Chapter II Labor Market

1 Population and Labor Force

Population Growth Rate and Decline from the Late 1970s

Between November 1945 (immediately after the end of World War II) and October 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

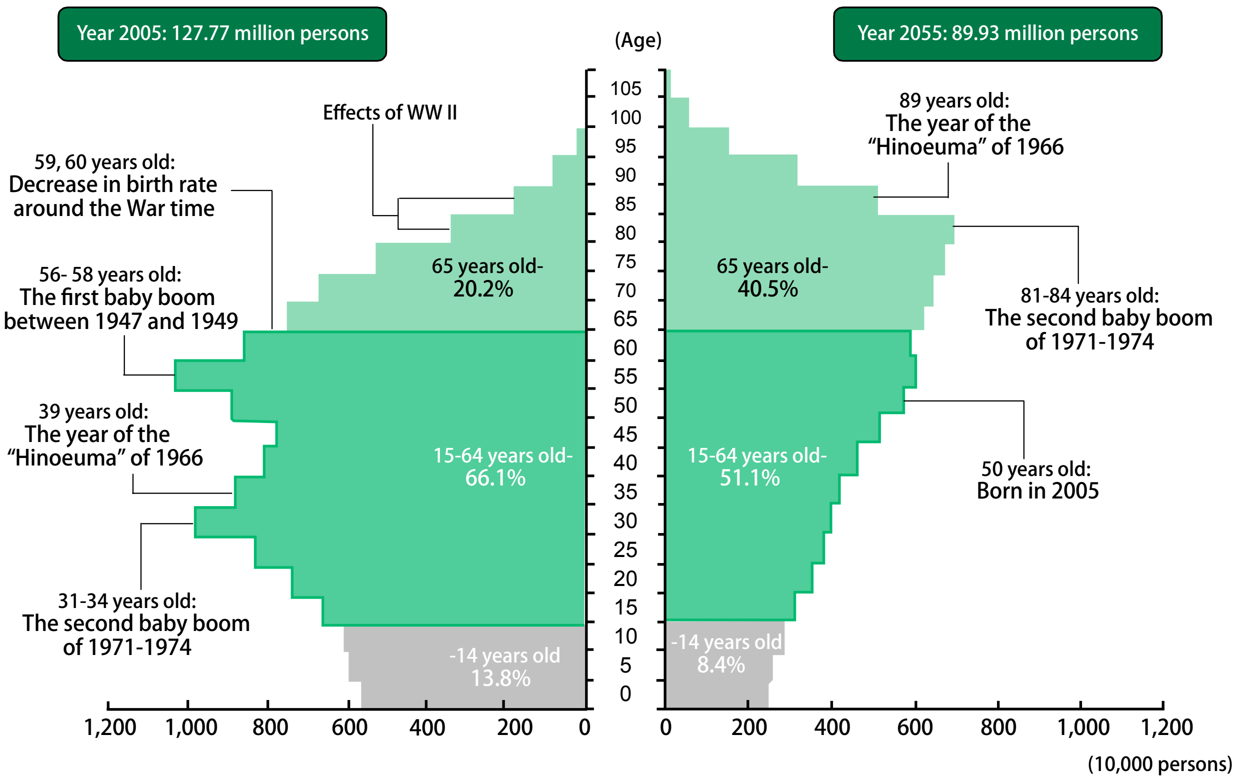
The heavy concentration of population in the Greater Tokyo area, as opposed to other urban centers, poses many difficulties. Also noteworthy (though not so much in terms of absolute population) are the so-called "U-turn" and "J-turn" -the tendency for people to move from their birthplaces in the countryside 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.

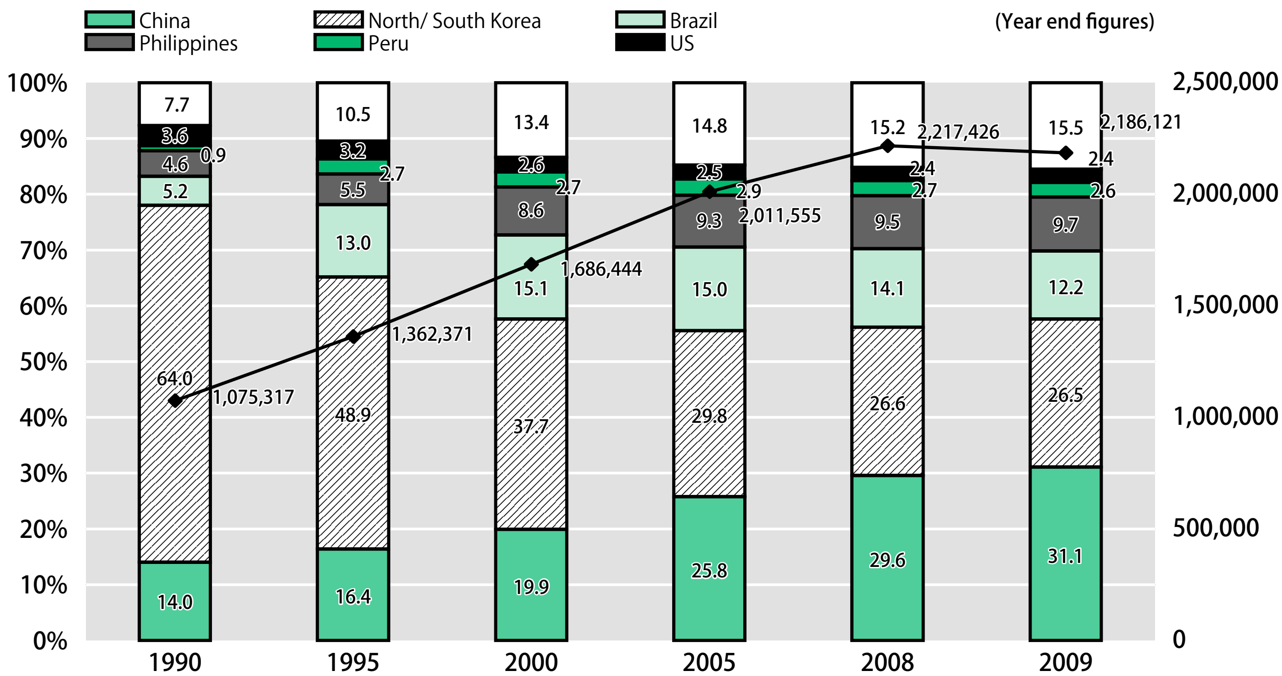
II-1 Japan's Population in 50 Years



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-varient fertility* (with Medium-variant mortality) , National Institute of Population and Social Security Research.

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

II-2 Changes in Registered Alien Population by Nationality



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).

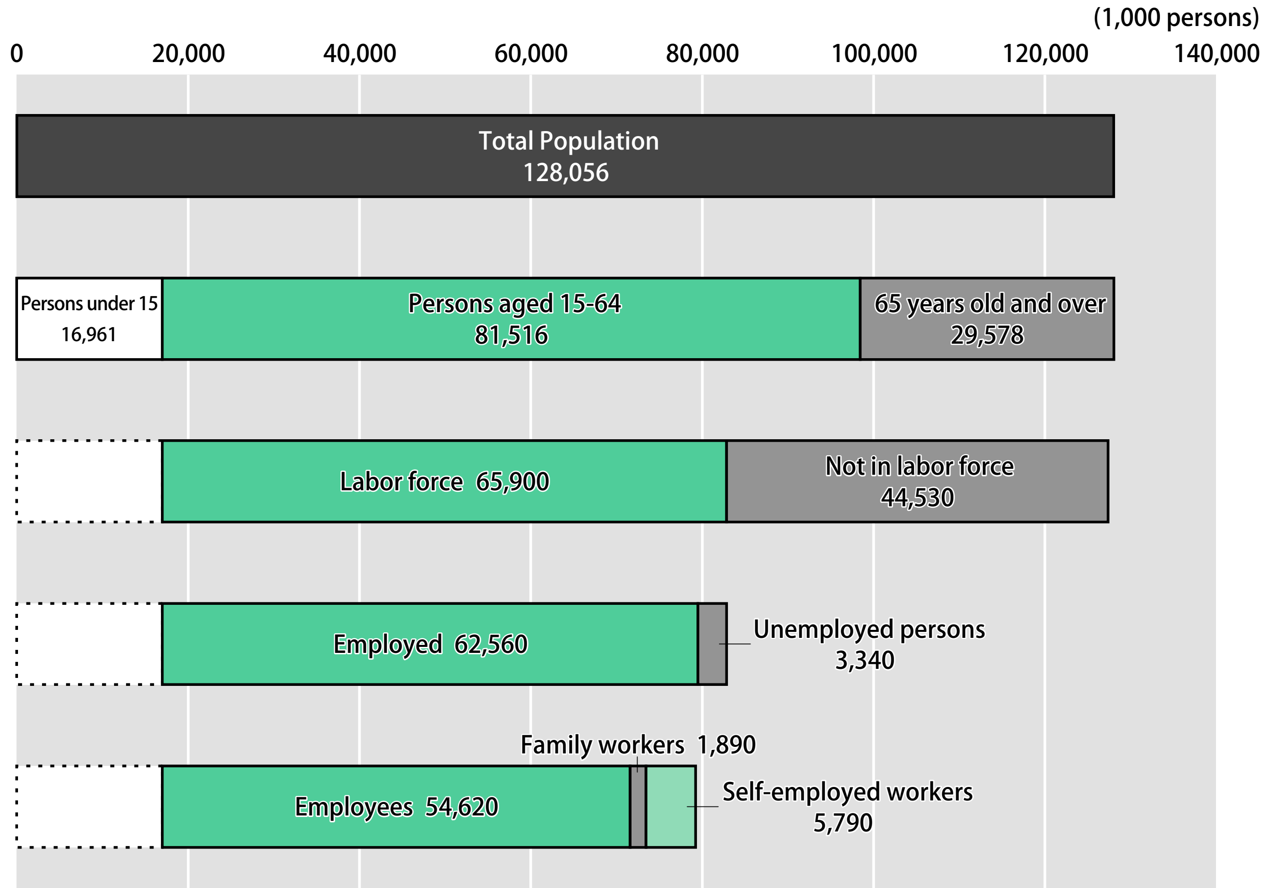
The labor force includes those people aged 15 and older who actually hold jobs and therefore qualify as "workers", as well as "completely unemployed persons" who want and seek jobs, but are not currently engaged in any work.

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*

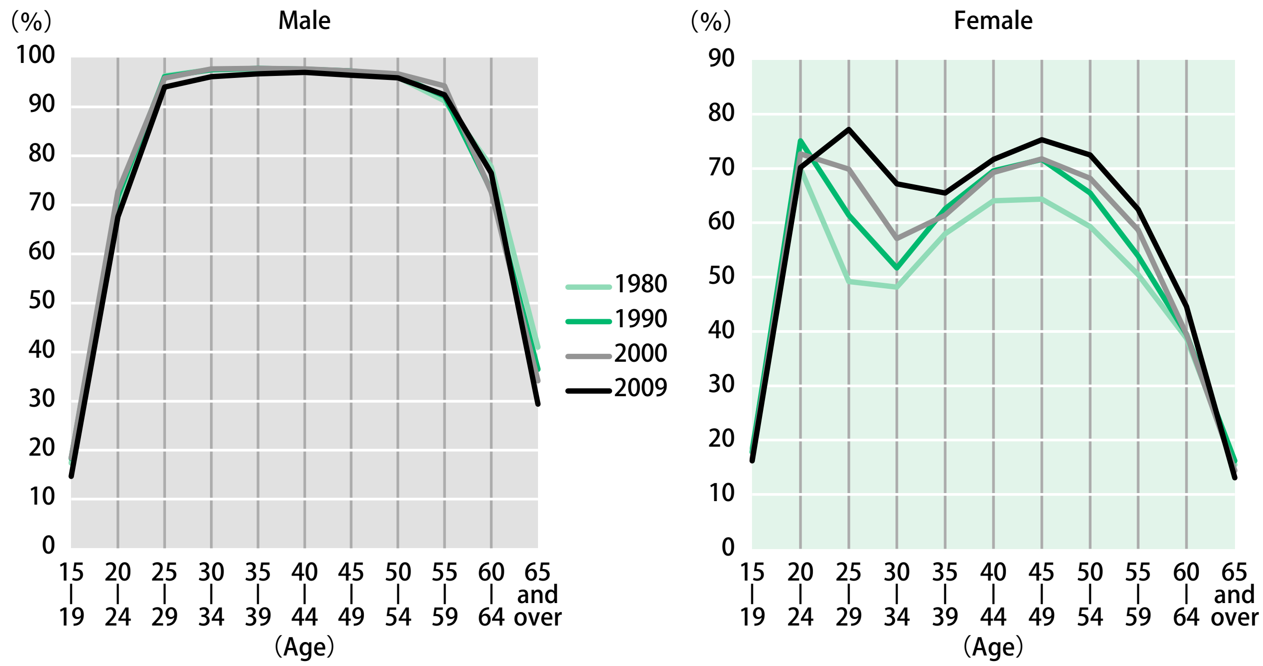
Features of Japan Visible in the Labor Force Ratio

