-4 Employment Situation for Disabled Persons at Private Enterprise



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

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

The collective totals are for the following disabled categories:

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

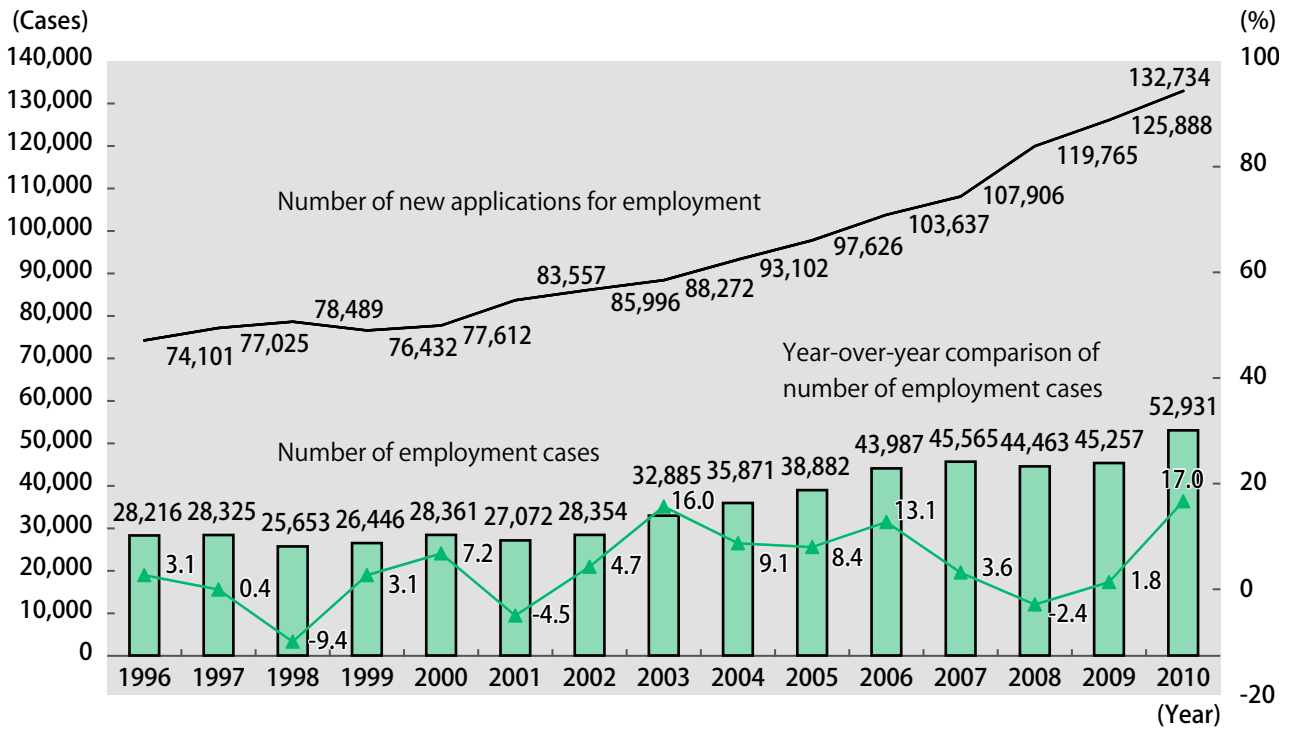
V-5 Situation of Employment Placement of Persons with Disabilities at Public Employment Security Offices

(Cases, persons, % , % points)

Year	1) Number of new applications for employment		2) Number of valid applicants for employment		3) Number of employment cases		4) Employment rate <3)/1)>	
		Year-on-year difference		Year-on-year difference		Year-on-year difference		Year-on-year difference
2001	83,557	7.7	143,777	9.0	27,072	-4.5	32.4	-4.1
2002	85,996	2.9	155,180	7.9	28,354	4.7	33.0	0.6
2003	88,272	2.6	153,544	-1.1	32,885	16.0	37.3	4.3
2004	93,182	5.6	153,984	0.3	35,871	9.1	38.5	1.2
2005	97,626	4.8	146,679	-4.7	38,882	8.4	39.8	1.3
2006	103,637	6.2	151,897	3.6	43,987	13.1	42.4	2.6
2007	107,906	4.1	140,791	-7.3	45,565	3.6	42.2	-0.2
2008	119,765	11.0	143,533	1.9	44,463	-2.4	37.1	-5.1
2009	125,888	5.1	157,892	10.0	45,257	1.8	36.0	-1.1
2010	132,734	5.4	169,116	7.1	52,931	17.0	39.9	3.9

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

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



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

4 Policy on Equal Employment Opportunity between Men and Women

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

The proportion of women in the total labor force population has risen from 39.7% in 1985 to 42.6% in 2010, and women’s share of managerial positions (section manager level or above) has also risen from 1.4% in 1985 to 6.2% in 2010.

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

In the *New Growth Strategy* decided upon by the Cabinet in June 2010, the target of achieving an employment rate of 73% among women aged between 25 and 44 by 2020 was set, and the government is striving to increase the employment

rate among women, above all striving to eliminate the M-shaped curve (the curve representing the employment rate among women by age group) as a crucial task.

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

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

Moreover, the Ministry is supporting voluntary initiatives on the part of labor and management, formulating the *Guidelines on Support for Initiatives by Management and Labor Aimed at Eliminating Wage Disparities Between Men and Women* in August 2010, with a view to securing equal treatment in practice; a practical support tool was built into this, in the form of a questionnaire for gaining an understanding of the actual situation in regard to

disparities and viewpoints on revisions to pay and employment management, in order to promote “realizations” concerning the understanding of the actual status of disparities between men and women and the necessity of initiatives to address this issue (“making visible” disparities between men and women).

In addition to the above, enterprises that take positive action are publicly recognized and information about them is provided via websites and email newsletters to encourage such action, and

conferences to promote women’s involvement in management and the workforce are organized in collaboration with employers’ associations to encourage employers to take positive action on their own initiative. From 2011, the Ministry will formulate and disseminate “support tools for making visible” the degree of equality between men and women, based on the characteristics of the actual status of employment management in each industry type.

5 Promotion of Part-time Work Policies

Entry into effect of the revised Part-time Work Act

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

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

V-7 Overview of the Revised Part-time Work Act* (*Act on Improvement, etc. of Employment Management for Part-time Workers)

Aiming to increase part-time workers’ satisfaction with their working conditions, secure their equal treatment with ordinary workers, and promote their conversion to regular employee status, in order to develop an employment environment in which part-time workers can demonstrate their abilities more effectively.

1 Duty to issue documents and give explanations concerning the conditions of employment

Imposing an obligation (with administrative fines) to issue documents clarifying the conditions of employment

2 Encouraging companies to ensure equal treatment

- (1) Imposing on employers the obligation to strive to ensure the equal treatment, including in terms of wages, of all part-time workers with regular employees, according to the diverse forms of employment
- (2) In particular, prohibiting discriminatory treatment of part-time workers who should be treated in the same way as regular employees

3 Promoting conversion to regular employee status

Imposing on employers the obligation to implement measures to promote conversion to regular employee status, including giving part-time workers the opportunity to apply when deploying new regular employees

4 Supporting the handling of complaints and resolution of conflict

- (1) Imposing an obligation to make efforts to resolve complaints independently
- (2) Developing administrative ADR (such as arbitration)

Date of entry into force: April 1, 2008

Action to Ensure Balanced Treatment

As well as holding individual interviews for part-time workers and providing consultation and support services for employers, the equal employment offices in the prefectural labor bureaus provide administrative guidance by responding to requests for consultations and making planned visits to businesses, and also provide assistance in resolving disputes, in response to applications from workers or employers.

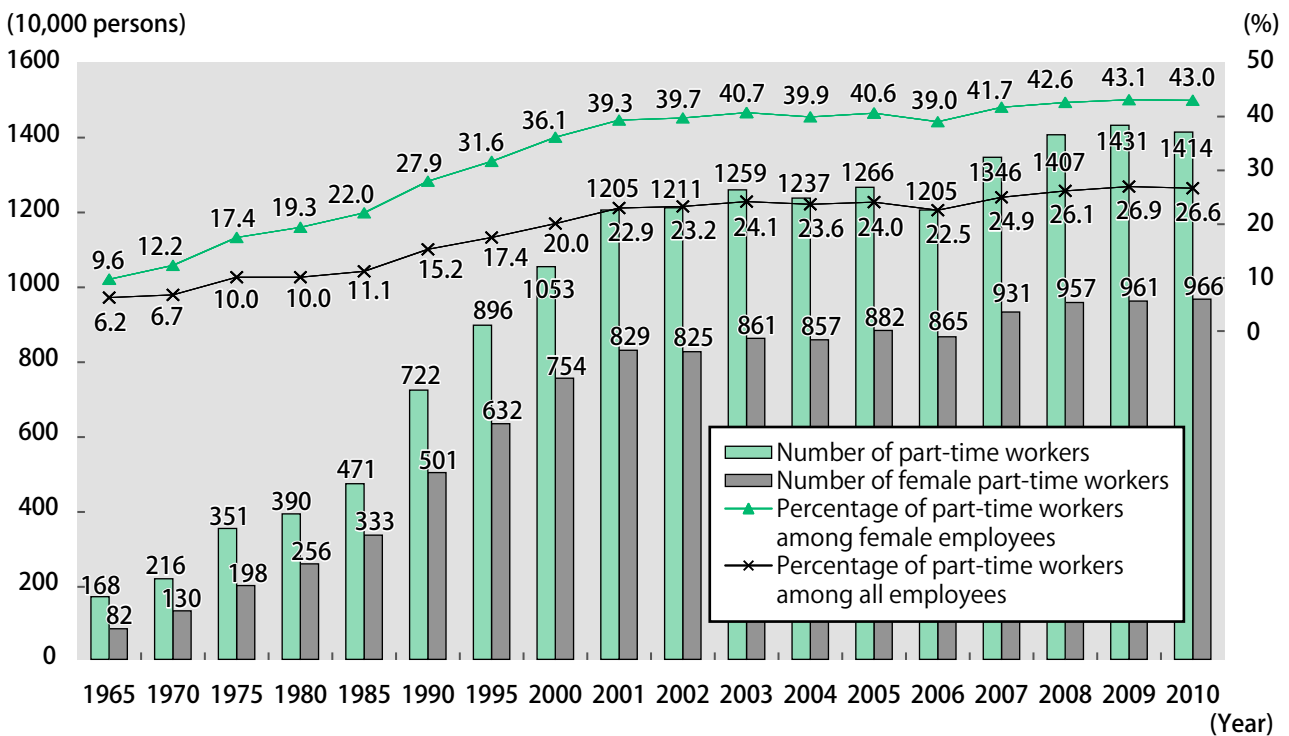
Support for Employers Engaging in Providing Balanced Treatment

Balanced Treatment and Regular Employee Creation Promotion Planners, who are experts in personnel and labor management, are deployed to the equal employment offices in the prefectural labor bureaus; they give advice concerning specific

methods for implementing balanced treatment between part-time workers and regular workers, as well as advice to enable companies to further promote a switch to regular employee status among part-time workers. In addition, they provide support for employment management improvement initiatives by employers, in line with the revised Part-time Work Act.

Moreover, in order to promote improvements in employment management in line with the revised Act, initiatives are being promoted to achieve a switch to regular employee status and secure balanced treatment for part-time workers in comparison with regular employees, by such means as providing subsidies to employers striving to achieve balanced treatment and to promote a switch to regular employee status among part-time workers.

V-8 Changes in the Number and Percentage of Part-time Workers (People Who Work Less Than 35 Hours per Week) in Industries besides Agriculture and Forestry



*The number of part-time workers has increased remarkably in recent years, reaching approximately 14.14 million people in 2010.
 *They account for approximately a quarter of the total number of persons in employment (53.16 million people).
 *Approximately 70% of all part-time workers are women. The number of male part-time workers is also increasing.
 *The number of part-time workers taking on essential roles is also growing.

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

6 Fixed-term Employment Measures

The Current Status of Non-regular Workers, including Workers on Fixed-term Contracts

Among what are referred to as non-regular workers are people referred to by a variety of terms, including part-timers, temporary dispatched workers, contract employees and shokutaku or “entrusted” workers.

The number of non-regular workers has increased from 12.73 million in 2000 to 17.55 million in 2010; moreover, of the fixed-term contract workers who are working under labor contracts that specify their duration, the number of fixed-term contract workers with a contract period of a year or less increased from 6.71 million in 2000 to 7.57 million in 2010.

Improvements in the Employment Management of Fixed-term Contract Workers

Issues that have been pointed out with regard to fixed-term contract workers include the lack of stability in their employment, disparities in treatment, and inadequate professional skill formation.

With regard to part-timers and temporary dispatched workers, measures are being formulated to

improve their employment management based on the relevant laws governing them; in addition, with regard to fixed-term contract employees, who work full-time, the following were drawn up as guidelines based on labor-related legislation, focusing primarily on full-time fixed-term contract employees who have had their contracts renewed several times, in order to improve their employment management:

1. Required measures that all employers should take
2. Measures that it would be desirable to consider in order to seek the implementation of better employment management

At public employment stabilization offices, as well as proactively engaging in publicity, education and consultations concerning the guidelines aimed at employers, the grant system is being utilized and efforts are being made to improve employment management.

Moreover, since October 2010, the Labour Policy Council has been undertaking deliberations concerning approaches to fixed-term labor contracts, and the Japanese government will promote the requisite measures, based on the conclusions of this Council.

7 Measures regarding Dispatched and Subcontracted Labor

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

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

The core thinking underlying this system remained the same despite the deregulation of the scope of job categories covered by the act’s revision in 1999, and it was positioned as a means of adjusting supply and demand for temporary labor through the imposition

of limits on how long dispatched workers could be used by client enterprises in order to ensure that they would not be used to replace regular employees.

With regard to the dispatch of workers, under deregulatory initiatives subsequently introduced in 2003, as well as extending the period during which dispatched workers could be used by client enterprises to a maximum of three years, the embargo on dispatching workers to companies involved in the manufacture of goods was lifted and the number of dispatched workers increased significantly.

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

However, as a result of the rapidly-deteriorating employment situation in the aftermath of the “Lehman Shock” in the autumn of 2008, problems in the employment environment relating to dispatched workers, such as dismissals and cessation of contracts, came to be recognized as a social problem. Amidst the harsh employment situation, the problems that emerged included socially-problematic forms of employment, such as the hiring of day-laborers, as well as the instability of employment in forms of dispatch such as registration-type dispatch and manufacturing operations dispatch. Moreover, it began to be pointed out that these workers were not receiving treatment commensurate with their way of working, with some stating that the pay of dispatched workers was becoming entrenched at a low level.

In light of this situation, in order to seek improvements in the employment stability and treatment of dispatched workers, an amendment to the Worker Dispatch Act that incorporated a ban in principle on registration-type dispatch and manufacturing operations dispatch, as well as imposing the obligation to give consideration to

balanced treatment, was submitted to the Diet in April 2010

The number of dispatched workers after the 2003 amendment was 3.81 million in total, equivalent to 1.74 million regular workers, which was a considerable increase (FY2007). However, due to the rapidly-deteriorating employment situation after the “Lehman Shock” in the autumn of 2008, apart from the number of worker dispatch companies remaining high at 83,677, there was a declining trend among other figures, with the number of businesses to which workers were dispatched falling to 901,935, and the number of dispatched workers decreasing to 3.02 million, equivalent to 1.57 million regular workers (FY2009).

However, on the other hand, amongst cases of guidance and supervision and supervision alone in relation to infringements of the Worker Dispatch Act,

the guidance rate has been increasing annually.

Two particular kinds of violation that have emerged as a problem have been “bogus subcontracting” by enterprises seeking to evade the restrictions imposed by the Worker Dispatch Act, and the “daily hire” dispatch of workers for extremely short periods.

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

8 Public Job Introduction System

The basic purposes of Public Employment Security Offices, which are located in approximately 545 locations all over Japan (including branch offices), are to provide job seekers with the most suitable job opportunities according to their wishes and abilities and to introduce the most appropriate personnel to employers who are looking for employees.

The Public Employment Security Offices are connected online throughout Japan, and offer service using the Hello Work System to provide information about job vacancies and job searches immediately through computers.

In addition, in order to respond appropriately to the recently diversifying needs of users, we have strengthened our agencies by introducing service such as following measures and operations.

Job Banks

These undertake careers advice and employment referrals, specializing in professional and technical roles and managerial posts for those aged 40 or above, and have been established in 12 major cities across the country, in order to promote the re-employment of those with specialist knowledge and skills.

Part-time Job Banks

Part-time job banks (available in 26 locations as of FY2011) have been established in regions where there is intense demand for part-time employment, in order to provide comprehensive specialist employment referral services relating to part-time employment, such as careers advice relating to part-time employment and employment referrals, and facilitate the job-search activities of those who wish to work part-time.

Mothers' Hello Work, Mothers' Salons, and Mothers' Corners

Since FY2006, Mothers' Hello Work branches

have been established in 12 locations; in addition, since FY2007, Mothers' Salons have been established in key cities in 36 prefectures (36 locations) where there is no Mothers' Hello Work branch. Furthermore, Mothers' Corners have been established as support hubs in Hello Work branches in those regions where the above initiatives have not been implemented, focusing on areas where it is anticipated that there will be a great deal of demand; these corners were established in 60 branches in FY2008, 40 branches in FY2009, 15 branches in FY2010, and five branches in 2011. In total, there are support hubs in 168 locations across Japan (as of FY2011, including areas where establishment is currently planned). While creating an environment which women can visit with peace of mind even if they are accompanied by their children, these support hubs provide services to women who have made preparations to engage in job-search activities and wish to return to work as soon as possible, such as providing meticulous careers advice via a case worker system and finding vacancies based on the needs of the individual, as well as providing information about daycare centers and other local child-rearing support services, in collaboration with local government organizations, thereby providing re-employment support to women who are still bringing up children.

Hello Work Plaza

Hello Work Plazas have been established (in 59 locations as of FY2011) in areas that are convenient for jobseekers, in order to provide the careers advice and employment referral services of Hello Work, thereby enabling jobseekers to use these services effectively and promoting matching between jobseekers and available vacancies.

