

1 Overview of Employment Measures

A strong yen and price deflation, added to a global financial crisis said to occur once every 100 years, have combined to cause a sharp deterioration in Japan's employment situation. Despite the impact of the global economic slowdown, however, the Japanese economy is now starting to pick up. This is thanks partly to reconstruction demand following the Great East Japan Earthquake of March 2011, and partly to the effects of government policy. Nevertheless, the employment situation remains as harsh as ever, although there have been signs of improvement here too recently. Statistics on the employment situation for FY2012 show that the jobs-to-applicants ratio in the January-March 2013 quarter was 0.85 (seasonally adjusted), the average for 2012 was 0.15 percentage points higher year-on-year at 0.80, and the fiscal year average was 0.14 points higher at 0.82. The overall unemployment rate in January-March 2013 was 4.2%, the average for 2012 was 0.3% points lower year-on-year at 4.3%, and the fiscal year average was 0.2% points lower at 4.3%.

Viewing the employment situation by region, the jobs-to-applicants ratio has generally maintained a rising trend in all areas, reflecting the aspect of economic recovery since March 2009. However, in the Tokai region, where manufacturing workers account for a high proportion of all persons in employment, the ratio decreased between the April-June and October-December quarters of 2012. As for the Tohoku region, reconstruction demand following the Great East Japan Earthquake led to relatively high index levels compared to previous years. Meanwhile, the overall unemployment rate has been in a falling trend in all regions except Hokkaido since March 2009. Hokkaido was little affected by the Lehman

Shock, but has remained more or less on a par during the subsequent recovery phase.

By age group, the overall unemployment rate in ages 15-24 for 2012 fell 0.1 points year-on-year to 8.1%. This is higher than the rate for all age groups (4.3%) and illustrates the continuing harshness of the situation for younger people.

Finally, the jobs-to-applicants ratio for full employees in March 2013 (before seasonal adjustment) was 0.52, 0.06 points higher year-on-year but still at a low level compared to the overall ratio (0.90).

Labor Policies for a Quick Departure from Deflation and Stable Long-term Growth

Amid this situation, a supplementary budget of 13 trillion yen for FY2012 was decided on January 11th this year, with the aim of avoiding a double-dip recession and ushering in a growth strategy, among others. This was the largest such sum in history, except under the state of emergency after the Lehman Shock. Based on the rationale of a 15-month budget when combined with the initial budget for FY2013, the sum was earmarked for an "emergency economic package designed to revive the Japanese economy" and measures to materialize this. Meanwhile, the FY2013 budget was established on May 15th, with priority on policies similarly designed to energize the Japanese economy and bring stability to people's lives. Both the FY2012 supplementary budget and the FY2013 budget set out employment measures such as supporting transfers of unemployed workers to growth sectors, based on a harsh employment situation. They also incorporate policies for promoting active participation by women and young

people, creating employment in regional areas, developing ability through vocational training, stabilizing the employment of non-regular workers, improving training and conditions for human resources, and achieving a work-life balance, among others.

For Japan's economy to go beyond recovery and continue to achieve stable growth over the long term, it will be vital to capitalize on latent demand both in Japan and abroad, while executing a growth strategy that stimulates private investment, raising labor productivity, and strengthening Japan's latent growth potential. To this end, the "Japan Revitalization Strategy – JAPAN is BACK" was decided by the Cabinet on June 14th this year. The Strategy incorporates the following policies aimed at securing numbers of workers (quantity) and achieving an improvement in labor productivity (quality), amid an increasingly global economy, a declining birth rate and population aging.

(1) Policy change from excessive employment stability to labor fluidity (achieving labor movement without unemployment)

The government will amend the policy of employment stability that has expanded in response to a rapidly deteriorating employment situation since the Lehman Shock. For individuals to change jobs smoothly, manifest their ability, and play active roles as bearers of economic growth, the government will boldly shift to a policy of supporting labor movement, including support for ability development.

(2) Enhancing matching functions by utilizing private-sector human resources business

While promoting the disclosure of information held by "Hello Work" public employment security offices to private concerns, the government will make maximum use of private-sector human resource business to provide a prompt and effective response to a wide variety of needs, including those of young people who are out of employment after graduation, etc., and women who want to return to work.

(3) Materializing diverse ways of working

The government will promote system reviews and others to facilitate flexible and diverse ways of working, so that individuals can find opportunities to take an active role in society according to their own

lifestyles and wishes.

(4) Promoting active participation by women

To reduce the number of women who leave work for childbirth, child rearing, and so on, while also increasing the ratio of women in leadership positions, the government will promote the development of an environment that maximizes the strong abilities dormant within women and allows women to take an active role. The government will promote initiatives aimed at comprehensively providing high-quality infant education and nursery care, and steadily implementing the "New System of Children and Childrearing Support", including enhancement of family support with support for childcare in the community. The government will also expand the "Plan to Accelerate the Zero Childcare Waiting List Project" for five years from this fiscal year, the aim being to embark on as many support measures as possible for municipalities without waiting for the start of New System in two years' time.

(5) Promoting active participation by the young, the elderly and others

The government will strive to create a "Society for All", where anyone who has willingness can take an active role. In particular, it is important to nurture all of the young people who will shoulder the future of Japan, so that they can develop their abilities to the fullest extent and succeed in the world. Therefore, based on recommendations by the "Forum for Promoting Active Participation by Young People and Women", the government will promote successful activity by the young people who will drive the growth of Japan.

Employment Insurance System

The employment insurance system is intended to stabilize workers' living circumstances during times of unemployment and to encourage the unemployed to quickly find reemployment. It functions as an important employment safety net, and the number of insured persons and persons receiving benefits respectively averaged 39,010,000 and 580,000 in FY2012.

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

unemployment.

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

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

Support System for Job Seekers

The Support System for Job Seekers was introduced in October 2011 as a new safety net for job seekers who are not eligible for unemployment benefits (specific job seekers), due to the growing

need to support these people. Under the system, specific job seekers are given opportunities to attend publicly provided vocational training (job seeker support training or public vocational training). They may also receive vocational training benefits to support their lives during the training period, provided they meet certain conditions on income, assets, etc. Of the above training types, job seeker support training consists of a "Basic Course" for learning the basic skills common to many professions, and a "Practical Course" for learning all the practical skills needed to perform a specific profession.

Beside this, Hello Work public employment security offices offer career advice for job seekers and guidance toward suitable training. They also provide employment support throughout the training right to the end of the training period, based on employment support plans drawn up to suit the situation of individual job seekers.

Training institutions offer career advice based on Job Cards as well as employment support in collaboration with Hello Work, such as using information on vacancies and employment interviews received from Hello Work. For those who have completed their training, meanwhile, Hello Work provides detailed employment support including a system of one-on-one counselors wherever necessary, and thus endeavors to help job seekers find employment as soon as possible.

As of May 31st, 2013, some 164,000 persons had undergone training since the system was introduced in October 2011. The employment rate of those completing the training courses is more than about 70%.