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

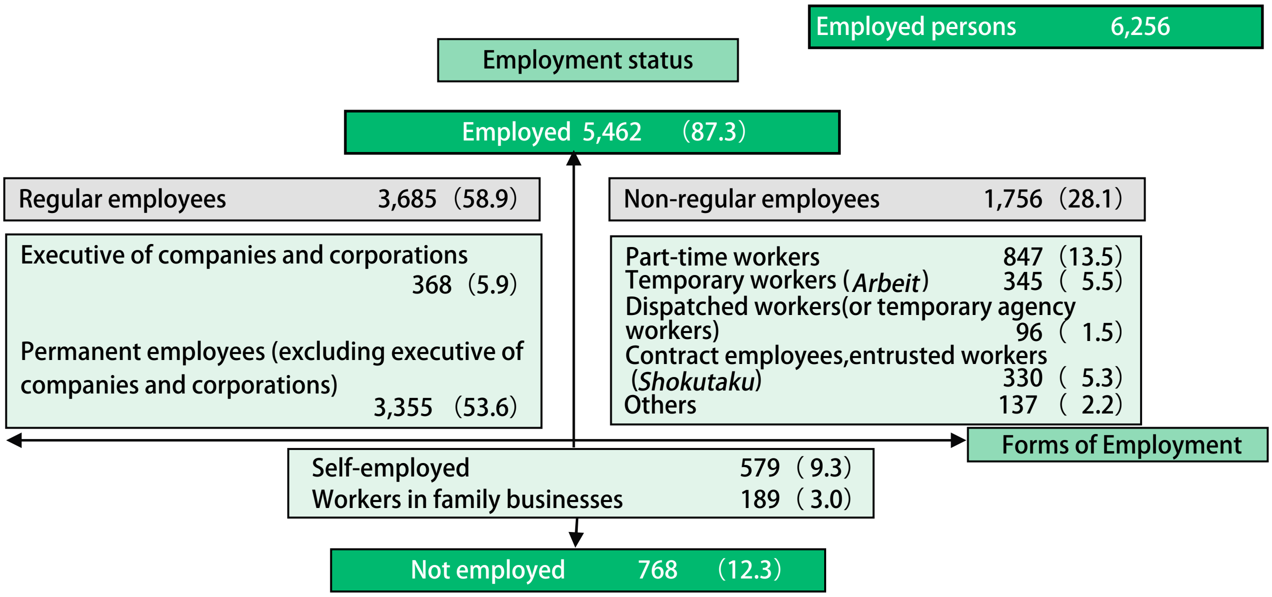
A second recent feature of employment in Japan has been the upward trend in unemployment. From the 1970s to the end of the 1980s, the overall unemployment rate remained between around 2% and 3% as it bobbed around slightly behind trends in the business cycle. Following the collapse of the bubble at the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

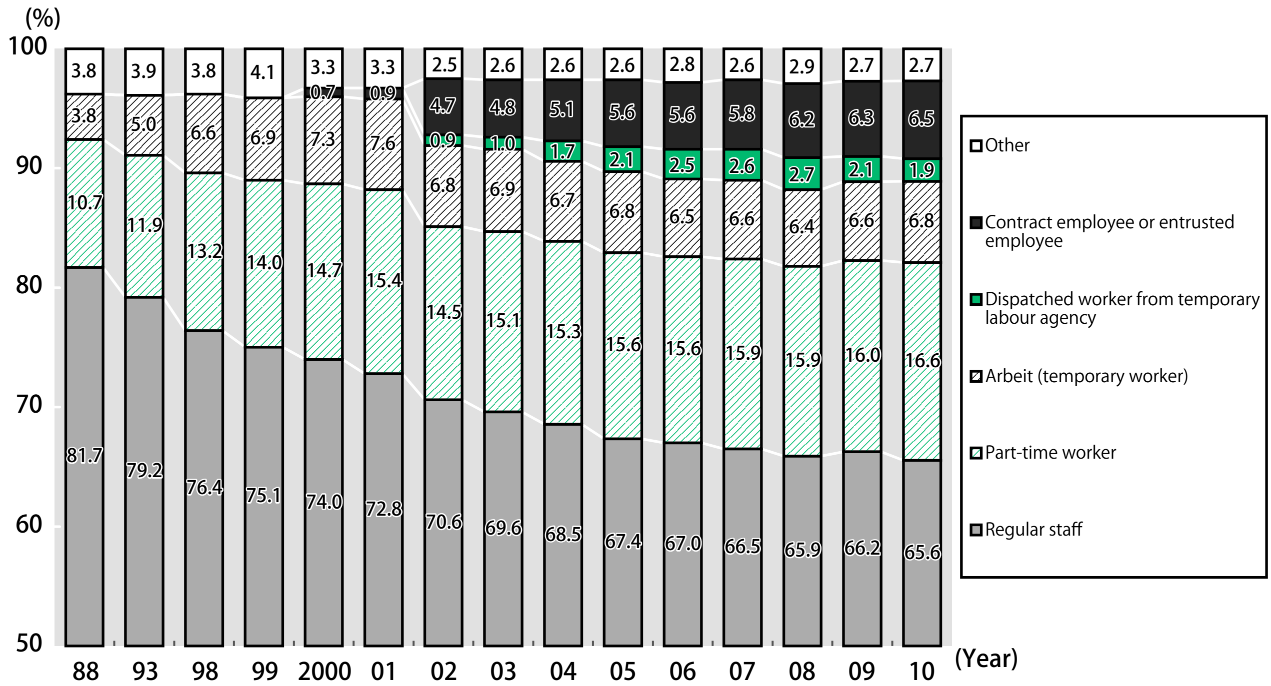
One structural problem concerning unemployment is the particularly high rate among younger age groups. In 2010, unemployment was higher among 15- to 19-year-olds (9.4%), 20- to 24-year-olds (9.1%), and 25- to 29-year-olds (7.1%) than among all age groups combined (5.1%). The period of transition from 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)



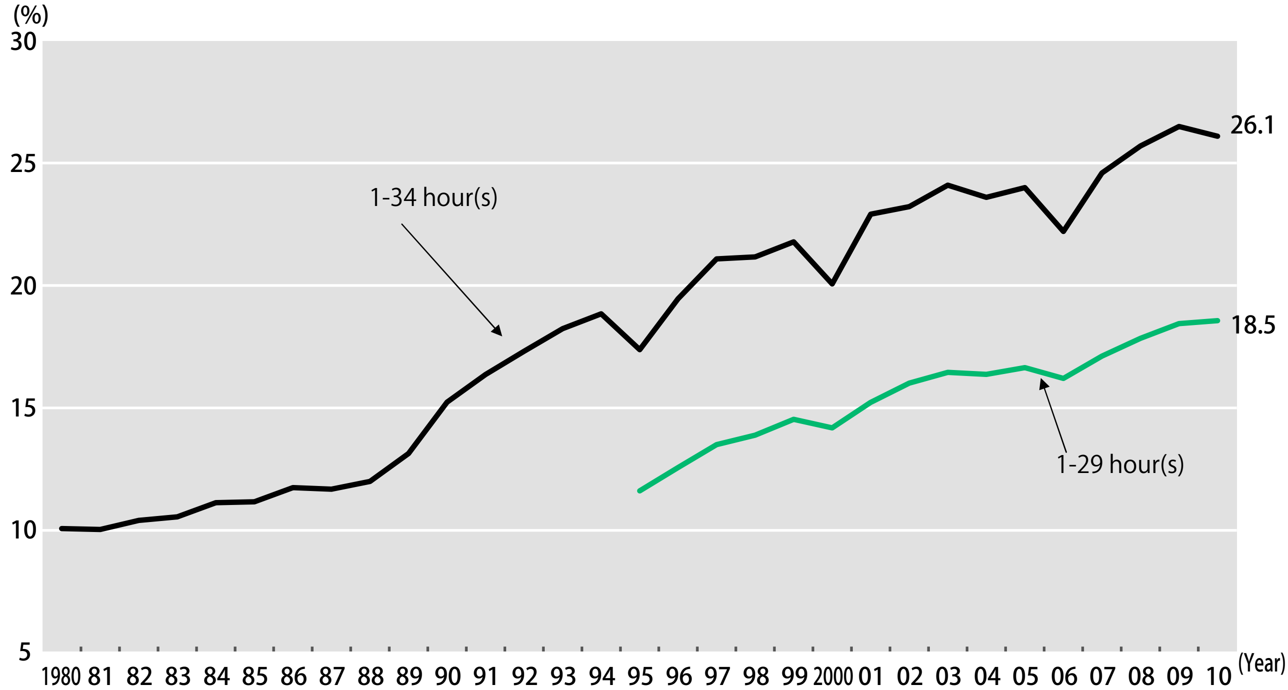
Source: Statistic Bureau, Ministry of Internal Affairs and Communications, *Labor Force Survey (Detailed Tabulation)* .
Note: Figures not in parentheses indicate the numbers of employed persons in tens of thousands.
Those in parentheses indicate the percentages of employed persons in the overall population.

II-6 The Proportion of Employees by Type of Employment



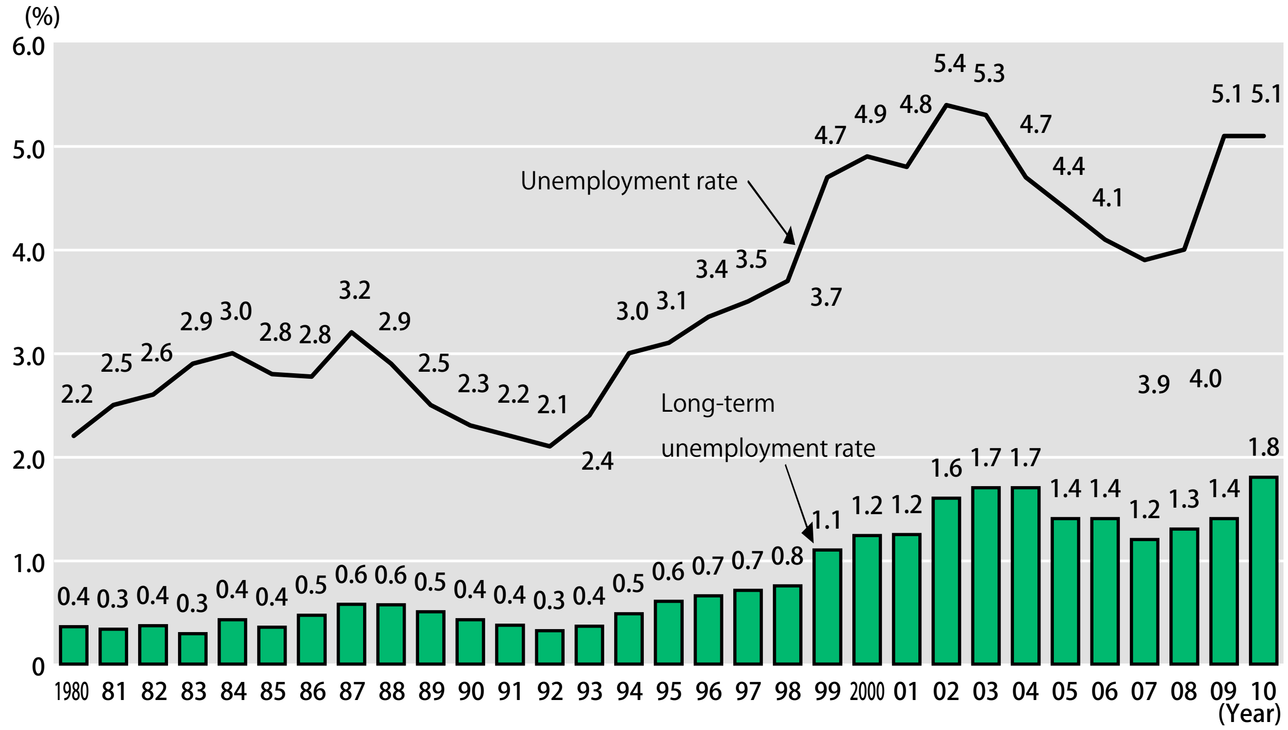
Sources: Compiled from the *Labor Force Special Survey* (survey in February each year) in the case of data for 2001 and earlier, and from the *Labor Force Survey Detailed Tabulation* (annual averages) in the case of data for 2002 onwards.
In addition, because there are differences in survey methods between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