New Graduate Support Hello Work

New Graduate Support Hello Work branches have been established in all prefectures (in 56 locations as of FY2011) since September 24, 2010, as specialist

branches of Hello Work that are easy to use for students and recent graduates seeking work. These branches provide consistent individual support (such as providing advice on how to undertake job search activities, correcting application forms, and providing guidance concerning interviews) and various kinds of

support for matching jobseekers with vacancies (such as providing information on vacancies across the country, providing employment referrals, developing vacancy opportunities, and holding various seminars) based on a system of caseworkers (called Job Supporters).

9 Employment Measures for Foreigners

Basic Approach to Employment Measures for Foreigners

Within the framework of existing legislation, the scope of acceptance of foreign workers has been determined while giving comprehensive consideration to “factors including but not limited to the effects on Japanese industry and public welfare” (Immigration Control and Refugee Recognition Act).

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

Further indication is provided in the Basic Guidelines on Employment Policy (Public Notice issued by the Minister for Health, Labour and Welfare, February 2008), drawn up to map out the mid-term direction of employment policy over the next five years or so, which state that the employment in Japan of foreigners in specialist and technical fields should be actively promoted, and action should be taken to attract high-quality international students and help them to find employment in Japan, and to improve the work environment faced by foreign workers.

Moreover, in the “Action Plan on Measures for Foreign Residents of Japanese Descent” formulated in March 2011, based on the “Basic Policy on

Measures for Foreign Residents of Japanese Descent,” it is stated that interpreters and consultants will continue to be deployed at Hello Work and employment training courses will continue to be implemented.

In addition, there are those of the opinion that the scope of acceptance of foreign workers should be expanded, due to concerns about there being insufficient workforce in the future. However, in order to improve working conditions and avoid impeding the promotion of matching and the securing of personnel through this, as well as because of growing fears about the labor market acquiring a two-tier structure, rather than simply responding through expanding the scope of acceptance of foreign workers, it is believed to be important to first of all achieve participation in the labor market on the part of young people, women, older people, and persons with disabilities within Japan, as per the target set forth in the New Growth Strategy (Cabinet decision dated June 18, 2010), which prescribes total mobilization in regard to the policy, in order to increase the employment rates of young people, women, older people, and persons with disabilities, thereby curbing the decline in the number of employees.

Present Situation regarding Foreign Workers and Issues to Address

With regard to foreign workers of Japanese descent (*Nikkei*), it used to be the case that they could dedicate themselves to work, with everything in relation to their lives, such as their place of residence, being arranged through support provided by the personnel dispatch company or contractor. However, as a result of the rapid deterioration of the employment and unemployment situation from the autumn of 2008, many of these people lost their jobs and homes at the same time, and many of them visited the public employment security offices in regions where numerous foreigners of Japanese

descent had settled. Up till that point, they had been employed in unskilled labor for a long time, communicating through interpreters deployed by personnel dispatch companies, so in addition to lacking any ability in the Japanese language and being unfamiliar with Japanese employment practices, many of them had not accumulated adequate skills, so it was extremely difficult to arrange re-employment for these people. In regions where numerous foreigners of Japanese descent had settled, the number of new jobseekers has declined to pre-Lehman Shock levels, but as can be seen from the fact that the number of consultations remains high, at about three times the previous level, although short-term *Arbeit*-type work is returning through “recovery” in the employment situation, the structure in which a large number of people are in unstable employment, namely dispatch work and contract work, remains unchanged. Moreover, competition with Japanese jobseekers is a factor that is increasing the severity of the re-employment situation for foreign residents.

On the other hand, amidst a situation in which the economy is becoming increasingly globalized, the proactive utilization of highly-able foreign personnel is becoming a crucial issue in regard to increasing the dynamism of the Japanese economy. However, there are still few companies in Japan that accept highly-able foreign personnel, and even if one looks at the utilization situation at companies, the current situation is such that mechanisms that enable foreign personnel to exercise their characteristic creative thinking and expertise effectively are inadequate. Moreover, at present, there are more than 140,000 foreign students residing in Japan, who are “embryonic highly-able foreign personnel,” about 60% of whom wish to seek employment at a Japanese company, but the number of foreign students who had actually found employment at a Japanese company was only 9,584 in FY2009 (announced by the Ministry of Justice, July 2010). The obstacles to foreign students finding employment at Japanese companies include the fact that few companies recruit and employ foreign students, the fact that the period when job search activities take place in Japan is early, so it is difficult to engage in job-seeking while also studying, and the

fact that there is a mismatch between the personnel sought by companies and the skills of foreign students.

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

As well as deploying interpreters in public employment security offices in regions where numerous foreigners of Japanese descent have settled, the Ministry will seek to promote the stable employment of foreigners of Japanese descent by providing young *Nikkei* residents with guidance and career formation advice through individual guidance, as well as providing meticulous employment support through a caseworker system.

Moreover, once one becomes separated from one’s employment amidst the current harsh employment environment, it is exceedingly difficult to find another job. Consequently, in addition to increasing the deployment of interpreters who speak their mother tongues, such as Spanish and Portuguese, in collaboration with public employment security offices and municipalities, the Ministry is building a system for the provision of information and consultations through the establishment of consultation services that can provide one-stop consultations regarding a variety of queries, including issues concerning daily life.

Furthermore, in regard to foreigners of Japanese descent who wish to seek another job within Japan, as well as implementing vocational training for *Nikkei* residents through job training and urgent personnel development projects that aim to enhance their skills, including their Japanese language ability, the Ministry is collaborating with local authorities and striving to secure vocational training opportunities for foreigners.

The promotion of the employment of foreign workers in “specialist and technical fields” – so-called highly-able foreign personnel – is primarily being undertaken by Employment Service Centers for Foreigners, which were established as facilities

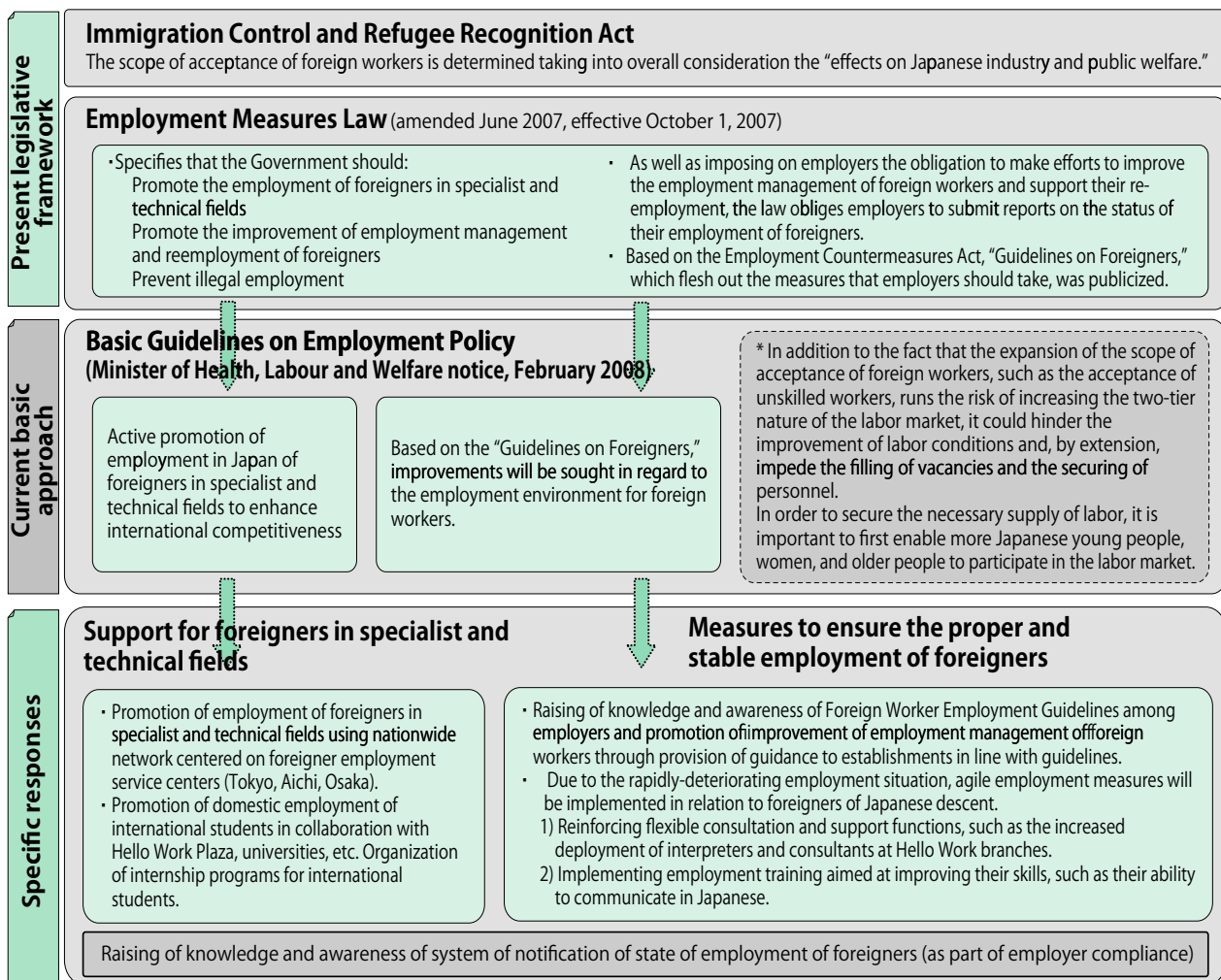
specializing in careers advice and job placements for these foreigners, and providing guidance and advice to employers concerning employment management. In addition, public employment security offices are undertaking such tasks as proactively finding vacancies in “specialist and technical fields” at businesses that are deemed to be able to accept foreign workers in an appropriate fashion.

Moreover, they provide accurate advice and guidance based on the guidelines for foreigners and strive to ensure that the employment of foreign workers in “specialist and technical fields” is promoted through improvements in employment management at companies.

Furthermore, with regard to foreign students who could become highly-able foreign personnel, with the

number of people wishing to find employment in Japan after graduation increasing, in order to reliably connect them to employment opportunities, the Ministry is working on proactively developing employment opportunities for foreign students, providing information to foreign students about job search activities and support for job-seeking, and promoting matching that utilizes the nationwide network. In addition, from FY2008, through the implementation of an internship program aimed at foreign students, the Ministry is promoting mutual understanding between foreign students and companies, and seeking to provide practical preparatory activities aimed at full-scale job-seeking after graduation, thereby further promoting the employment of foreign students within Japan.

V-9 Basic Approach to Employment Measures for Foreigners



V-10 The Acceptance of Highly-able Foreign Personnel Is a National Strategy

① Employment Measure That the Government Should Take

- Clearly positioning the promotion of the employment of foreign people “with advanced expert knowledge and skills” as an employment measure that the government should take.
(Article 4 of the Employment Countermeasures Act)
- There are no restrictions, such as labor market tests or limits on the number of people; they can basically be widely employed as long as they graduated from university.

② Expanding the Acceptance of Foreign Students

- Aiming to accept 300,000 foreign students by 2020.
- Implementing systematic support, from when they enter education, including their acceptance into the university and society, through to their career path after graduating or completing their graduate studies, including finding a job.
(*Plan to Accept 300,000 International Students (Outline)* (Formulated July 29, 2008))

③ Increasing the Number of Highly-Able Foreign Personnel Living in Japan

- Aiming to double the number of highly-able foreign personnel living in Japan by implementing measures to attract them to Japan.
- Aiming to accept 300,000 high-quality foreign students.
- Furthermore, in order to attract intelligent foreign personnel to Japan, consideration will be given to introducing a “points system” that gives preferential measures in terms of immigration control to advanced foreign personnel with an excellent employment history and record of achievement
(*New Growth Strategy*, Cabinet decision taken in June 2010).

④ Ministry of Health, Labour and Welfare initiatives aimed at developing an environment for promoting the utilization of advanced foreign personnel

- Promoting internships and nationwide matching focused on Foreign Worker Employment Service Centers.
- Implementing the “Program to Promote the Utilization of Advanced Foreign Personnel at Companies” in FY2009 & 2010.
Gaining an understanding of needs through questionnaires, formulating practical manuals for companies concerning the previous year’s project, and holding seminars.

10 Promotion of Measures to Assist Work-life Balance

Charter and Action Guidelines to Promote Work-life Balance

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

1) Work-Life Balance Charter

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

2) Action Guidelines to Promote the Work-life Balance

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

Promotion of Measures to Assist Work-life Balance

1) Promotion of Reform of Working Patterns

Based on the Charter and Action Guidelines, from the perspective of promoting a good work-life balance, the Ministry of Health, Labour and Welfare is undertaking reforms in ways of working throughout society, including promoting corporate initiatives aimed at curbing long working hours and encouraging workers to take paid annual leave.

More specifically, it is supporting endeavors aimed at improving the setting of working hours by small and medium-sized enterprises, through such initiatives as subsidies to promote improvements in the setting of working hours. Moreover, it is publicizing and educating employers about the *Guidelines on the Amendment of Working Hours* (guidelines on improving the setting of working hours), which set forth the matters required for employers to appropriately deal with the setting of working hours, and is promoting autonomous initiatives by labor and management.

2) Promotion of Measures to Support Balance of Work and Home

Upgrading the environment to ensure that it is easy for both men and women to continue working while bringing up children or looking after elderly relatives realizes the wishes of the individual and, by extension, leads to the maintenance and improvement

of Japan's dynamism. However, if one looks at the reality of the situation, one can see that the number of women who leave their jobs when they give birth to their first child has reached 62%, among whom there are quite a few who quit their jobs because it is difficult to combine work with child-rearing. Moreover, irrespective of the fact that more than 30% of men wish to take childcare leave, the proportion of men who actually take childcare leave is still only 1.72%.

Thus, there is a situation in which it is not possible for men and women to combine work with family life, and this is believed to be a factor behind the declining birth rate. Accordingly, in the *New Growth Strategy* decided upon by the Cabinet in June 2010 and the Action Guidelines of the Top-level Public/Private Council on the Work-Life Balance, which were decided upon in the same month, the numerical targets were set of achieving a continued employment rate for women around the time of the birth of their first child of 55%, and a rate of taking childcare leave among men of 13% by 2020. Moreover, the Ministry of Health, Labour and Welfare is implementing the following concrete measures.

(1) Thorough publicizing of the amended Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave

The amended Act on the Welfare of Workers Who Take Care of Children or Other Family Members Including Child Care and Family Care Leave entered into force on June 30, 2010. This obliged employers to implement a system of short-time working for workers caring for children under the age of three and institutionalizes their exemption from working outside their normal working hours, as well as creating additional childcare leave for parents and leave for taking care of family members. Moreover, mechanisms aimed at ensuring their legal effectiveness were established.

In order to support the upgrading of the workplace environment so that both men and women can continue working while bringing up children or caring for family members, the amended law is being

thoroughly publicized. Moreover, prefectural labor bureaus provide the requisite advice, guidance or recommendations concerning disputes between workers and employers, when their assistance in resolving these is sought by the parties concerned.

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

The Act on Advancement of Measures to Support Raising Next-Generation Children obliges general employers to formulate an action plan to support employees in combining work with child-rearing and to submit this to their prefectural labor bureau, as well as obliging them to advertise this and publicize it among their employees. The amendment entered into force in April 2011 and the scope of application of this obligation was expanded from companies with at least 301 regularly-employed employees to companies with at least 101 regularly-employed employees.

Moreover, enterprises that develop and implement appropriate action plans and meet certain requirements, such as attainment of their objectives, are accredited by the Minister of Health, Labour and Welfare and allowed to use the "Kurumin" mark in recognition of their family friendliness.

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

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

In addition to (1) and (2) above, the Government is working to develop conditions that facilitate the balancing of work and personal life through such measures as providing various subsidies to enterprises that promote balance, encouraging the spread of "family-friendly enterprises" through the "Equality and Work-Life Balance Enterprises Recognition" program.

11 Minimum Wage System

Purpose of System

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

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

Methods of Determination and Types of Minimum Wage

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

*Another method of determining minimum wages, called the “expanded collective labor agreement method”, was discontinued under revisions to the Act effective from 2008.

Minimum wages are of three kinds—regional, industrial, and occupational—of which two are presently set: 1) regional minimum wages and 2) industrial minimum wages.

1) Regional minimum wages

(All 47 prefectures had regional minimum wages in FY2008. These covered approximately 50 million workers, and the weighted average amount was 703 yen).

Regional minimum wages are determined at the level of each prefecture and accordingly named after the prefecture. As a rule, they apply to all workers working at establishments and all employers employing even just one worker in the prefecture concerned.

2) Industrial minimum wages

(There were 251 industrial minimum wages in FY2008, covering approximately 3.81 million workers. The weighted average amount was 786 yen).

Almost all industrial minimum wages (249 of the total) are established for a specific industry in a given prefecture, and accordingly named after the prefecture and industry concerned. One minimum wage covers a specified industry nationwide, and is named accordingly.

Following the recommendations of the Central Minimum Wage Council dated July 29, 1981, and February 14, 1986, industrial minimum wages are established where the employers and workers concerned consider it necessary for wages to be higher than the regional minimum in order to improve working conditions and ensure fair business competition. (247 “new industrial minimum wages” of this kind have so far been set.)

The “former” industrial minimum wages set before these recommendations were made have not, with the exception of those replaced by new equivalents, been revised since 1989, and have been phased out as they have fallen below the regional minimum wage. Presently only three minimum wages of this kind remain.

Standards for Determination of Minimum Wages

Minimum wages are established taking into all-round consideration three factors: 1) workers’ cost of living, 2) workers’ wages, and 3) the capacity of normal industries to pay wages. When considering the first factor, consideration is shown for consistency with measures pertaining to public assistance to enable workers to maintain the minimum standards of wholesome and cultured living (Article 9 of the Act).

Revision of Minimum Wage Rates

Since 1978, guideline increases to regional

minimum wages have been presented every year by the Central Minimum Wage Council to the regional minimum wage councils in order to ensure consistency nationwide. The Regional Minimum Wage Councils then consider revisions to the regional minimum wage in their area based on local conditions and taking these guidelines into consideration.

