

Outline of the Analysis of the Labour Economy 2014 (White Paper on the Labour Economy 2014) - Full utilization of the maximum human resource capability -

Human resources are the most important world-class resource of Japan. Establishment of a society where everyone participates in social activities, improves their ability and fully exercises their ability, requires ensuring the number (quantity) of workers and increasing labour productivity (quality). The White Paper analyzes human resources management in which a company develops through training of employees and motivating them to work. It also analyzes career development through occupational life in which occupational abilities are further developed by accumulating human capital through work experience and people are able to have a stable life.

Chapter 1 Trends and features of the labour economy

Analysis of current status concerning employment and wage in the process of economic recovery

- The unemployment rate decreased to 3.6% in the period from January to March 2014 and the ratio of active job openings to active job applicants exceeded 1 in November 2013 for the first time in six years and a month. The ratio increased to 1.05 in the period from January to March 2014. This shows the steady improvement of the employment situation but an increased shortage of workers (Figure 1). The ratio of active job openings to active job applicants in July 2014 was 1.10 and showed the highest level in 22 years for the second month running.
- In comparison with the past economic recovery period, the big feature of this time is extra working hours and the increased number of the employed (Figure 2). The breakdown shows the greatly increased number of non-regular workers and decreased number of regular workers.
- In the shunto (annual spring wage offensive) of 2014, many companies agreed to raise wages including base ups because the corporate profits and employment situation have improved in conjunction with economic recovery (Figure 3).
- It is important to increase labour productivity in order to link the expansion of corporate profits with a sustainable increase of wages for the realization of a virtuous economic cycle.

Chapter 2 Trends and issues of human resources management in company

Analysis of human resources management that contributes to business growth

- In conjunction with changes in the competition environment surrounding businesses, such as the development of the technical revolution including globalization and IT and increase in the uncertainty of management, the number of workers in various employment forms besides regular workers (part-time/temporary workers, contract employees etc.) is increasing.
- Companies are required to motivate employees to work and increase competitiveness. Companies that are considered to have employees with higher motivation tend to have the stability of the workforce and higher labour productivity and a recurring profit margin (Figure 4).
- These companies are working towards proactive employment management regardless of employment

form, compared to those that are considered to have employees with lower motivation (Figure 5).

- Proactive employment management to workers in various employment forms and human resources management that motivate employees to work will eventually lead to business growth and Japan's economic growth.

Chapter 3 Career development through occupational life

Analysis of vocational career development in Japan

- Looking at the current situation of vocational careers in Japan, the ratio of men who continue to engage in their first job is high while the ratio of women who do so is low (Figure 6).
- On the other hand a certain ratio of people changes jobs many times during their occupational life. Some high-income workers change jobs proactively (Figure 7).
- Shift from non-regular employment to regular employment, younger workers are more likely to achieve shift to regular employment (Figure 8).
- Developing occupational abilities by accumulating human capital through a sustainable vocational life contributes to a stable occupational life for people and strengthening of Japan's economic and social foundation.

Figure 1: Changes in the ratio of active job openings to active job applicants and unemployment rate (seasonally adjusted)

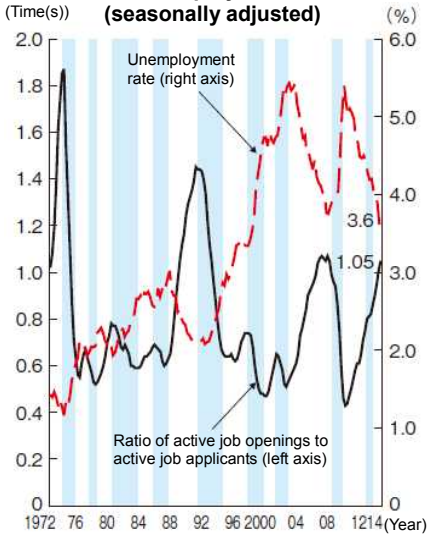


Figure 2: Relationship between production and labour input, in comparison with the past periods of economic recovery

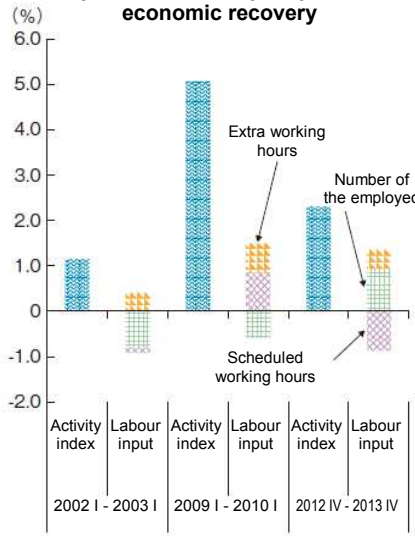


Figure 3: Results of wage increase

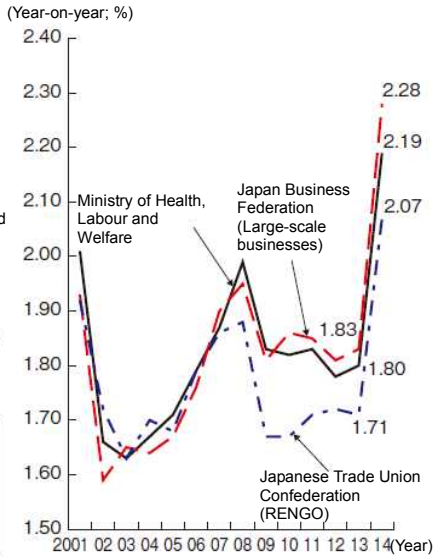


Figure 4: Relationship between motivation to work and retention rate of regular workers/labour productivity/recurring profit margin

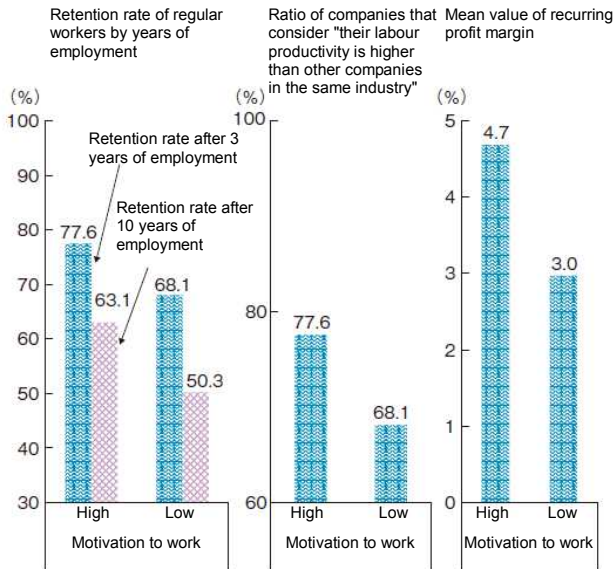


Figure 5: Difference in points of employment management between companies whose employees' motivation to work is considered high and those whose employees' motivation to work is considered low

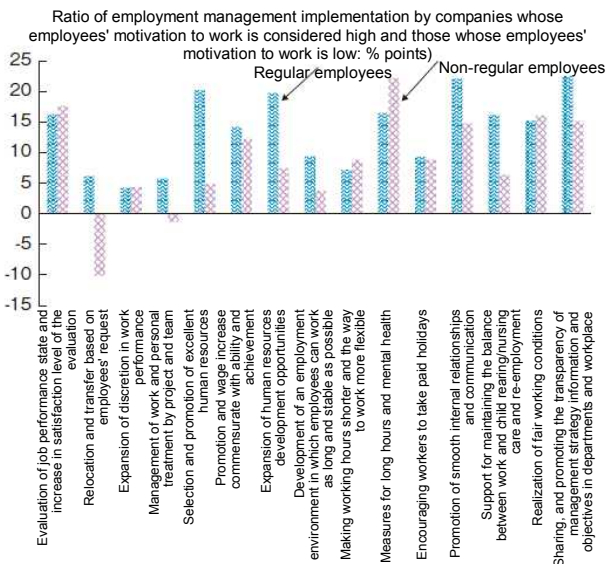


Figure 6: Percentage of the number of job separations from their first job by age

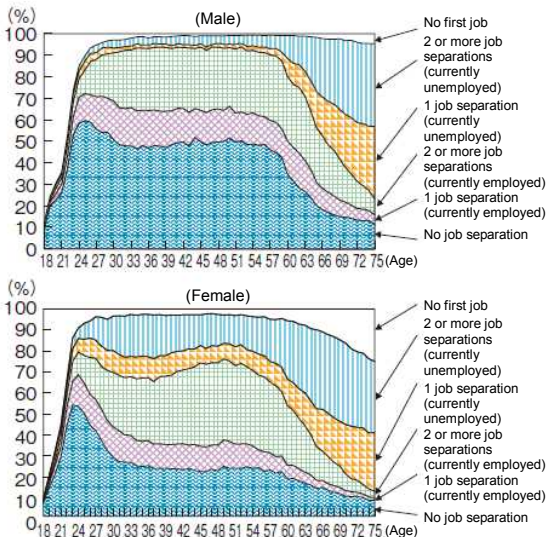


Figure 7: Proportion of those who have experienced 2 or more job separations since their first job (executives or regular staff/employees)

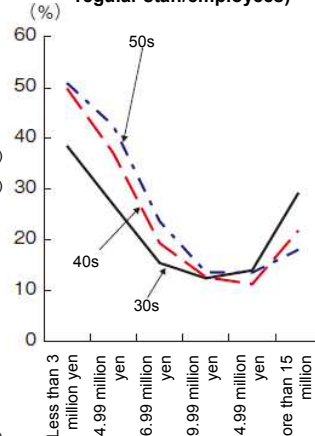
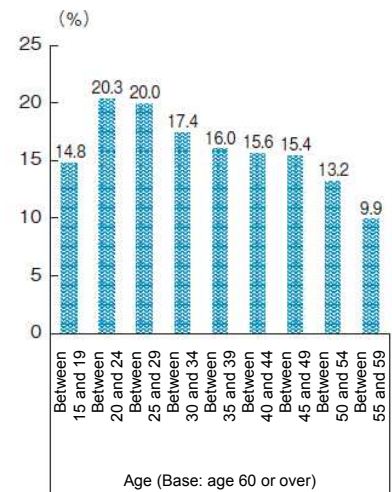


Figure 8: Probability of shift from non-regular employment to regular employment by age (probit analysis)



Human resources are the most important world-class resource of Japan. The establishment of "a society where everyone participates in social activities," in which all human resources are able to improve their abilities and fulfill their potential to the full extent, requires to ensure the number (quantity) of workers and increase labour productivity (quality). The Analysis of the Labour Economy 2014 analyzes human resources management in which a company develops through training of employees and motivating them to work. It also analyzes the career development through occupational life in which occupational abilities are further developed by accumulating human capital through work experience and people are able to have a stable life.

Table of Contents

- For the maximum capacity of human resources -

Chapter 1	Trends and features of the labour economy	1
Section 1.	Trends of general economy, employment and unemployment and working hours.....	1
Section 2.	Trends of commodity prices and wages.....	6
Section 3.	Trends of workers' household expenditures	12
Section 4.	Trends in regional employment and wages.....	15
Section 5.	Trends of labour-management relationship	18
Chapter 2	Trend and issues of human resources management in company	21
Section 1.	Changes in the market environment and influence on labour market.....	21
Section 2.	Changes and characteristics of human resources management in Japanese businesses	27
Section 3.	Current situation and issues of human resources development	33
Section 4.	Issues in human resources management toward the improvement of business performance and the development of core human resources	38
Chapter 3	Career development through occupational life	43
Section 1.	Current situation concerning occupational careers in Japan	43
Section 2.	Events and occupational career in one's life	51
Section 3.	Issues in developing worker's career	56
Summary	61

Chapter 1 Trends and features of the labour economy

Section 1. Trends of general economy, employment and unemployment and working hours

After the financial crisis in the autumn of 2008, the Japanese economy bottomed out in early 2009 but turned to a rally, overcame the temporary fall due to the Great East Japan Earthquake in 2011, and has maintained the momentum. From the middle of 2012, the economy weakened due to the global slowdown following the European sovereign debt crisis. However, thanks to such factors as the stock prices rising in hope of economic policy in 2013, the confidence of households and companies have been improving and the economy had shown a sign of recovery which was driven by domestic demands. It is on the track to a slow recovery.

The improvement of corporate production activities has increased corporate profits and this positive movement is also affecting employment. The unemployment rate has fallen below 4.0% in June 2013 for the first time in four years and eight months. The ratio of active job openings to active job applicants has exceeded 1 in November 2013 for the first time in six years and one month. The unemployment rate decreased to 3.6% in the period from January to March 2014 and the jobs-to-applicants ratio increased to 1.05, which shows the steady improvement of the employment situation.

The characteristic of the present recovery phase is that the increased number of workers has significantly contributed to the increase of entire labour input compared to the past phases.

(Domestic demands such as consumption, etc. have led to the slow recovery of the Japanese economy.)

Trends of real GDP growth rate by demand item in Figure 1 shows an increase in private consumption in the first half of 2013, which had resulted from the improvement in consumer mind thanks to the rise in stock prices. After the second half of 2013, in the period from January to March 2014, private consumption slowed down temporarily but increased again in reaction to the last-minute demand ahead of the April 2014 increase of consumption tax. Business investment showed a sign of increase mainly in non-manufacturing industries, followed by the improvement in corporate profits. Furthermore, public demand continued to grow thanks to the effect of the economic policy.

Export in general weakened in 2013 due to the demand decrease in developing countries. On the other hand, import prices of energy-related products such as LNG increased in response to the weakening yen exchange rate, and after the second half of 2013 import had shown a recovery thanks to the growing domestic demands. This had contributed to the decrease in overseas demands (net export) after the period from July to September 2013.

(Gradually increased production)

Production in 2013 has gradually increased. Figure 2 shows characteristics of production by industry. The production in manufacturing industries (general/production/commercial machine industry, transportation equipment industry, electrical machinery industry, electrical parts/devices industry, iron and steel industry) increased after the period from January to March 2013.

In non-manufacturing industries, the level of activity in construction industry increased due to the influence of the reconstruction demand after the Great East Japan Earthquake, increase in public investment in compliance with the economic policy and the last-minute demand ahead of the increase of consumption tax. Production in scientific research, professional and technical services including civil engineering and construction services continued to increase from early 2013 to the period from June and September. Activity levels in finance and insurance industries increased significantly from early 2013 due to the increased number of stock transactions that were led by high stock prices. As a result of the aging population, demands in medical and welfare services are increasing steadily at a high level.

