

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 64.8% in 2012. 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 2012 at 17.2%, while those doing side jobs came next at 6.8%. Along with these, contract employees and temporary employees (6.8%) and dispatched workers (1.7%) 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. The share of non-regular employees has continued to rise since 2010, despite an ongoing slump in numbers of dispatched workers, thanks to brisk increases in other types of non-regular employment.

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 2012 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-regular employees is considerably higher in tertiary industry (73.3% in the food, beverage, and hotel industries, 50.0% in the wholesale and retail industries, 50.5% in other service industries that cannot be categorized, and 39.1% in the medical and welfare industries) than in manufacturing (26.3%). 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 other is the impact of institutional changes, including amendments to legislation. In particular, the deregulation of agency businesses (i.e. a broadening of the scope of businesses that can dispatch workers) has led to a progressive increase in the use of

dispatched workers. The slowdown in the use of dispatched workers from 2009 was partly due to the fact that, although legal amendments were being discussed with a view to greater regulation of agency businesses in this period, no clear direction could be decided. However, a degree of resolution (legal amendment) was reached in 2012, and developments from now on will demand some attention.

Although employment types have diversified rapidly in recent years, some problems have been pointed out. One is that some employees find it difficult to assimilate corporate technologies and skills. Another is the large disparity in wages and other treatment between regular and non-regular employment, even when much of the work is the same. Another still is that no unemployment safety net has been developed for non-regular employees, many of whom are employed on fixed-term contracts.

Growth in Unemployment

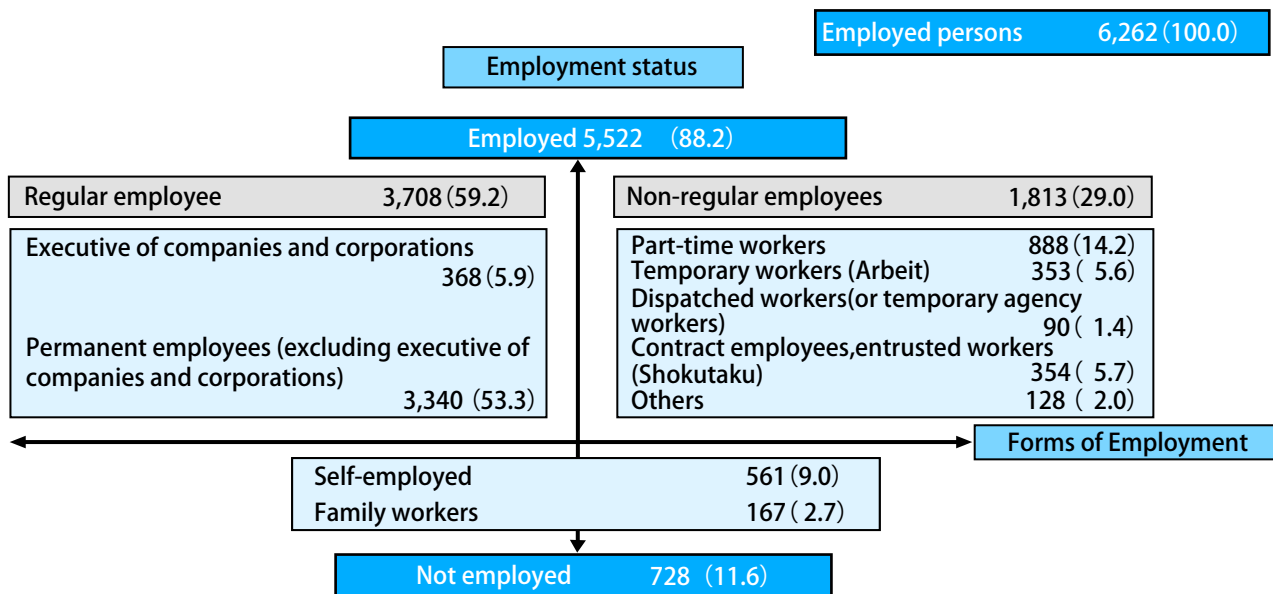
A second recent feature of employment in Japan has been the upward trend in unemployment. From the 1970s to the end of the 1980s, the overall unemployment rate remained between around 2% and 3% as it bobbed around slightly behind trends in the business cycle. Following the collapse of the bubble at the 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, as the economy entered an extended phase of gradual recovery, the unemployment rate also fell, reaching a recent low of 3.9% in 2007. But in 2008, another recession sparked by the global financial crisis caused the overall unemployment rate to turn upwards again, revisiting the 5% level in 2009. Nevertheless, as the economy recovered once more, the rate again shifted downwards (in spite of the Great East Japan Earthquake disaster in 2011), settling in the lower 4% range in 2012.