Industrial minimum wages are revised after deliberation by a minimum wage council where it deems this necessary following a request by a representative of some or all workers or employers (Article 15, Paragraph 1 of the Act).

Expression of Minimum Wage

Minimum wages are presently expressed in the form of an hourly rate as provided for by Article 3 of the Act. (However, some industrial minimum wages are expressed as both a daily rate, as in the past, and as an hourly rate: the daily rate applies to those workers in the industries concerned who are paid a daily wage, and the hourly rate applies to those paid an hourly or monthly wage. Following the entry into effect of the revised Act in 2008, minimum wages expressed as daily rates must also be expressed as an hourly rate when next revised.)

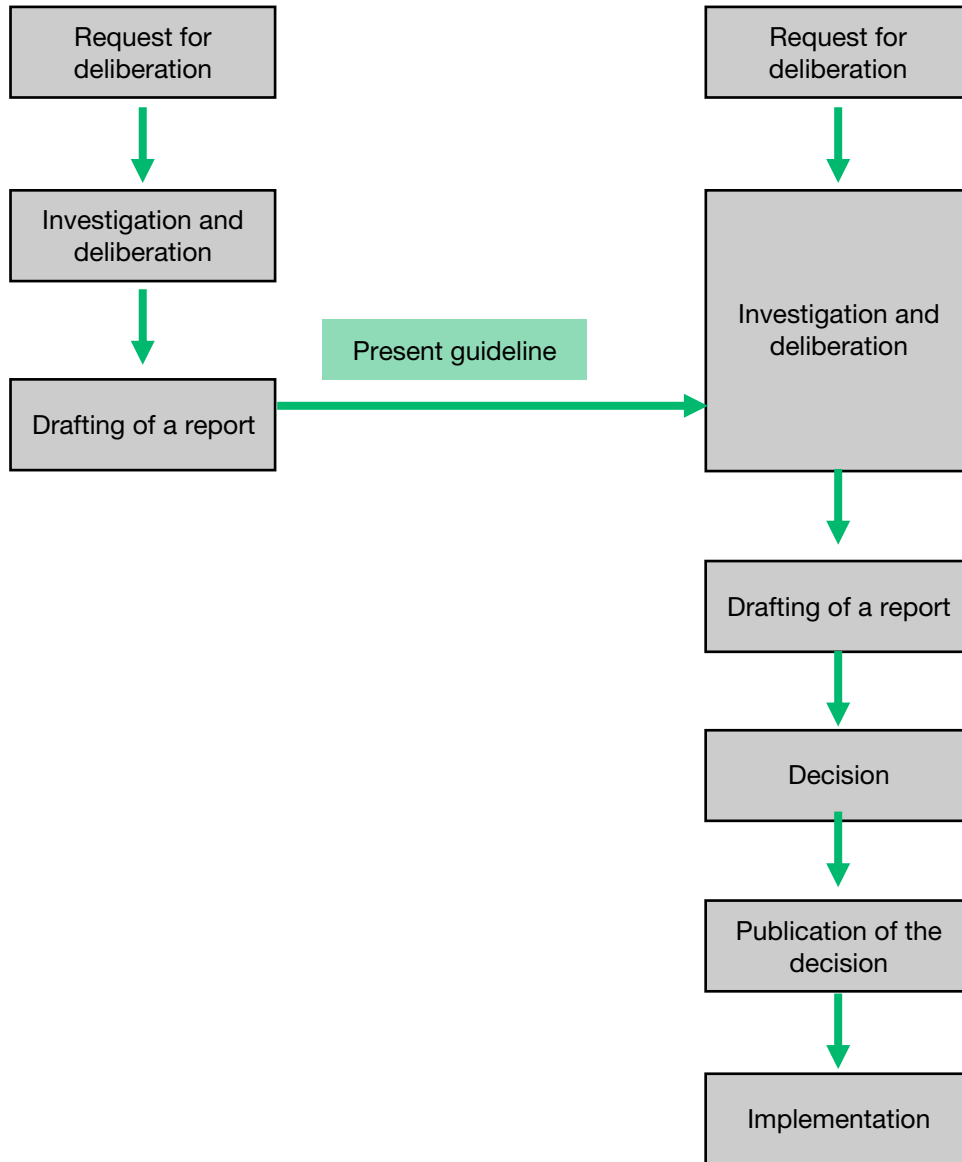
In order to determine whether the wage actually paid meets the minimum wage, therefore, the actual wage received less the allowances for dependents, etc. shown in 5 is compared with the minimum wage by the appropriate method shown below according to the mode of payment of wages (Article 2 of the Rules).

- 1) Hourly wage ····· Hourly wage \geq minimum wage (hourly rate)
- 2) Daily wage ····· Daily wage / scheduled working hours per day \geq minimum wage (hourly rate)
(Daily wage \geq daily rate of minimum wage in the case of industrial minimum wages to which a daily rate applies)
- 3) Monthly wage ··· Wage is converted to an amount per hour and compared with the minimum wage (hourly rate)

V-11 Methods Used to Set Minimum Wages (Minimum Wage Set through Minimum Wage Council Investigation and Deliberation)

Central minimum wage council
【Consideration for guideline】

Regional minimum wage council
【Consideration for regional minimum wage】



V-12 Minimum Wages (Weighted National Average)

(As of December 1, 2010, yen)

	Hourly rate
Minimum wage by prefecture	730
Minimum wage by industry	796

Trends of Occupational Accidents and Work-related Diseases

Although the number of work-related casualties has a long-term trend of steady decrease, as many as 480,000 casualties are still seen in Japan every year. Moreover, if one looks at the number of deaths, one can see that the figure for 2010 was 1,195 people, the first increase in 11 years, since 1999.

Regarding the situation of workers' health, on the other hand, the results of periodic health examinations show around 50% of all workers having some abnormal findings. Besides, a survey conducted by the Ministry of Health, Labour and Welfare (hereinafter referred to as MHLW) in 2007 shows around 60% workers are having some serious anxieties or stresses resulted from their work or working life in the workplace.

Current Situations and Challenges in Industrial Safety and Health Measures

Since 1958, the MHLW has launched and implemented ten Industrial Accident Prevention Plans (5 years each). In accordance with the 11th Industrial Accident Prevention Plan (2008-2012), the MHLW is working on the following challenges:

1. Promotion of risk assessment and implementation of risk reduction measures based on the findings
2. Prevention of accidents caused by machinery
3. Prevention of health impairments caused by chemical substances
4. Promotion of measures against mental disorders in the workplace

Workers' Compensation Insurance System

This government insurance system pays the necessary insurance benefits to workers to give them prompt and equitable protection against injury, illness, disability, death, etc. resulting from employment or commutation. The system also provides welfare services to injured workers to promote their smooth return to society (see V-14).

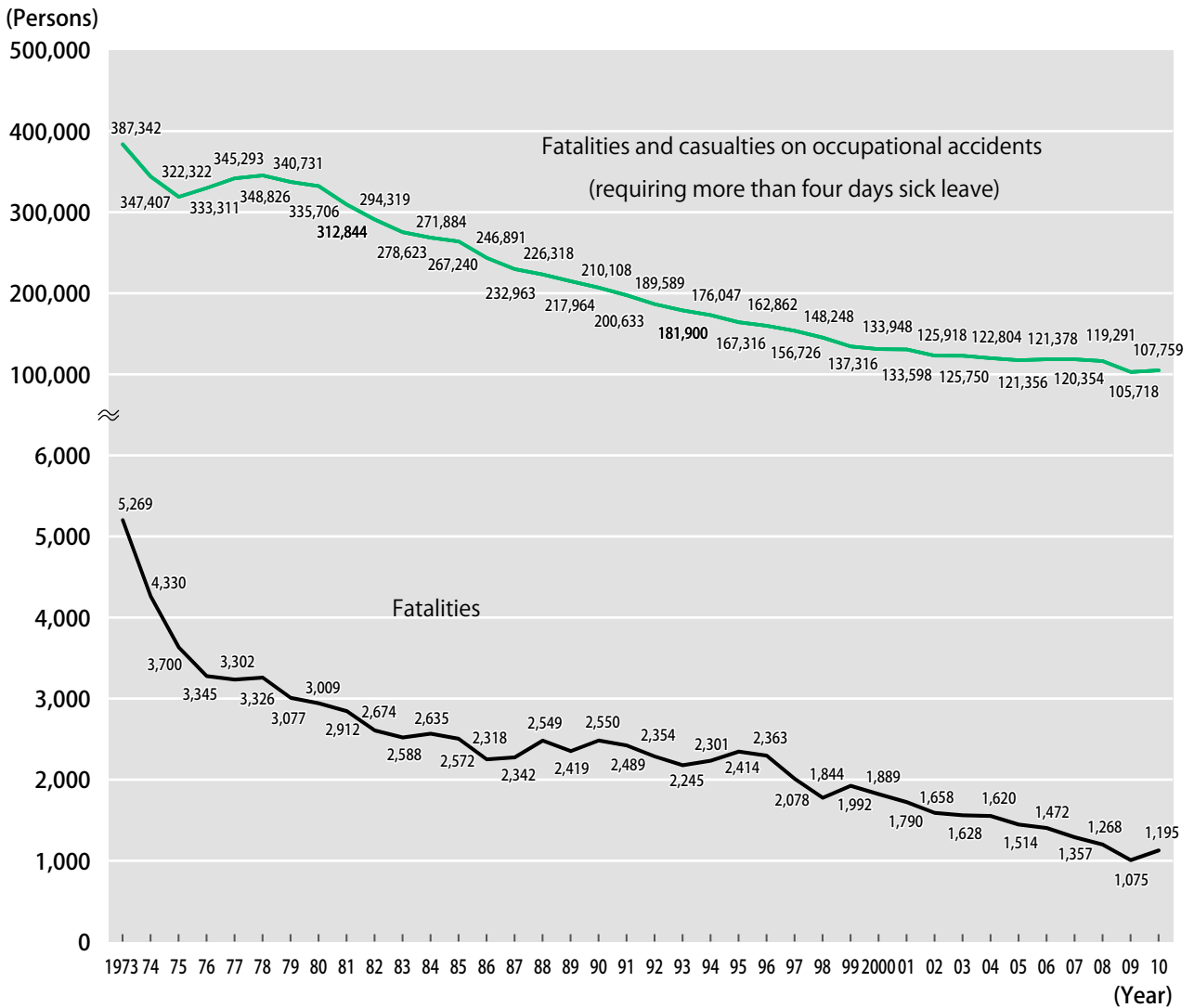
(1) Eligibility

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

(2) Insurance Premiums and the Burden of Expenses

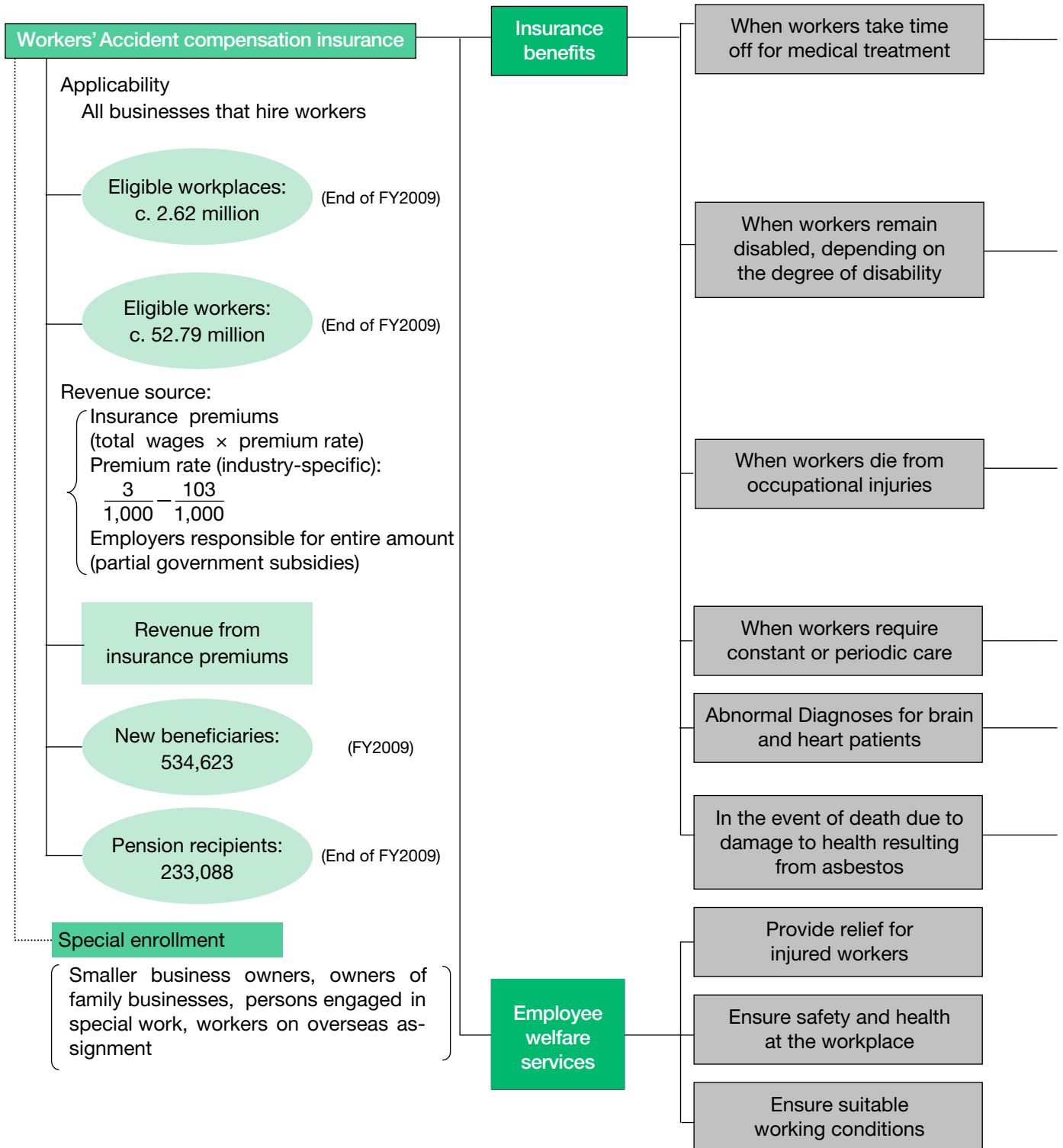
Employers are required to pay insurance premiums, which are calculated by multiplying total payable wages by the accident rate determined for each business category (3/1,000-103/1,000). Companies larger than a specific size may participate in a so-called merit system, whereby premium rates or total premium (excluding those related to accidents occurring while in commute or benefits for a second physical exam) are based on relevant accident rates at each company.

V-13 Changes in Reported Cases of Occupational Accidents



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

V-14 Outline of Workers' Compensation Insurance System



Compensation for medical expenses	All medical expenses	
Compensation for missed work	60% of standard benefits per day of work missed, beginning on the fourth day of absence	+ Additional special benefits * Special benefits for missed work * Special lump-sum payments * Special pensions
Compensation for illnesses or injuries (pension)	Payment ranging from 245 (Class 3) to 313 (Class 1) days' worth of pension at standard daily rate to those who have not recovered from illnesses or injuries after 18 months of treatment	
Compensation for disabilities (pension)	Payment ranging from 131 (Class 7) to 313 (Class 1) days' worth of pension at standard daily rate	
Compensation for disabilities (lump sum)	Payment ranging from 56 (Class 14) to 503 (Class 8) days' worth of pension at standard daily rate	
Compensation to survivors (pension)	Payment ranging from 153 days to 245 days' worth of pension at standard daily rate, according to number of survivors	
Compensation to survivors (lump sum)	Lump-sum payment amounting to 1,000 days' worth of standard pension to survivors not eligible for pensions	
Compensation to Funeral expenses (Full payment)	¥315,000 + 30 days of standard compensation (minimum compensation: 60 days' worth at standard daily rate)	
Compensation for nursing care	Up to ¥104,530 for constant care and ¥52,270 for occasional care, per month	
Payment for a second medical exam	Second exam to ascertain cardio vascular or heart condition and special health guidance by a doctor	
Special pension for bereaved family members	¥2.4 million - ¥3.3 million a year, according to the number of bereaved family members	
Special lump-sum benefit for bereaved family members	¥12 million yen or the amount remaining after deducting the total amount of sums paid as special pension for bereaved family members from ¥12 million, according to the bereaved family	

(Provision of artificial limbs, establishment and administration of industrial accident hospitals)

(Special benefits for injured workers; benefits to defray the cost of educating injured workers' children)

(Implementation of measures for preventing accidents at the workplace and promoting occupational medicine)

Source: Ministry of Health, Labour and Welfare

Notes: 1) Standard daily rate is calculated by dividing total wages paid to a worker during the three calendar months preceding the injury by the number of calendar days in that period (minimum compensation: ¥4,040).

2) Minimum and maximum standard daily rates for pensions and long-term (18 months) medical treatment are determined according to age group.

3) There are merit systems that increase or decrease health care rate (amount of insurance premium) according to the balance of industrial accident insurance for each business (40% for persons occupied in continual businesses, and among businesses for a definite term, 40% for persons occupied in construction business and 35% for persons occupied in logging business).

13 Vocational Skills Development Policy

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

- (1) Providing vocational training at public human resources development facilities (the narrow definition of public vocational training).
- (2) Encouraging employers and employer associations in the private sector to offer vocational training by awarding subsidies, disseminating information, and providing consulting services.
- (3) Motivating workers to acquire skills voluntarily by granting subsidies and providing informational and consulting services.
- (4) Conducting meticulous career consultation services to a wide range of jobseekers, providing opportunities for practical vocational training, and compiling job cards that evaluate their post-training vocational skills and work experience, thereby promoting a shift to stable employment (job card system).