(Continuous improvement of employment situation in 2013)

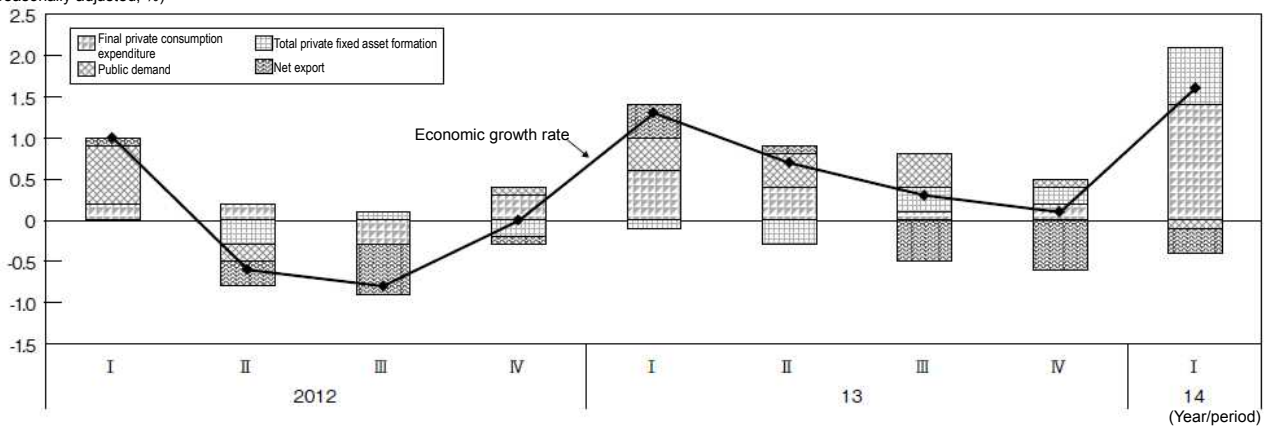
Look at the transition of the unemployment rate and the ratio of ratio of active job openings to active job applicants in Figure 3. After the gradual economic recovery, the unemployment rate has fallen below 4.0% in June 2013 for the first time in four years and eight months. The ratio of active job openings to active job applicants has exceeded 1 in November 2013 for the first time in six years and one month. The unemployment rate decreased to 3.6% and the jobs-to-applicants ratio increased to 1.05 in the period from January to March 2014. This shows the steady improvement of employment situation.

In 2013, the number of people who "left their job on account of the employer or business," which can easily be influenced by economic trends, decreased significantly. Looking at trends of the unemployed by reason for remaining to be unemployed, the ratio of those who "are not able to find a job even though they are not fussy about conditions," which is considered to be unemployment due to demand shortage, is declining after 2010.

Figure 1: Analysis of factors of of real GDP growth rate

o In 2013, real GDP growth rate increased by 1.5% from the previous year thanks to domestic consumption and public demand.

(Seasonally adjusted, %)

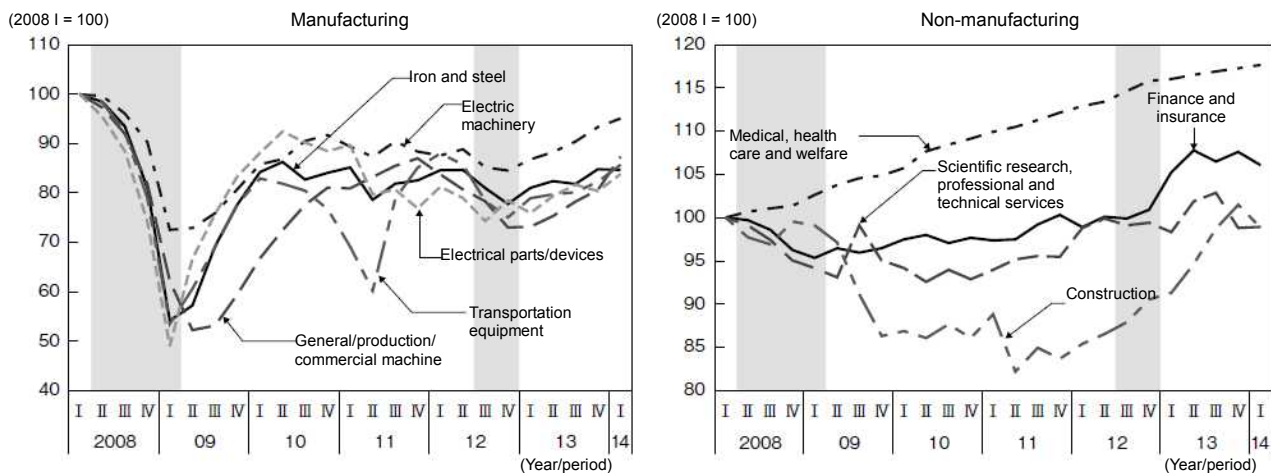


Source: Prepared by the Office of Counselor for Labour Policy, MHLW, based on the "National Accounts" (Second preliminary report. Jan-Mar 2014), Cabinet Office

- (Note) 1) Net export = Export - Import
 2) Total private fixed asset formation = private housing + private business facilities + increase in private inventory
 3) For breakdown by demand item, total contribution level in each item and GDP (expenditure) growth rate do not always correspond.

Figure 2: Changes in production index and activity index

o The level is high in general/production/commercial machine in manufacturing and construction, etc. in non-manufacturing.

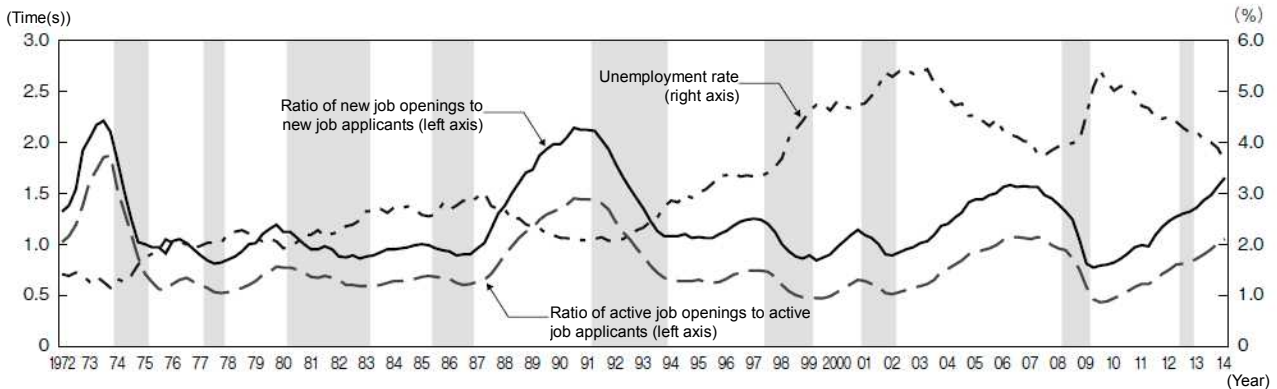


Source: Prepared by the Office of Counselor for Labour Policy, MHLW, based on "Indices of Industrial Production , " " Indices of Tertiary Industry Activity , " " Indices of All Industry Activity " Ministry of Economy, Trade and Industry

- (Note) 1) For manufacturing, seasonally adjusted figure in January to March 2008 is set to 100 instead of the usual 2010 = 100. For non-manufacturing, seasonally adjusted figure in January to March 2008 is set to 100 instead of the usual 2005 = 100.
 2) The shadowed part in the graph indicates a recession period. Figures between the period from July to September 2012 and October to December 2012 are provisional.

Figure 3: Transition of the unemployment rate and the ratios of job openings to job applicants

○ The unemployment rate has fallen below 4.0% in June 2013 for the first time in four years and eight months. The jobs-to-applicants ratio has exceeded 1 in November 2013 for the first time in six years and one month. The unemployment rate decreased to 3.6% and the jobs-to-applicants ratio increased to 1.05 in the period from January to March 2014. This shows the steady improvement of the employment situation.



Source: “Report on Employment Service,” Ministry of Health, Labour and Welfare (MHLW); “Labour Force Survey,” Statistics Bureau, Ministry of Internal Affairs and Communications (MIC)

- (Note) 1) The data is the quarterly average (seasonally adjusted). The shadowed part in the graph indicates a recession period. Figures between the period from July to September 2012 and October to December 2012 are provisional.
 2) Since 1973, the ratio of active job openings to active job applicants and the ratio of new job openings to new job applicants also cover Okinawa.
 3) Since July 1972, the unemployment rate also covers Okinawa.
 4) The ratio of active job openings to active job applicants and the ratio of new job openings to new job applicants exclude new graduates and include part-time workers.
 5) The quarterly figures of unemployment rate is the simple average calculated by the Office of Counselor for Labour Policy, MHLW, based on the seasonally adjusted monthly figures. However, the figures from March to August 2011 use the complementary estimated figures by the Statistics Bureau, Ministry of Internal Affairs and Communications

(Number of employees significantly increased in 2013)

The number of employees in 2013 increased significantly for the first time in six years, up about 500,000 from the previous year. Let's have a look at the increase in the number of employees by industry and occupation.

According to Figure 4 showing changes in the number of employees by industry, the number of employees dramatically increased in medical and welfare services with higher labour demands in conjunction with the aging population, wholesale and retail trades, and accommodation, eating and drinking services with increased number of foreign tourists thanks to the weakening yen’s exchange rate. Non-regular workers constitute the majority of increased numbers in medical and welfare services, wholesale and retail trades, and accommodation, eating and drinking services, while medical and welfare services and wholesale and retail trades are also characterized by the increased number of regular workers. By occupation, the number of workers who are engaged in carrying, cleaning, packaging, and related industries, care service and food/drink preparation service and clerical workers increased significantly. More specifically by age group and employment form, the numbers of male regular workers aged between 25 and 34 who are engaged in manufacturing process and sales, and sales workers aged between 35 and 44 have fallen in a considerable way. The number of female clerical workers aged between 35 and 54 increased in both regular and non-regular employment forms.

Figure 5 shows transitions in the number of employees by employment form. The number of non-regular workers is gradually increasing, while the number of regular workers is slightly decreasing due to the influence of population decline.

In order to eliminate the influence of population decline, we will look at the ratio of regular workers to population (sum of labour force and not in labour force) shown in Figure 6. The ratio of regular workers to population aged between 15 and 64 had slightly increased in the period from 2005 to 2007, and has remained unchanged after that. Looking at the transition by age group, the ratio of workers aged between 45 and 54 is increasing and the ratio in other age groups had remained unchanged without showing a sign of decrease.

The ratio of regular workers to population has remained unchanged if seen in the total of male and female numbers. How about looking at the ratio by gender? The ratio of male regular workers, especially those aged between 25 and 34, had decreased from 2003 to 2013. The ratio of female regular workers had

increased in all age groups. When focused on the decreased ratio of male regular workers aged between 25 and 34, the ratio of female regular workers is increasing at the same level as the decreased ratio of male workers in the period from 2003 to 2013. This means that the total ratio of male and female regular workers had remained unchanged.

The ratio of non-regular workers to employees excluding executive officers has been increasing in recent years. The ratio of regular workers to young male population slightly decreased but there is no sign of considerable decline in the ratio of regular workers to the total male and female population. It is considered that unemployed people who participated in the labour market in the form of non-regular employment in conjunction with changes in economic and social situation have significantly affected the result.

(The number of employees significantly increased in the present recovery phase)

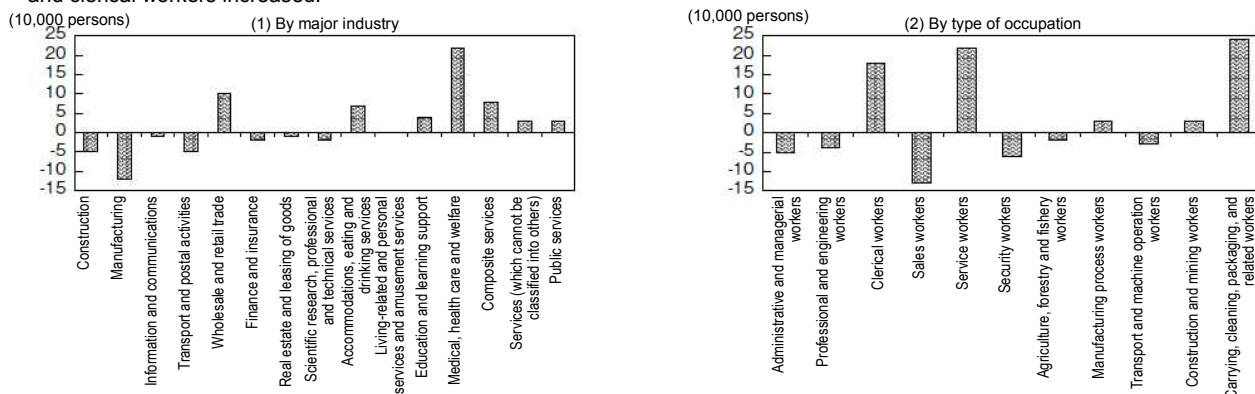
Using Figure 7, we shall compare production and labour input with those in the past recovery phases.

The characteristic of the present phase is the slight decrease in the number of employees in manufacturing industries. In non-manufacturing industries, the significant rise in the level of activity has increased labour input, especially the number of employees in particular.

In this way, the present recovery phase is characterized by the increased number of employees who significantly contributed to the increase of entire labour input.

Figure 4: Difference in the number of employees from the previous year by industry and occupation in 2013

- By industry, the number of employees notably increased in medical and welfare services, wholesale and retail trades, accommodation, and eating and drinking services. By occupation, the number of carrying, cleaning, packaging, and related workers, service workers, and clerical workers increased.



Source: "Labour Force Survey," "Labour Force Survey (detailed tabulation)" Statistics Bureau, Ministry of Internal Affairs and Communications

Figure 5: Transition of the number of employees, by employment form

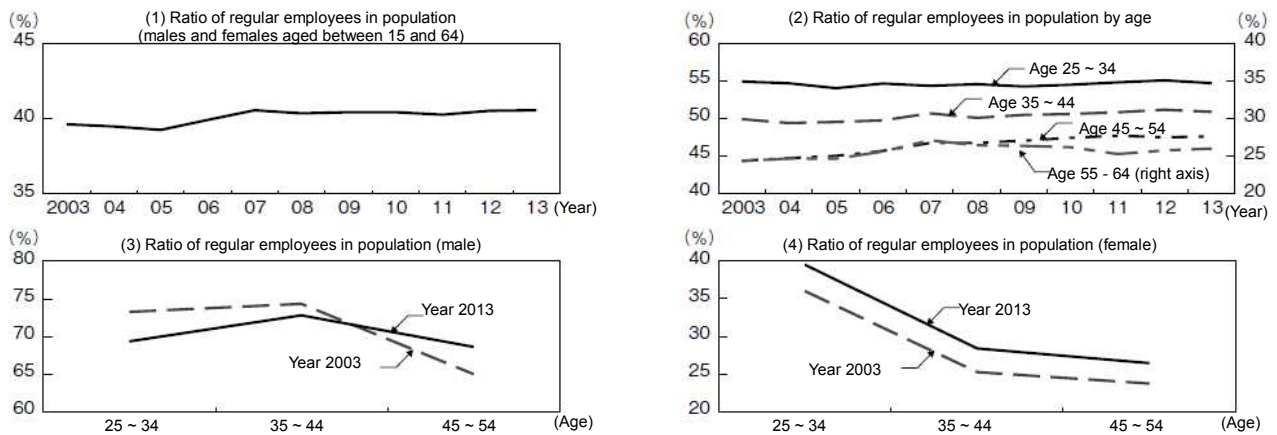
- The number of non-regular workers is gradually increasing, while the number of regular workers is slightly decreasing due to the influence of population decline.