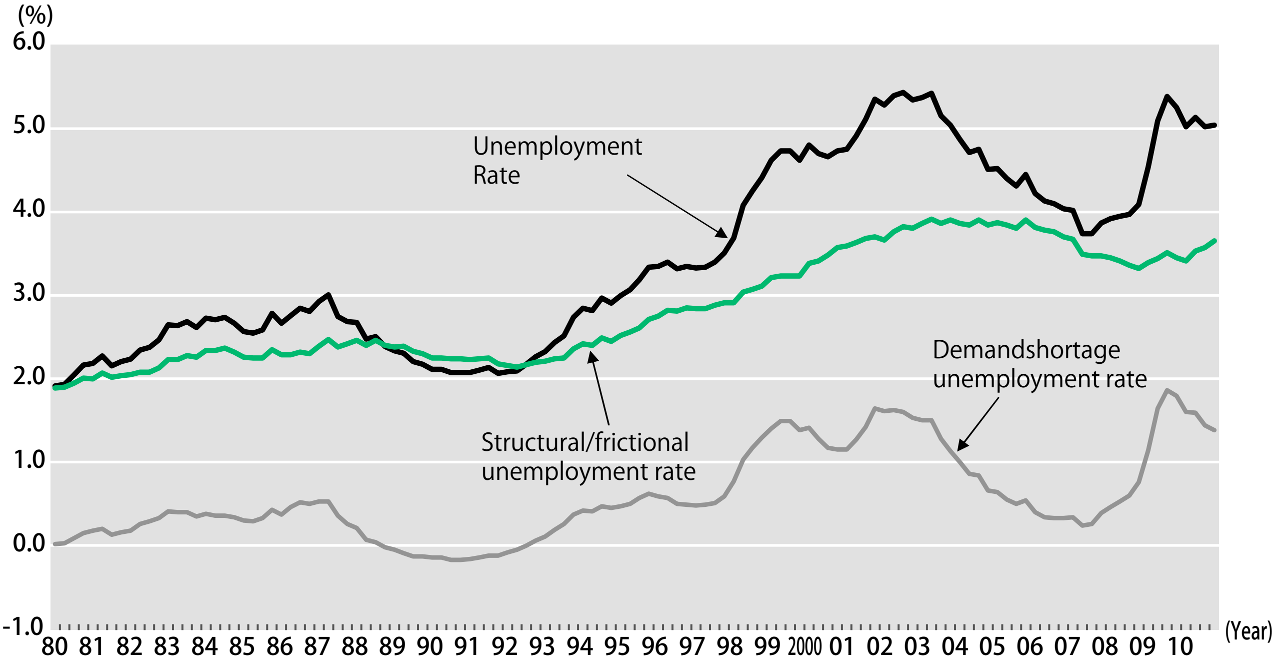


Sources: Statistic Bureau, Ministry of Internal Affairs and Communications, *Labour Force Survey* , *Special Survey of Labour Force Survey* (1977-2001), *Labour Force Survey (Detailed Tabulation)* (2002-2008)

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 area 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.

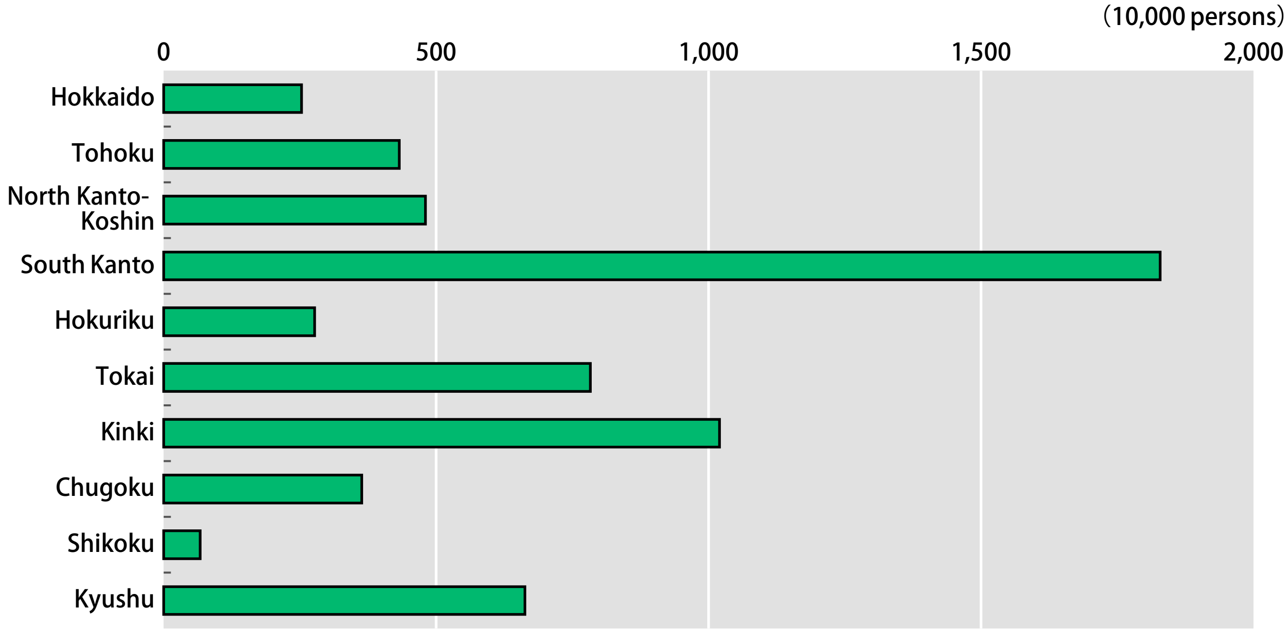
In addition to these blows to the agriculture and fisheries sectors, the manufacturing industry that was being built up in this area has also suffered immense damage, and the impact has had a ripple effect that has not only reached other parts of Japan, but also extended as far as other countries. Plants 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*

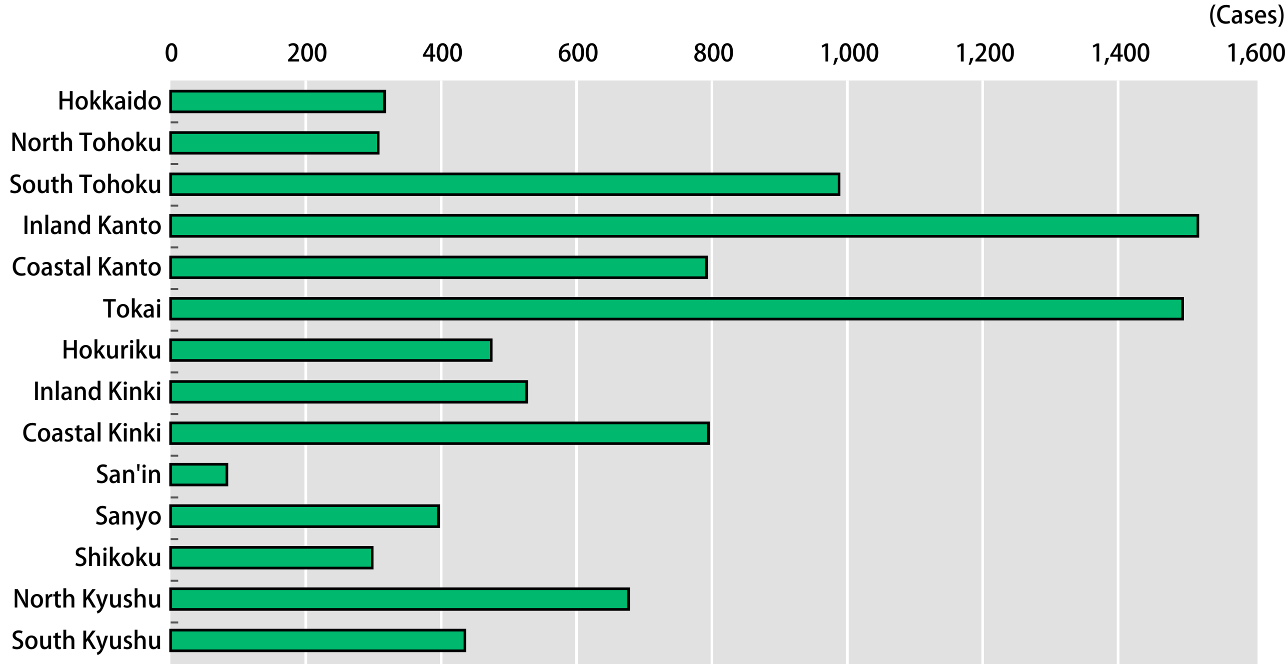
II-11 Proportion of Employees by Industry as Seen in Each Region

(%)

	Contrruction	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.

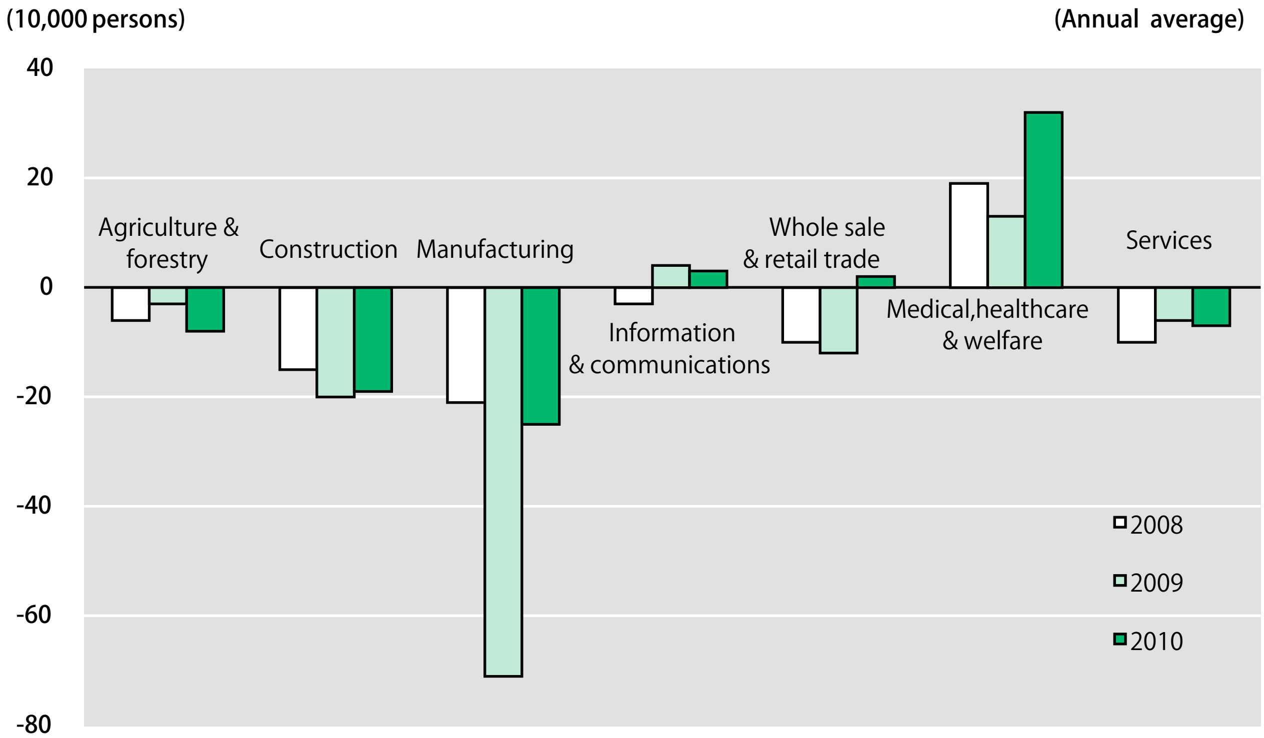
Looking at trends in the main components of tertiary industry, one finds that while the wholesale and retail trades and eating drinking establishments made up 47.6% of tertiary industry as a whole in 1953, their share began to decline in 1961 at the start of the high-growth period, and stood at 34.8% 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