V-16 shows the ways in which public vocational training has been implemented in Japan. Graduates from school are offered mainly long-term training lasting one to two years, while unemployed workers receive mostly training of six months or less and employed workers primarily receive short-term training of only a few days. By act, vocational training is offered to those changing occupations (and currently unemployed) and the physically disabled free of charge, but the cost of texts and other materials is borne by trainees. Some training courses for those changing occupations (and currently unemployed) are entrusted to private sector education and training institutions. Training subjects taught at public human resources development facilities are mostly vocational and technical subjects for industries such as manufacturing and construction, but among

the training commissioned to the private sector, courses are established in various subjects like computers and social welfare. Short-term vocational training for the employed is implemented based on the needs of employers or employers’ associations of the region.

The Polytechnic University, a public vocational capacity development university, provides training and education to cultivate public vocational training instructors and develops textbooks for that purpose.

Of the aforementioned public vocational training, the training provided to those who have become separated from their employment was mainly focused on those receiving employment insurance benefits, and it was difficult for those not receiving employment insurance benefits to obtain such training. Consequently, a fund was created and during the period from July 2009 to the end of September 2011, a system is being implemented to provide those not receiving employment insurance benefits with free vocational training and benefits to support their living expenses during the training period. Under this system, qualification programs submitted by private-sector education and training institutions are accredited and training is implemented. From October 2011, this system will become permanent, under the name “Jobseekers Support System”.

Steps taken to promote education and training in the private sector are outlined in V-15. This system is aimed at workers who have been enrolled in the employment insurance system for at least three years (at least one year in the case of the first time) and provides a supplement of 20% of the course costs, up to a maximum of ¥100,000, in the event that an eligible worker takes and completes an education or training course stipulated by the Minister for Health, Labour and Welfare.

As of April 2011, the system encompassed 7,719 courses at 1,902 facilities, covering a wide range of courses, from computer-related qualifications and courses aimed at preparing participants for

bookkeeping tests, to courses aimed at training home-helpers.

Moreover, in April 2008, the job card system was established. Revised in April 2011, this system targets a wide range of jobseekers, providing practical vocational training opportunities after raising awareness and clarifying issues through meticulous careers consulting, and compiling “job cards” with the results of evaluations from the organizations implementing training and details of work experience, thereby promoting a shift to stable employment.

The vocational training under this system includes the following:

(1) Fixed-term practical training: This is practical

training through which companies employ “freeters” and others with little experience of working as regular employees, for a period of three to six months.

(2) Practical human resource cultivation system:

This is training through which companies primarily employ new graduates for a period of six months to two years, in order to cultivate them as core frontline personnel.

(3) The Japanese-style dual system: This is training outsourced to private-sector education and training institutions for a standard period of four months, aimed at jobseekers who need to acquire practical vocational skills.

V-15 Overview of Support for Vocational Training at Private-sector Companies

<Support for the Formulation of In-House Vocational Ability Development Plans>

○ Support Through Vocational Ability Development Service Centers

At Vocational Ability Development Service Centers, the development of vocational abilities within companies is promoted through the services such as the following:

- Advice and guidance concerning the formulation of in-house vocational ability development plans
- Implementing training for those promoting the development of vocational abilities concerning advice and guidance regarding career formation for workers.

<Support for the Implementation of Vocational Training>

○ Support Through Subsidies for the Promotion of Career Formation

In order to effectively promote the career formation of workers within companies, subsidies will be provided to cover part of the training costs and wages during training periods of workers whose employers implement vocational training with clearly-specified goals and support the independent development of their vocational abilities.

○ Support Through Accredited Vocational Training Systems

Vocational training undertaken by employers that meets the standards stipulated by the Ministry of Health, Labour and Welfare in regard to its subjects, training periods, and equipment, can be accredited as such by the governor of the relevant prefecture, based on an application for accreditation. Vocational training that has received this accreditation is called accredited vocational training, and subsidies are provided to the operators of small and medium-sized enterprises implementing such training, to cover the cost of running accredited vocational training.

V-16 Implementation Status of Public Vocational Training

1. Public Vocational Skill Development Facilities	266 colleges (as of April 1, 2011)
National (Employment and Human Resources Development Organization of Japan)	73 colleges
Polytechnic University	1 college
Prefectural	172 colleges
Municipal	1 college
Vocational Skills Development Center	19 colleges

2. Implementation Status of and Plans for Public Vocational Training

(Persons)

	FY2009 results	FY2010 results	FY2011 plan
Training for unemployed people	191,228	165,307	215,100
Of which, number outsourced	140,690	119,260	170,229
Organization	116,332	68,376	34,191
Of which, number outsourced	79,978	35,429	2,608
Prefectural	74,896	96,931	180,909
Of which, number outsourced	60,712	83,831	167,621
Training for employed people	104,191	91,182	129,199
Organization	42,367	35,778	57,000
Prefectural	61,824	55,404	72,199
Training for graduates	21,139	20,989	23,040
Organization	6,754	6,529	5,880
Prefectural	14,385	14,460	17,160
Total	316,558	277,478	367,339
Organization	165,453	110,683	97,071
Prefectural	151,105	166,795	270,268

Outsourced training includes outsourced training utilization-type dual systems, while training for graduates includes ordinary and specialist course utilization-type dual systems.

(Persons)

Training for disabled people	FY2009 results	FY2010 results	FY2011 plan
Training for unemployed people (within institutions)	2,393	-	2,990
Training for unemployed people (outsourced)	6,067	-	9,000
Training for employed people	343	-	1,550
Total	8,803	-	13,540

Source: Ministry of Health, Labour and Welfare

1 The Subject of Japan's Social Security System

Japan's Social Security System Responds to Socioeconomic Changes and Risks in Daily Life

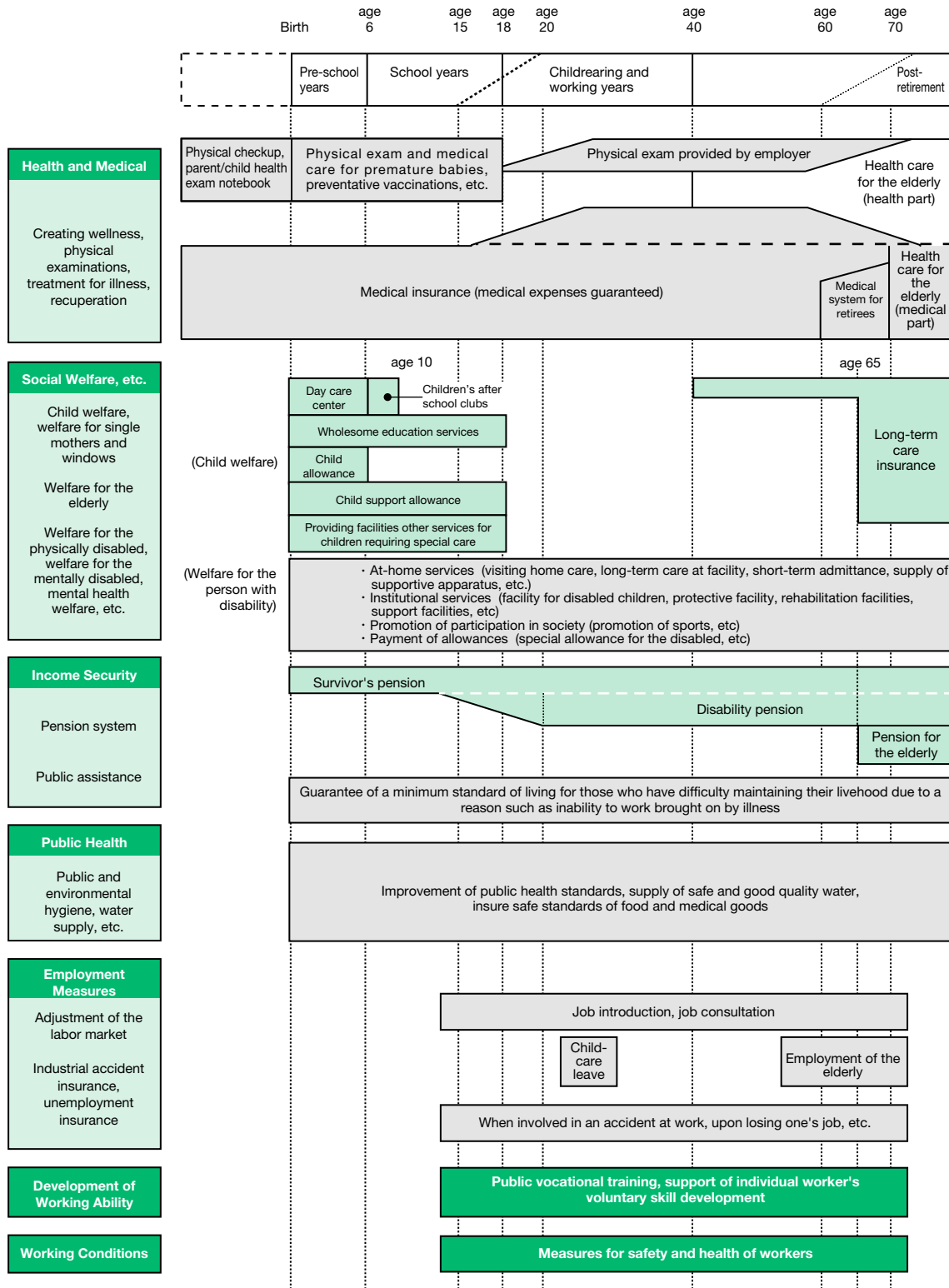
Since the worldwide economic downturn in September 2008, the unemployment rate has risen and the employment environment has become increasingly harsh for non-regular employees and older people. The economic growth rate did move from negative to positive growth, but as there is a time lag until its effects are felt in the labor market, the unemployment rate among young people remains at a high rate even now, compared with the situation in previous periods of steady growth. Moreover, even when they are able to find employment, they are often in non-regular employment and because the wages for non-regular employment are lower than those for regular employment, it is difficult for them to build a family and raise children. Accordingly, the government set forth its *Vision for Children and Young People* in 2010 and indicated that it would implement cross-cutting measures across a range of ministries and agencies, aimed at enhancing measures to deal with poverty and improve child welfare, in order to contribute to the sound development of children and young people. Subsequently, the Great East Japan Earthquake occurred in March 2011, so guaranteeing the provision of medical, nursing care and welfare services and securing employment for the people of the affected areas, as well as ensuring the economic recovery of the disaster-hit areas in the

medium to long-term, are pressing policy challenges relating to the social security system.

Amidst this kind of situation, the social security system, which guarantees people's livelihoods, using taxation and social insurance as a source of funding, plays an important role in responding to various risks that occur in people's everyday lives, such as the loss of income as a result of illness, disability, unemployment and retirement. Japan's social security system is similar to those in Europe and the U.S. in that, to satisfy each stage of people's lives, it is composed of such elements as medical insurance, public health services, social welfare services, income maintenance, and employment measures (see VI-1). Of these, medical insurances, health care programs for older people, long-term care insurance and pension systems, as well as unemployment insurance and industrial accident compensation insurance are the social insurances that are mainly financed by social insurance premiums and partly subsidized by the government revenues. In contrast, welfares for the child, for single mothers and widows, for older people, for people with disabilities, and for the poor as well as public health services are all public policies provided with funds drawn from taxes.

Internationally speaking, the characteristics of long-term care insurance and health care programs for older people in Japan is that they are half funded at public expense out of tax revenues although they are included in social insurance.

VI-1 Social Security System by Life Stage



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

The Benefits and Cost Burden of Social Security

In order to make an international comparison on the trend of social security, the Organisation for Economic Co-operation and Development (OECD) is disclosing information on indices of social expenditure that includes pension funds, medical care and welfare for the poor, child allowance that gets transferred, social security benefits from expenditures on welfare services and expenditures such as expenses for facility development that do not get transferred directly to individuals (OECD Social Expenditure Database 2001). Looking at the percentage of social expenditure occupying the national income, Japan's ratio is lower than European countries, but higher than the U.S. (see upper section of VI-2). Furthermore, based on the figures in closely related years, the percentage of national income occupied by social security costs is low when compared with that in Germany, France, and Sweden, but higher than the U.S. and the U.K. (see lower section of VI-2).

Japan's expenditure on social security benefits is rising as the birthrate declines and the population ages. As of 2011, the total population of Japan was 127.93 million people, while the population of those aged 65 or above had reached 29.6 million (Ministry of Internal Affairs and Communications, *Monthly Report on Current Population Estimates*, May 2011).

As a result, the population aging rate ((population aged 65 or above/total population) x100) was below 10% in 1980, at 9.1%, but it had increased above 10% to 12.1% by 1990, reaching 23% as of 2010. This progressive aging of the population is bringing about an increase in the number of people receiving pension payments; moreover, per capita medical benefit payments are about five times higher among older people than among those of working age, so medical and healthcare costs have also increased. The growth in medical and healthcare costs declined temporarily with the introduction of nursing care insurance in 2000, but they have been on the rise again since then. As population aging is also leading to an increase in the number of older people in need of care due to the increase in number of "old-old," expenditure in long-term care insurance benefits is also rising. As a consequence, the rise in expenditure on social security benefits, including pension, health care, and long-term care insurance benefits, continues (see VI-3). While expenditure on benefits (especially for older people) has risen in response to population aging, expenditure on welfare-related benefits, including child welfare, continues to account for a small proportion of Japanese expenditure on social security benefits due to the insufficient expansion of childcare-related benefits compared with Scandinavia and France, despite the importance attached to reversing the decline of the birthrate.

VI-2 International Comparison of Social Expenditures and National Burden Ratios

	Japan	United States	United Kingdom	Germany	France	Sweden
Social expenditure (% of national income)	26.1	20.3	27.4	35.3	39.4	37.5
Social expenditure (% of GDP)	19.1	16.5	21.3	26.2	28.8	27.7
National burden ratio (% of national income)	40.0	34.9	48.3	52.4	61.2	64.8

Source: 2008 Social Security Benefits (National Institute of Population and Social Security Research)

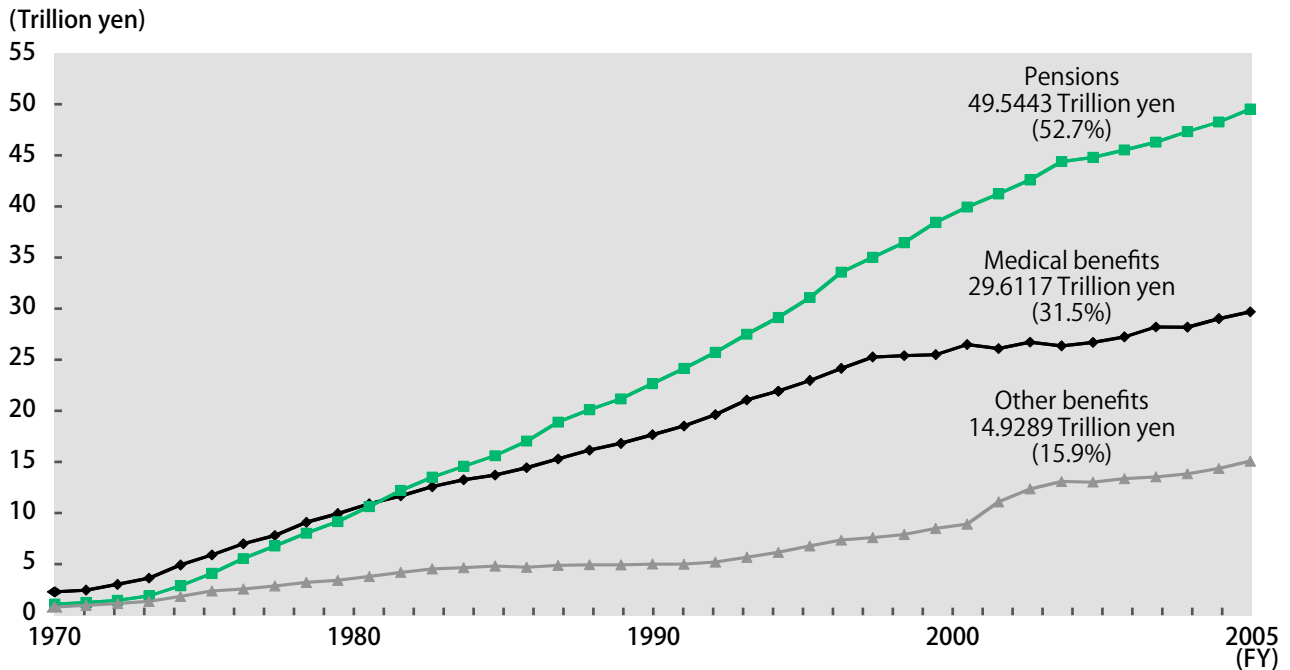
Data on the social expenditures of each country are based on OECD standards.

Notes: 1) (Potential) national burden ratio includes costs other than social security.

2) Data for countries other than Japan are from *OECD Social Expenditure Database*, 2010 edition

Statistics for Japanese national income and GDP are from Cabinet Office Economic and Social Research Institute, 2010 National Accounts.