Viewing these trends, we see how the keynote of Japan's unemployment rate has shifted upwards through the "lost two decades" of the Japanese economy after the collapse of the bubble at the beginning of the 1990s, advancing from the level of around 2% in the 1980s to trend between the upper 3% and 4% range in recent years. 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 2012, unemployment was higher among 15-to 19-year-olds (7.9%), 20-to 24-year-olds (7.9%), and 25-to 29-year-olds (6.4%) than among all age groups combined (4.3%). 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.

Figure II-5 Breakdown of Employed Persons (2012 Averages)

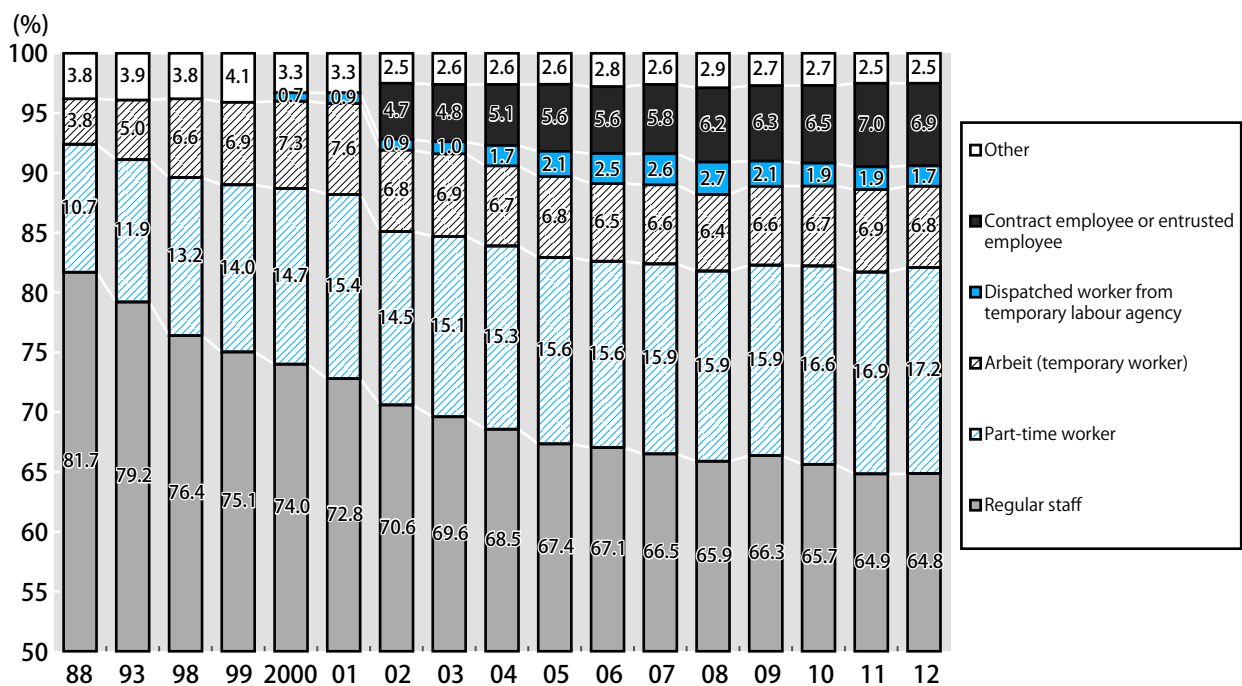


Source: Statistic Bureau, Ministry of Internal Affairs and Communications, *Labour Force Survey (Detailed Tabulation)*

Note: Figures not in parentheses indicate the numbers of employed persons in tens of thousands.

Those in parentheses indicate the percentages of employed persons in the overall population.

Figure II-6 The Proportion of Employees by Type of Employment



Sources: Compiled from the *Labour Force Special Survey* (survey in February each year) in the case of data for 2001 and earlier, and from the *Labour 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 Labour Force Special Survey and the Labour Force Survey Detailed Tabulation, caution is required in comparing time series data.