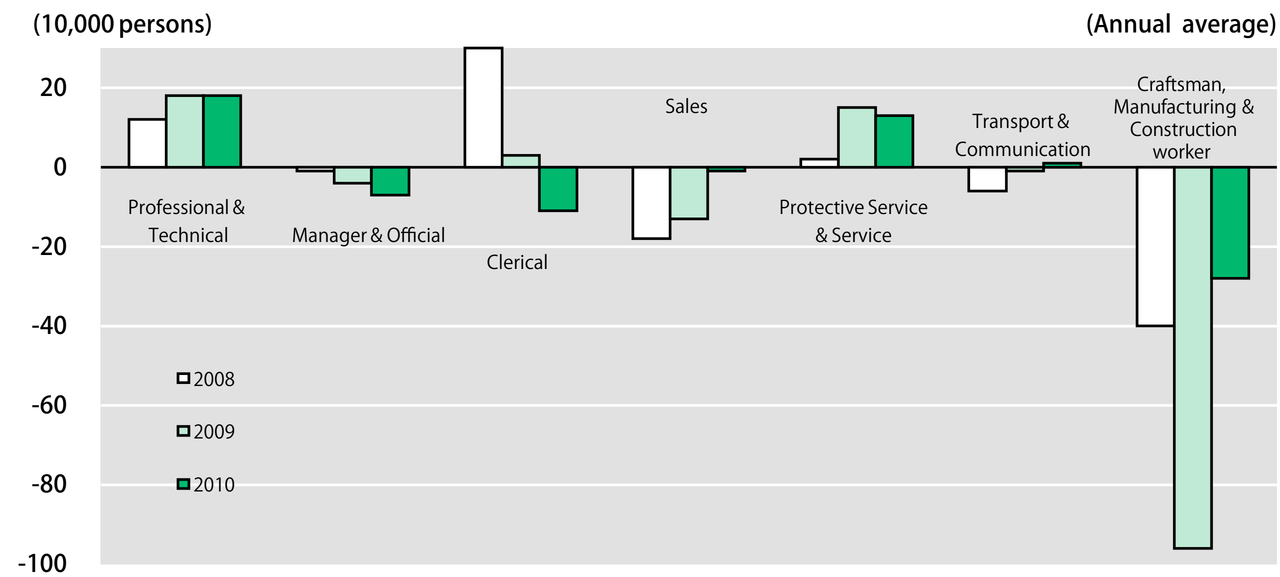
Source: Statistics Bureau, Ministry of Internal Affairs and Communications, *Labour Force Survey*

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, *Labor 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 published[1], 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 of 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 exectives (%)
1990	881	20.2
1991	897	19.8
1992	958	20.5
1993	986	20.8
1994	971	20.3
1995	1001	20.9
1996	1043	21.5
1997	1152	23.2
1998	1173	23.6
1999	1225	24.9
2000	1273	26.0
2001	1360	27.2
2002	1451	29.4
2003	1504	30.4
2004	1564	31.4
2005	1633	32.6
2006	1677	33.0
2007	1732	33.5
2008	1760	34.1
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.

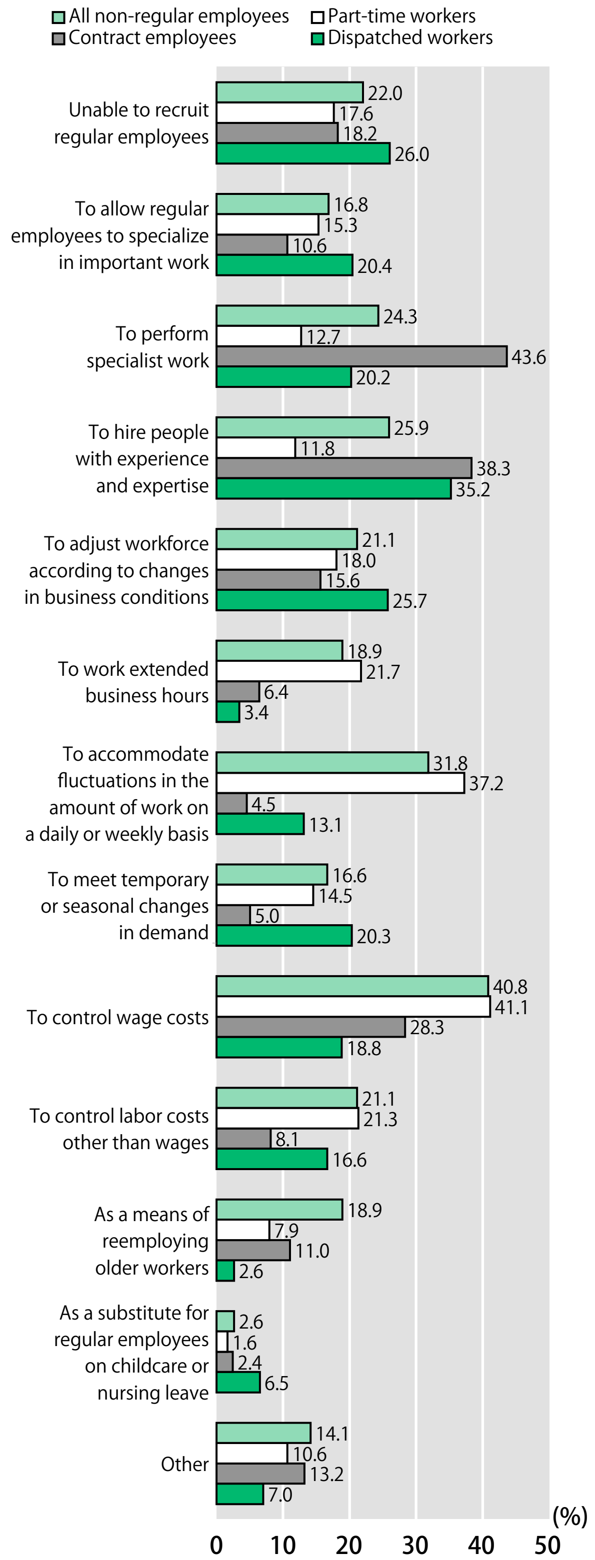
II-20 Trends in Proportions of Non-regular Employees by Age and Sex

(%)

	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

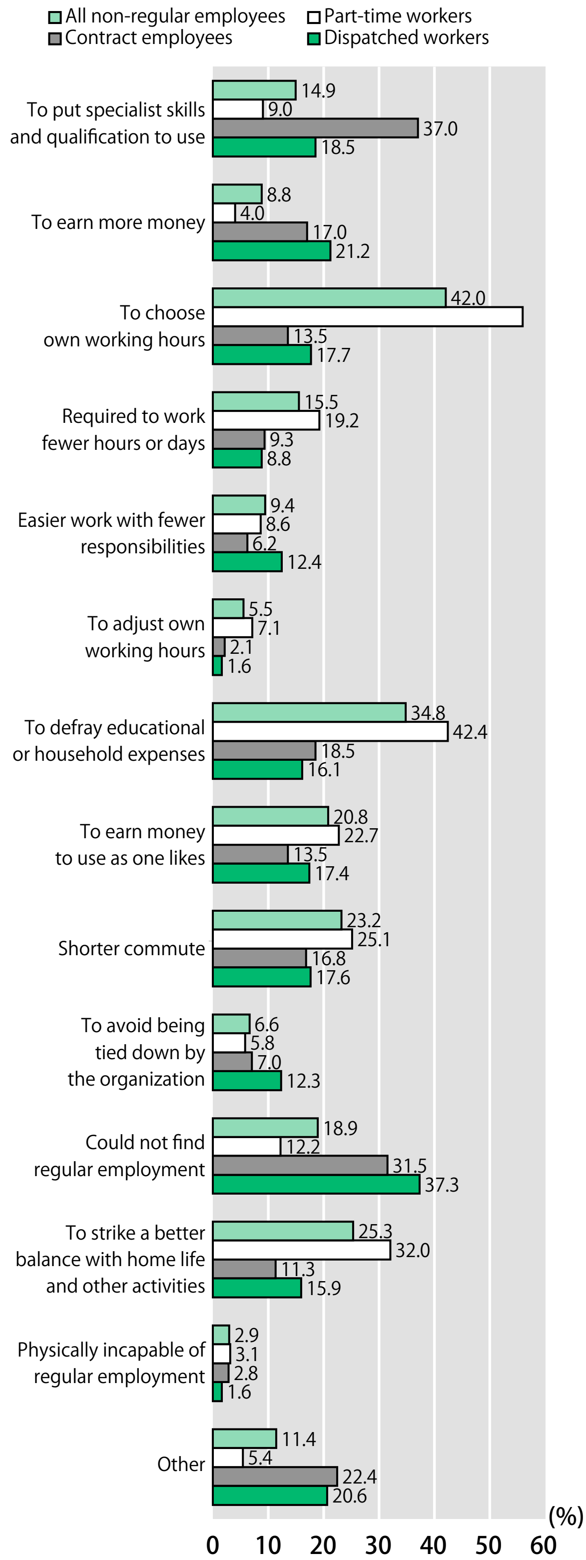
Source: Ministry of Internal Affairs and Communications, *The Special Survey of the Labour Force Survey* and *Labour Force Survey*
Note: The proportion of non-regular employees is the proportion of all non-agricultural/forestry employees excluding executives of companies and corporations who are part-time 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 people[2]. 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.

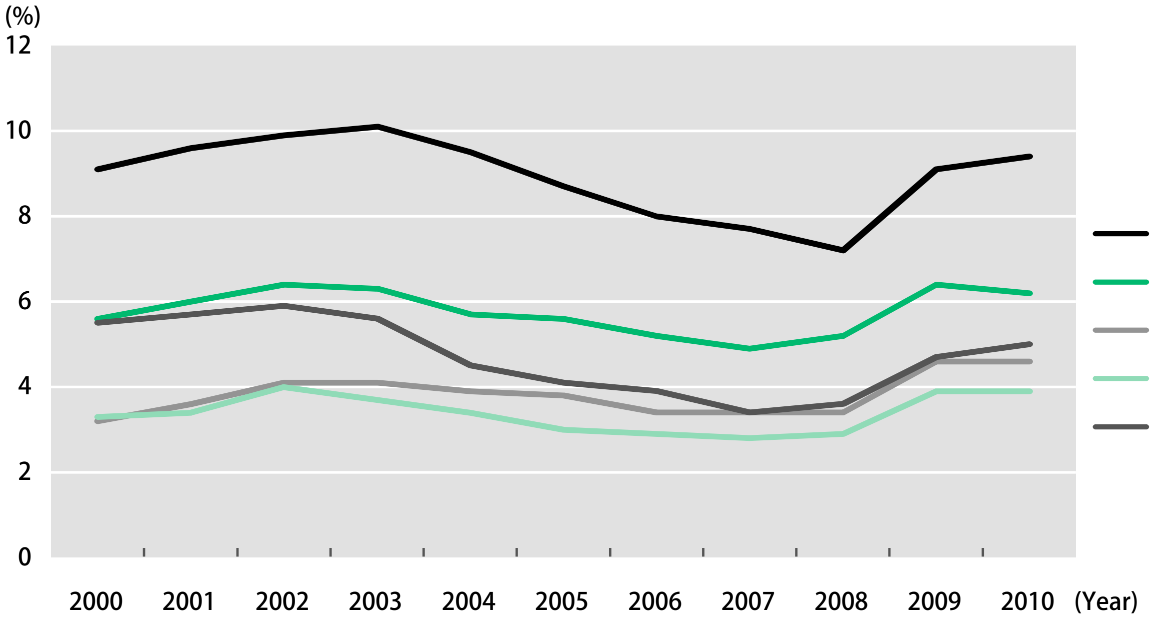
While the economic upturn from 2002 generated some improvement in employment conditions for the young, the labor market become polarized, even during the recovery, it was difficult for those who entered the labor market during the downturn to find stable employment.