Source: "Labour Force Survey (detailed tabulation)" Statistics Bureau, Ministry of Internal Affairs and Communications

Figure 6: Changes in the ratio of regular employees in population

- The ratio of regular workers to population aged between 15 and 64 had slightly increased in the period from 2005 to 2007, and has remained unchanged after that.



Source: Prepared by the Office of Counselor for Labour Policy, MHLW, based on the "Labour Force Survey (detailed tabulation)" Statistics Bureau, Ministry of Internal Affairs and Communications

Figure 7: Relationship between production (activity) level and labour input, in comparison with the past periods of economic recovery

- The present recovery phase is characterized by the increased number of employees who significantly contributed to the increase of entire labour input.



Source: Prepared by the Office of Counselor for Labour Policy, MHLW, based on "Monthly Labour Survey," MHLW, "Labour Force Survey," Statistics Bureau, Ministry of Internal Affairs and Communications, "Indices of Industrial Production" "Indices of Tertiary Industry Activity" and "Indices of All Industry Activity" Ministry of Economy, Trade and Industry.

Section 2. Trends of commodity prices and wages

Commodity prices have risen in the energy sector as the yen's exchange rate weakened from the autumn of 2012, and the demand/supply balance at the macro level improved in conjunction with economic recovery. This has stopped the deflationary trend and commodity prices showed a gradual sign of improvement in 2014, moving forward steadily to overcome deflation.

Wages in 2013 improved. The total sum of cash earnings, which has been decreasing for the second consecutive year, has rallied and the annual summer bonus increased for the first time in three years, as well as year-end bonus for the first time in five years. Besides, the ratio of active job openings to active job applicants exceeded 1 and the excessive employment trend has turned to an insufficient trend. Labour supply and demand has become more balanced and it is considered that we will soon be able to develop an environment that can provide wage increases. It is important to improve labour productivity in order to increase real wages. In order to further increase wages, it is necessary to put investment on IT capital and improve labour quality by accumulating human capital through human resources development.

(Commodity prices have gradually increased in energy sector)

Thanks to the weakening of the yen's exchange rate, the domestic corporate goods price index in 2013 increased by 1.3% from the previous year for the first time in two years. The corporate services price index also increased by 0.4% from the previous year, for the first time in five years since 2008.

Figure 8 shows the trend of consumer prices in 2013. The general index and general index excluding fresh foods (so-called "core") started to pick up due to the weakened yen's exchange rate and both indexes increased by 0.4% compared to the previous year. This was the first increase in five years since 2008, when oil prices rose at a considerable level. The general index excluding fresh foods, petroleum products and other special factors (so-called "core-core") is increasing on a month-by-month basis from 2013 and the improvement in supply/demand balance at a macro level is considered to be contributing to the commodity price increase.

In response to these trends, the "Monthly Economic Report" published by the Cabinet Office said that commodity prices are "showing a gradual increase" in February 2014. This shows a steady progress toward overcoming deflation.

(The total sum of cash earnings is in a rising trend)

Now, we shall look at the trends in the total sum of cash earnings in Table 9. The total sum of cash earnings had been declining for the second consecutive year after 2011 but started to pick up in 2013. Specifically, a rise in the ratio of part-time workers put declining pressure on it and scheduled wages decreased. However, non-scheduled wages increased as a result of larger product activities, which also contributed to the rise in special wages.

Looking at the total sum of cash earnings by general/part-time employment, the average total sum of cash earnings for general workers in 2013 increased by 0.7% compared to the previous year. Although the total sum of cash earnings for part-time workers decreased by 0.6% compared to the previous year, this may be because the number of workers with shorter working hours increased. General wages of part-time workers are in a rising trend.

(Summer and year-end bonuses both increased from the previous year in 2013)

Figure 10 shows the transitions of summer and year-end bonuses. In 2013, summer bonus and year-end bonus increased for the first time in three years and five years, respectively. More specifically, annual summer bonuses increased to 359,317 yen, up 0.3% from the previous year, and year-end bonus increased to 366,865 yen, up by 0.3% from the previous year.

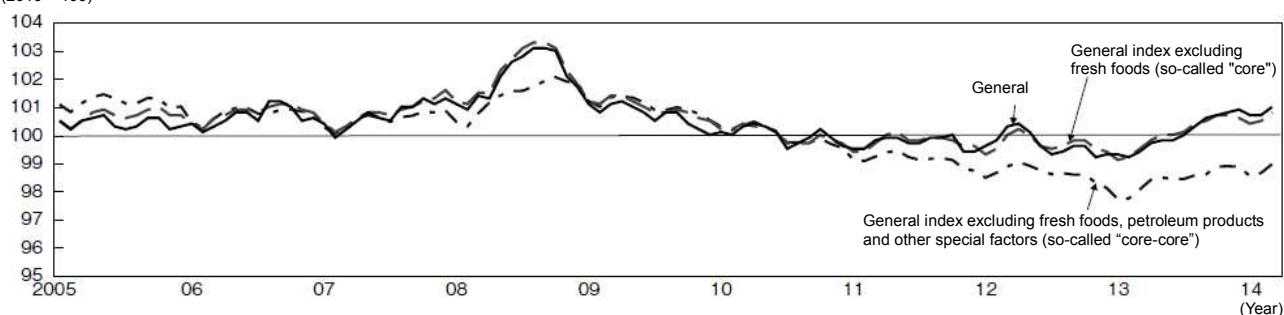
The smaller the scale of business is, the lower the amount of bonus is. Therefore, it should be noted that, if the ratio of workers who are given a bonus by small-scale businesses to the total workers who receive a bonus is high, the average bonus allowance will decrease. Actually, although the annual summer bonus in

2013 increased by 0.3% compared to the previous year, the increase would be 0.5% from the previous year without the influence of changes in the ratio of workers by business scale. Likewise, the increase of year-end bonus that was 0.3% compared to the previous year would be 0.7% from the previous year without the influence of changes in the ratio of workers by business scale. In this way, as the economy recovers, if the ratio of workers who are given bonus by small-scale businesses to the total workers who receive bonus is high, the average bonus allowance will decrease.

Figure 8: Transition of the consumer price index

Looking at the trend of consumer prices in 2013, the general index and general index excluding fresh foods (so-called "core") started to pick up due to the weakened yen's exchange rate, showing the first increase in five years since oil prices rose in 2008. General index excluding fresh foods, petroleum products and other special factors (so-called "core-core") is also in an increasing trend from 2013.

(2010 = 100)



Source: "General index" and "general index excluding fresh foods (so-called "core")": "Consumer Price Index" Statistics Bureau, Ministry of Internal Affairs and Communications; "general index excluding fresh foods, petroleum products and other special factors (so-called "core-core")": "Publication of Consumer Price Index" Cabinet Office

- (Note) 1) The "general index excluding fresh foods, petroleum products and other special factors (so-called "core-core")" is equal to the "general index excluding fresh foods (so-called "core")" excluding petroleum products, electricity fee, city gas fee, rice, cut flowers, chicken eggs, fixed-line phone communication charge, medical care fee, nursing care fee, tobacco, the tuition fee of public and private high school. Estimated by the Cabinet Office
- 2) The figures are on a monthly basis and are available until March 2014.

Table 9: Transition of monthly wage

The total sum of cash earnings in 2013 has remained the same or showed a recovery compared with the previous year thanks to the increase in non-scheduled wages and special wages as a result of growing production activities.

(Unit: yen, %)

Year/period	Total sum of cash earnings			Regularly paid wages				Special wages			Wage of part-time worker	Increase or decrease rate of real wage (total sum of cash earnings under all employment forms)	
		Full-time worker	Part-time worker	Full-time workers		Part-time workers		Full-time worker	Part-time workers				
				Scheduled wages	Non-scheduled wages	Scheduled wages	Non-scheduled wages						
Amount													
2007	330,313	413,342	95,209	269,508	306,414	25,608	89,318	3,174	60,805	81,320	2,717	979	-
08	331,300	414,449	95,873	270,511	307,990	25,211	89,896	3,114	60,789	81,248	2,863	1,001	-
09	315,294	398,101	94,783	262,357	304,408	21,824	89,316	2,944	52,937	71,869	2,523	1,018	-
10	317,321	402,730	95,790	263,245	304,707	24,075	90,272	2,985	54,076	73,948	2,533	1,018	-
11	316,791	403,563	95,645	262,372	304,373	24,438	90,136	2,913	54,419	74,752	2,596	1,021	-
12	314,126	401,694	97,177	261,584	303,864	25,093	91,595	3,073	52,542	72,737	2,509	1,026	-
13	314,048	404,720	96,644	260,349	303,910	25,721	90,997	3,235	53,699	75,089	2,412	1,033	-
Year-on-year													
2007	-1.0	-0.4	-0.7	-0.5	0.0	1.2	-0.6	1.1	-3.4	-2.5	-5.3	0.9	-1.1
08	-0.3	0.0	1.0	-0.2	0.1	-1.9	0.9	-1.6	-0.4	-0.1	5.7	2.2	-1.8
09	-3.9	-3.4	-1.5	-2.2	-0.7	-13.0	-1.1	-5.8	-11.8	-10.7	-12.3	1.7	-2.6
10	0.5	1.0	1.1	0.3	0.0	10.2	1.2	1.4	1.9	2.6	0.5	-0.1	1.3
11	-0.2	0.1	-0.1	-0.4	-0.2	1.4	-0.1	-2.3	0.6	1.0	2.7	0.3	0.1
12	-0.7	-0.2	1.5	-0.1	0.1	3.0	1.5	5.3	-3.3	-2.3	-3.8	0.5	-0.7
13	0.0	0.7	-0.6	-0.5	0.0	2.5	-0.7	5.3	2.1	3.1	-3.9	0.7	-0.5
Comparison to the same period last year													
2011 I	0.0	0.6	0.1	-0.4	-0.1	4.0	-0.1	-1.2	12.9	13.3	30.1	0.2	0.6
II	-0.6	-0.2	-0.6	-0.6	-0.2	-0.9	-0.3	-4.5	-0.1	0.3	-2.3	0.3	0.0
III	-0.4	-0.2	-0.1	-0.3	-0.2	-0.1	-0.1	-2.4	-0.3	0.0	-0.4	0.3	-0.6
IV	-0.1	0.2	0.3	-0.2	-0.2	2.6	0.1	-1.3	0.3	0.7	2.4	0.4	0.3
12 I	0.0	0.1	2.5	0.3	-0.1	4.1	2.5	6.1	-7.6	-6.9	-14.7	0.3	-0.4
II	-0.5	0.1	1.9	0.2	0.1	6.6	1.7	7.8	-2.7	-1.8	7.0	0.5	-0.8
III	-0.7	-0.1	0.5	-0.3	0.1	2.0	0.7	2.6	-3.7	-2.8	-7.4	0.6	-0.3
IV	-1.1	-0.5	1.0	-0.4	0.0	-0.7	1.1	4.8	-3.0	-2.0	-4.3	0.7	-0.9
13 I	-0.6	0.4	-1.3	-0.9	0.1	-1.2	-1.5	3.8	9.6	11.0	-0.9	0.8	0.1
II	0.3	0.9	0.1	-0.4	0.1	1.0	-0.1	7.0	2.4	3.3	-3.3	0.8	0.5
III	-0.4	0.2	-0.5	-0.5	-0.1	3.7	-0.6	5.7	0.3	1.3	-3.0	0.4	-1.7
IV	0.4	1.2	-0.5	-0.2	0.0	6.4	-0.4	4.6	1.9	2.9	-5.2	0.6	-1.3

14.1	0.1	0.5	0.8	0.1	0.0	5.4	0.6	6.3	0.8	1.1	6.2	1.1	-1.8
------	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	------

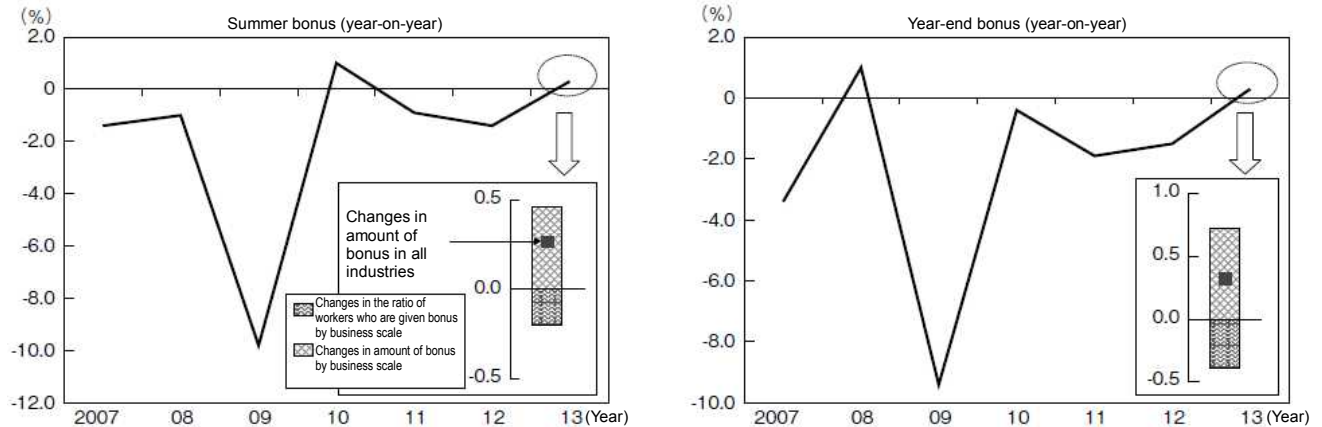
Source: "Monthly Labour Survey" Ministry of Health, Labour and Welfare

(Note) 1) Total of the surveyed industries; business establishments with 5 or more employees.

- 2) The rates of increase or decrease, including year-on-year ones, are the values with modification to such matters as the gap resulted from change in establishments extracted from the survey subjects, and do not always match with the results of calculation based on real amount.
- 3) The increase/decrease rate of real wage (total sum) is calculated based on the real wage index (total sum of cash earnings divided by consumer price index (general index excluding attributed rent of one's own house)).
- 4) "Wage of part-time workers" is estimated by the Office of Counselor for Labour Policy, MHLW, based on the "Monthly Labour Survey"

Figure 10: Changes in bonus (year-on-year)

○ In 2013, summer bonus increased for the first time in three years and year-end bonus increased for the first time in five years.



Source: Prepared and estimated by the Office of Counselor for Labour Policy, MHLW, based on the "Monthly Labour Survey" Ministry of Health, Labour and Welfare

(Note) Total of the surveyed industries; business establishments with 5 or more employees.