VI-3 Changes in Social Security Benefits by Category

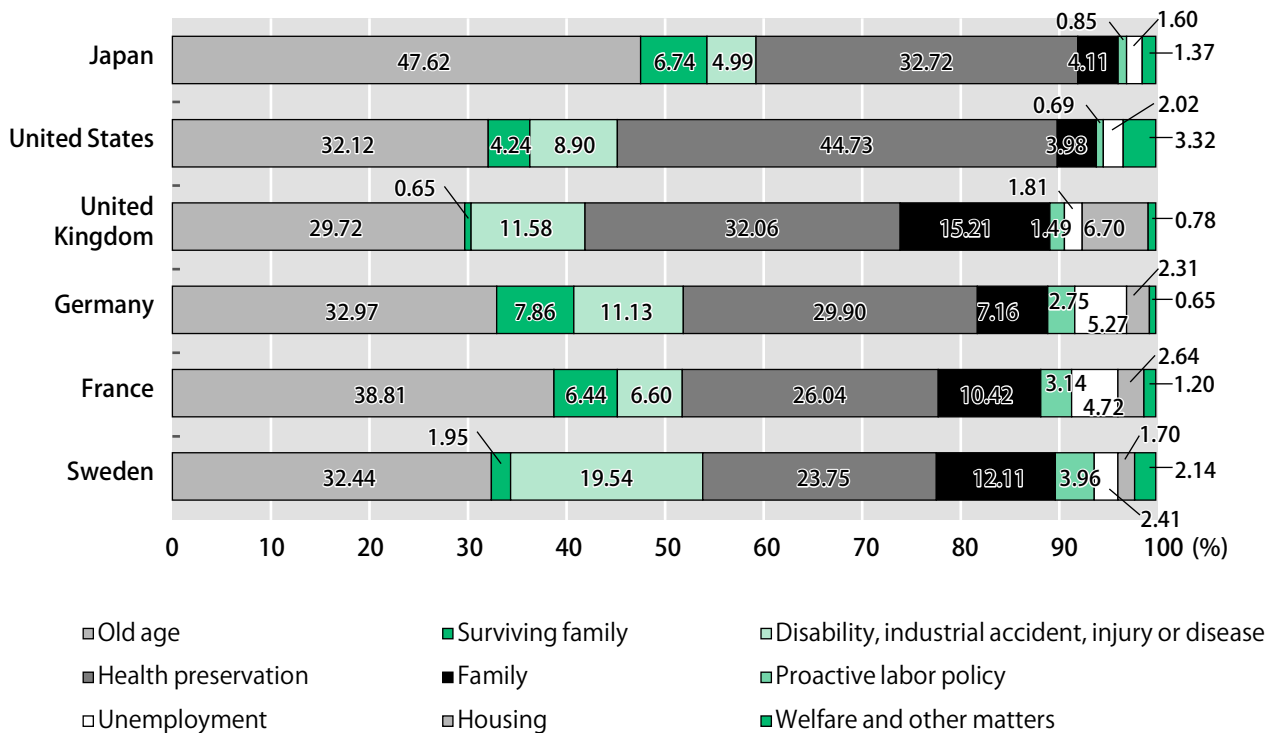


Source: *Social Security Benefit Costs, 2008*, National Institute of Population and Social Security Research

As a result, if one looks at an international comparison of the structural mix of social expenditure by government field (VI-4), one can see that whereas in Japan, 47.6% of social security benefit costs are spent on social security payments to older people, the expenditure on family-related policy, including benefits for households with children, and expenditure on protecting livelihoods and other issues account for only 4.1% and 1.3% respectively. The proportion

spent on family policy is small in the USA as well, with 3.3% of total expenditure being spent on protecting livelihoods and other issues. In contrast to this, the countries of Europe emphasize welfare for households with children. The proportion of expenditure on family-related policy in Germany (7.1%), France (10.4%), Sweden (12.1%), and the UK (15.2%) is at least twice as high as in Japan (see figures in brackets).

VI-4 International Comparison of the Structural Mix of Social Expenditure by Government Field (2007)



Sources: National Institute of Population and Social Security Research, *Social Security Benefits (FY2008)*,
 OECD Standard International Comparison of Social Expenditure,
 Reference Diagram 2 International Comparison of the Composition Share of Social Expenditure by Policy Field (2007)

The decline in Japan's birthrate, which affects trends in social security benefit expenses, is forecast to continue. According to the National Institute of Population and Social Security Research's "December 2006 Future Population Projection," the proportion of the total population aged 65 or over will continue to grow, reaching 25.2% in 2013 and approximately 33% in 2035. It is thus forecast that one in three of the Japanese population will be aged 65 or over. In 2005, the Ministry of Health, Labour and Welfare presented the prospects for future social security benefits and the burden thereof, based on premises relating to trends in social security reforms and transitions in economic factors. Based on these prospects, the Cabinet Office's National Council on Social Security pointed out that the basic direction of social security reforms would focus on adjusting social security benefits and the growth in the burden thereof in line with economic growth, even in the future, when the proportion of the population of

working age will decline, and on rectifying both inter- and intra-generational disparities (November 2008).

Triggered by the change in administration in 2009, the government introduced universal child benefit, embarking on the first step in social security reforms that emphasized child welfare. However, because a great deal of fiscal resources came to be required for the medical care, nursing care and welfare of people affected by the Great East Japan Earthquake, as well as for securing their livelihoods and carrying out economic reconstruction in the affected areas, it has been decided to abolish universal child benefit following the benefit payment for September 2011. On the other hand, in order to link the securing of financial resources for social security to the tax system and implement social security while maintaining a balance with the economic and fiscal situation, the government is currently undertaking discussions with the ruling and opposition parties concerning integrated reforms of the social security

and tax system.

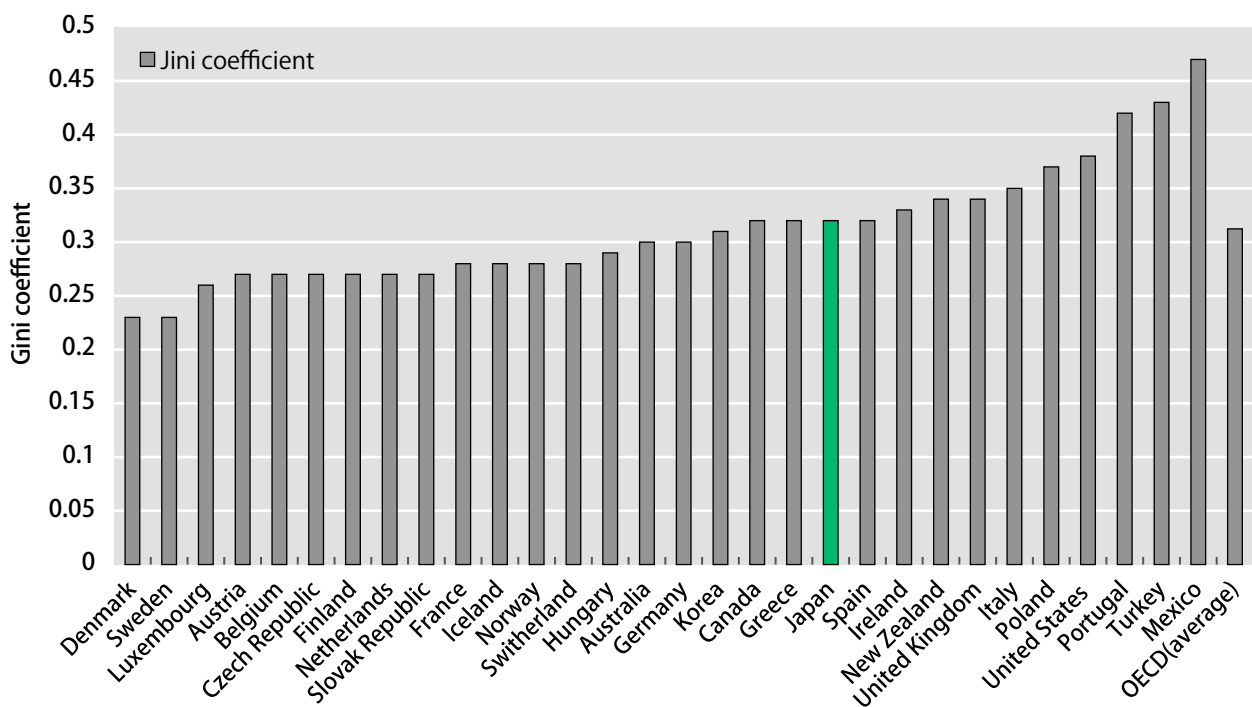
Social Security Cost Burden Based on the Increase in Income Difference and Burden Capacity

According to the OECD's international comparative study regarding income disparity, comparing the Gini index of the household equivalent disposable income, after-tax and social security (disposable) income (see VI-5), Japan's Gini index is smaller than Western European countries, and smaller than the U.S. and U.K. In regard to this situation, the report by the Cabinet Office's National Council on Social Security (November 2008) pointed out that the basic approach to designing the social security system was "to achieve 'social justice' in the social security system, which involves ensuring equality in benefit payments and fairness in the burden." Based on this approach, in 2009, the Ministry of Health, Labour and Welfare estimated Japan's relative poverty rate, based on the calculation method used by the OECD

in international comparisons, and published the figures (See The Japan Times, October 21, 2009 issue, <http://search.japantimes.co.jp/cgi-bin/nn20091021a3.html>).

The poverty rate is higher than the average for the OECD countries, but from the middle of the first decade of the 21st century, if one looks at the redistribution coefficient using the Gini index ((Gini index before redistribution – Gini index after redistribution) ÷ Gini index before redistribution), one can see that the coefficient is increasing, which suggests that Japan's income redistribution system is functioning (Ministry of Health, Labour and Welfare, *FY2008 Income Redistribution Survey Results*). However, the redistribution coefficient is high for elderly households, while it is low for the households of single mothers. This reflects the fact that the proportion of social security benefits accounted for by family-related benefits, including benefit payments to households with children, is lower than in Scandinavia and France, as stated in 1 above.

VI-5 Income Distribution among OECD Nations (Mid 2000s)



Source: Gini coefficient for mid 2000s: "Growing unequal?" OECD ELSA, 2008

Note: The incomes used here to calculate the Gini coefficient are equivalent disposable incomes.

VI-6 Closing of Income Gap through Income Redistribution (Gini Coefficient for Equivalent Incomes)

Year of survey	Gini coefficient				Rate of improvement in Gini coefficient		
	Equivalent initial income (1)	(1) + social security benefits - social security contributions (2)	Equivalent disposal income ((2) - tax) (3)	Equivalent income after redistribution ((3) + benefits in kind) (4)	Rate of improvement due to redistribution *1	Rate of improvement due to social security *2	Rate of improvement due to taxation *3
1996	0.376	0.327	0.312	0.310	17.7	13.7	4.7
1999	0.408	0.350	0.337	0.333	18.4	15.3	3.7
2002	0.419	0.337	0.323	0.322	25.3	19.9	4.3
2005	0.435	0.336	0.322	0.323	25.9	22.8	4.1
2008	0.454	0.343	0.327	0.319	29.7	26.2	4.7

Source: Summary Findings of the 2008 Income Redistribution Survey (Ministry of Health, Labour and Welfare)

Notes: 1) Rate of improvement due to redistribution = $1 - (4) / (1)$

2) Rate of improvement due to social security = $1 - (2) / (1) \times (4) / (3)$

3) Rate of improvement due to taxation = $1 - (3) / (2)$

2 Income Security and Childcare Services for Households with Children

Universal Child Allowance: Universal child allowance is a system under which an allowance is paid to all households that are supporting children aged 12 or under (children who have not yet graduated from elementary school). This system was introduced in April 2010 and, unlike the child allowance that was in existence previously, there are no income limits and the allowance is paid to all households with children in the aforementioned category. The amount paid (monthly) as universal child allowance is ¥13,000 in all cases. However, in order to prioritise the securing of financial resources for reconstruction in the aftermath of the Great East Japan Earthquake, it has been decided to abolish the system after the payment for September 2011 is made.

Child-Rearing Allowance: Child rearing allowance is a system under which an allowance is paid to fatherless families with an income under a certain limit, where the child is aged 18 or under (until the March when the child graduates from high school.) As of 2010, the amount paid monthly under the allowance was ¥41,720 for the first child, ¥5,000 for the second child, and ¥3,000 for the third child.

Special Child Dependent's Allowance: Special child dependent's allowance is paid to households that have a child with disabilities who is aged 20 or under, according to the degree of the child's disability. The amount paid monthly in cases of the most severe disabilities is ¥50,550, while in the case of the next-most severe disabilities the payment is ¥33,670 monthly. People aged over 20 are paid the basic disability pension if their income is under a certain limit.

Childcare Services: Based on the Child Welfare Act, child welfare services in Japan consist of services provided at facilities for children and young people who cannot live with their families due to various problems (children's homes, nursery homes and maternal and child living support facilities), childcare services at daycare centers, and services

provided to children with disabilities both at home and at facilities. This section discusses childcare services that relate to combined support for child-rearing and employment. Childcare services are mainly provided by daycare centers. Daycare centers aim to look after children each day when their guardians (mainly their parents) cannot look after them, due to such reasons as having to work; there are daycare centers that are licensed by local authorities based on the Child Welfare Act, and those that are not licensed (daycare centers that have filed a notification to the local authority). The fees are calculated based on the income of the child's guardians during the previous fiscal year, the situation regarding the taxes levied on the guardians, such as income tax and residential tax, and the age of the child concerned.

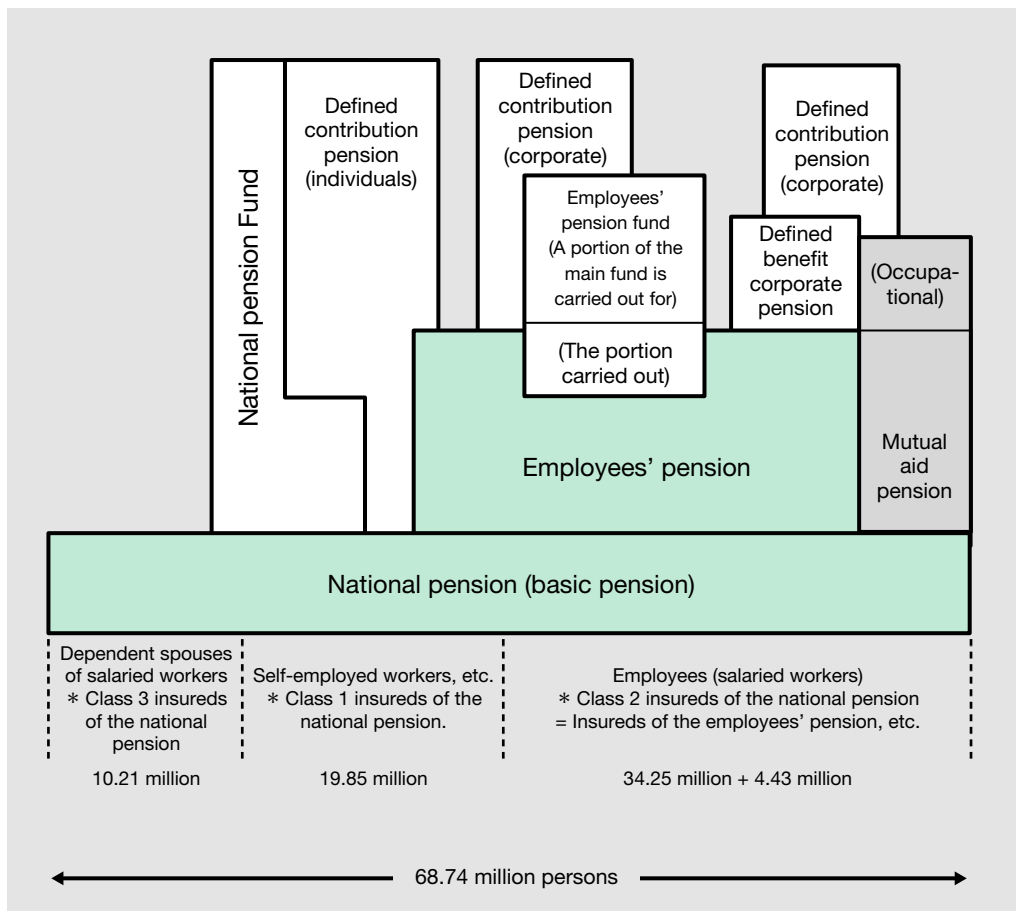
With regard to the status of childcare centers as of April 2009, according to *Concerning the Status of Daycare Centers (April 1, 2009)*, published by the Child-Rearing Division of the Ministry of Health, Labour and Welfare's Equal Employment, Children and Families Bureau, there were 22,925 daycare centers, 2,040,974 children using those centers, and 25,384 children on waiting lists for daycare centers. The children on waiting lists are those who, even though they lack childcare and have applied to enter a daycare center (licensed daycare center), are unable to enter a daycare center because, for example, the daycare center that their guardians would like them to enter would exceed the maximum number of children for whom it can care. The existence of children on waiting lists suggests that it is necessary to further enhance childcare services, by such means as increasing the maximum number of children who can be cared for by increasing the number of daycare center staff and increasing the number of daycare centers in areas with many children on waiting lists, in order to provide combined support for child-rearing and employment.

3 The Pension System and Public Assistance

Pension system: As can be seen from VI-7, the basis of the pension system, which fulfils a role in guaranteeing income after retirement, is the basic pension, in which all citizens (those aged 20 or above but under 60) enroll and which pays pension benefits once an individual reaches pensionable age (currently 60 years old, rising to 65 for men from 2013 and to 65 for women from 2018). In addition to this, salaried employees such as company employees and civil servants respectively receive the welfare pension and mutual aid pension, which are earnings-related pension schemes paid to top up the basic pension. To

distinguish it from these pensions paid to salaried employees, the basic pension that most self-employed workers and workers in the agriculture, forestry and fisheries sector receive is called the national pension. In many advanced countries (such as the U.S., Canada and Sweden), the same pension system is applied to both company employees and civil servants, and post-retirement income security does not differ according to job category. From this perspective, consideration is currently being given to integrating the welfare pension and mutual aid pension systems.

VI-7 The Pension System



Source: Compiled by the author, adding the number of insured persons in 2009 to the 2004 Key Points in Pension System Reforms published by the Ministry of Health, Labour and Welfare Pension Bureau

Japan's pension system is revised once every 5 years based on recalculations of pension financing. In the pension reform of 2004, it has been decided to adjust the benefits standards along with the economic situation and the progress of an aging society (however, it is aimed that the standards should not go below 50% of the income of the working generations), instead of fixing the future insurance burden to a certain level (18.3% after 2025, in the case for employees' pensions), drawing from Sweden's pension reform of 2001, etc. In the pension reform of 2009, the proportion of the basic pension paid to all citizens that is funded by the government from tax revenues was raised from one-third to one-half.

The insurance premium for the basic pension for self-employed workers is set at a fixed amount (¥15,020 monthly, as of 2011). On the other hand, the

burden of the insurance premium for company employees and civil servants is borne equally by the employer and the employee, and the premium rate is set at 16% of total income, including salary and bonuses (2011). The bereaved families of those enrolled in the pension system and those receiving pension benefits receive survivor's pensions, while those enrolled in the pension system who have a disability receive a disability pension if they meet certain conditions. The transitions in the number of people receiving pension benefits and the amount paid to them can be seen in VI-8. As of 2011, the amount paid as the basic pension benefit is ¥792,000 annually, while the amount paid as the old-age pension under the welfare pension system is ¥279,000 if one adds together the basic pension for a couple and the earnings-related component for the husband.