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



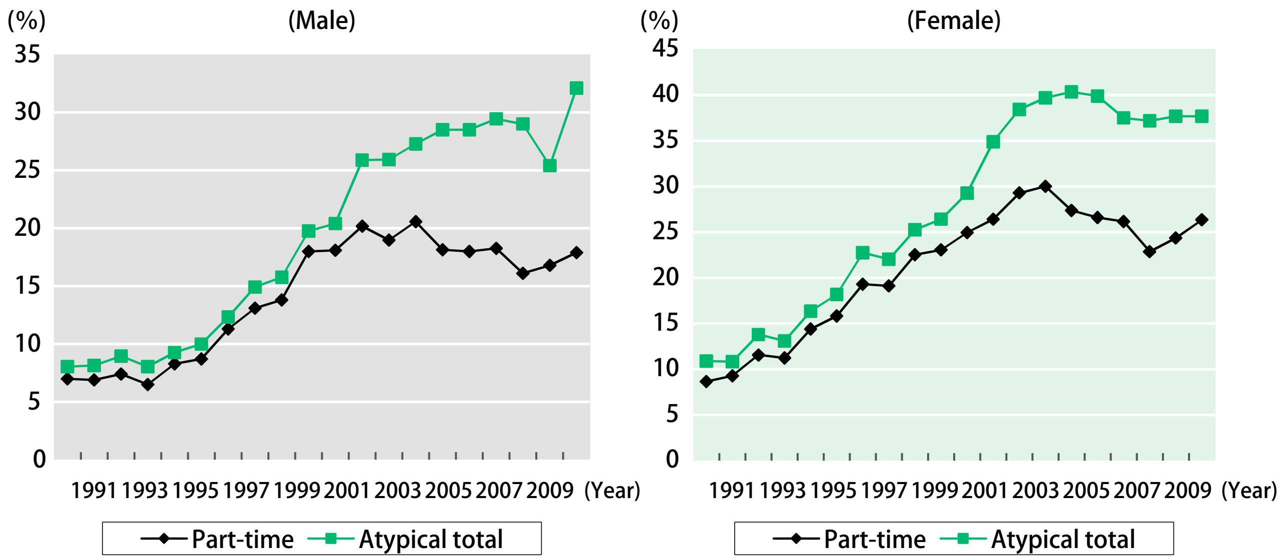
Source: Statistics Bureau of Ministry of Internal Affairs and Communications, *Labour Force Survey*

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* (Februaru 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 responce/ 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

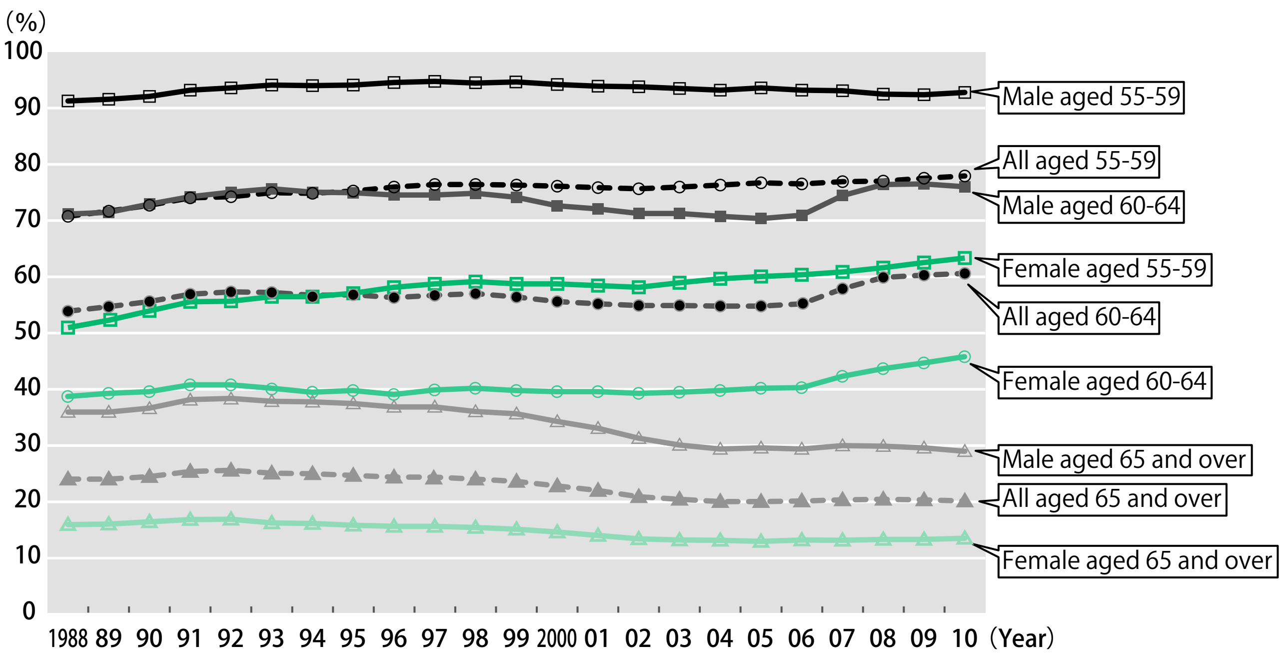
Relatively Stable Trends of Employment of Older Persons

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**



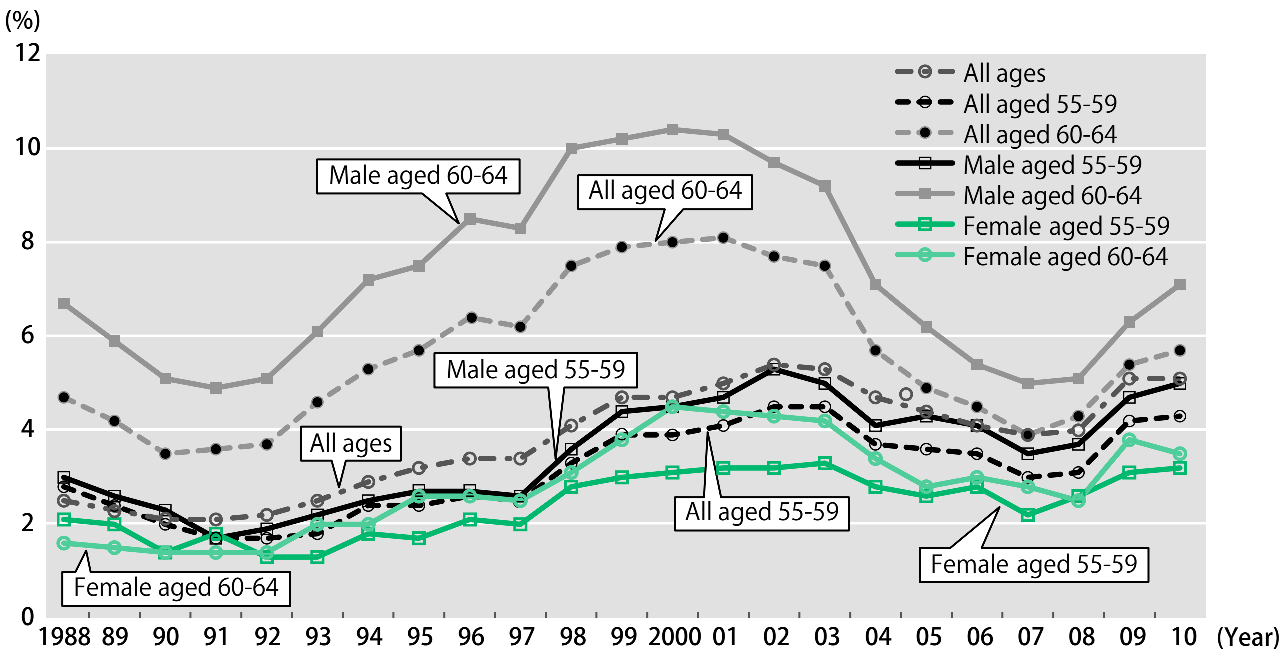
Source: Statistics Bureau of Ministry of Internal Affairs and Communications, *Labour Force Survey*

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

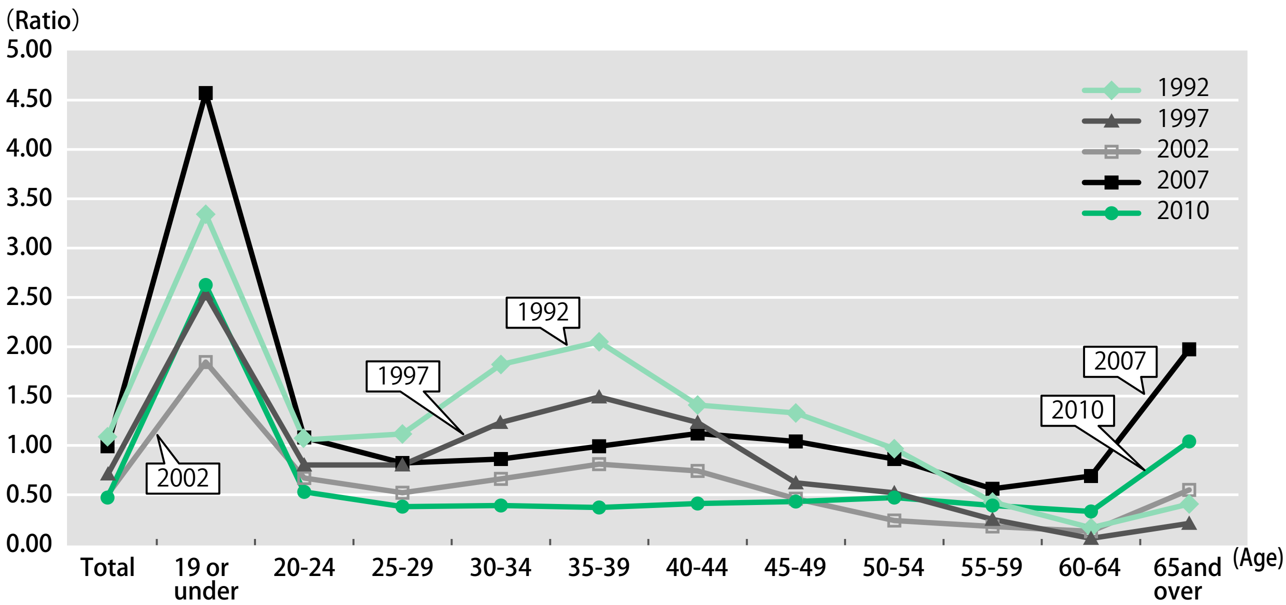
Older persons in Japan have traditionally faced more severe employment conditions than other age groups. In around 1985, for example, the unemployment rate for 55- to 59-year old males (3.9% in 1985) was considerably higher than the rate for all age groups (2.6%). Since the 1990s, however, it has been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

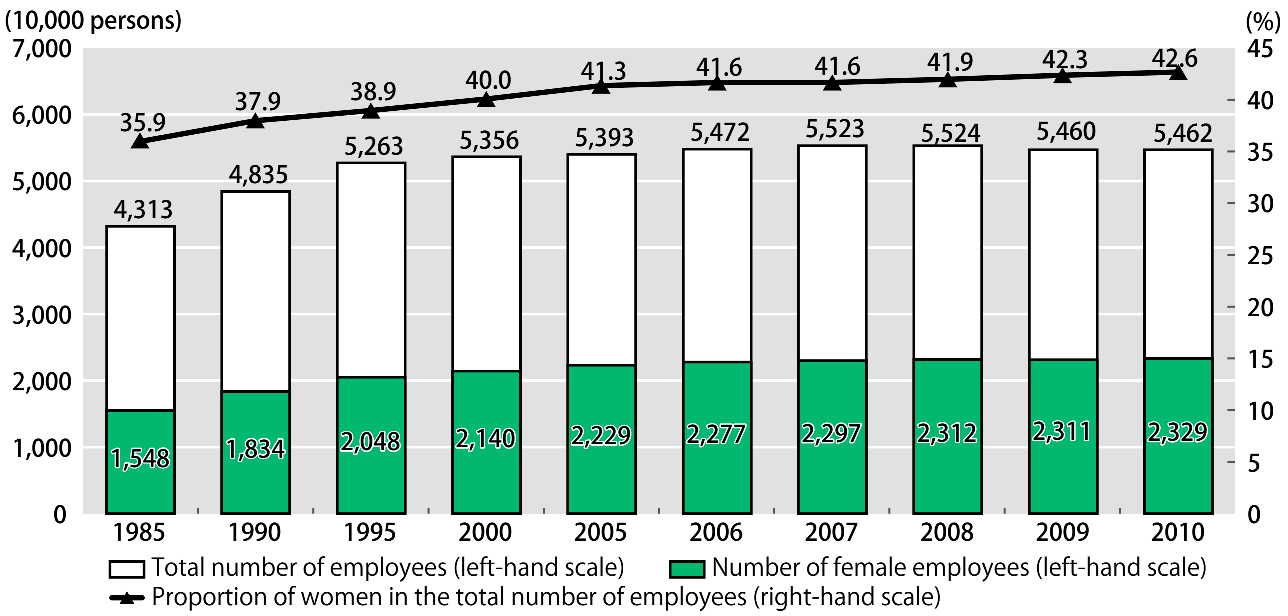
While the job situation of older persons has on the whole been stable and measures on the employment front have yielded results, it needs to be borne in mind that this concerns mainly those who were already in permanent employment when they entered old age. Those who lost positions of permanent employment 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).