(Real income of employees related to macro-level consumption increased)

In order to see the influence on macro-level consumption, it is necessary to look at the income of employees that can be found by multiplying wage per person by the number of workers. As previously mentioned, real wages per person in 2013 decreased by 0.5% from the previous year because commodity prices increased while the nominal wage per person remained unchanged. How about changes in the real income of employees?

According to Figure 11 that shows real income of employees, real income of employees in 2013 increased from the previous year as the increase rate in the number of employees exceeded the decrease rate from rising commodity prices. It is considered that this has contributed to the private consumption growth at a macro level.

In the shunto (annual spring wage offensive) in 2014, many companies maintained the amount corresponding to periodic wage increase and raised their wages. In the future, it is expected that the nominal wage will increase and the said actions of companies will put positive effects on the real income of employees and consumption at a macro level.

(Employment trend has turned from excessive to insufficient trend in 2013)

In the recovery phase, it is important that corporate profits improve, they become the capital of wage improvement and are distributed to employees. The focus is now put on the trend of labour share ratio in order to check how much improved corporate profits are distributed in 2013.

According to Figure 12 that shows the transitions of labour share ratio, the ratio increased amid economic recession in Japan in the late 1990s and has remained high. After that, in early 2000s, the so-called "excessive employment" issue was resolved and companies became careful about increasing wages. This resulted in the decrease of labour share ratio as wage increase weakened compared to that in corporate profits. Although the labour share ratio increased from the influence of the financial crisis and the Great East Japan Earthquake, it started to decline in 2013 in conjunction with the increase in corporate profits.

On the other hand, the ratio of active job openings to active job applicants exceeded 1 and the excessive employment trend of companies has turned to an insufficient trend. Labour supply and demand has become

more balanced and it is considered that we will soon be able to develop an environment that can provide a sustainable wage increase.

(It is important to improve labour productivity in order to increase real wages)

Figure 13 shows that the increase rate of real wages becomes higher according to the increase rate of real labour productivity. Therefore, it is important to improve labour productivity in order to link the expansion of corporate profits with wage increase for the realization of a virtuous economic cycle.

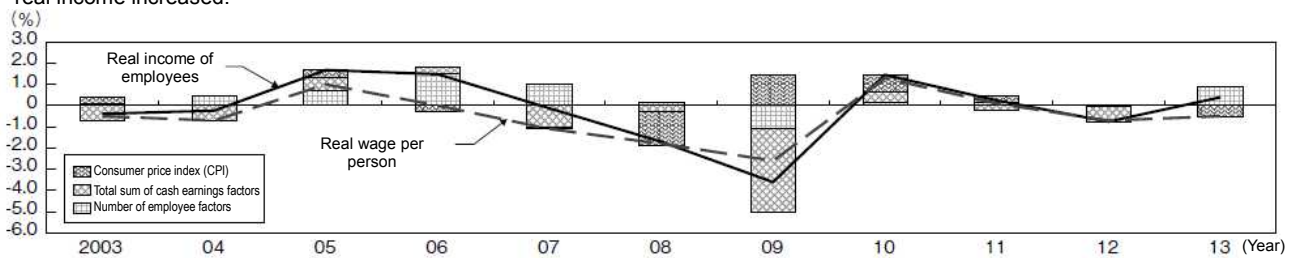
There are two factors that increase labour productivity: increase in capital-labour ratio and increase in total factor productivity (TFP). TFP can be influenced by various factors including changes in capital quality (introduction of advanced IT technology, etc.) and labour quality (improvement of workers' abilities through educational training). Here, we will focus on IT investment and labour quality.

Figure 14 shows the relationship between the IT capital-labour ratio and labour productivity. The figure shows that labour productivity increases relative to the increase in IT capital-labour ratio in manufacturing and non-manufacturing industries, although there are some differences. At the same time, Figure 15 indicates that labour productivity increases as labour quality becomes higher.

In this way, it is necessary to put investment on IT capital and improve labour quality by accumulating human capital through human resources development inside and outside the workplace.

Figure 11: Analysis of factors of year-on-year of employees' real income

o In 2013, the increase rate in the number of employees exceeded the downward impact from commodity price increase, and employee's real income increased.

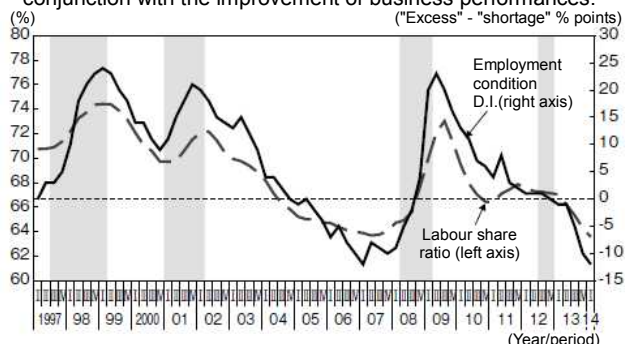


Source: Prepared by the Office of Counselor for Labour Policy, MHLW, based on "Monthly Labour Survey," MHLW and "Labour Force Survey," "Consumer Price Index" Statistics Bureau, Ministry of Internal Affairs and Communications.

- (Note) 1) Income of employees is calculated by multiplying the number of employees (excluding agriculture and forestry industry) by total sum of cash earnings and "general index excluding attributed rent of one's own house" is used to determine the deflator of real value.
 2) Total sum of cash earnings is the total of the surveyed industries for business establishments with 5 or more employees.

Figure 12: Changes in labour share ratio and employment condition D.I.

- From 2013, the excessive employment trend has turned to an insufficient trend as the labour share ratio decreases in conjunction with the improvement of business performances.

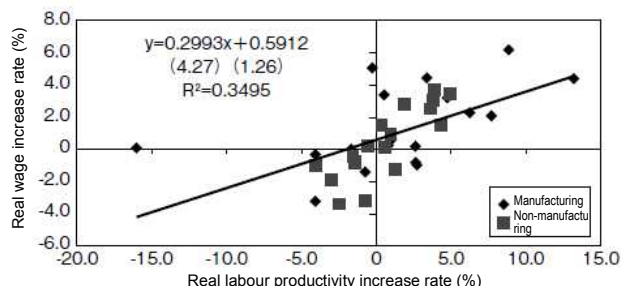


Source: Prepared by the Office of Counselor for Labour Policy, MHLW, based on the "Financial Statements Statistics of Corporations by Industry" (quarterly journal) Ministry of Finance, and "National Short-Term Economic Survey of Enterprises in Japan (Tankan)" Bank of Japan (BOJ)

- (Note)
- Labour share ratio = personnel expenses / (ordinary profit + personnel expenses + depreciation cost)
 - Labour share ratio is the moving average of the last quarter.
 - The shadowed part in the graph indicates a recession period. Figures between the period from July to September 2012 and October to December 2012 are provisional.

Figure 13: Relationship between labour productivity and real wage

- The increase rate of real wage becomes higher in proportion to the increase rate of real labour productivity.

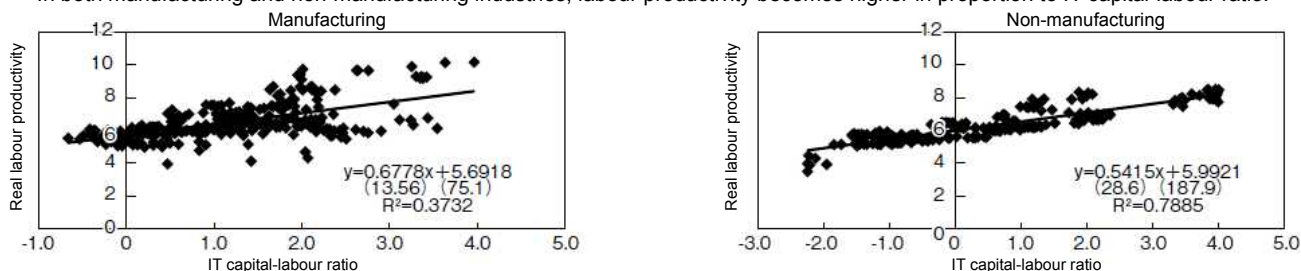


Source: Estimated by the Office of Counselor for Labour Policy, MHLW, based on the "Financial Statements Statistics of Corporations by Industry" (quarterly journal) Ministry of Finance

- (Note)
- Real labour productivity is determined by calculating real added value per employee using GDP deflator.
 - Real wage is determined by calculating real value using GDP deflator, based on the formula: nominal wage per person = personnel expenses/number of employees.
 - Figures from FY 1995 to FY 2012.
 - Figures in brackets are t-value.

Figure 14: Relationship between IT capital-labour ratio and labour productivity

- In both manufacturing and non-manufacturing industries, labour productivity becomes higher in proportion to IT capital-labour ratio.

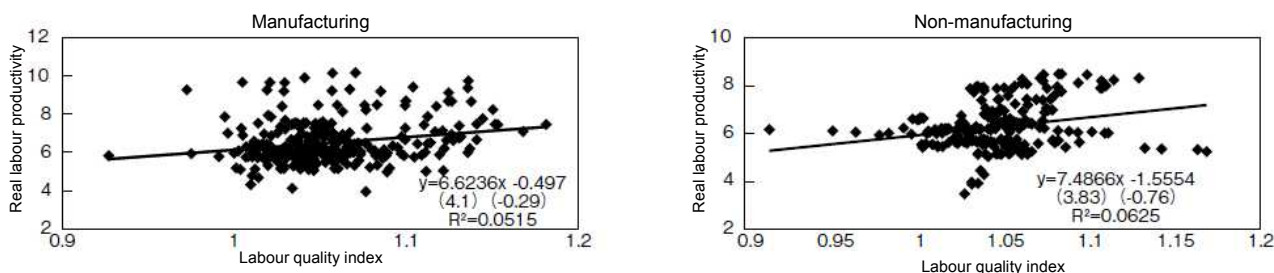


Source: Estimated by the Office of Counselor for Labour Policy, MHLW, based on the "Japan Industrial Productivity (JIP) Database 2013" The Research Institute of Economy, Trade and Industry

- (Note)
- Manufacturing industry includes businesses in industrial category 8-59 and non-manufacturing industry includes businesses in category 60-97 (excluding 72 residences that cannot use data) in JIP database.
 - Real labour productivity is calculated using real added value (1 million yen / man hour (1000 x total sum of real working hours) and logarithmically transformed.
 - IT capital-labour ratio is calculated as IT capital stock (1 million yen, price in 2000)/number of employees and logarithmically transformed.
 - Pooled data from 2005 to 2010
 - Figures in brackets are t-value.

Figure 15: Relationship between labour quality and labour productivity

- In both manufacturing and non-manufacturing industries, labour productivity becomes higher in proportion to the increase rate of labour quality.



Source: Estimated by the Office of Counselor for Labour Policy, MHLW, based on the "Japan Industrial Productivity (JIP) Database 2013" The Research Institute of Economy, Trade and Industry

- (Note)
- Manufacturing industry includes businesses in industrial category 8-59 and non-manufacturing industry includes businesses in category 60-97 (excluding 72 residences that cannot use data) in JIP database.
 - Real labour productivity is calculated using real added value (1 million yen / man hour (1000 x total sum of real working hours) and logarithmically transformed.
 - Labour quality index: 2000 = 1.000

- 4) Pooled data from 2005 to 2010
- 5) Figures in brackets are t-value.

Section 3. Trends of workers' household expenditures

The improvement in consumer mind from expectations toward economic recovery and asset effects generated by the rise of stock prices have contributed to the increase in private consumption from the end of 2012 to early spring in 2013, which has led to economic recovery. In summer, the significant rise of stock prices stagnated and the economy slowed down. Since early autumn, private consumption showed a characteristic trend and turned upward again mainly in durable goods for automobiles due to the last-minute demand before consumption tax is increased.

Looking at the real consumer expenditure of workers' households by item in 2013, it showed a declining trend in housing (impact of declining rent) and the light and water utility (increased number of budget-minded consumers due to raised rates). However, the last-minute demand before the increase of consumption tax rate encouraged more purchases of automobiles and consumption increased in the field of transportation and communication (higher demand in smart phones (high function portable telephones)) and culture and entertainment (higher accommodation rate). The total consumer expenditure increased by 1.2% compared to the previous year.

(In 2013, consumer expenditure of workers' households increased for the second consecutive year both in nominal and real values.

Looking at the transitions of consumer expenditure and real income of workers' households according to Figure 16, consumer expenditures increased due to the improvement in consumers minds from expectations toward economic recovery and asset effects generated by the rise of stock prices have contributed to the increase in private consumption from the end of 2012 to early spring in the following year. After that, it decreased as the rise of stock prices stagnated but showed a considerable increase in the period from January to March 2014 due to the last-minute demand before consumption tax rate increased. In 2013, the nominal consumer expenditure of workers' households increased by 1.7% from the previous year and the real consumer expenditure increased by 1.2% from the previous year, both showing an upward trend for the second consecutive year.

Looking at the quarterly transitions of consumer expenditure by item, in the period from January to March 2013, the consumer mind improved to the full extent (mentioned later) and the expenditure increased in items excluding housing, such as transportation and communication (purchase of automobiles), culture and entertainment, clothing and footwear. In this period, the private consumption showed an upward trend and the total consumer expenditure increased by 4.9% compared to that of the same period in the previous year.

In the period from April to June, stock prices have maintained a certain level with some fluctuations. Consumer expenditure increased in foods (health and medical services, liquor and food-service industries) and furniture and household products (durable household goods) and the total consumer expenditure increased by 1.1% from that in the same period of the previous year.

In the period from June to September, consumer expenditure decreased in the fields of housing and health and medical services but increased in culture and entertainment (education, accommodation and culture and entertainment goods) and clothing and footwear (women's clothing). The total consumer expenditure increased by 0.6% compared to that in the same period of the previous year. The increase in the period from June to September was small as a reaction to the upward trend in the first half of the year and the stagnated improvement of consumer mind

In the period from October to December, consumer expenditure increased in the transportation and communication sector due to more purchases of automobiles that were resulted from the last-minute demand before the increase of consumption tax rate. However it decreased from the same period of the previous year in all other items and the total consumer expenditure decreased by 1.7% compared to the same period of the previous year.

In the period from January to March 2014, there was an upward trend in the last-minute demand before the increase of consumption tax rate. The consumer expenditure rose in furniture and household products (durable household goods), housing (facility maintenance and improvement) and transportation and communication (automobiles and related products) and the total consumer expenditure increased by 1.7% compared to the same period of the previous year.

(Consumption tax rise and last-minute demand)

We will check the status of last-minute demand ahead of the consumption tax increase using Figure 17.

For housing, there was a special measure where the former consumption tax rate of 5% was applied to housing whose construction contract was signed by the end of September 2013, even if the house was handed over after April 2014. Therefore, many contracts were signed in the last minute by September 2013 and the construction work expenditures are added up a few months later. According to the number of new houses whose construction started, it is considered that there was the last-minute demand from the summer of 2013.