VI-8 Transitions in the Number of People Receiving Benefits and the Amount Paid under the Pension System

FY	Insured persons (10,000 persons)				Beneficiaries (10,000 persons)				Income and expenditure					
	Total	Basic pension (Self-employed workers, etc.: Class 1)	Basic pension (Full-time house wife: Class 3)	Employee's pension	Mutual aid association (Pension in these)	Total	Basic pension (National pension)	Employee's pension	Mutual aid association	National pension Income (Insurance Premiums + State Contribution) (¥100 million)	Expenditure (¥100 million)	Employee's pension Income (Insurance Premiums + State Contribution) (¥100 million)	Expenditure (¥100 million)	Reserve balance (¥100 billion)
1987	6,411	1,582	927	2,822		2,252	112	891	149					
1990	6,631	1,758	1,196	3,149		2,500	191	1,065	96					
1995	6,995	1,910	1,220	3,328		3,236	690	1,425	40					
2000	7,049	2,154	1,153	3,219		4,091	1,307	1,307	14					
2005	7,045	2,190	1,079	3,302	460	3,995	1,337	2,316	342	37,873	43,350	300,685	353,284	1,403
2006	7,038	2,123	1,079	3,379	457	4,030	1,275	2,404	351	39,228	43,082	297,954	320,994	1,398
2007	7,007	2,035	1,063	3,457	451	4,146	1,260	2,523	363	38,466	43,435	299,463	329,875	1,302
2008	6,936	2,001	1,044	3,444	447	4,283	1,236	2,668	379	37,545	43,317	309,480	339,860	1,166
2009	6,874	1,985	1,021	3,425	443	4,414	1,205	2,814	395	37,813	39,911	320,483	365,618	1,208

Source: Ministry of Health, Labour and Welfare, FY2009 Overview of Welfare Pension Insurance and the National Pension Scheme

Notes: 1) The integration of welfare pension schemes and mutual aid societies (pension divisions) is being considered, so the number of insured people enrolled in mutual aid societies, such as civil servants, in recent years is shown.

2) The total number of those receiving pension benefits is the number receiving the basic pension after excluding overlap with those receiving the basic welfare pension.

The corporate pensions that supplement these public pensions consist of defined benefit and defined contribution corporate pensions (arrangements for which were instituted in 2001 to protect beneficiaries and ensure the portability of reserves) and employees' pension funds, which were established prior to 2001. For the self-employed and professionals, there is also a national pension fund for supplementing the basic pension. Following the introduction of the corporate pension system in 2001, it was decided that welfare pension funds would gradually change to defined-benefit corporate pensions, so as shown in VI-8, the number of defined-benefit corporate pension funds and the number of those enrolled in them are increasing. Moreover, even

companies that were unable to have a welfare pension fund because of their small scale have become able to offer defined-benefit corporate pensions by concluding contracts with operating agencies, and the number of contracts for this kind of corporate pension and the number of people enrolled therein are also increasing (VI-9). However, although the asset management yield of corporate pensions was in positive figures before the Lehman Shock, the yield for FY2010 fell into negative figures, following the Lehman Shock, so there is growing concern among companies and those enrolled in such schemes about the reliability (or lack thereof) of the asset management of corporate pensions.

VI-9 Transitions in Defined-benefit and Defined-contribution Corporate Pensions

Year	Number of people enrolled in defined-benefit pension schemes (10,000 people)	Number of corporate defined-benefit pension schemes by establishment type			Number of people enrolled in defined-contribution pension schemes (corporate type) (10,000 people)	Number of businesses with defined-contribution pension schemes (corporate type)
		Convention type	Fund type	Total		
2002	9	15	0	15	33	301
2003	135	168	148	316	71	845
2004	314	484	508	992	126	1402
2005	384	834	596	1430	173	1966
2006	430	1335	605	1940	219	2313
2007	506	2479	619	3098	271	2710
2008	570	4396	611	5007	311	3043
2009	647	6797	610	7407	340	3301

Sources: Pension Fund Association, Statistics Concerning the Fiscal Situation, *Transitions in the Number of Defined-benefit Corporate Pension Systems by Establishment Type and the Number of People Enrolled Therein*, and *Transitions in the Number of Defined-contribution Corporate Pension System Contracts and the Number of People Enrolled Therein*

The characteristic of Japan's pension system relating to the labor market is the point that it cooperates with unemployment insurance. In the case of older workers aged between 60 and 64, therefore, elderly employment continuation benefits and elderly reemployment benefits are provided when wages fall below 85% of the level immediately prior to

retirement at 60. Further, to support female workers' combining of childrearing and work activities, payment of employees' pension insurance premium is excused for both the worker and employer during the period of child care leave (For the Assistance Measures to Balance Work and Family and for the Gender Equal Employment Policies, see Chapter V).

Public assistance: The public assistance system is designed to guarantee a minimum standard of living by providing benefits in kind according to need. These are provided by the Government through local governments when a person falls into poverty, despite employment, savings, assets, pensions, and allowances, etc., due to circumstances such as sickness, mental/physical disability, or unforeseen accident based on the principle of complementarity. In practice, the level of public assistance is determined based on the minimum cost of living calculated according to standards laid down by the Government and relative to the income of the household concerned, the shortfall being covered by the provision of benefits in cash or in kind (such as medical benefits). As of 2011, the number of households receiving public assistance has reached 1.44 million households, while the number of people

in such households totals 2 million; the share of people in households receiving public assistance is equivalent to 1.5% of the total population. As a result of the recent stagnation of the economy and the growth of income disparities, the cost of public assistance is growing by the year. If one looks at the people receiving public assistance by age, one can see that the proportion of older people receiving such assistance has been growing in recent years, due to the fact that there are people who do not qualify to receive pension benefits, that it is difficult for older people to find employment due to the prolonged economic slowdown, and that a growing number of people are unable to pay for medical care costs as a result of being on low incomes, and can only receive healthcare through the medical benefit paid under the public assistance program.

VI-10 Transitions by Year in the Number and Proportion of Households Receiving Public Assistance by Type of Household

Year	Number of households receiving public assistance				Composition ratio		
	Total number	Households with older people	Households with single mothers	Households with sick or injured people, etc. (including households with disabled people)	Households with older people (%)	Households with single mothers (%)	Households with sick or injured people, etc. (including households with disabled people) (%)
1990	622	232	73	318	37.2	31.5	31.3
1995	601	254	52	294	42.3	20.6	37.1
2000	750	341	63	346	45.5	18.5	36.0
2005	1040	452	91	497	43.5	20.0	36.5
2006	1074	474	93	507	44.1	19.5	36.3
2007	1103	498	93	512	45.1	18.7	36.2
2008	1146	524	93	529	45.7	17.8	36.5
2009	1274	563	100	612	44.2	17.7	38.1

Source: Compiled by the author from Annual Transitions in the Number of Households Receiving Public Assistance by Household Type and the Household Assistance Rate, from the list of official statistical data concerning "public assistance" published by the National Institute of Population and Social Security Research

Notes: 1) This is the one-month average.

2) Does not include households whose assistance is currently suspended.

3) In the household assistance rate, the number of households receiving public assistance is divided by the number of households in the National Livelihood Survey (per 1,000 households).

4) For some years, the figure by household type and the total figure for this differs from the overall total; this is not a printing error but is rather due to the margin of error resulting from adding up the total for each month (April - March) and dividing by 12, then rounding off the figures.

4 Medical Insurance and Long-term Care Insurance

Medical Insurance: Within Japan's medical insurance there is association-managed health insurance for employees (and their families) of workplaces of five or more workers, government-managed health insurance for employees (and their families) of workplaces with fewer than five workers, national health insurance for the self-employed, etc., and medical insurance provided by mutual aid associations for national government employees and local government employees (see upper row of VI-11). Subscribers in medical insurance programs pay the insurance premium themselves, but the subscribers themselves and their families may receive medical services at the medical institution of their choice by

paying only a portion of the medical expense. Furthermore, with regard to people aged 65 or over requiring long-term care and all older people aged 70 or over, there is a system of medical aid for older people (see lower row of VI-11) that is funded by insurance premiums paid by older people, contributions borne by health insurance societies and the national health insurance scheme. Under this system, the insurance premiums of older people on low incomes are reduced and, in the event that the local authority cannot sustain the finances alone, it is possible for a number of local authorities to form an extended association to provide medical and healthcare services to older people.

VI-11 Medical Insurance System

Plan		Insurer (As of 31 March, 2008)	Subscribers (As of March 31, 2008) and (subscriber's dependents) (Unit:1,000 persons)	Insurance Benefits		
				Payment in part	Medical Benefits	
					High-Cost Medical Care Benefits, and the High-Cost Medical Care & Nursing Care Benefits Combination System	
Health insurance	Ordinary employees	Kyokai Kenpo	Japan Health Insurance Association	36,294 (19,871 16,488)	After the commencement of compulsory education to those 69 years of age: 30% Prior to the commencement of compulsory education: 20% 70 to 74 years old: 20% (*) (Persons with income comparable with those of an active worker: 30%) (*) For those 70 to 74 years of age, the rate will be kept at 10% from April 2008 to March 2010.	High-Cost Medical Care Benefits • Maximum amount paid by the patient Under 70 years of age: High income persons: 150,000 yen + (medical costs-500,000 yen) × 1% Average income persons: 80,100 yen + (medical costs-267,000 yen) × 1% Low income persons: 35,400 yen From 70 to 74 years of age: With income comparative with those of an active worker: 80,100 yen + (medical costs-267,000 yen) × 1% , Outpatient Treatment (for each patient): 44,400 yen Average income persons(*): 62,100 yen, Outpatient treatment (for each patient) 24,600 yen Low-income persons: 24,600 yen, Outpatient treatment (for each patient) 8,000 yen Low-income persons with especially low income: 15,000 yen. Outpatient treatment (for each patient) 8,000 yen • Standard amount for aggregation of households: For those under 70 years of age, if there are multiple payments of more than 21,000 yen in the same month, reimbursement is calculated on the basis of their sum. • Burden reduction for those with multiple cases: If a household has been eligible for reimbursement three times or more within a 12-month period, the amount of payment in part from the fourth time will be: Under 70 years of age: High-income persons: 83,400 yen Standard-income persons: 44,400 yen Low-income persons: 24,600 yen 70 years of age or older with income comparative with those of an active worker and standard income (*): 44,400 yen • Burden reduction for patients suffering from long-term and high-cost illness Self-pay limit for the patients suffering from hemophilia or chronic renal failure requiring artificial dialysis: 10,000 yen Self-pay limit for high-income persons receiving artificial dialysis: 20,000 yen (*) Burden reduction for multiple cases is not applicable to persons from 70 to 74 years of age classified as standard income class as the self-pay limit will be kept unchanged at 44,000 yen (12,000 yen for outpatient treatment) from April 2008 through March 2010. High-cost medical care and high-cost nursing care benefits combination system: Burden reduction system applicable in the instances where the total of the self-pay burden under the medical insurance and nursing care insurance paid in a year (from August to July next year) become extremely high. Self-pay limits will be fixed in high details according to the income and age of the patients.
		Association managed	Health insurance associations 1,518	30,860 (15,871 14,989)		
	Insured parties, as stipulated in Article 3, Par.2, Health Insurance Law	Japan Health Insurance Association	18 (11 7)			
Seamen's insurance		National government	157 (63 95)			
Mutual aid insurance	National government employees	Mutual aid associations (21)	9,374 (4,397 4,977)			
	Local government employees	Mutual aid associations (55)				
	Private school instructors	Mutual aid associations (1)				
National health insurance	Farmers, self-employed etc.	Municipalities 1,804	50,724 Municipalities 46,881 Health insurance associations 165 Health insurance associations 3,843			
		Health insurance associations 165				
	Retired workers eligible for employees insurance benefits	Municipalities 1,804				
Long life medical care system (Medical care system for the latter-stage elderly people)		Management body: Extended associations for medical care for the latter-stage elderly people	13,075 (As of the end of April, 2008)	10% (Persons with income comparable with those of an active worker 30%)	Maximum amount of payment in part 80,100 yen + (medical cost-267,000 yen) × 1% 44,400 yen 44,400 yen 24,600 yen 15,000 yen	Outpatient care (per person) 44,400 yen 12,000 yen 8,000 yen 8,000 yen

Plan			Insurance Benefits			Financial resources			
			Medical Benefits		Cash Benefits	Insurance premiums	Government subsidies		
			Hospital Meal Charge Benefits	Hospitalized living expenses benefits					
Health insurance	Ordinary employees	Kyokai Kenpo	Standard payment amounts for dietary therapy:	(Standard payment amounts for those living in hospitals)	• Sickness benefits • Lump-sum payment for childbirth, child care etc.	8.2%	13.0% of benefits (contribution for latter-stage elderly people 16.4 %)		
		Association-managed		• Standard income persons (I) 460 yen per meal and 320 yen per day				Same as above (including additional Benefits)	Rates vary from one kind of health insurance to another.
	Insured parties, as stipulated in Article 3, Par.2, Health Insurance Law			• Standard income persons (II) 420 yen per meal and 320 yen per day	• Sickness benefits • Lump-sum payment for childbirth, child care etc.	Daily rate (class 1) 150 yen (class 13) 3,010 yen	13.0 % of benefits (contribution for the latter-stage elderly people 16.4 %)		
Seamen's insurance			• Low income persons 210 yen per meal and 320 yen per day	• Low income persons with specially low income 130 yen per meal and 320 yen per day	• Applicable to persons 65 years of age or older hospitalized in the convalescent ward	• Lump-sum payment for childbirth, child care • Funeral services expenses	Each household is assessed a fixed amount and amount based on ability to pay	Calculations vary somewhat according to insurer	43% of benefits etc.
Mutual aid insurance	National government employees	• Standard-income persons 260 yen per meal	* For patients with greater needs for in-hospital treatment due to being obstinate or other diseases, the payment amount will be same as the standard payment amounts for dietary therapy.	Same as above (including additional benefits)	—	—	None		
	Local government employees	• Low-income persons Up to the first 90th day 210 yen per meal From the 91st day 160 yen per meal							
	Private school instructors	• Low-income person with especially low income 100 yen per meal							
National health insurance	Farmers, self-employed etc.	• Low-income person with especially low income 100 yen per meal						43% of benefits etc.	
	Retired workers eligible for employees insurance benefits						None		
Long life medical care system (Medical care system for the latter-stage elderly people)			Same as above	Same as above. • Persons on senior welfare pensions 100 yen per meal and 0 yen per day	Funeral services expenses etc.	Rates are fixed based on the equal amount per insured and the percentage of their income determined by the respective extended associations.	<ul style="list-style-type: none"> • Insurance premium 10% • Contribution Approximately 40% • Public Approximately 50% (Breakdown of public expenses) National : Prefectures : Municipals 4 : 1 : 1		

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

Notes: 1) Those insured by the long-life medical care system (medical care system for the latter-stage elderly people) comprises persons of 75 years of age or older, and the persons from 65 to 74 years of age certified by an extended association to have a certain degree of handicap.

2) Persons with income comparative with those of an active worker mean their taxable income is 1.45 million yen (0.28 million yen for monthly income) and annual income is more than 5.2 million yen [family including elderly person(s)] or 3.83 million yen (single-elderly person household).

3) The proportion of government subsidy provided to the subscribers and their families through the national health insurance association will be the same as that of government-managed health insurance if they have obtained approval for health insurance eligibility exemption and re-subscribed anew on 1 September 1997 onwards.

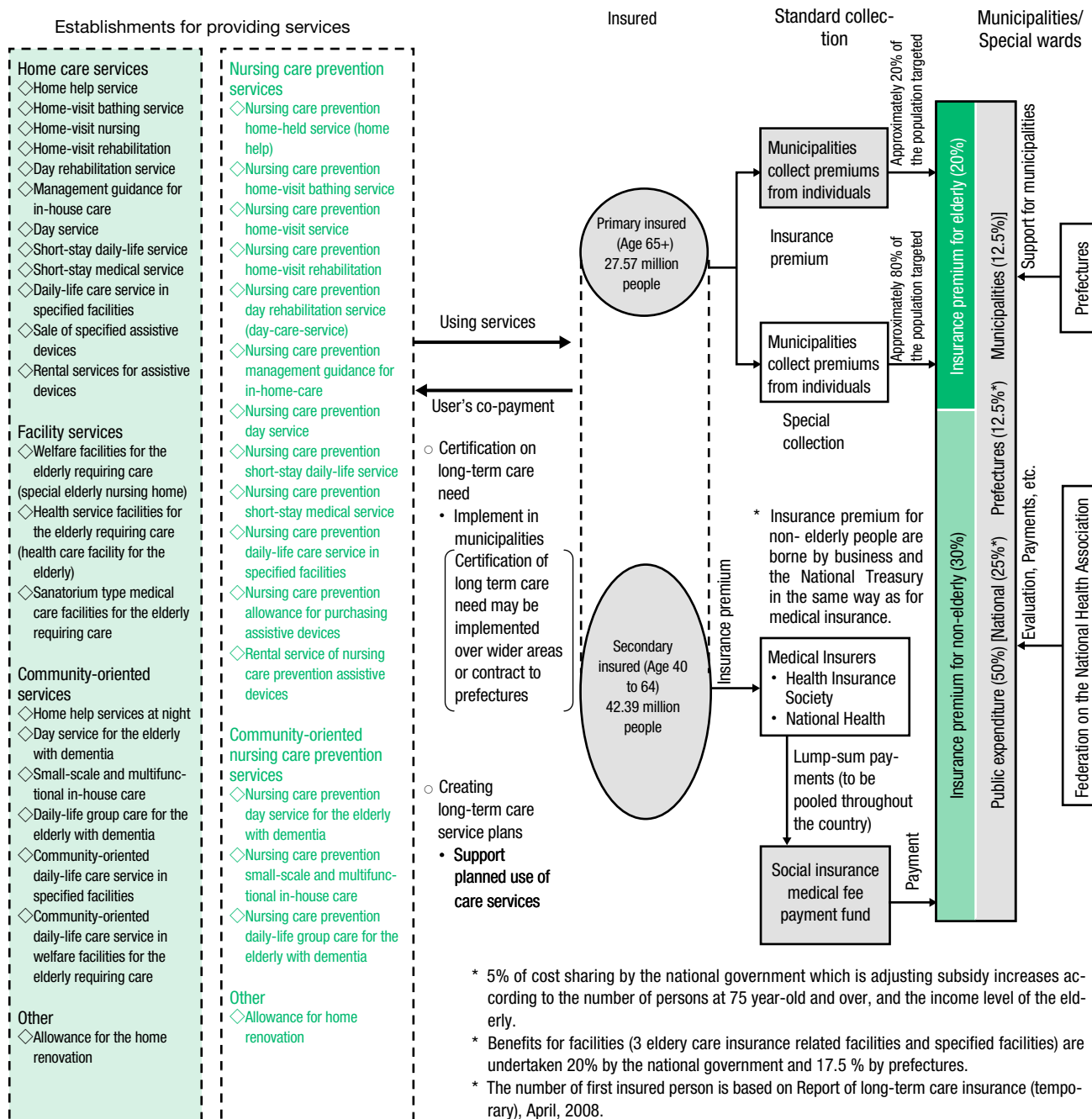
4) Only the memberships of health insurance are a quick estimation. Due to rounding off, the breakdown figures do not always add up to the total.