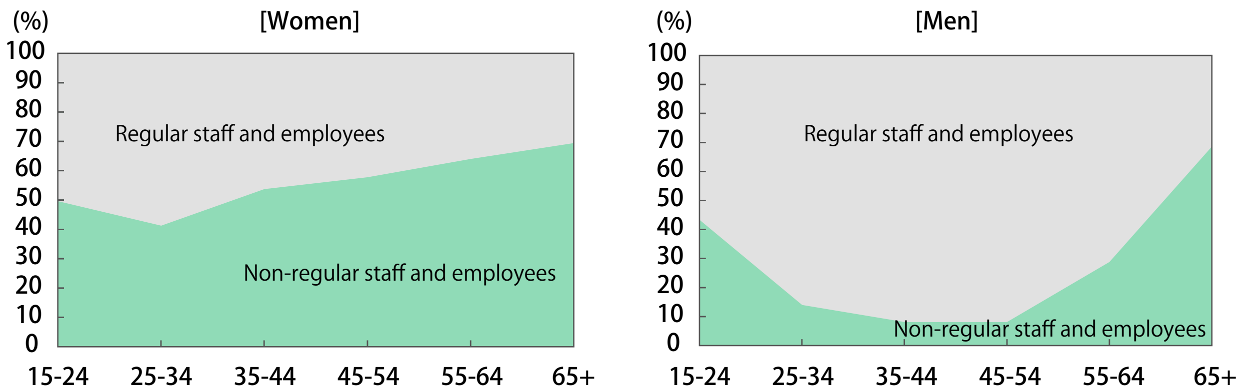
Considerable Variation between Men and Women in Their Shares of Non-regular Employees

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)

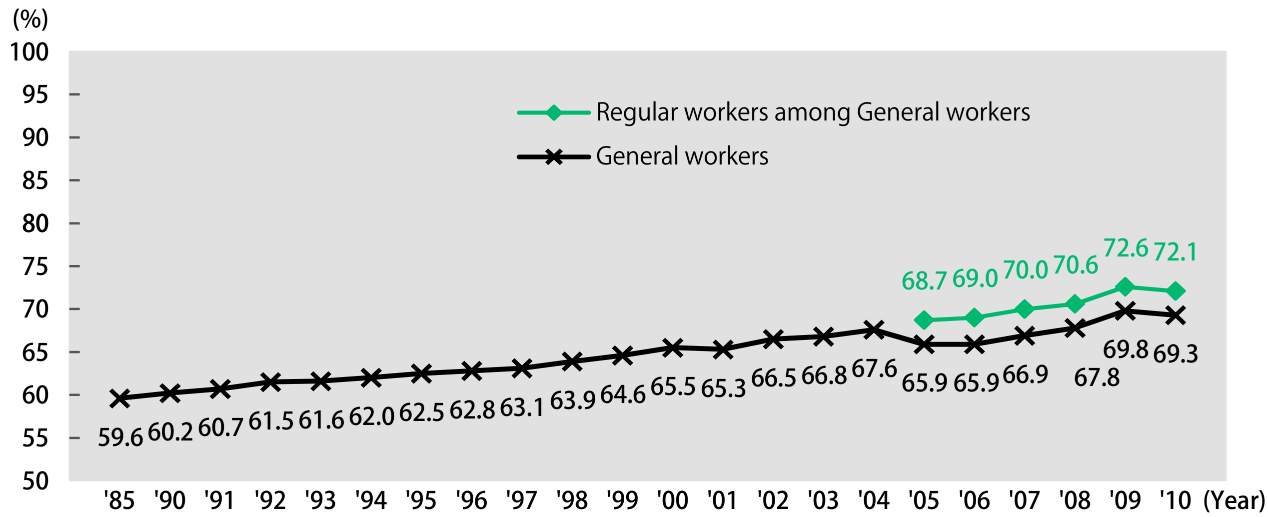


Source: Ministry of Internal Affairs and Communications, *Labor Force Survey*

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)

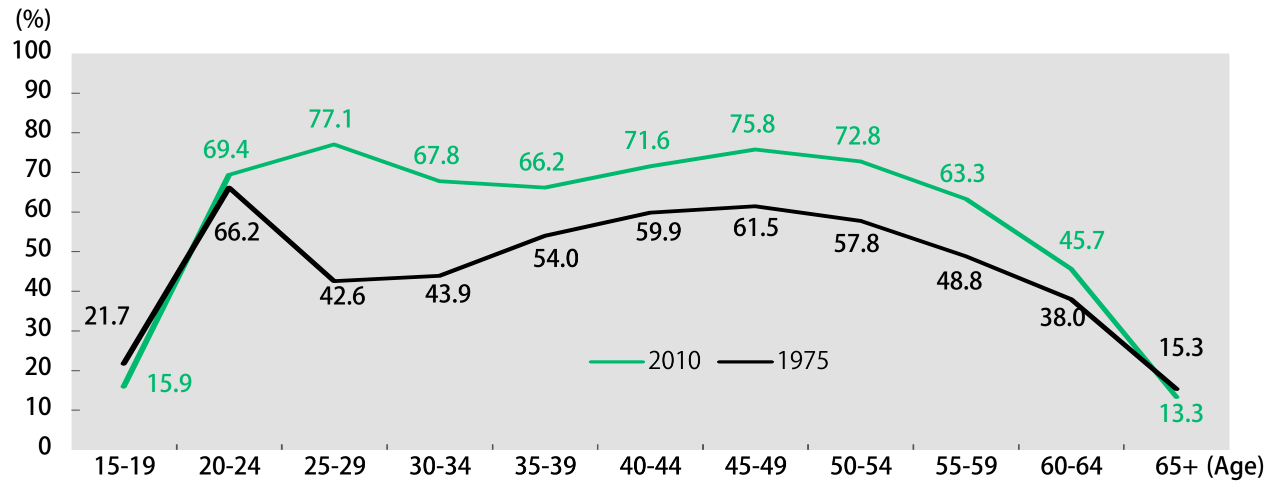


Source: Ministry of Health, Labour and Welfare, *Basic Survey on Wage Structure*
Notes: "General workers" refers to workers who are not "short-time workers".

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

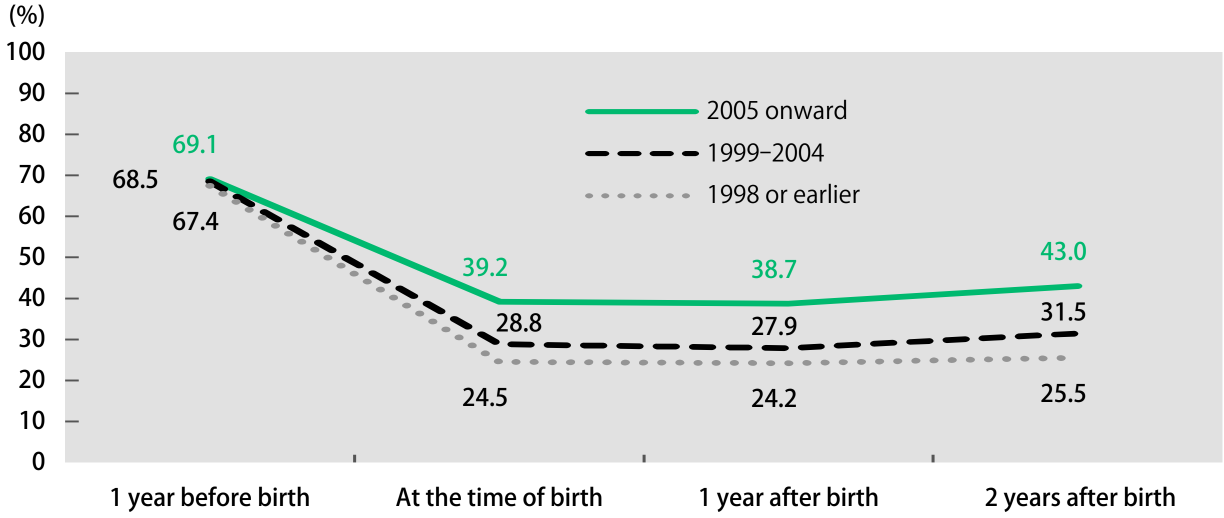
Looking at the labor force participation rate of women by age group, it describes a so-called M-shaped curve which reaches its lowest point in the 30s; the factors behind this include the fact that there are many women who interrupt their employment to get married, give birth and raise children. When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



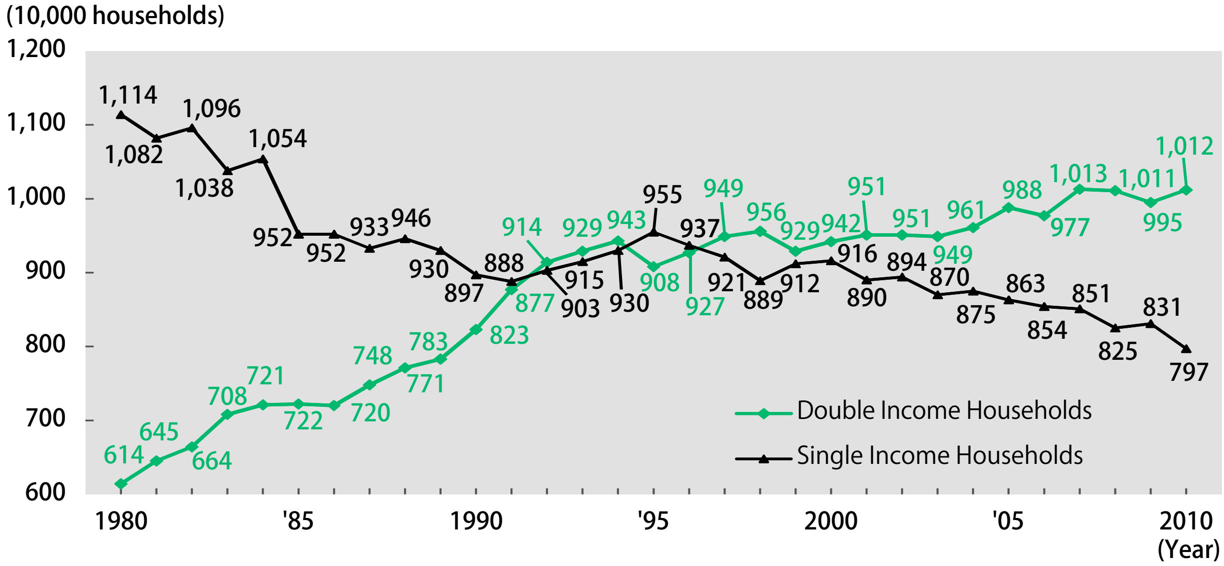
Source: Japan Institute for Labour Policy and Training, *Survey Concerning Women's Ways of Working and Home Lives (2010)*

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

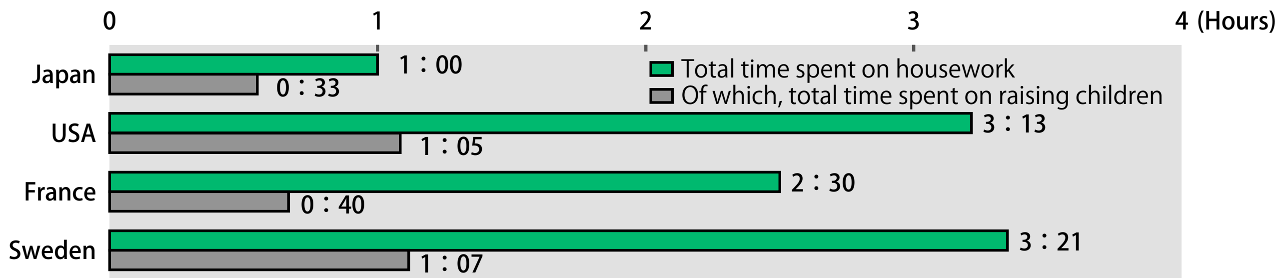


Source: Figures for 1980 to 2001 are taken from the Special Survey of the Labor Force Survey published by the Ministry of Internal Affairs and Communications (February each year. However, from 1980 to 1982, it was published in March each year). Figures from 2002 onwards are taken from the Labor Force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