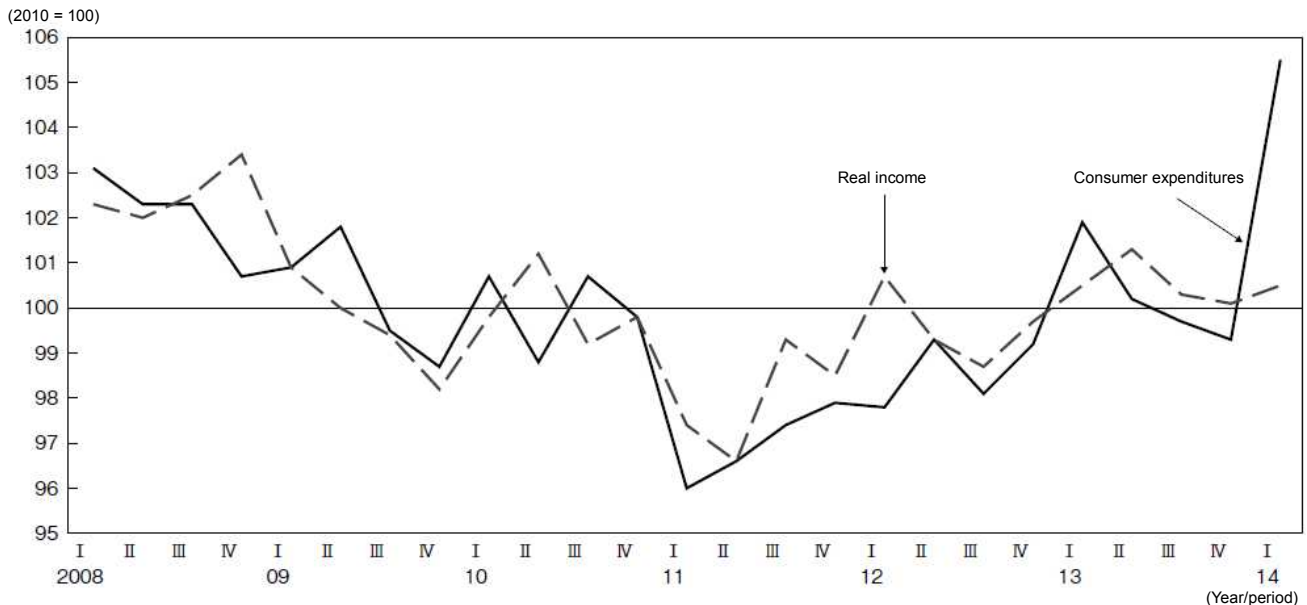
Automobiles had maintained a high level since the autumn of 2013 until around January 2014. The number of automobiles sold was approximately 5.38 million in 2013, increased from the previous year when the number grew significantly due to the introduction of the Eco-Car Subsidy Program.

In the past, there were some demands for repurchase of home electric appliances with higher unit prices when the eco-point system for home electric appliances was introduced and Japan made a transition to digital terrestrial broadcasting. The demand increased significantly in March 2014.

In March 2014, other demands including retailers of various products, retailers of woven products, clothing and personal belongings, retailers of pharmaceutical and cosmetic products and food and beverage retailers showed rapid increase. It is considered that there was a spike in the demand of daily commodities and food ahead of the consumption tax increase.

Figure 16: Consumer expenditures and real income of workers' households

- From the end of 2012 to early spring of 2013, consumer spending rapidly increased thanks to the improvement in the minds of consumers who look forward to economic recovery. After that, it decreased as the rise of stock prices stagnated but showed a considerable increase in the period from January to March 2014 due to the last-minute demand before consumption tax rate increased.

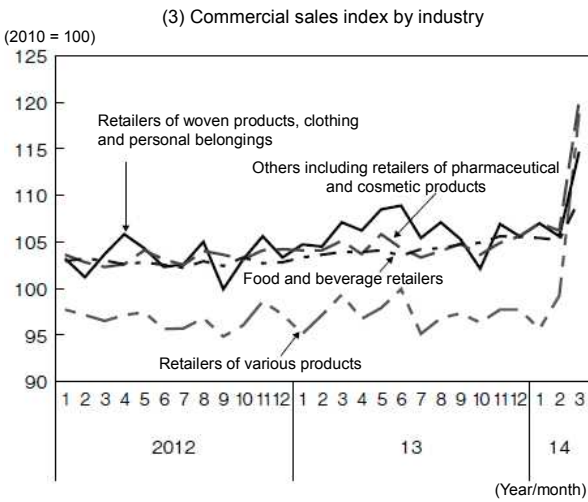
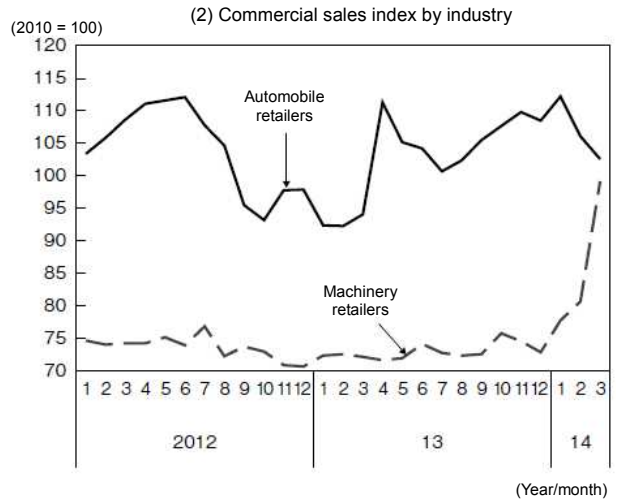
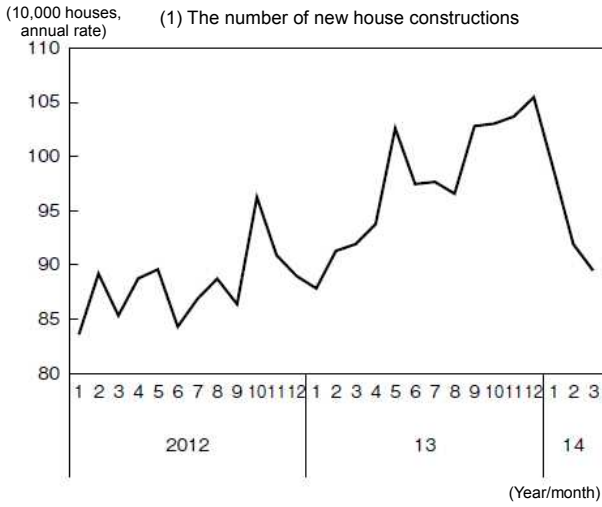


Source: "Family Income and Expenditure Survey" Statistics Bureau, Ministry of Internal Affairs and Communications

- (Note) 1) The figures are those of workers' households with 2 or more members.
 2) Nominal values, seasonally adjusted.

Figure 17: Last-minute demand before the increase of consumption tax

- Last-minute demand increased from the summer of 2013 for housing and after the autumn of 2013 for automobiles.
- Last-minute demand increased in daily commodities and food in March, 2014.



(1) Source: "Survey on Construction Statistics" Ministry of Land, Infrastructure, Transport and Tourism

(Note) Seasonally adjusted by the Cabinet Office

(2)(3) Source: "Census of Commerce" Ministry of Economy, Trade, and Industry

(Note) Seasonally adjusted

Section 4. Trends in regional employment and wages

How does the economic recovery including the improvement of the employment situation affect each region? The unemployment rate and ratio of active job openings to active job applicants are increasing in all regions. Looking at the employment conditions D.I. by regional block, it is insufficient in all regional blocks for all industries in the period from October to December 2013. This shows an increased shortage of workers throughout Japan. Three years after the Great East Japan Earthquake, in the affected three prefectures, the ratio of active job openings to active job applicants is much higher than the level before the earthquake and it has improved to the level exceeding the national average.

Wages increased in all regions and it is considered that the economy is generally recovering although there are some differences depending on the region because of the different industrial structure.

(Employment situation has improved in a steady manner although it is still severe in some regions)

Let's look at the transition of the unemployment rate by regional block in Figure 18. The national average unemployment rate was 4.0% in 2013. Compared to 2006 when the national average unemployment rate was at the same level, it was lower than that in 2006 in Hokkaido, Tohoku, Kinki, Kyushu and Okinawa. The unemployment rate in all blocks had smaller difference from the national average and is declining throughout the nation in 2013, compared to that in 2006. The ratio of active job openings to active job applicants is also increasing in all regional blocks.

In 2013, the employment conditions D.I. by regional block turned insufficient in non-manufacturing industries. In the period from January to March 2014, the overcapacity has weakened and insufficiency started to exceed overcapacity in manufacturing industries in all regional blocks other than Tohoku. In the period from October to December 2013, insufficiency started to exceed overcapacity in all industries in all regional blocks, showing a rising staffing shortage throughout the nation.

(Trends in three prefectures affected by the earthquake)

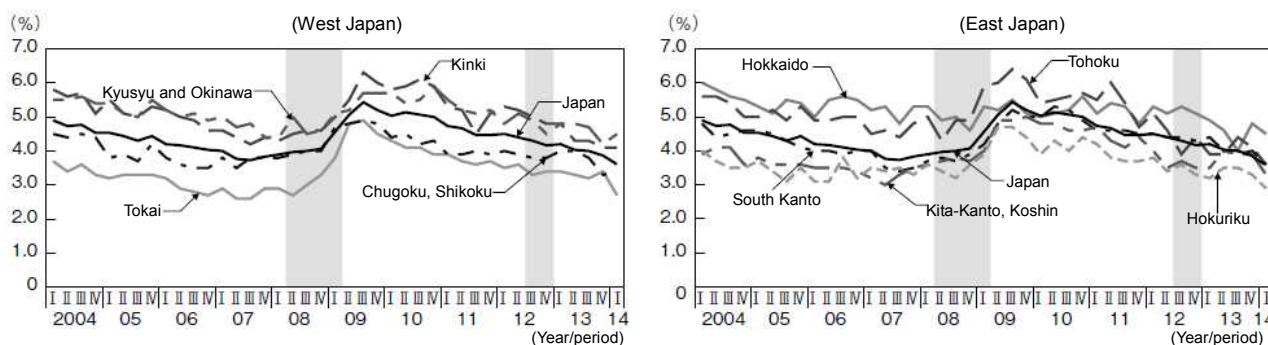
What is the current employment situation like in the affected areas after three years since the Great East Japan Earthquake? We shall look at the trends of job offerings and job applications. The number of job offers has steadily been increasing even after the considerable rise of reconstruction demand following the earthquake. On the other hand, the number of job applicants has fallen below the level before the Great East Japan Earthquake due to the restoration and reconstruction of offices, increased re-employment and declined population in the affected areas. Therefore, the ratio of active job openings to active job applicants largely exceeded the level before the earthquake and it has surpassed the national average. In response to the tighter situation in labour supply and demand, wages at job offer have changed. According to Figure 19, the average wage at job offer of all occupational posts in December 2013 increased compared to that in April 2011. In particular, the increase rate is higher in the construction field such as block fixing and construction machine operation workers, construction and mining workers, architectural engineers, civil engineers and surveyors.

(Wages increased in many regions)

Total cash earnings for general workers increased by 0.8% from the previous year in 2013. What is the situation by region? According to Figure 20 that shows the year-on-year total cash earnings, it increased from the previous year in regions excluding Hokkaido and Kinki.

Figure 18: Transition of unemployment rate by regional block

○ In 2013, the national average unemployment rate has been on a decreasing trend in all blocks with the difference shrinking from national average compared to 2006 when the national average unemployment rate was at the same level.



Source: Prepared by the Office of Counselor for Labour Policy, MHLW, based on the "Labour Force Survey" Statistics Bureau, Ministry of Internal Affairs and Communications

(Note) 1) Figures are seasonally adjusted.

2) Composition of each block is as follows.

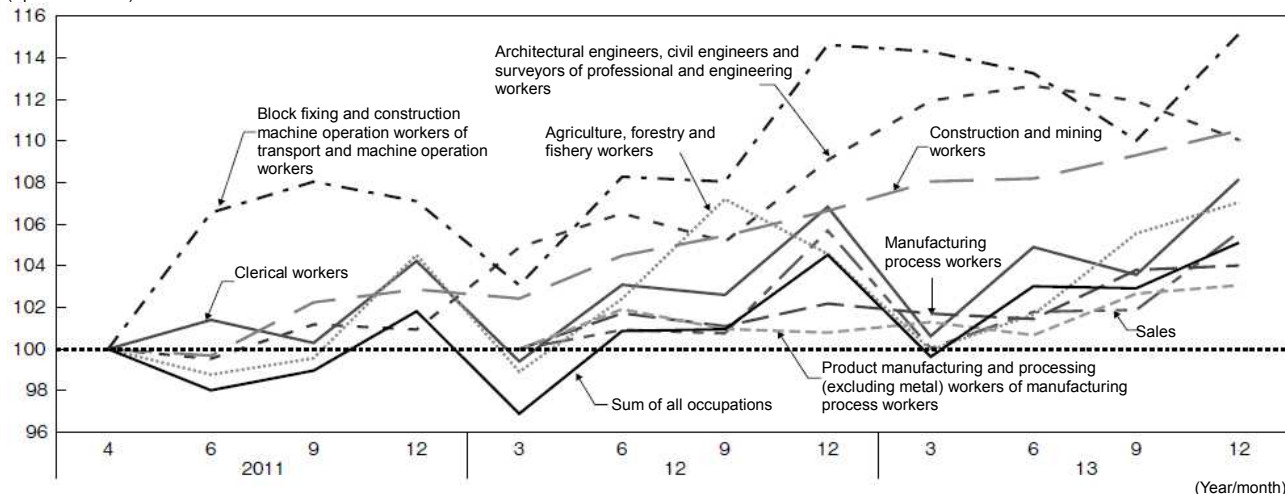
- Hokkaido Hokkaido
- Tohoku Aomori, Iwate, Miyagi, Akita, Yamagata, Fukushima
- South Kanto Saitama, Chiba, Tokyo, Kanagawa
- Kita-Kanto, Koshin Ibaraki, Tochigi, Gunma, Yamanashi, Nagano
- Hokuriku Niigata, Toyama, Ishikawa, Fukui
- Tokai Gifu, Shizuoka, Aichi, Mie
- Kinki Shiga, Kyoto, Osaka, Hyogo, Nara, Wakayama
- Chugoku Tottori, Shimane, Okayama, Hiroshima, Yamaguchi
- Shikoku Tokushima, Kagawa, Ehime, Kochi
- Kyusyu and Okinawa Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyagi, Kagoshima, Okinawa

3) The shadowed part in the graph indicates a recession period. Figures between the period from July to September 2012 and October to December 2012 are provisional.

Figure 19: Changes in the average wage at job offer in three prefectures that were affected by the earthquake

○ Comparing with the average wage at job offer in April 2011, total sum in all occupations increased in December 2013 and the increase amount was in particular large in block fixing and construction machine operation workers, construction and mining workers, and construction, civil and measurement engineers.