As seen in Figure VI-3, although medical expenses increased in the 1990s, the increase has become modest in recent years compared to that time (the ratio of national medical expenses to national income has been shifting between 8.0%-8.9% since 2003). However, because of the need to rethink continuing support for growth in expenditure on health care for older people as the population ages out of national health insurance and health insurance association contributions and public funds in view of declining growth in revenue from insurance contributions due to Japan's shrinking economic growth rate and the need to ensure intergenerational equity between the economically active and older people, the Medical Aid System for the Elderly (Medical Aid System for Old-Old) was introduced in April 2008. Under this system, older people on low incomes have a lower co-payment and the insurance premiums are waived in the event that their income is below a certain level.

Long-term care insurance: Long-term care insurance has been in operation since April 2000 to provide public assistance to lighten the care burden for long-term care recipients' families. This assistance makes it easier for bedridden older people and other older people requiring long-term care to receive this care at home, and for others to receive long-term care

at a facility outside of home. Under the long-term care insurance system, in exchange for citizens aged 40 and above paying long-term care insurance premiums, it is possible to receive specific types of long-term care service if required after reaching the age of 65, such as the dispatch of a home-helper; in order to receive these services, the older person concerned must submit an application and have it approved by the municipality's long-term care approval committee. Whereas the insurance premiums and the standards for certifying the necessity of receiving long-term care are set in a uniform manner nationwide, the task of issuing approvals based on those standards is undertaken by municipal long-term care approval committees. In addition, long-term care services are provided on the basis of care plans drawn up by care managers, by a service provider selected by the person requiring long-term care from among the long-term care service providers approved by the municipality, respecting the choice of the individual requiring long-term care (VI-12). Those using long-term care services bear 10% of the cost, as a general rule. However, a maximum limit is set in order to ensure that the cost burden on the user is not too high, with the municipality paying any high-cost long-term care service fees in excess of that maximum limit.

VI-12 Long-term Care Insurance System



With regard to the number of people enrolled in long-term care insurance, as of 2009, there were 28.38 million people insured aged 65 or above (primary insured persons) and 42.40 million people insured aged between 40 and 64 (secondary insured persons). With regard to the number of people who had been approved to receive long-term care insurance services, as of 2009, there were 1.23 million people requiring support and 4.67 million people requiring long-term care. With regard to the number of long-term care employees providing long-term care services to older people who have been approved as requiring support or long-term care, in the case of employees of companies providing services to people who remain living at home (there are part-time employees, so the figures are estimates converted into full-time equivalent, assuming all employees are working full-time), there were 163,000 people providing visiting long-term care and 199,000 people providing long-term care at daycare facilities; in addition, there were 518,000 people (estimate converted into full-time equivalent) working as employees at long-term care insurance facilities (Ministry of Health, Labour and Welfare, *FY2008 Survey of Institutions and Establishments for Long-term Care*).

Given these circumstances in which many older people have been certified as requiring support or

long-term care and are receiving long-term care insurance services, in municipalities that have a particularly high population aging rate, a situation has arisen in which the rise in the cost of providing long-term care insurance benefits is continuing and a deterioration in the state of public finances for long-term care insurance has become unavoidable. In order to deal with this problem, an amendment to the Long-term Care Insurance Act was made in 2005. Through this, initiatives such as those focused on the prevention of illness so that people do not end up in a state in which they require long-term care and the establishment of regional comprehensive support centers to provide more cohesive services in the community were incorporated into the long-term care insurance framework. Furthermore, in order to enable older people to receive long-term care services while remaining in the community in which they were accustomed to living, a vision for the development of community care was formulated in 2008, involving the utilization in long-term care insurance of various networks relating to long-term care, such as the involvement not only of local medical institutions and government bodies, but also NPOs in watching over the people requiring such care. Based on this, initiatives focused on preventing the need for long-term care came to be implemented by municipal and regional social welfare councils.

Appendix (International Comparisons)

Appendix 1 Population, Labor Force and Labor Force Participation Rate by Gender and Age (2010)

(1,000 persons, %)

Japan ¹⁾									
Age group	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
15-19	6,050	3,100	2,950	910	450	460	15.0	14.5	15.6
20-24	6,770	3,470	3,300	4,620	2,330	2,290	68.2	67.1	69.4
25-29	7,410	3,790	3,620	6,360	3,570	2,790	85.8	94.2	77.1
30-34	8,320	4,220	4,100	6,840	4,060	2,780	82.2	96.2	67.8
35-39	9,700	4,910	4,790	7,920	4,750	3,170	81.6	96.7	66.2
40-44	8,650	4,360	4,290	7,290	4,220	3,070	84.3	96.8	71.6
45-49	7,960	4,000	3,960	6,880	3,880	3,000	86.4	97.0	75.8
50-54	7,650	3,820	3,830	6,450	3,660	2,790	84.3	95.8	72.8
55-59	8,730	4,320	4,410	6,800	4,010	2,790	77.9	92.8	63.3
60-64	9,880	4,830	5,050	5,980	3,670	2,310	60.5	76.0	45.7
65-69	8,240	3,930	4,310	3,100	1,920	1,180	37.6	48.9	27.4
70-74	6,400	3,200	3,200	1,920	960	960	30.0	30.0	30.0
75~	13,630	5,160	8,470	1,140	700	440	8.4	13.6	5.2
15-64	81,120	40,820	40,300	60,050	34,600	25,450	74.0	84.8	63.2
65+	28,270	12,290	15,980	6,160	3,580	2,580	21.8	29.1	16.1
Total (15+)	110,490	53,110	56,280	66,210	38,180	28,030	60.5	71.9	49.8

United States of America ²⁾									
Age group	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
16-19	16,901	8,578	8,323	5,905	2,991	2,914	34.9	34.9	35.0
20-24	21,047	10,550	10,497	15,028	7,864	7,164	71.4	74.5	68.2
25-29	21,100	10,604	10,496	17,300	9,370	7,930	82.0	88.4	75.6
30-34	19,803	9,861	9,942	16,313	8,981	7,332	82.4	91.1	73.7
35-39	19,583	9,680	9,903	16,271	8,929	7,342	83.1	92.2	74.1
40-44	20,508	10,128	10,380	17,095	9,190	7,905	83.4	90.7	76.2
45-49	22,355	10,982	11,373	18,460	9,720	8,740	82.6	88.5	76.8
50-54	21,943	10,732	11,211	17,500	9,135	8,365	79.8	85.1	74.6
55-59	19,300	9,343	9,957	14,145	7,332	6,813	73.3	78.5	68.4
60-64	16,585	7,948	8,637	9,152	4,771	4,381	55.2	60.0	50.7
65-69	12,070	5,674	6,396	3,796	2,071	1,725	31.4	36.5	27.0
70-74	9,051	4,084	4,967	1,628	900	728	18.0	22.0	14.7
75+	17,585	7,011	10,574	1,293	729	564	7.4	10.4	5.3
16-64	199,125	98,406	100,719	147,169	78,283	68,886	73.9	79.6	68.4
65+	38,706	16,769	21,937	6,717	3,700	3,017	17.4	22.1	13.8
Total (16+)	237,831	115,175	122,656	153,886	81,983	71,903	64.7	71.2	58.6

United Kingdom ⁴⁾									
Age group	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
15-19	3,121	1,596	1,525	1,538	771	767	49.3	48.3	50.3
20-24	4,232	2,144	2,088	3,089	1,673	1,416	73.0	78.0	67.8
25-29	4,234	2,152	2,082	3,600	1,980	1,620	85.0	92.0	77.8
30-34	3,857	1,931	1,926	3,273	1,814	1,459	84.9	93.9	75.8
35-39	4,192	2,075	2,117	3,527	1,909	1,618	84.1	92.0	76.4
40-44	4,612	2,283	2,329	3,975	2,095	1,880	86.2	91.8	80.8
45-49	4,524	2,220	2,304	3,910	2,016	1,894	86.4	90.8	82.2
50-54	3,949	1,947	2,002	3,274	1,710	1,564	82.9	87.8	78.1
55-59	3,548	1,743	1,805	2,634	1,410	1,224	74.2	80.9	67.8
60-64	3,721	1,812	1,909	1,701	1,050	651	45.7	57.9	34.1
65-69	2,887	1,389	1,498	588	345	243	20.4	24.8	16.3
70-74	2,433	1,143	1,290	180	105	75	7.4	9.2	5.8
75+	4,500	1,858	2,642	76	47	29	1.7	2.5	1.1
15-64	39,990	19,903	20,087	30,521	16,428	14,093	76.3	82.5	70.2
65+	9,820	4,390	5,430	844	497	347	8.6	11.3	6.4
Total (15+)	49,810	24,293	25,517	31,365	16,925	14,440	63.0	69.7	56.6

Germany ³⁾									
Age group	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
15-19	4,248	2,201	2,047	1,298	740	558	30.6	33.6	27.3
20-24	4,888	2,495	2,393	3,438	1,827	1,611	70.3	73.2	67.3
25-29	4,932	2,498	2,434	4,070	2,176	1,894	82.5	87.1	77.8
30-34	4,793	2,416	2,377	4,138	2,283	1,855	86.3	94.5	78.0
35-39	5,095	2,569	2,526	4,476	2,456	2,020	87.9	95.6	80.0
40-44	6,827	3,480	3,347	6,146	3,324	2,822	90.0	95.5	84.3
45-49	6,813	3,454	3,359	6,093	3,249	2,844	89.4	94.1	84.7
50-54	6,087	3,018	3,069	5,229	2,745	2,484	85.9	91.0	80.9
55-59	5,446	2,690	2,756	4,219	2,281	1,938	77.5	84.8	70.3
60-64	4,514	2,219	2,295	2,006	1,192	814	44.4	53.7	35.5
65-69	4,717	2,253	2,464	407	245	162	8.6	10.9	6.6
70-74	4,930	2,289	2,641	180	115	65	3.7	5.0	2.5
75+	6,910	2,695	4,215	83	53	30	1.2	2.0	0.7
15-64	53,643	27,040	26,603	41,113	22,273	18,840	76.6	82.4	70.8
65+	16,557	7,237	9,320	670	413	257	4.0	5.7	2.8
Total (15+)	70,200	34,277	35,923	41,783	22,686	19,097	59.5	66.2	53.2

France ⁶⁾									
Age group	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
15-19	3,633	1,845	1,788	587	364	223	16.2	19.8	12.5
20-24	3,808	1,894	1,914	2,369	1,255	1,114	62.2	66.3	58.2
25-29	3,856	1,901	1,954	3,380	1,772	1,608	87.7	93.2	82.3
30-34	3,796	1,873	1,923	3,365	1,791	1,575	88.7	95.6	81.9
35-39	4,234	2,099	2,136	3,811	2,001	1,810	90.0	95.3	84.7
40-44	4,289	2,110	2,178	3,881	2,011	1,870	90.5	95.3	85.8
45-49	4,311	2,108	2,203	3,888	1,989	1,899	90.2	94.3	86.2
50-54	4,141	2,009	2,132	3,570	1,838	1,733	86.2	91.5	81.3
55-59	4,036	1,949	2,087	2,630	1,348	1,282	65.2	69.2	61.4
60-64	3,868	1,870	1,998	731	378	353	18.9	20.2	17.7
65-69	2,553	1,208	1,345	114	67	47	4.5	5.5	3.5
70-74	2,336	1,054	1,282	31	19	12	1.3	1.8	0.9
75+	5,104	1,953	3,152	20	14	6	0.4	0.7	0.2
15-64	39,972	19,659	20,314	28,214	14,748	13,466	70.6	75.0	66.3
65+	9,993	4,215	5,779	165	100	65	1.6	2.4	1.1
Total (15+)	49,966	23,873	26,092	28,379	14,848	13,531	56.8	62.2	51.9

Italy ⁷⁾									
Age group	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
15-19	2,958	1,521	1,437	259	168	91	8.8	11.0	6.3
20-24	3,113	1,584	1,529	1,464	862	602	47.0	54.4	39.4
25-29	3,487	1,749	1,738	2,405	1,348	1,057	69.0	77.1	60.8
30-34	4,173	2,099	2,074	3,286	1,890	1,396	78.7	90.0	67.3
35-39	4,796	2,409	2,387	3,853	2,227	1,626	80.3	92.4	68.1
40-44	4,944	2,476	2,468	3,936	2,290	1,646	79.6	92.5	66.7
45-49	4,655	2,310	2,345	3,634	2,127	1,507	78.1	92.1	64.3
50-54	4,046	1,989	2,057	2,956	1,768	1,188	73.1	88.9	57.8
55-59	3,691	1,799	1,892	2,019	1,229	790	54.7	68.4	41.8
60-64	3,684	1,783	1,901	780	547	233	21.1	30.6	12.3
65-69	3,123	1,478	1,645	220	161	59	7.1	11.0	3.6
70-74	3,015	1,378	1,637	105	85	20	3.4	6.2	1.2
75+	5,886	2,246	3,640	55	44	11	0.9	2.0	0.3
15-64	39,547	19,719	19,828	24,592	14,456	10,136	62.2	73.3	51.1
65+	12,024	5,102	6,922	380	290	90	3.2	5.7	1.3
Total (15+)	51,571	24,821	26,750	24,972	14,746	10,226	48.4	59.4	38.2

(1,000 persons, %)

Republic of Korea ⁸⁾									
Age group	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
15-19	3,336	1,742	1,594	232	96	136	7.0	5.5	8.5
20-24	2,643	1,130	1,513	1,293	483	810	48.9	42.7	53.5
25-29	3,725	1,901	1,824	2,730	1,457	1,273	73.3	76.6	69.8
30-34	3,843	1,970	1,873	2,833	1,810	1,023	73.7	91.9	54.6
35-39	4,259	2,178	2,081	3,214	2,051	1,163	75.5	94.2	55.9
40-44	4,201	2,129	2,072	3,366	2,000	1,366	80.1	93.9	65.9
45-49	4,217	2,132	2,085	3,353	1,986	1,367	79.5	93.2	65.6
50-54	3,917	1,967	1,950	2,975	1,779	1,196	76.0	90.4	61.3
55-59	2,837	1,411	1,426	1,938	1,177	761	68.3	83.4	53.4
60-64	2,211	1,081	1,130	1,228	759	469	55.5	70.2	41.5
65-69	1,845	836	1,009	775	449	326	42.0	53.7	32.3
70-74	1,581	693	888	522	293	229	33.0	42.3	25.8
75+	1,973	678	1,295	290	153	137	14.7	22.6	10.6
15-64	35,189	17,641	17,548	23,162	13,598	9,564	65.8	77.1	54.5
65+	5,399	2,207	3,192	1,587	895	692	29.4	40.6	21.7
Total (15+)	40,588	19,848	20,740	24,749	14,493	10,256	61.0	73.0	49.5

Singapore ⁹⁾									
Age group	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
15-19	267	139	128	34	19	15	12.8	13.9	11.6
20-24	221	115	106	147	76	71	66.5	66.1	67.0
25-29	236	113	123	209	105	104	88.7	93.3	84.5
30-34	274	127	148	243	124	119	88.6	98.1	80.5
35-39	308	148	160	264	145	119	85.6	97.7	74.4
40-44	314	153	161	262	149	113	83.4	97.5	69.9
45-49	316	160	156	262	155	107	82.8	96.6	68.7
50-54	290	145	145	225	135	90	77.5	93.0	62.0
55-59	228	115	113	152	98	54	66.6	84.9	48.0
60-64	160	80	81	78	52	27	48.8	64.8	33.0
65+	324	144	180	52	36	16	16.1	25.1	8.9
15-64	2,615	1,294	1,322	1,876	1,057	819	71.8	81.7	62.0
Total (15+)	2,939	1,437	1,502	1,928	1,093	835	65.6	76.1	55.6

Thailand ⁹⁾									
Age group	Population			Active population			Activity rate		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
0-14	14,274	7,297	6,977	—	—	—	—	—	—
15-19	5,269	2,694	2,576	1,413	916	497	26.8	34.0	19.3
20-24	5,254	2,677	2,576	3,742	2,151	1,591	71.2	80.3	61.8
25-29	5,335	2,698	2,637	4,688	2,537	2,151	87.9	94.0	81.5
30-34	5,422	2,691	2,730	4,909	2,588	2,322	90.5	96.1	85.0
35-39	5,568	2,695	2,872	5,119	2,620	2,500	91.9	97.2	87.0
40-49	10,512	5,080	5,432	9,490	4,915	4,575	90.3	96.8	84.2
50-59	7,462	3,573	3,890	6,173	3,315	2,858	82.7	92.8	73.5
60+	7,417	3,282	4,134	2,811	1,650	1,162	37.9	50.3	28.1
Total (15+)	52,238	25,390	26,848	38,345	20,691	17,654	73.4	81.5	65.8
Total (0+)	66,512	32,687	33,825	—	—	—	—	—	—

Sources : OECD countries : OECD.Stat Extract (<http://stats.oecd.org/>) , November 2011Others : ILO LABORSTA (<http://laborsta.ilo.org/>) , December 2011

Notes : 1) This covers the population that has resided in Japan and does not include diplomats from other countries or U.S. military personnel stationed in Japan. Members of the Self-defence Forces and inmates of imprisoned facilities are included.