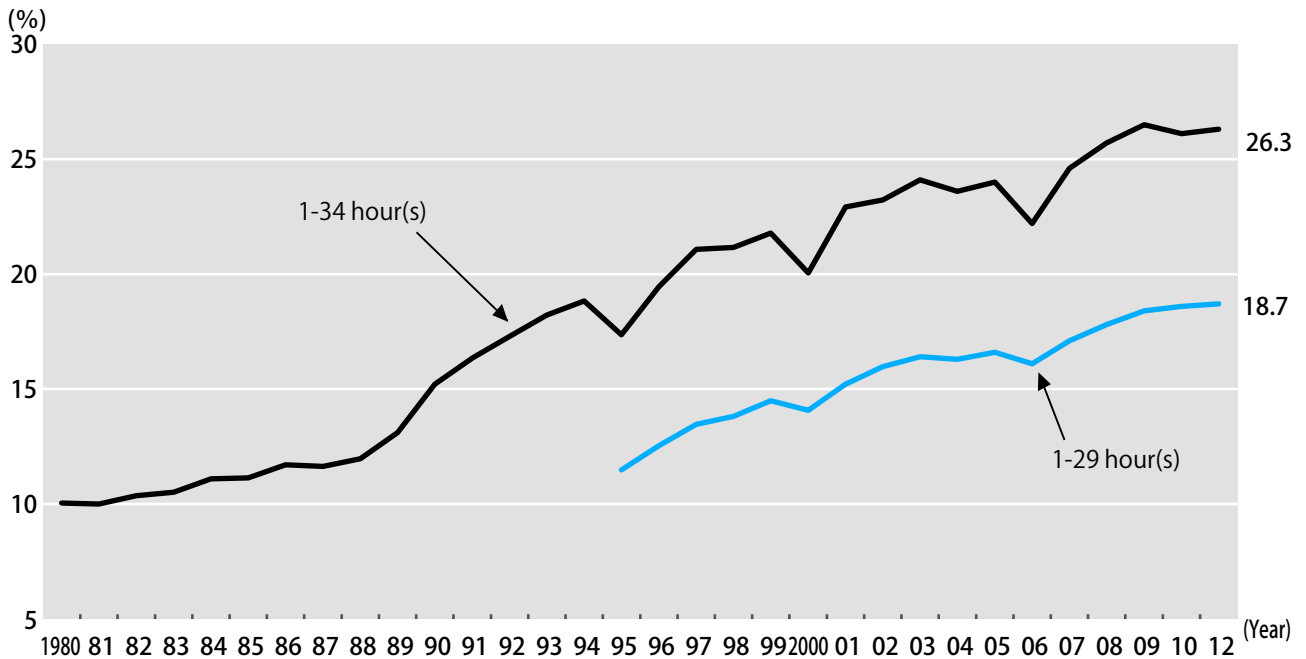
Notes: 1) From 2000, "Dispatched workers" was added as an independent category, while from 2002, "Contract employees and temporary employees" was added.

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

3) The figure for 2011 is a complementary estimate to supplement missing data due to the Great East Japan Earthquake.

4) Some data since 2007 have been changed in line with changes in the base population.

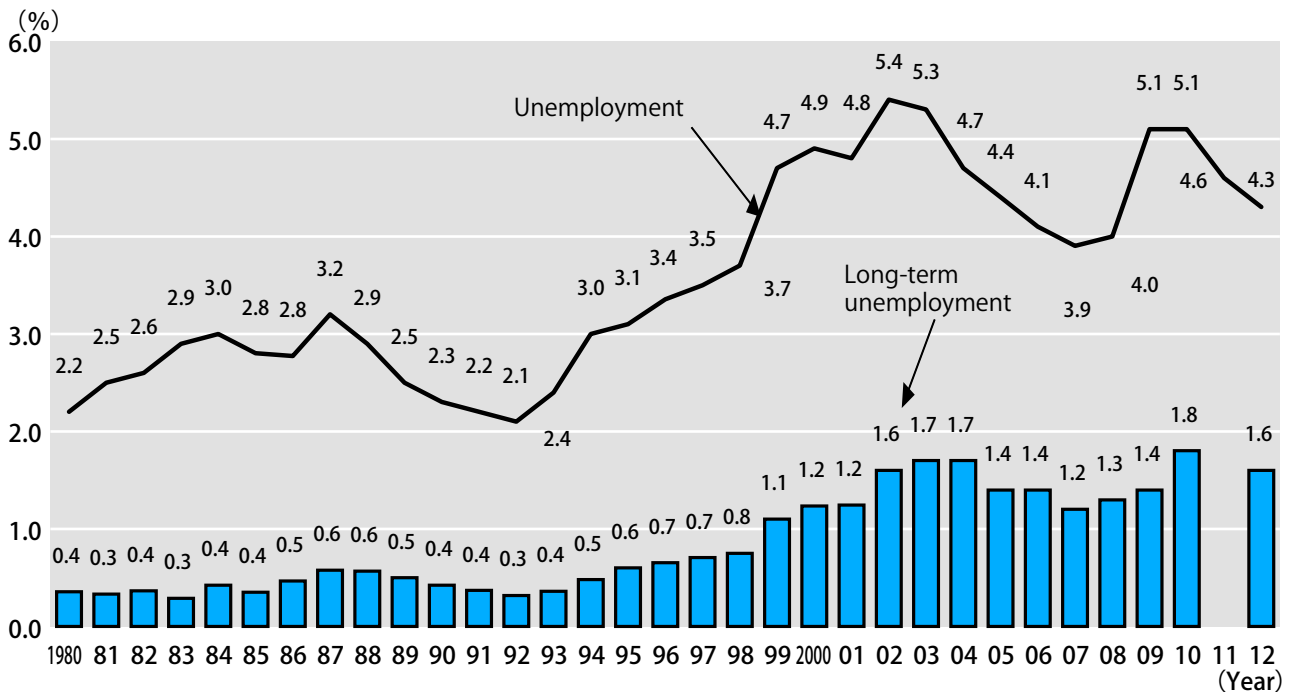
Figure II-7 Breakdown of Non-agricultural/ Forestry Industry Employees by Working Hours