(April 2011 = 100)



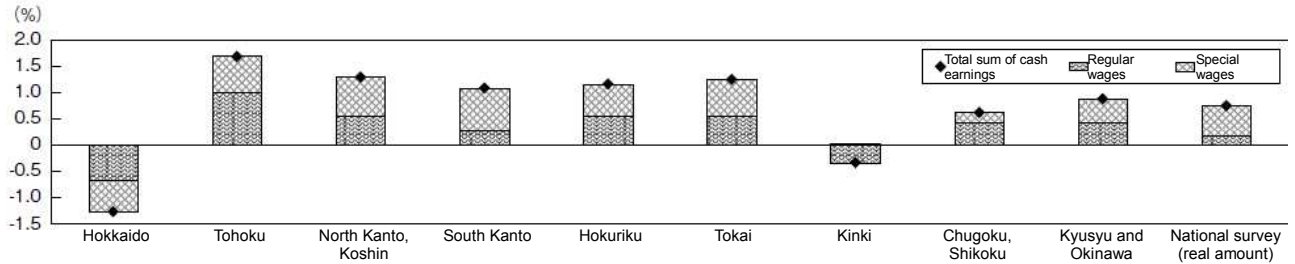
Source: "Report on Employment Service," Ministry of Health, Labour and Welfare

(Note) 1) Categories are those in the "Occupational Classification developed by the Ministry of Labour (revised in 1999)" before December 2011, and those in the "Occupational Classification developed by the Ministry of Health, Labour and Welfare (revised in 2011)" after March 2012.

2) March 2012 = 100 for "Sales workers" and "manufacturing process workers"

Figure 20: Analysis of factors of year-on-year of total sum of cash earnings by regional block (2013)

○ The total sum of cash earnings increased in all regional blocks except for Hokkaido and Kinki.



Source: Prepared by the Office of Counselor for Labour Policy, MHLW, based on "Monthly Labour Survey (nationwide)" and "Monthly Labour Survey (regional),"MHLW.

- (Note)
- 1) Total of the surveyed industries; business establishments with 5 or more employees (general workers)
 - 2) Calculated by adding weight of number of general workers to values of each prefecture.
 - 3) Nationwide values are the result of nationwide Monthly Labour Survey and not the average or total of regional survey results by prefecture.

Section 5. Trends of labour-management relationship

In the shunto (annual spring wage offensive) in 2013, in the severe employment situation, some companies whose business performance was improving agreed to raise the bonus compared with the previous year. However, many companies maintained the wage curve.

On the other hand, in the shunto (annual spring wage offensive) in 2014, corporate profits and the employment situation showed a sign of improvement thanks to economic recovery, and the government, labour and management shared a common perception of increasing wages according to the expansion of corporate profits in the "meeting among government, labour and management towards virtuous economic cycle." As a result of negotiation among the three parties based on this, many companies agreed to raise wage and some companies agreed to raise the bonus compared with the previous year. This negotiation showed largely different aspects from the previous negotiations. Companies also agreed to raise wage for many small and medium-sized associations and offered to pay more hourly wage and monthly wage for non-regular workers compared with the previous year for more associations.

(The shunto (annual spring wage offensive) of 2013 in the severe employment situation)

Looking at the results of major private companies in the shunto (annual spring wage offensive) of 2013, the agreed amount was 5,478 yen, the wage increase rate was 1.80% (5,400 yen and 1.78% in the same period last year), both rates surpassing that in the previous year.

(Trends of shunto (annual spring wage offensive) of 2014)

In the shunto (annual spring wage offensive) in 2014, corporate profits and employment situation showed a sign of improvement thanks to economic recovery, and the government, labour and management shared a common perception of increasing wages according to the expansion of corporate profits in the "meeting among government, labour and management towards virtuous economic cycle." This negotiation showed largely different aspects from the previous negotiations.

First, we will look at the movement on the labour side in the shunto (annual spring wage offensive) of 2013. In the policy for spring struggle for a better life in 2014, the Japanese Trade Union Confederation (RENGO) maintained the amount corresponding to periodic wage increase (wage curve) (approximately 2%) and requested to raise wage (more than 1%) in the amount corresponding to the increase in commodity prices and productivity in the following year.

On the other hand, looking at the management side, the Japan Business Federation (KEIDANREN) stated in its "Position Paper 2014 by Committee on Management and Labour Policy" that it will not change the principle of judging and determining wage according to the company's capacity to pay from the viewpoint of appropriate management of total labour costs regarding all employees including basic wage, various allowances, bonus and benefits.

After March 12, 2014, an agreement concerning wage and bonus was made for major private associations. Figure 21 shows the result of shunto (annual spring wage offensive) of 2014. Companies maintained the amount corresponding to periodic wage increase and agreed to raise wage for many associations. They also agreed to raise bonus compared to the previous year.

Following the major private associations, companies responded that they will raise wages for many small and medium-sized associations. Companies also agreed to raise wages and salaries for non-regular workers compared to the previous year in many associations, showing an increase trend in wages.

(While the number of labour union members shows a tendency of decline, the actions for non-regular workers are being promoted)

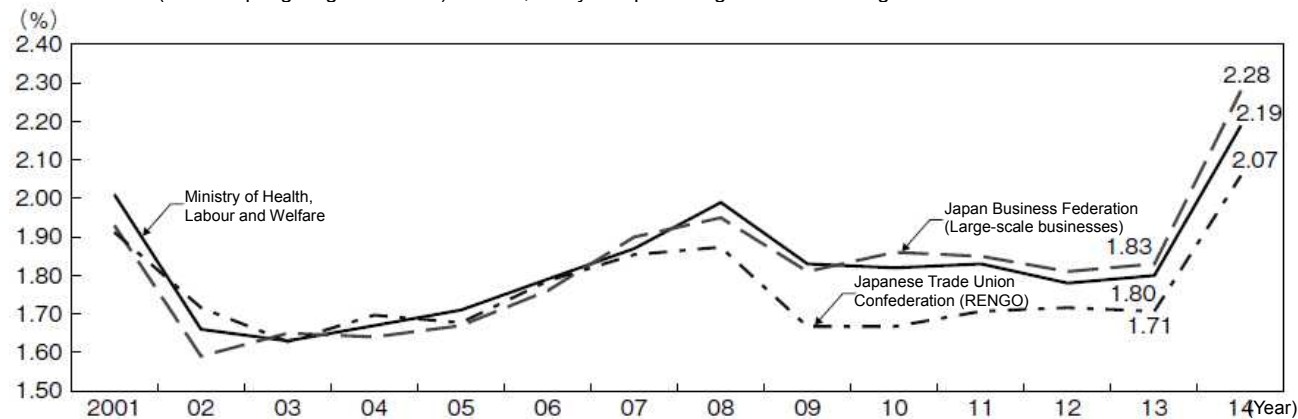
Looking at the organizational situation of labour unions, as of June 30, 2013, the number of labour unions was 25,532 (down by 243 unions and by 0.9% from the last year) and the number of labour union members was 9,875 thousand persons (down by 17,000 persons and by 0.2% from the last year).

On the other hand, looking at the organizational situation of part-time workers according to Figure 22,

the number of part-time workers who were labour union members was 914,000 persons in 2013 (up by 77,000 persons and by 9.2% from the last year); the ratio of part-time workers to all labour union members increased from 8.5% last year to 9.3%, and the estimated unionization rate of part-time workers was 6.5%, showing the increase tendency. Improvement of personal treatment for non-regular workers was also listed in the demands of the shunto (annual spring wage offensive) of 2014. The labour side strengthened its activities.

Figure 21: Results of wage increase

o In the shunto (annual spring wage offensive) in 2014, many companies agreed to raise wages.

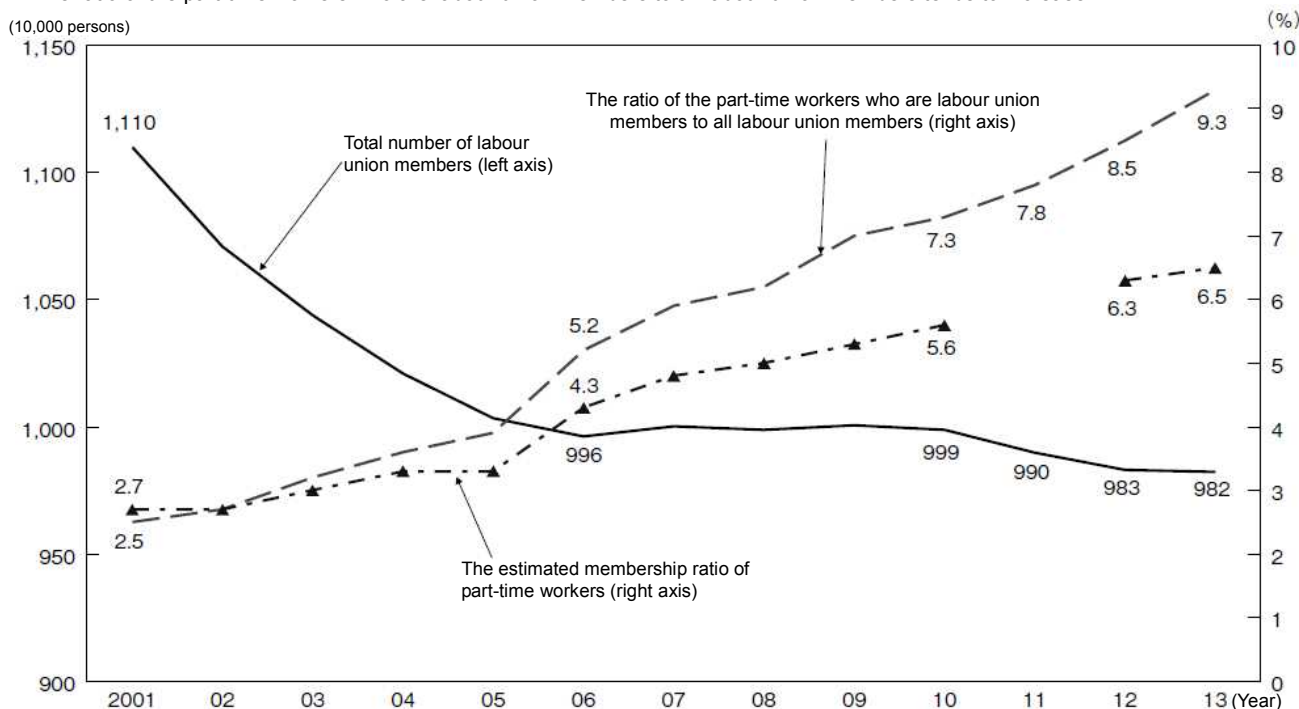


Source: "Situation of Demands and Conclusions of Negotiations for Wage Increase in Major Private Companies (Springtime)" MHLW, "Settlement Results of the Labour-Management Negotiations in the Springtime in Large-Scale Businesses (weighted average)(final results)" Japan Business Federation, "Results of Final Responses to the Policy for Spring Struggle for a Better Life" Japanese Trade Union Confederation

- (Note) 1) In principle, major companies surveyed for the "Situation of Demands and Conclusions of Negotiations for Wage Increase in Major Private Companies (Springtime)" before 2003 are those having a labour union with a capital of 2 billion yen or more and 1,000 or more employees, of those which are listed on the first section of the Tokyo Stock Exchange or Osaka Securities Exchange. Companies surveyed after 2004 is basically those having a labour union with a capital of 1 billion or more and 1,000 or more employees (weighted average).
 2) Calculation for RENGO is the union total and includes unions of small and medium-sized enterprises with less than 299 employees.
 3) Companies surveyed by KEIDANREN (large-scale businesses) are basically those that are listed on the first section of the Tokyo Stock Exchange and with 500 or more employees.

Figure 22: Transition of the estimated membership ratio of part-time workers

o The ratio of the part-time workers who are labour union members to all labour union members tends to increase.



Source: "Basic Survey on Labour Unions" Ministry of Health, Labour and Welfare; "Labour Force Survey" Statistics Bureau, Ministry of Internal Affairs and Communications

- (Note) 1) The "total number of labour union members" and "ratio of the part-time workers who are labour union members to all labour union members" are those under the table for unit labour unions.

Under the table covering the unit labour unions, each unit-treated union which is a sub-organization of a single organization union or unit organization union, is considered as one union upon tabulation.

The unit organization union is a labour union which workers join as individuals under the union rules and which does not internally have sub-organizations (such as branches) operating independently.

The single organization union is a labour union which workers join as individuals under the union rules and which internally has sub-organizations (such as branches).

- 2) "Part-time workers" means the workers who are other than regular employees and staff, and whose scheduled working hours per day are shorter than those of the full-time workers in the business establishment, or whose scheduled working hours per week are shorter than those of full-time workers in the business establishment even if the scheduled working hours per day are the same as those of the full-time workers, or who are called part-timers, part-time employees, etc. in the business establishment.
- 3) "Estimated membership ratio" means the value obtained by dividing the number of part-time workers who are labour union members, by the number of short-time employees; the number of short-time employees is that of the employees whose working hours are less than 35 hours per week, and is based on the Labour Force Survey (June each year).
- 4) The estimated membership ratio of part-time workers in 2011 is not represented, as the number of short-time employees, which is used as the denominator and is based on the Labour Force Survey (June 2011), is not published due to the impact of the Great East Japan Earthquake.

Chapter 2 Trend and issues of human resources management in company

Section 1. Changes in the market environment and influence on labour market

In conjunction with the development of technical revolution including globalization and IT (information and communication technology) and increase in the uncertainty of management, the management environment surrounding businesses is changing in a considerable and rapid manner.

As the influence of globalization, after checking the influence of increased ratio of overseas production on employment as well as the influence of overseas competitions on employment through trading, it was confirmed that the former has no big influence on domestic employment volume, while the latter may greatly decrease employment in the fields of fibers and timber/wooden products that Asian countries have competitiveness. It is pointed out that the technical revolution including IT may change occupational structures. However, in the period from 2007 to 2012, regular employment decreased in all occupations except for professional and engineering and non-regular employment increased in occupations other than manufacturing process which showed a decrease. Moreover, the ratio of professional and engineering workers is higher and the ratio of manufacturing process workers is lower in occupations with a higher IT capital-labour ratio. The uncertainty of the market increased after the financial crisis and this greatly affected the companies' demand of part-time employment as personnel expenses became variable. On a corporate level, various workers are used depending on the competition environment in which companies are in.

In this way, as the use of human resources in companies change, it is necessary to motivate various human resources to work and link them with business growth.

(Influence of globalization on labour market)

Influence of globalization on the labour market can mainly be considered from two directions. In recent years, technologies of developing countries are rapidly advancing and the management of industries that manufacture goods with price competition and labour-intensity are facing a severe situation. If these goods spread in the domestic market through import, the added value of domestic companies that manufacture goods of the same types will decrease and this might result in the loss of employment.