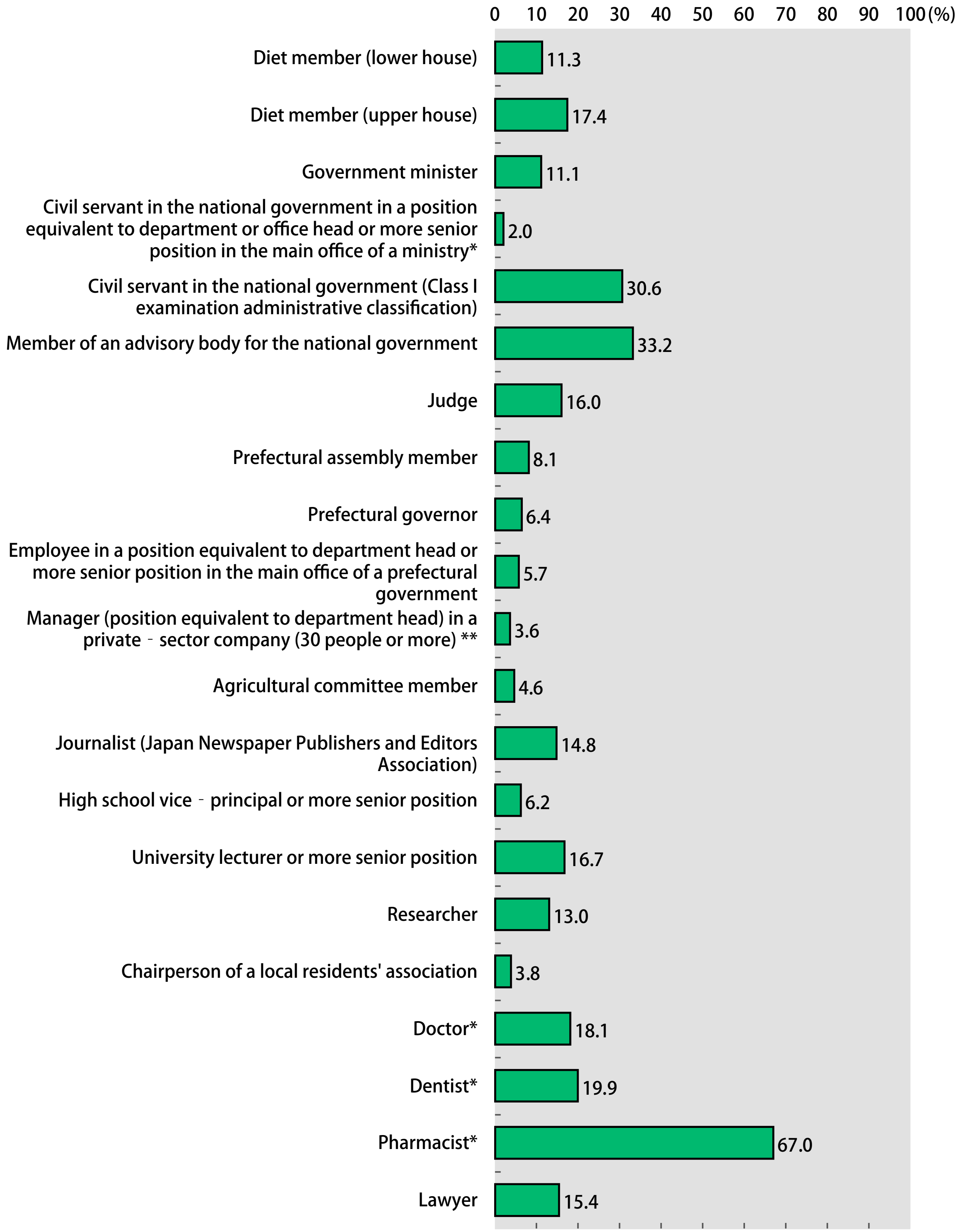
Source: Eurostat, *How Europeans Spend Their Time – Everyday Life of Women and Men (2004)*, Bureau of Labor Statistics of the U.S., *America Time-Use Survey Summary (2006)*, Ministry of Internal Affairs and Communications, *Basic Survey of Social Lifestyles (2006)*

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.

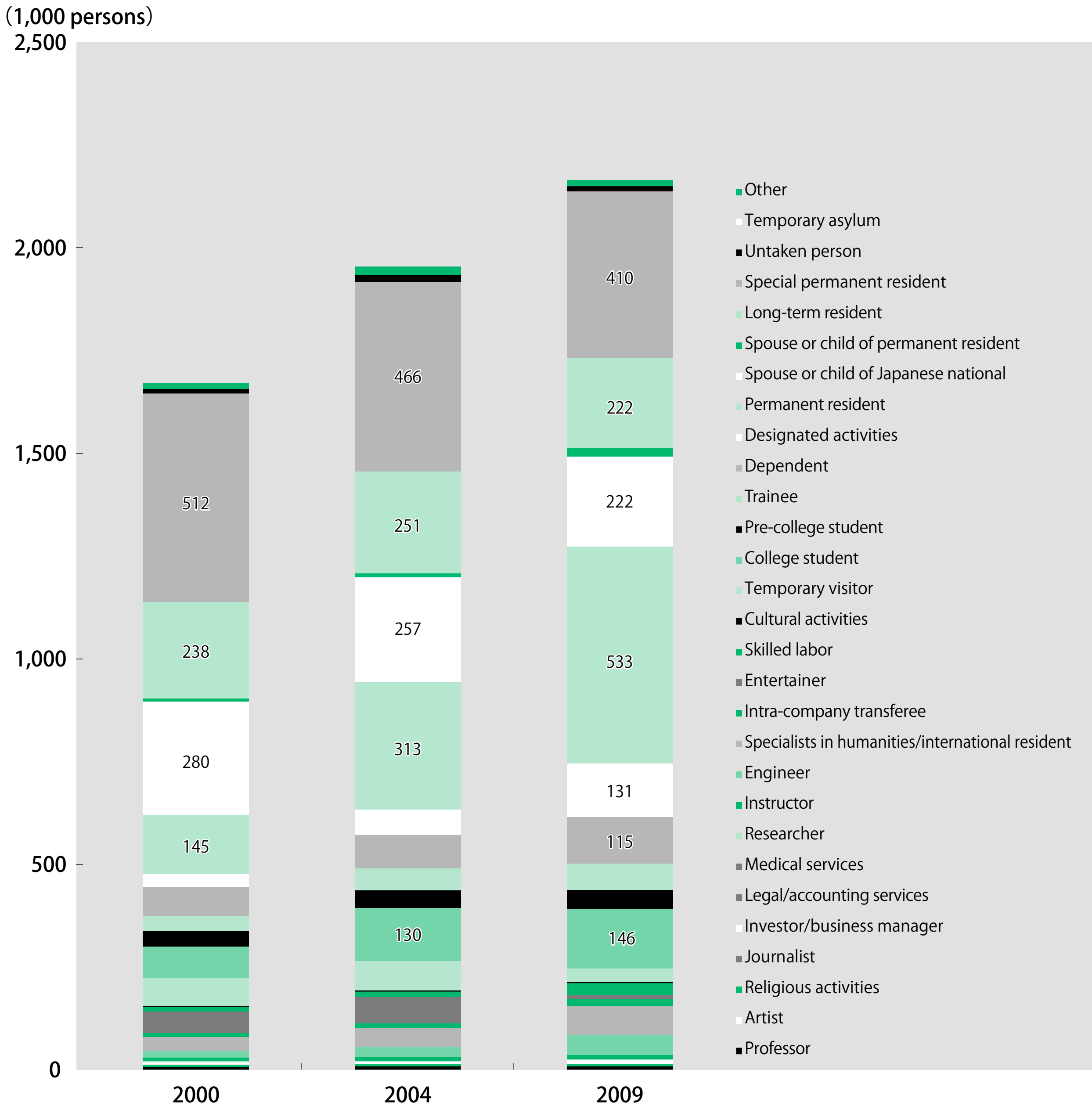
Types of Status of Residence for Foreigners in Japan

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

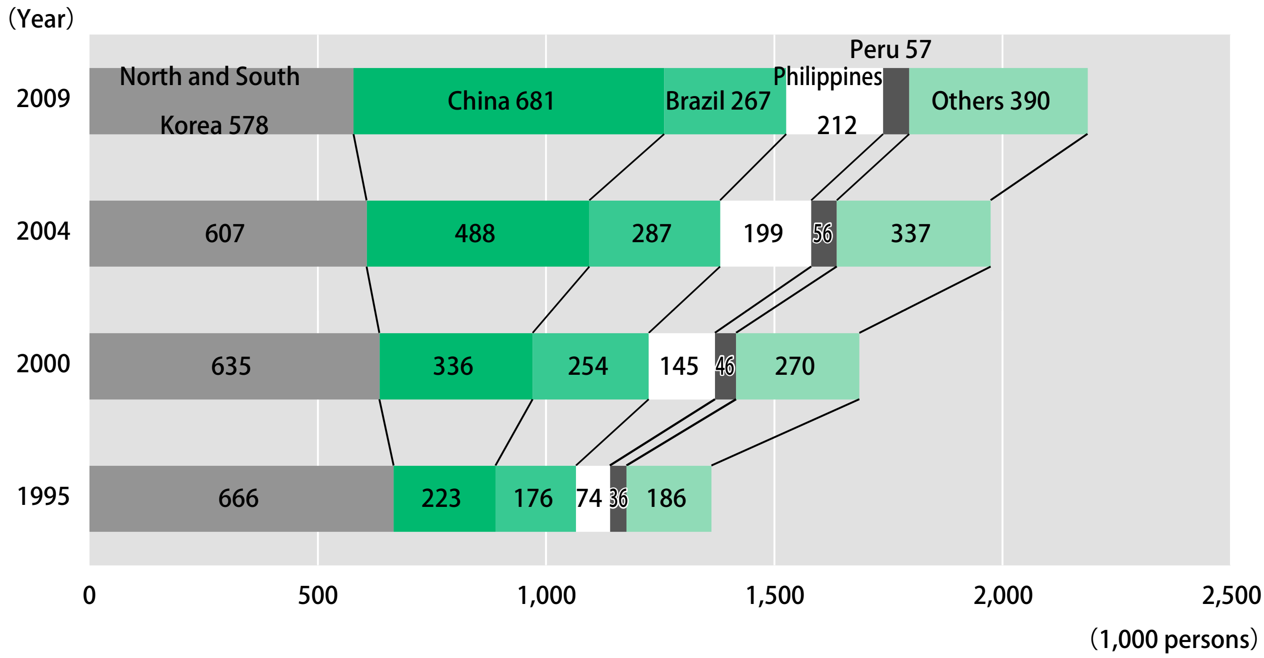
II-39 shows trends in the number of foreigners in Japan by status of residence. There are around 940,000 "permanent residents" (the combined total of "special permanent residents" and "ordinary permanent residents"), who account for 43% of the total number of registered foreigners. If these are combined 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