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

Note: As a result of the Great East Japan Earthquake, the national total for 2011 has not been aggregated, and no complementary estimate has been published for this item.

Figure II-8 Trends in Unemployment and Long-term Unemployment Rates



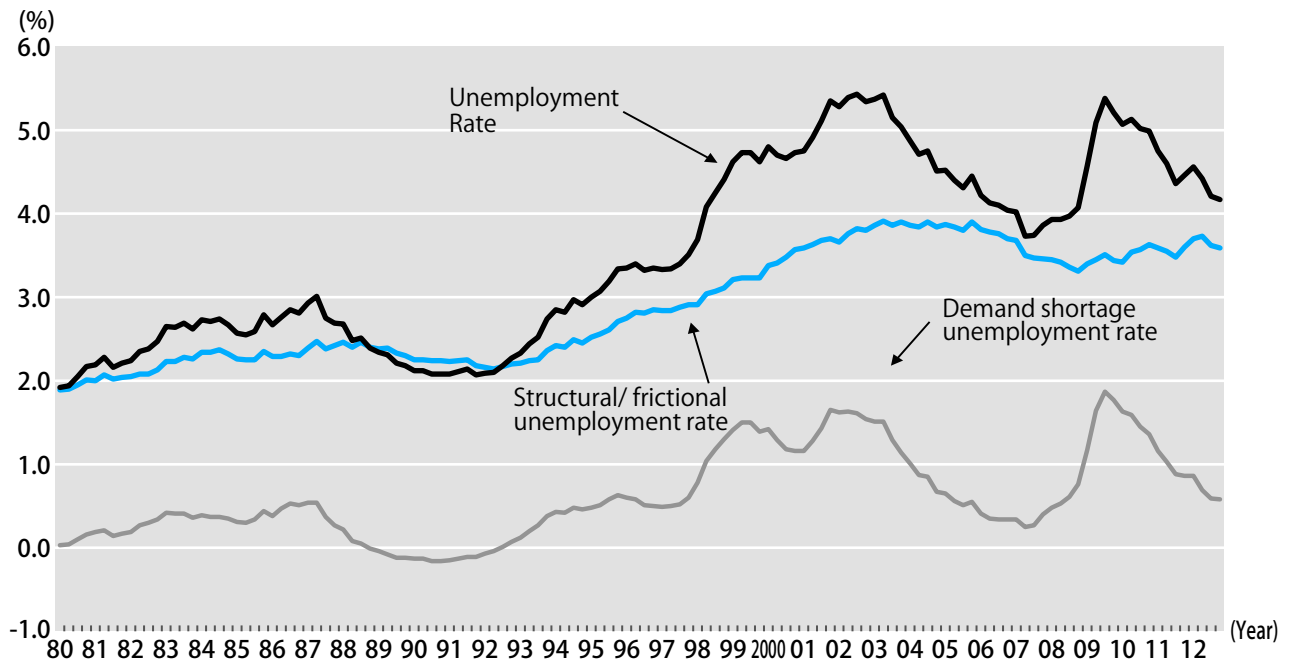
Sources: Statistic Bureau, Ministry of Internal Affairs and Communications, *Labour Force Survey*, *Special Survey of Labour Force Survey (1977-2001)*, *Labour Force Survey (Detailed Tabulation) (2002-2008)*

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.

3) As a result of the Great East Japan Earthquake, the national total for 2011 has not been aggregated, and although complementary estimates have been published for the unemployment rate, unemployment figures by length of unemployment have not been published.

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



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

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