On the other hand, although replacing domestic production activities with overseas production activities affects employment, the influence is uncertain. For example, increasing overseas production ratio by separating the production process to a country with lower wages will directly replace domestic production and put an adverse effect on domestic employment. However, even if production activities are done in overseas countries, they will encourage economic activities in Japan through the shipment of capital goods if they are to take overseas demands. This will not cause loss in domestic employment, or may rather increase.

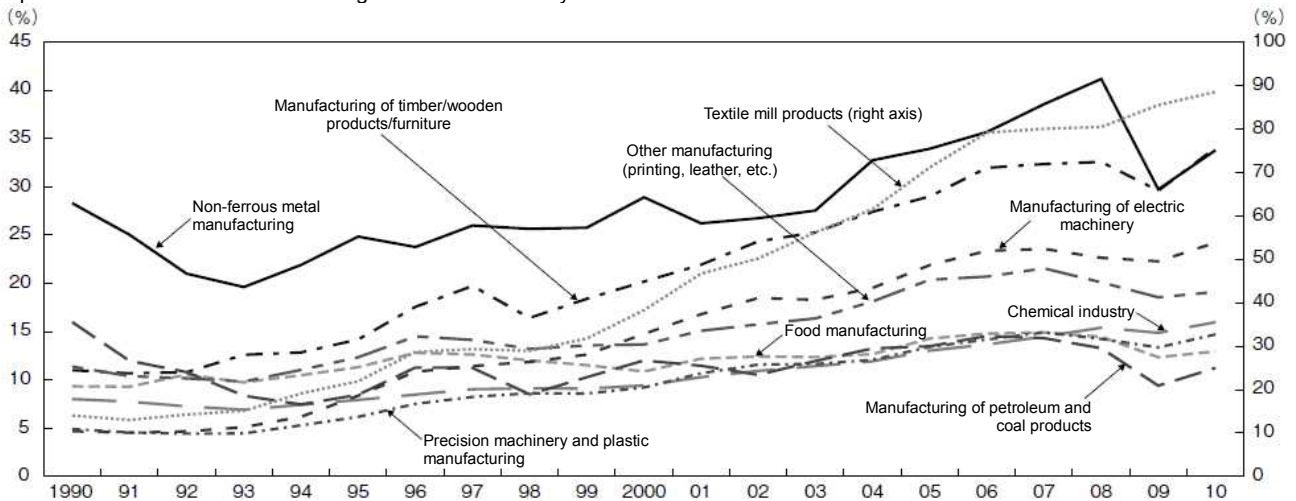
(Added value of industries with lower international competitiveness decrease, causing great loss of employment)

Figure 23 shows trends in the "import penetration ratio" (ratio of import against domestic production by industry) concerning international competitiveness in the manufacturing industry. Industries with a high increase rate of import penetration ratio are manufacturers of textile mill products, manufacturers of timber/wooden products/furniture and electric machinery and apparatus. If import goods penetrate the domestic market, they will directly impact on production activities in industries that manufacture goods of the same types. As shown in Figure 24, industries with a higher import penetration rate have less added value. According to Figure 25 that shows the influence of decreased added value on the number of employees, industries with significant decrease in added value have a less number of employees.

Figure 26 indicates that, in the period between 2000 and 2010, the number of employees decreased by approximately 2.32 million in the entire manufacturing industry. Manufacturers of textile mill products, manufacturers of timber/wooden products/furniture, manufacturers of other products including steel, printing and leather, and manufacturers of electric machinery account for 70% of the decrease in the whole industry.

Figure 23: Changes in import penetration ratio by industry

Industries whose import penetration ratio increased considerably after 2000 are textile mill products, manufacturing of timber/wooden products/furniture and manufacturing of electric machinery.

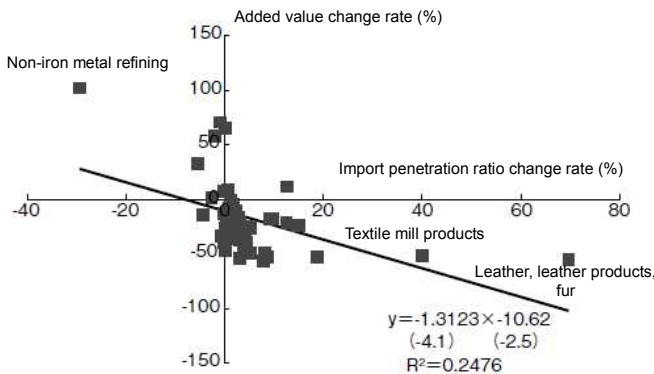


Source: Prepared by the Office of Counselor for Labour Policy, MHLW, based on the "Japan Industrial Productivity (JIP) Database 2013" The Research Institute of Economy, Trade and Industry

- (Note) 1) The industrial classification complies with the correspondence relationship between JIP section classification and SNA industrial classification.
 2) Figure only shows industries with an import penetration ratio (nominal import/nominal production) exceeding 10% as of 2010.

Figure 24: Relationship between import penetration ratio and added value (changes from 2000 to 2010)

Added value decreases as import penetration ratio increases.

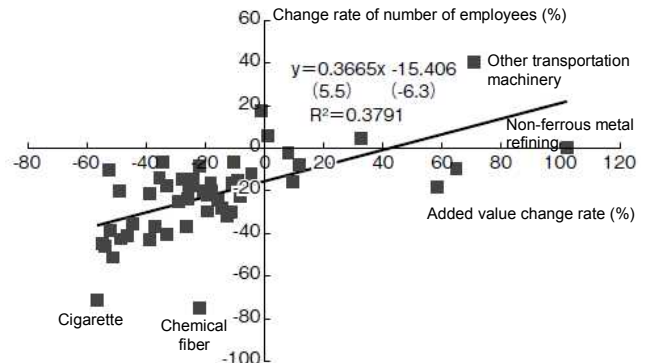


Source: Prepared by the Office of Counselor for Labour Policy, MHLW, based on the "Japan Industrial Productivity (JIP) Database 2013" The Research Institute of Economy, Trade and Industry

- (Note) 1) Figure only shows manufacturing industries that are classified in JIP database.
 2) Added value is defined as output - intermediate input.
 3) Figures in brackets are t-value.
 4) It should be noted that this relationship is affected by industrial category, etc.

Figure 25: Relationship between added value and the number of employees (changes from 2000 to 2010)

The number of employees significantly falls as the decreased rate of industry's added value becomes higher.

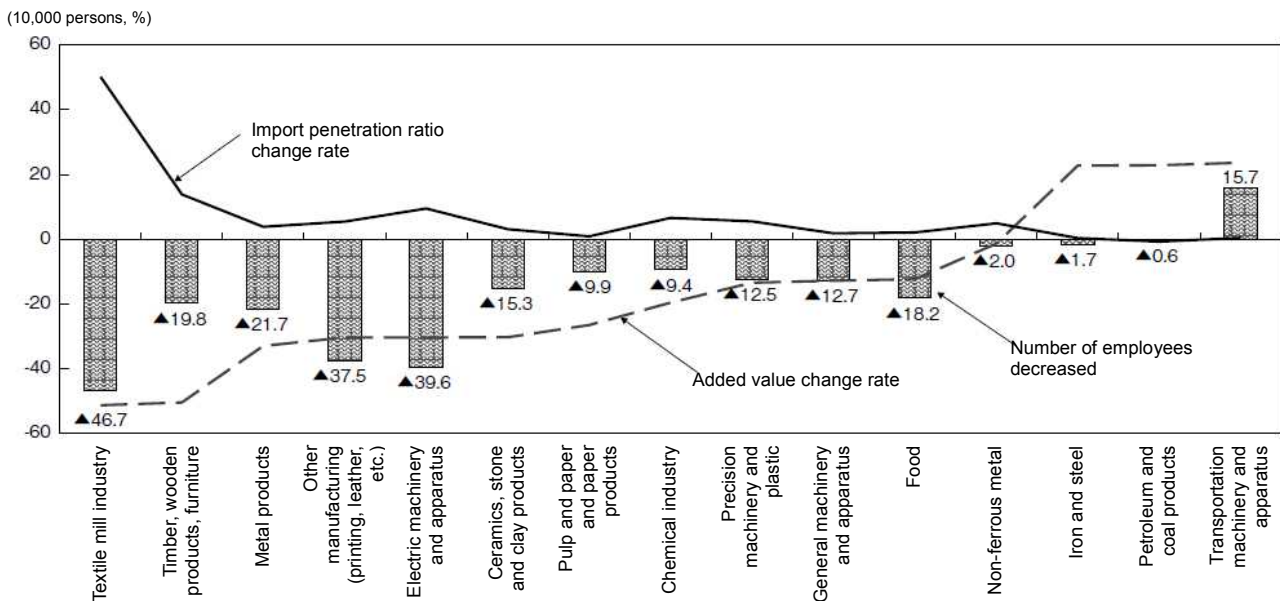


Source: Prepared by the Office of Counselor for Labour Policy, MHLW, based on the "Japan Industrial Productivity (JIP) Database 2013" The Research Institute of Economy, Trade and Industry

- (Note) 1) Figure only shows manufacturing industries that are classified in JIP database.
 2) Added value is defined as output - intermediate input.
 3) Figures in brackets are t-value.
 4) It should be noted that this relationship is affected by industrial category, etc.

Figure 26: Decrease level of the number of employees in manufacturing industry (changes from 2000 to 2010)

○ In all manufacturing industries, the number of employees decreased from 2.32 million in the period between 2000 and 2010. The top 5 manufacturing industries with higher decrease rate of added value account for about 70% of the total number of employees decreased.



Source: Prepared by the Office of Counselor for Labour Policy, MHLW, based on the "Japan Industrial Productivity (JIP) Database 2013" The Research Institute of Economy, Trade and Industry

(The number of clerical and manufacturing process jobs is decreasing, while the number of professional and engineering jobs is increasing)

It is pointed out that the technical revolution including IT may change occupational structures. For example, streamlining operations and replacing manual operations with automated operations may decrease the number of employment opportunities. Standardization and equalization of internal operations may cause decline in enterprise-specific human capital, resulting in decrease in the demand of regular workers and increase in the demand of non-regular workers.

According to Figure 27 that shows changes in occupational structures between 2007 and 2012, the number of regular employees decreased in almost all occupations except for professional and engineering. On the other hand, looking at the characteristics of non-regular employment, the number of employees decreased in machine assembly and production process and labour services, while the number increased in other occupations.

Looking at the relationship between occupation and IT capital-labour ratio, the ratio of professional and engineering workers is higher and the ratio of manufacturing process workers is lower in occupations with higher IT capital-labour ratio. The tendency is higher in manufacturing industry (main document Chapter 2 - (1) - Figure 12).

(Uncertainty of management may have influence on the ratio of part-time workers)

It is considered that increase in the uncertainty of management gives companies an incentive to perform elastic adjustment of employment, thus increase the demand of non-regular employment. Therefore, we will now look at the changes in the standard deviation of sales increase rate by manufacturing or non-manufacturing industry and part-time job offer ratio (ratio of part-time job to total new job offers) that shows the demand of part-time employment by companies, based on the "standard deviation" of sales increase rate as an index of changes in business earnings in Figure 28.

The standard deviation of sales increase rate continued to rise since the collapse of the bubble economy, but the rate slightly slowed down in the long period of economic expansion since 2002. However, the standard deviation showed additional increase after the financial crisis, followed by a decrease trend. The rate of part-time job offers has been changing in a certain correlation with the standard deviation of sales increase rate. In this way, the uncertainty of business management is likely to have an influence on labour demands.

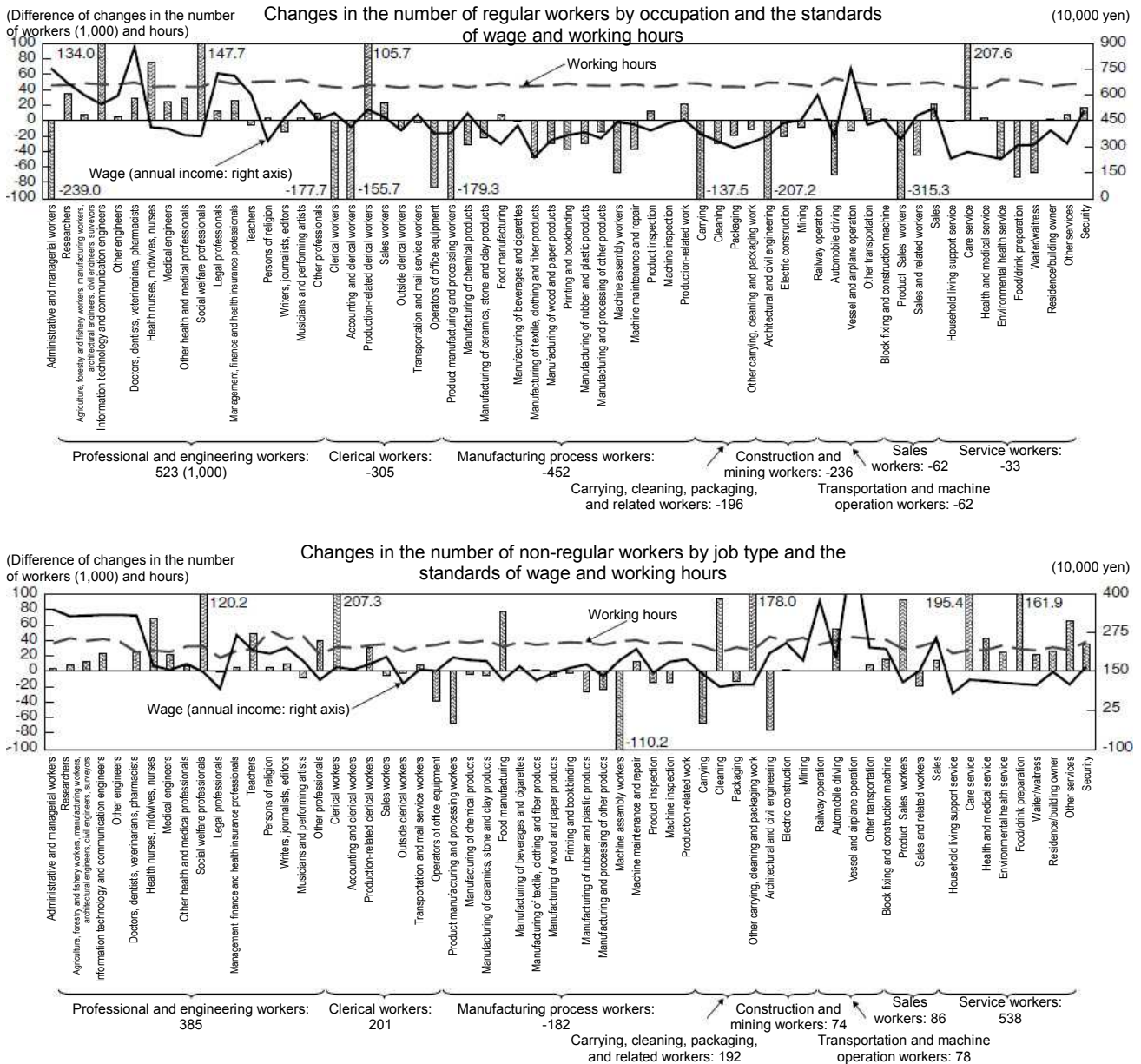
(Various workers are used depending on the competition environment in which companies are in)

We have been looking at the influence of development of the technical revolution including globalization and IT and the uncertainty of management on the labour market at a macro level. From now, we will look at the relationship between business operation status/competitive environment and the use of human resources from the macro-level viewpoint.