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

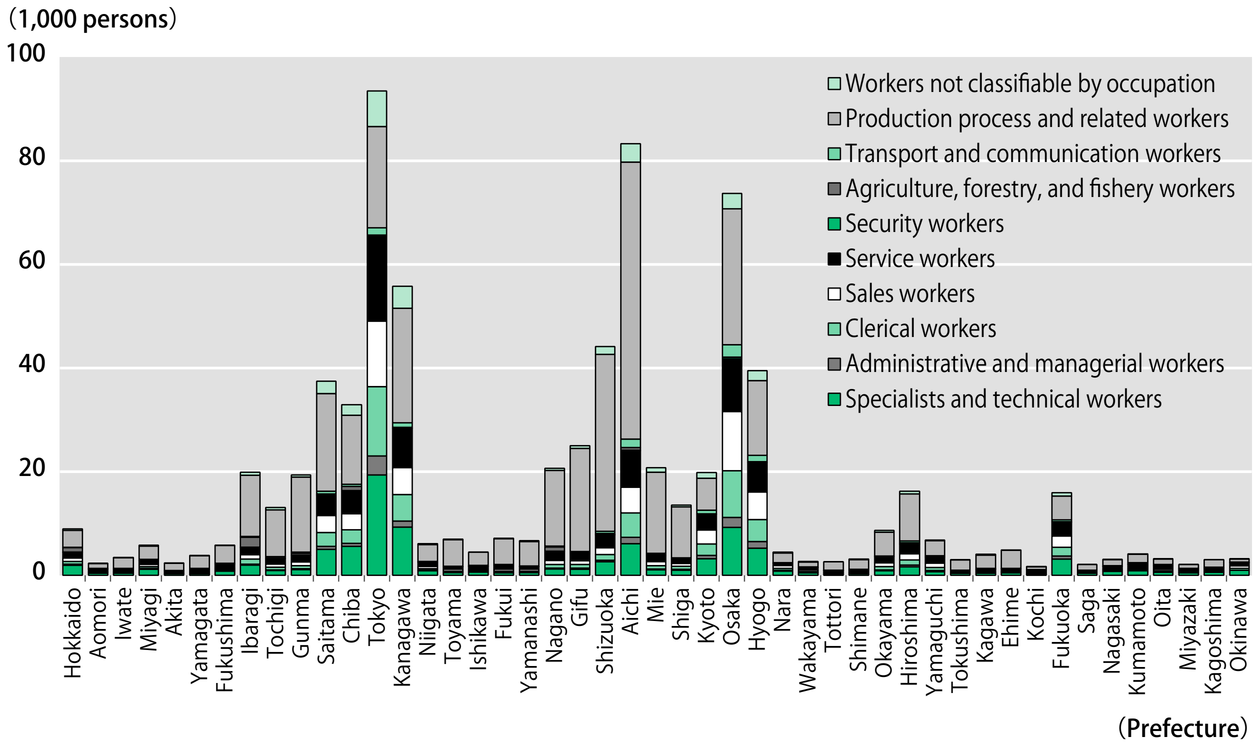
II-40 shows trends in the number of registered foreigners by nationality (place of origin). While there is a declining trend in the case of North and South Koreans, the number of foreign residents from China is increasing sharply, and in 2009, they accounted for more than 30% of all registered foreigners.

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

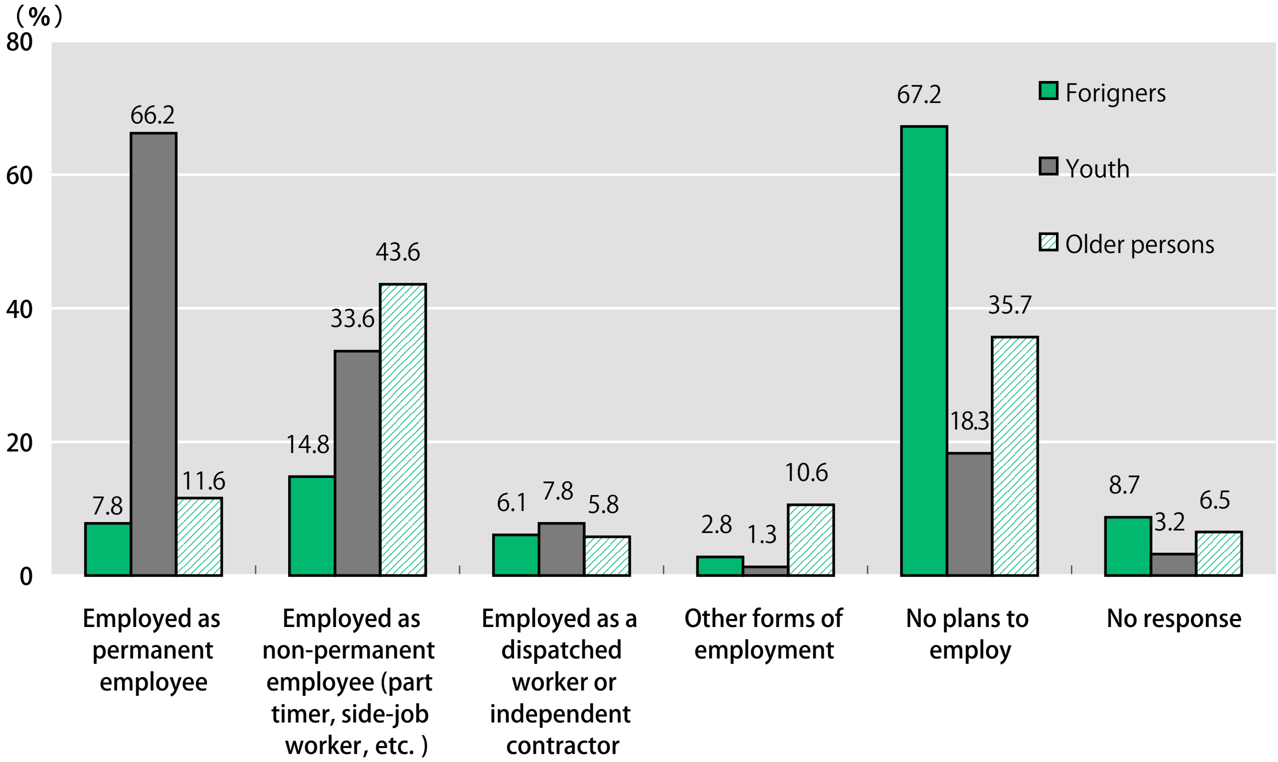
Hiring Policies and Reasons for Employing Foreign Workers

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.

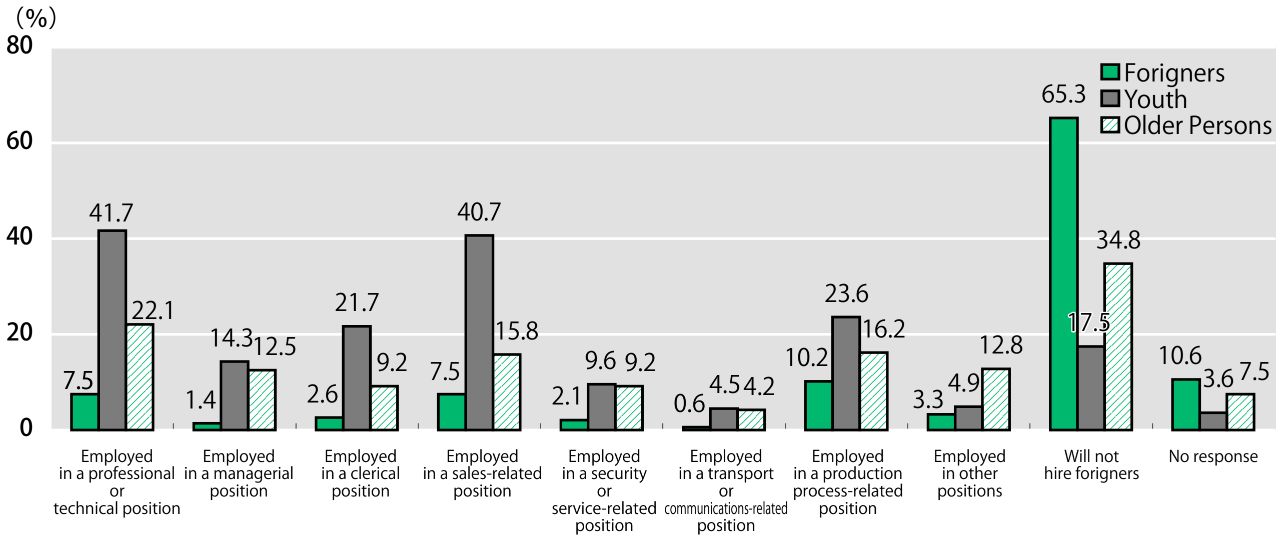
On the other hand, with regard to the reasons for never having employed a foreign worker, many responded that it was "because we were able to fill all of the job openings with Japanese people" and "in terms of personnel and labor management, we did not have the company structure in place to accept a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

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



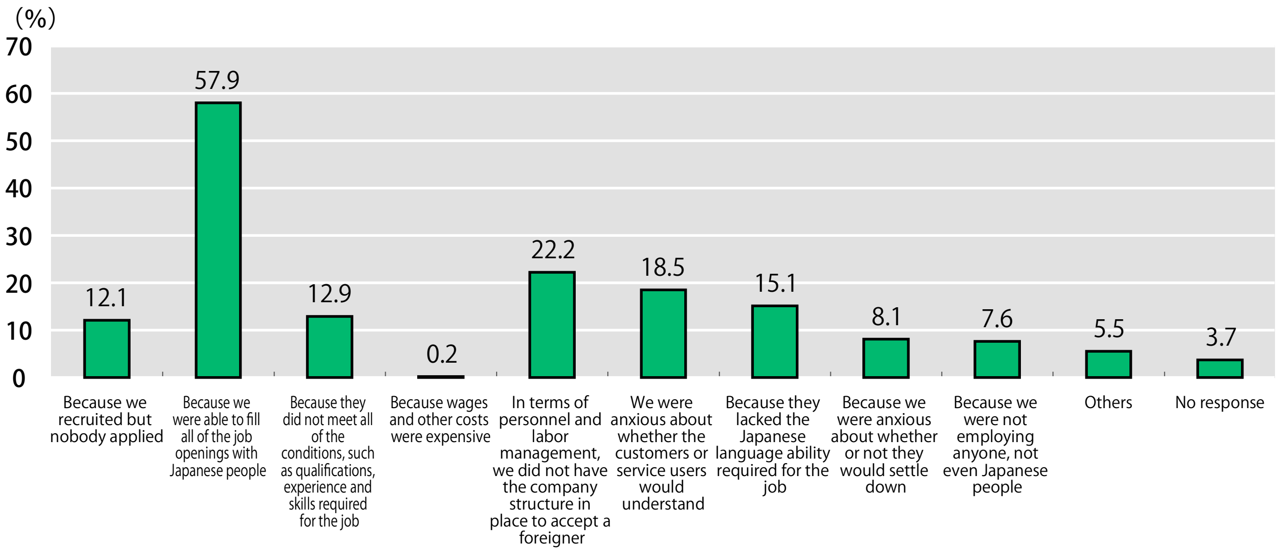
Source: Japan Institute for Labour Policy and Training (2010), *Survey Concerning Industry and Personnel Utilization After the Simultaneous Worldwide Recession*

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*

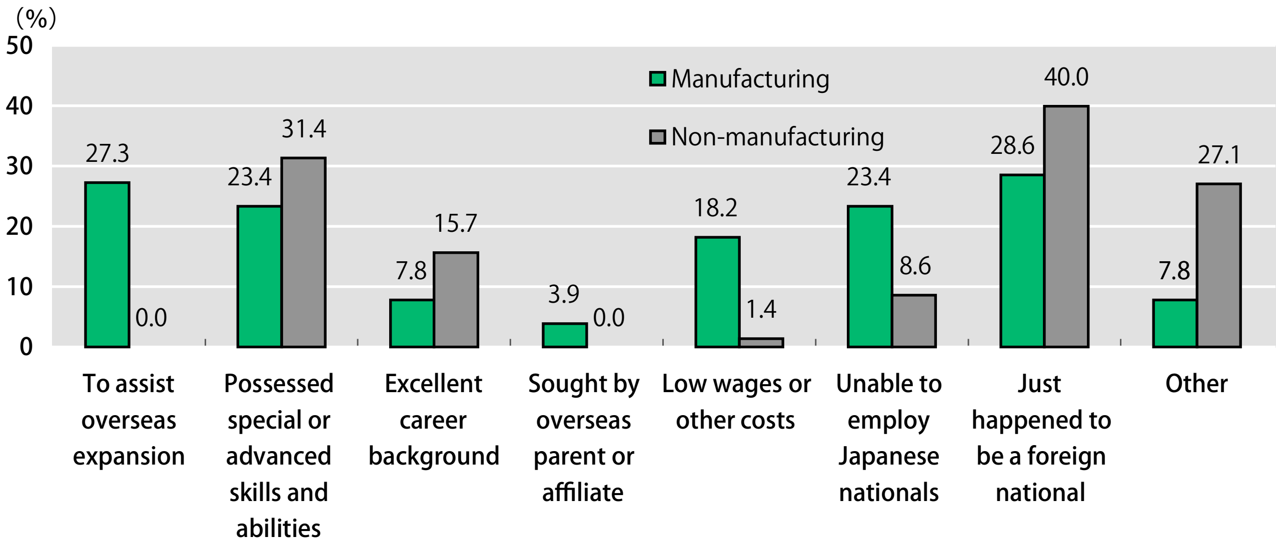
II-44 Reasons for Not Employing Foreign Workers (n=1796, Multiple Answers)



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.