2) Compiled from the Current Population Survey (CPS) by the U.S. Department of Commerce. This covers the population that is 16 years of age or older and does not include military personnel, inmates of correctional facilities, diplomats from other countries or U.S. citizens residing abroad.

3) Compiled from the "Labour Force Survey" by the U.K. Office for National Statistics. This covers the population that is 16 years of age or older. Professional soldiers are included, but drafted soldiers are not.

4) Compiled from the "Microcensus" by the Federal Statistical Office of Germany. This covers the domestic residents including military personnel and does not include the diplomats from other countries or foreign military forces stationed in the country.

5) Compiled from the "Labour Force Survey" by Institut national de la statistique et des études économiques (INSEE)

6) Compiled from the quarter "Labour Force Survey" by the Istituto Nazionale di Statistica (Istat). It includes military personnel.

7) Inhabitant population based upon the "Labour Force Survey" by the National Statistical Office of South Korea. This covers domestic residents that are 15 years of age or older not committed to correctional facilities and does not include military personnel, inmates of correctional facilities or aliens residing in South Korea.

8) Compiled from the "Labour Force Survey" by the Ministry of Manpower of Singapore. This covers the population that has nationality and permanent residence status, not committed to correctional facilities and does not include tourists, transient residents or commuters from other countries. The figures are as of 2008.

9) Compiled from the "Labour Force Survey" by the National Statistical Office of Thailand. It does not include the inmates of correctional facilities or military personnel. The figures are as of 2008.

Appendix 2 Part-time Employment as a Proportion of Total Employment

(%)

Country		1995	2000	2004	2005	2006	2007	2008	2009
JAPAN	Total	-	16.3	18.1	18.3	18	18.9	19.6	20.3
	Men	-	7.4	8.8	8.8	8.5	9.2	9.9	10.5
	Women	-	29.1	31.3	31.7	31.3	32.6	33.2	33.8
UNITED STATES OF AMERICA	Total	14	12.6	13.2	12.8	12.6	12.6	12.8	14.1
	Men	8.3	7.7	8.1	7.8	7.8	7.6	8	9.2
	Women	20.2	18	18.8	18.3	17.8	17.9	17.8	19.2
CANADA	Total	18.8	18.1	18.5	18.3	18.1	18.2	18.4	19.1
	Men	10.8	10.3	10.9	10.8	10.9	11	11.3	11.9
	Women	28.5	27.2	27.2	26.9	26.2	26.1	26.4	27
UNITED KINGDOM	Total	22.3	23	23.6	23	23.2	22.9	23	23.9
	Men	7.4	8.6	9.5	9.6	9.8	9.8	10.3	10.9
	Women	40.8	40.8	39.8	38.5	38.6	38.3	37.8	38.8
GERMANY	Total	14.2	17.6	20.1	21.5	21.8	22	21.8	21.9
	Men	3.4	4.8	6.3	7.3	7.6	7.8	7.9	8
	Women	29.1	33.9	37	38.8	38.8	38.9	38.3	38.1
FRANCE	Total	14.2	14.2	13.2	13.2	13.2	13.3	12.9	13.3
	Men	5.6	5.5	4.8	5	5	4.9	5	5.1
	Women	24.8	24.9	23.1	22.6	22.6	22.7	21.9	22.4
ITALY	Total	10.5	12.2	14.7	14.6	15	15.2	15.9	15.8
	Men	4.8	5.7	5.5	5.3	5.5	5.5	6.1	5.9
	Women	21.1	23.4	28.7	28.8	29.3	29.8	30.6	30.5
SWEDEN	Total	15.1	14	14.4	13.5	13.4	14.4	14.4	14.6
	Men	6.8	7.3	8.5	8.5	8.4	9.5	9.6	10
	Women	24.1	21.4	20.8	19	19	19.7	19.6	19.8
REPUBLIC OF KOREA	Total	4.3	7	8.4	9	8.8	8.9	9.3	9.9
	Men	2.8	5.1	5.9	6.5	6.3	6.3	6.5	6.9
	Women	6.6	9.8	11.9	12.5	12.3	12.5	13.2	14.2
AUSTRALIA	Total	-	-	23.8	24	23.9	23.7	23.8	24.7
	Men	-	-	12	12	12.2	12.3	12.3	13.2
	Women	-	-	38.4	38.7	38.2	37.7	37.7	38.3

Source: OECD database "Labour Force Statistics" (<http://stats.oecd.org/>), July 2010

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

Appendix 3 Unemployment Rates (Officially Published National Sources)

(%)

Country or region	1995	2000	2003	2004	2005	2006	2007	2008
JAPAN	3.2	4.7	5.3	4.7	4.4	4.1	3.9	4.0
UNITED STATES OF AMERICA ¹⁾	5.6	4.0	6.0	5.5	5.1	4.6	4.6	5.8
CANADA ²⁾	9.5	6.8	7.6	7.2	6.8	6.3	6.0	6.1
UNITED KINGDOM ¹⁾	8.6	5.4	5.0	4.8	4.8	5.4	5.3	5.7
GERMANY ³⁾	10.1	7.9	10.0	11.0	11.1	10.3	8.4	7.3
FRANCE ⁴⁾	11.6	8.5	8.5	8.9	8.9	8.8	8.0	7.4
ITALY ⁵⁾	11.3	10.5	8.7	8.0	7.7	6.8	6.1	6.7
SWEDEN ⁶⁾	7.7	4.7	4.9	5.5	6.0	5.4	6.1	6.2
RUSSIA ⁷⁾	9.5	9.8	8.0	7.8	7.2	7.2	6.1	6.3
CHINA ⁸⁾	2.9	3.1	4.3	4.2	4.2	4.1	4.0	4.2
CHINA, HONG KONG SAR	3.2	4.9	7.9	6.8	5.6	4.8	4.0	3.6
TAIWAN	1.8	3.0	5.0	4.4	4.1	3.9	3.9	4.1
REPUBLIC OF KOREA	2.0	4.4	3.6	3.7	3.7	3.5	3.2	3.2
SINGAPORE ⁹⁾	2.7	3.8	5.9	5.8	5.6	4.5	4.0	4.0
MALAYSIA ¹⁰⁾	3.1	3.0	3.6	3.5	3.5	3.3	3.2	3.3
THAILAND ¹¹⁾	1.1	2.4	1.5	1.5	1.4	1.2	1.2	1.2
INDONESIA ¹²⁾	4.0	6.1	9.7	9.9	11.2	10.3	9.1	8.4
PHILIPPINES ¹³⁾	8.4	11.2	11.4	11.8	7.8	8.0	7.3	7.4
AUSTRALIA ¹⁴⁾	8.4	6.4	5.9	5.5	5.0	4.8	4.4	4.2
NEW ZEALAND ¹⁵⁾	6.3	6.1	4.8	4.0	3.8	3.8	3.7	4.2
BRAZIL ¹⁶⁾	6.1	9.4	9.7	8.9	9.3	8.4	8.2	—

Sources: Japan: Statistics Bureau, Ministry of Internal Affairs and Communications, *Annual Labour Force Survey*, 2009

U.K.: National Statistics (<http://www.statistics.gov.uk/>) "Labour Market Trends" as of Dec., 2010

Others : ILO LABORSTA (<http://laborsta.ilo.org/>) as of Feb. 2011

Notes: The surveys cover the population that is 15 years of age or older, in principle.

1) 16 years of age or older.

2) The values from 1995 cannot be compared precisely with those from the subsequent years, as there was a change in the measurement method.

3) Value from every March (value from every April until 2002); the values from 2005 and earlier cannot be compared precisely with those from the subsequent years, as there was a change in the measurement method.

4) As of March before 2002.

5) The values from 2004 and earlier cannot be compared precisely with those from the subsequent years, as there was a change in the measurement method.

6) 15-74 years of age. The values from 2005 and earlier cannot be compared precisely with those from the subsequent years, as there was a change in the measurement method.

7) 15-72 years of age.

8) As of December each year. Figures in urban areas.

9) The population that is 15 years of age or older with nationality and permanent residence status (value in 1995 is the population for 15 years of age or older). As of June each year. The values shown in the 2000 column are from 2001.

10) 15-64 years of age.

11) 3rd quarter each year. 13 years of age or older before 2001.

12) As of August each year (value in 2005: November). The values shown in the 1995 column are from 1996.

13) The values from 2005 and earlier cannot be compared precisely with those from the subsequent years, as there was a change in the measurement method.

14) It excludes military personnel.

15) The values from 1999 and earlier cannot be compared precisely with those from the subsequent years, as there was a change in the measurement method.

16) 10 years of age or older. As of September each year. Six local cities (Rondonia, Acre, Amazonas, Roraima, Para and Amapa) are excluded. The values shown in the 2000 column are from 2001.

Appendix 4 Wages, Manufacturing

(Total)

Country or region			1995 Year	2000	2005	2006	2007	2008	2009	2010	Note ¹⁾
Japan ²⁾	Yen/month		357,524	371,452	380,885	385,754	374,484	374,362	349,603	362,340	
	Yen/day	JPN	17,699	18,573	19,140	19,385	18,818	19,003	18,400	18,487	E e
	Yen/hour		2,176	2,266	2,303	2,314	2,253	2,288	2,269	2,244	
United States of America ³⁾	US \$/h	USA	12.34	14.32	16.55	16.81	17.26	17.76	18.24	18.60	E e
Canada ⁴⁾	CA \$/h	CAN	—	—	815	853	885	926	961	974	E e
	CA \$/w	CAN	749	808	877	900	961	1,015	1,049	1,066	E e
United Kingdom ⁵⁾	Pound/h	GBR	7.03	8.90	11.16	11.37	11.74	12.32	*12.52	*12.42	E e
Germany ⁶⁾	Euro/h	DEU	25.73	27.78	15.60	15.74	18.97	19.41	*19.82	*20.24	E e
France ⁷⁾	Euro/h	FRA	12.6	14.1	16.8	17.3	17.9	—	—	—	E e
Italy ⁸⁾	Index	ITA	128.7	113.1	99.4	102.7	105.6	109.1	—	—	R w
Sweden ⁹⁾	Krona/h	SWE	107.0	111.3	129.9	133.8	139.5	145.2	*145.5	*150.2	E w
Russia ¹⁰⁾	Ruble/m	RUS	464,792	1,056	8,421	10,199	12,879	16,050	*16,397	*18,767	E e
China ¹¹⁾	Yuan/m	CHN	431	729	1,313	1,497	1,740	2,016	—	—	E e
Hong Kong ¹²⁾	HK \$/d	HKG	278.0	335.4	279.0	321.7	342.8	341.2	—	—	R w
	HK \$/m	HKG	9,508	11,868	8,816	9,698	10,109	10,107	9,465	*9,415	E e
Republic of Korea ¹³⁾	1,000 Won/m	KOR	1,124	1,602	2,458	2,595	2,772	2,758	*2,733	—	E e
Singapore ¹⁴⁾	SG \$/m	SGP	2,157	3,036	3,495	3,618	3,764	3,955	*3,966	*4,266	E e
Thailand ¹⁵⁾	Baht/m	THA	4,994	6,065	6,407	6,942	6,999	7,865	*7,701	*7,938	E e
Philippines ¹⁶⁾	Peso/d	PHL	6,654	226	247	265	277	290	300	311	R e
India ¹⁷⁾	Rupee/m	IND	1,211	1,281	1,234	3,526	—	—	—	—	E w
Australia ¹⁸⁾	AU \$/h	AUS	15.59	18.16	—	25.36	—	—	—	—	E e
	AU \$/w	AUS	614	721	921	963	993	1,034	1,044	1,079	E e
New Zealand ¹⁹⁾	NZ \$/h	NZL	14.56	16.97	19.58	20.51	21.45	22.40	—	—	E e
Brazil ²⁰⁾	Real/m	BRA	631	763	—	—	—	—	—	—	E e

Sources: Japan, Ministry of Health, Labour and Welfare, *Monthly Labour Survey*, 2010

U.S., Bureau of Labor Statistics, *Current Employment Statistics*, as of Feb. 2010

Others, ILO LABORSTA (<http://laborsta.ilo.org/>), as of Dec. 2011

Notes: 1) E= Earnings, R= Wage rate, e= Employees (wage workers and salary employees), w= Wage workers (site or production worker). Salary employees refer to clerical, managerial, technical and professional workers.

2) Regular workers of the business institutions employing 5 or more workers in the monthly labor surveys(full-time/ part-time workers): bonus and other specially-paid wages are included. The working hours refer to the total hours actually worked.

3) Production workers of the private sector (excluding managerial workers)

4) Upper column is the wage for one's main job.

5) It covers full-time workers who are the age of 16 or over.

6) Column on 1995 is the value for 1996. Family allowances paid directly by employers are included. Values for 2000 or earlier are shown in DEM. EUR1.00=DEM1.95583.

7) Column on 1995 is the value for 1996.

8) The index number for 1995 is based on the value of 1990 as 100; the index number for 2000 is based on the value of December 1996 as 100; and the index number after 2001 is based on the value of December 2005 as 100 (wage per hour).

9) Values for Private sector in each September. Allowances for vacation, sick leave and overtime work are not included, except in the value for 1995. The value for 2000 is the value for adults during September through October of the year.

10) The values for 1997 and after are shown in the new ruble; new RUB1= old RUB1000. Column on 2000 is the value for 1998.

11) Unit of operation is state, cities, and others.

12) On lower column, statistical techniques were changed in 2001.

13) Unit 1,000 won; business institutions with 10 regular employees or more. Family allowances and valuation for wages in kind are included in 2009.

14) Statistical techniques were changed in 2005. It covers the age of 14 or over in and after 2008.

15) Value from every March; wage rate for scheduled working hours in or before 2008.

16) The value for 1995 is the wage per month for business institutions with 20 employees or more, calculated based on the annual wages.

17) The values fluctuate due to the change in the scope of workers surveyed.

18) Upper column is full-time non managerial workers; value from every May. The industry classification was changed in and after 1996. Lower column is the age of 18 and over.

19) The corporations with 0.5 full-time employee (or equivalent) or more; value from every February.

20) The value is as of December every year.

Appendix 5 Average Annual Hours Actually Worked per Person in Employment

Year	Japan	United States	United Kingdom	Germany	France
1990	2,031	1,831	1,765	1,578	1,705
1995	1,884	1,844	1,731	1,534	1,651
2000	1,821	1,836	1,700	1,473	1,591
2001	1,809	1,814	1,705	1,458	1,579
2002	1,798	1,810	1,684	1,445	1,537
2003	1,799	1,800	1,674	1,439	1,533
2004	1,787	1,802	1,674	1,442	1,561
2005	1,775	1,799	1,673	1,434	1,557
2006	1,784	1,800	1,668	1,430	1,536
2007	1,785	1,798	1,670	1,430	1,556
2008	1,771	1,792	1,665	1,426	1,475
2009	1,714	1,768	1,643	1,390	1,554
2010	1,733	1,778	1,647	1,419	—

Source: OECD Database (<http://stats.oecd.org/>) "Average annual hours actually worked per worker" Aug. 2011

Notes: 1) The value for 1990 is in the area of previous West Germany.

2) The value for 2008 is estimated figure.

Appendix 6 Trade Union Membership and Density Rates (National Official Statistics)

(thousands, %)

Country	1995	2000	2004	2005	2006	2007	2008	2009
Japan								
Membership	12,614	11,539	10,309	10,138	10,041	10,080	10,065	10,078
Density rates	23.8	21.5	19.2	18.7	18.2	18.1	18.1	18.5
United States of America								
Membership	16,360	16,258	15,472	15,685	15,359	15,670	16,098	15,327
Density rates	14.9	13.5	12.5	12.5	12.0	12.1	12.4	12.3
United Kingdom								
Membership	7,125	7,120	7,061	7,056	7,021	7,005	6,878	6,715
Density rates	32.4	29.8	28.8	28.6	28.3	28.0	27.4	27.4
Germany								
Membership	11,242	9,740	8,580	8,360	8,170	—	8,201	—
Density rates	36.0	29.0	24.8	24.4	23.6	—	22.9	—
France								
Membership	1,780	1,781	1,783	1,779	1,778	1,795	1,807	—
Density rates	8.9	8.1	7.8	7.8	7.7	7.6	7.7	—
Republic of Korea								
Membership	1,615	1,526	1,536	1,506	1,559	1,688	1,666	1,640
Density rates	13.8	12.0	10.6	10.3	10.3	10.8	10.5	10.1
Singapore								
Membership	235	314	444	450	463	495	517	526
Density rates	13.8	14.5	20.1	19.4	18.6	18.1	17.5	17.6
Malaysia								
Membership	—	—	—	761	802	803	806	807
Density rates	—	—	—	7.4	7.6	7.6	7.8	7.6
Philippines								
Membership	3,587	3,778	1,572	1,910	1,855	1,918	—	—
Density rates	30.2	27.2	—	—	—	—	—	—
Australia								
Membership	2,252	1,902	1,842	1,912	1,786	1,696	1,753	1,835
Density rates	32.7	24.7	22.7	22.4	20.3	18.9	18.9	19.7

Sources: Japan, Ministry of Health, Labour and Welfare, *Basic Survey on Labour Unions*, 2009

U.S., U.S. Bureau of Labor Statistics (Jan.2010) *Union Members in 2009*

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Notes: 1) 4th quarter

2) The membership consists of the DGB (Deutscher Gewerkschaftsbund), DBB (Deutschen Beamtenbundes) and CGB (Christlicher Gewerkschaftsbund). In anf after 2004, the membership of the CGB is estimated to be approximately 300,000, though the actual number is unknown.

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