Figure 29 shows the influence of work volume in companies on the use of human resources. Companies where work volume changes in a short period has less ratio of using regular employees who have no limit in work, workplace and working time. On the other hand, they use more number of non-regular employees. Looking at the relationship between virtual issues of businesses and the use of human resources, it is pointed out that the ratio of using regular employees who have limited working conditions is relatively high in companies with issues such as "competition with overseas companies" and "entry into new fields." Moreover, if companies are facing issues such as "competition with local businesses of same industry or other businesses in the industry" and "increased human costs), they are more likely to use non-regular workers.

Figure 27: Changes in the number of employees by employment form and occupation and the standards of wage and working hours

o The number of regular workers is decreasing other than professional and engineering workers, while the number of non-regular services workers and clerical workers is increasing.

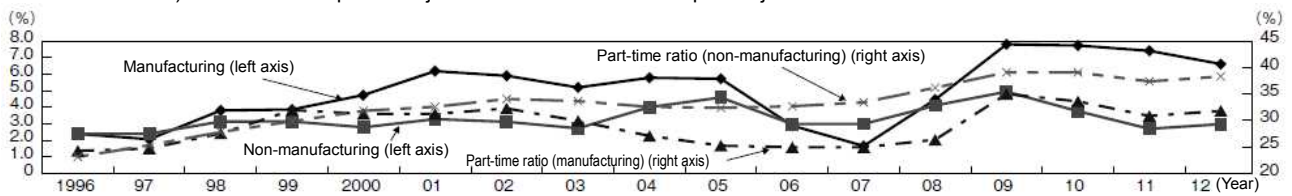


Source: Compiled independently by the Office of Counselor for Labour Policy, MHLW, from questionnaire data of the "Basic Statistical Survey on Employment Structure" (2007 and 2012) Statistics Bureau, Ministry of Internal Affairs and Communications.

- (Note)
- 1) Note that bar graphs of occupations are cut when there is a change of 100,000 or more. Bar graphs are also cut of for the annual income (5.618 million yen) of non-regular workers who are engaged in vessel and airplane operation.
 - 2) Difference of changes in the number of employees was calculated based on changes from 2007 to 2012, and wage and working hours were based on 2012 survey.
 - 3) Occupations with significant increase/decrease in large occupational classifications are listed under the graph respectively.
 - 4) Annual income (right axis) and working hours are calculated using "income or (expected) profit from this job per year" and "working hours per week" in the same survey. As each occupation is surveyed by class, the mean value was calculated using the median value of each class (for example, 4.5 million yen is attributed for the income class of "4 to 4.99 million yen").
 - 5) The mean value of annual income and working hours by employment form is 4.473 million yen and 47 hours for regular workers and 1.442 million yen and 31.2 hours for non-regular workers.

Figure 28: Changes in the ratio of part-time job offer and the standard deviation of sales increase in manufacturing and non-manufacturing industries.

- There is a certain correlation between uncertainty in management (the standard deviation of sales increase by industry is used for an alternative index) and the ratio of part-time job offer to the total number of new job offers.

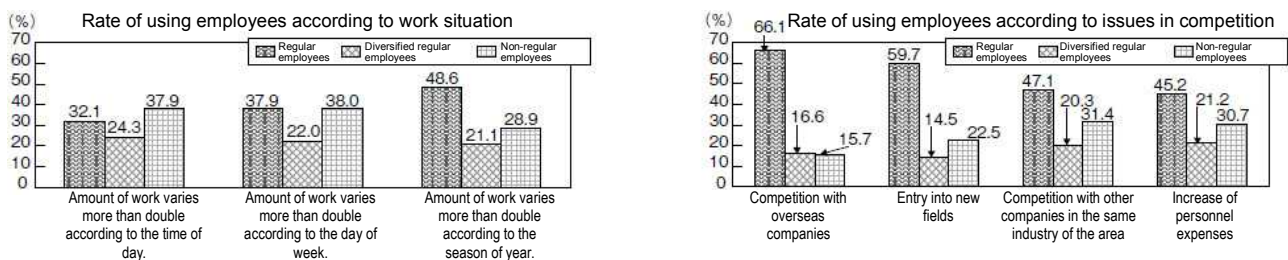


Source: Prepared by the Office of Counselor for Labour Policy, MHLW, based on the "Financial Statements Statistics of Corporations by Industry" Ministry of Finance, and "Report on Employment Service," MHLW

(Note) The standard deviation of sales increase in manufacturing and non-manufacturing industries in the Statistics of corporations by Industry is used as an alternative index for uncertainty of management (the root of variance of data in the latter 5 years is used for calculation).

Figure 29: Use of human resources in companies according to work situation and issues in competition

- If the amount of work varies in shorter period, the increased number of workers other than regular workers are used.
- Companies whose issues in competition are "competition with overseas companies" and "entering into new fields" employ more regular workers other than diversified regular workers, while those whose issues are "competition with other companies in the same industry of the area" and "increase of personnel expenses" use more workers other than regular workers.



Source: Compiled independently by the Office of Counselor for Labour Policy, MHLW from questionnaire data of the "Survey on Diversified Types of Employment" (2010, business survey) Japan Institute for Labour Policy and Training

- (Note) 1) "Diversified regular employees are defined as the generic term for four forms of regular employment - "general office employees," "employees with specific job type," "employees with specific work location" and "employees whose working hours are determined."
 2) "Regular employees" in the figure do not include "diversified regular employees."
 3) The "ratio of using employees" is the average value determined by the ratio of workers by employment form in total number of direct employment workers in companies surveyed divided by the number of companies with effective answers.

Section 2. Changes and characteristics of human resources management in Japanese businesses

In many cases, regular workers are described in the following elements 1) no fixed period in labour contract, 2) full-time scheduled working hours, 3) direct employment, 4) personal treatment according to service status and employment management system (wage system according to service period, raising of rank or conditions, deployment, human resources development, etc.), and 5) work places and duties are not limited, and have overwork. This is also closely related to the fact that Japanese businesses have responded to changes in labour demand caused by economic changes mainly through the adjustment of overtime working hours, deployment change and temporary transfer. However, there are various types of regular workers in recent years. Some companies manage human resources based on the external labour market that focus on hiring experienced human resources from outside the company, and others employ a group of regular workers whose duties, work places and working hours are limited by the human resources management (diversified regular workers).

Businesses in Japan made changes in management in conjunction with changes in outside environment, such as change of wage determinant factors and flattening of wage profile. Many companies in Japan focus on the internal labour market, and a high percentage of them work on employment management to increase labour productivity and work motivation compared to companies that focus on the external labour market.

Various people are able to choose ways to work with confidence thanks to the popularity of diversified regular employment. This is considered to contribute to securing human resources and improving productivity in businesses.

(For regular employees, many companies apply human resources management that focus on the internal labour market)

According to Figure 30 that shows the policy concerning training and recruitment of business managers, about 70% of companies focus on internal training and promotion, while less than 10% focus on outsourcing experienced human resources. Many companies focus on internal training and promotion for human resources that are the core of regular employees and are considered to execute human resources management that focus on the internal labour market. By size of business, the percentage of companies that focus on outsourcing experienced human resources is higher in small-scale businesses.

(Graduate recruitment that focuses on personal factors and personality)

When recruiting graduates, a high percentage of companies focus on points such as "communication ability," "independence," "challenging spirit," and "cooperativeness." On the other hand, the percentage of companies that focus on "academic knowledge" and "school records" are low. As a result that many companies focus on internal training, graduates are recruited based on personal factors and personality in expectation of development after employment rather than occupational abilities such as academic knowledge at the time of recruitment. This situation has not changed much compared to 10 years ago.

(Increasing number of companies use "roles and duties" as wage determinant factors)

Figure 31 shows the wage system (multiple answers) used for the basic wage. The rate of introducing the wage system that reflects ability to execute duties (performance-based wage system) has been about 80% for employees other than those in managerial positions. While the rate of introducing the wage system that reflects the value of roles, responsibilities and duties (role- and duty-based wage system) is increasing, the wage system based on age and period of service is decreasing. In this way, ability to execute duties is used consistently by many companies as wage determinant factors. On the other hand, the number of companies that use the wage system based on age and period of service decreased and these companies have been replaced by an increased number of companies that use the wage system based on role and duties.

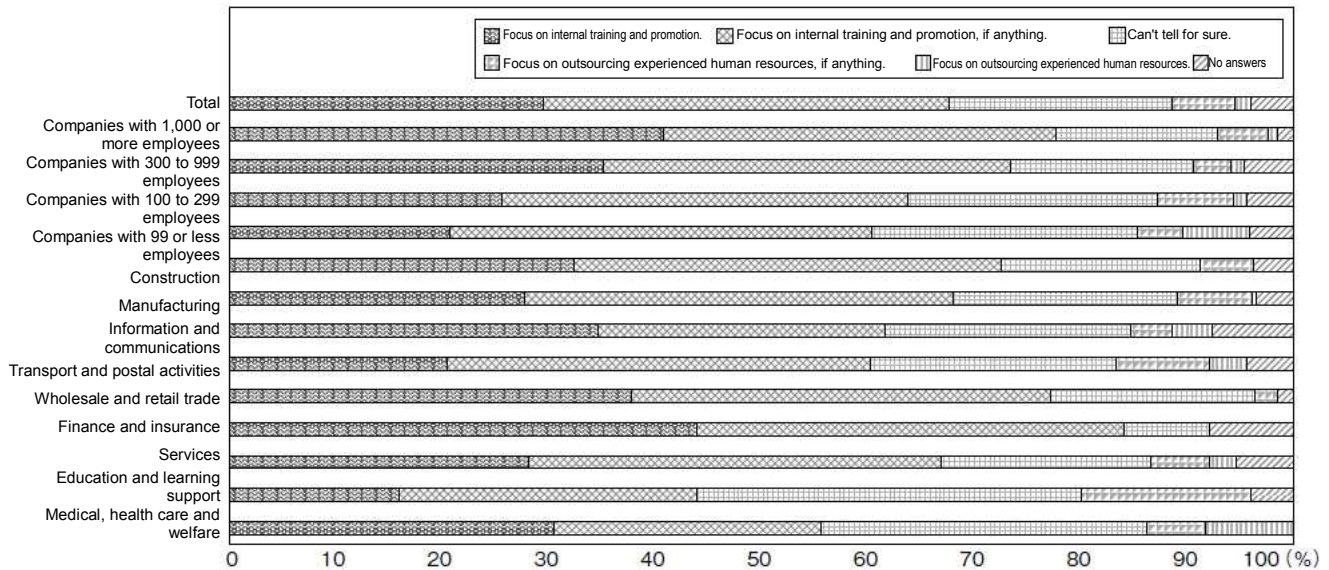
According to Figure 32, in recent years, the percentage of companies that have introduced a performance evaluation system is declining.

(As the wage profile is flattened, personal treatment of core human resources are maintained)

Using Figure 33, we compare the wage standard of males by academic background and age group in 2003 with that of 2013. The first decile and median are decreasing in almost all age groups (graduates from university and graduate school, high school graduates), while the ninth decile decreased in high school graduates and has remained unchanged in graduates from university and graduate school. The same tendency can be seen for females, with a slight difference. In response to the decrease in the ratio of wage determinant factors such as age and period of service, wage profile curve has become moderate and personal treatment of core human resources have been maintained.

Figure 30: Policy concerning training and promotion of regular workers in managerial positions

- About 70% of companies focus on internal training and promotion of business managers, and less than 10% of companies focus on outsourcing experienced human resources.

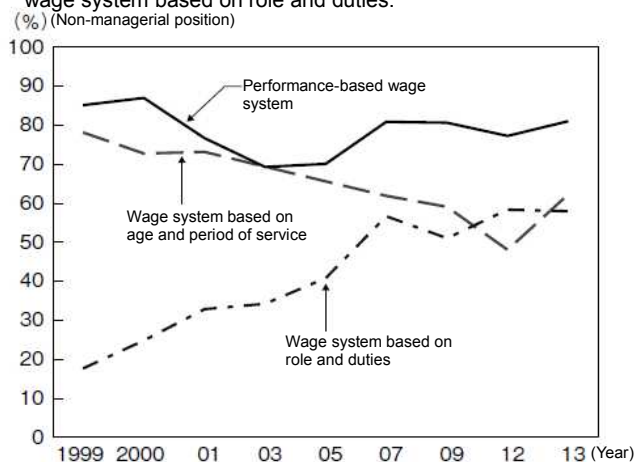


Source: Compiled independently by the Office of Counselor for Labour Policy, MHLW, from questionnaire data the "Survey on the Way of Human Resources Management" (2014) Japan Institute for Labour Policy and Training.

- (Note) 1) "Services" are the total of "scientific research, professional and technical services," "accommodation, eating and drinking services," "living-related and personal services and amusement services," "composite services," "services (which cannot be classified into others)."
 2) "Total" includes industries that are not listed here.

Figure 31: Changes in the introduction status of wage system (non-managerial position)

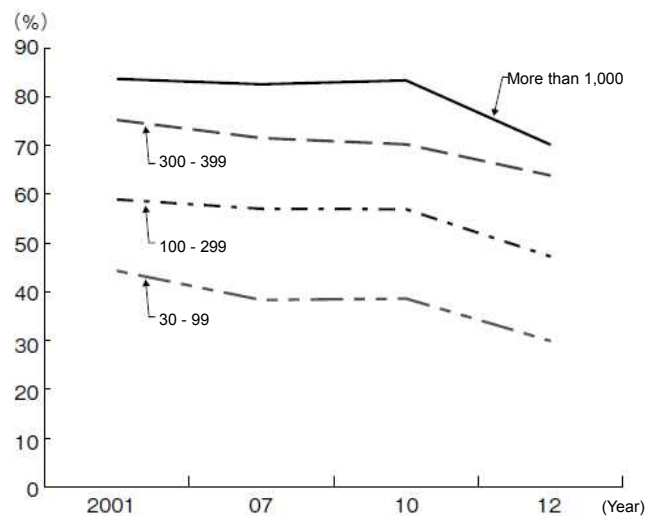
- Performance-based wage system is used consistently by many companies. On the other hand, the number of companies that use the wage system based on age and period of service decreased and these companies have been replaced by increased number of companies that use the wage system based on role and duties.



Source: "Survey on Changes in Employment and Personnel Affairs in Japan" Japan Productivity Center

Figure 32: Changes in the percentage of companies that have introduced a performance evaluation system by company scale

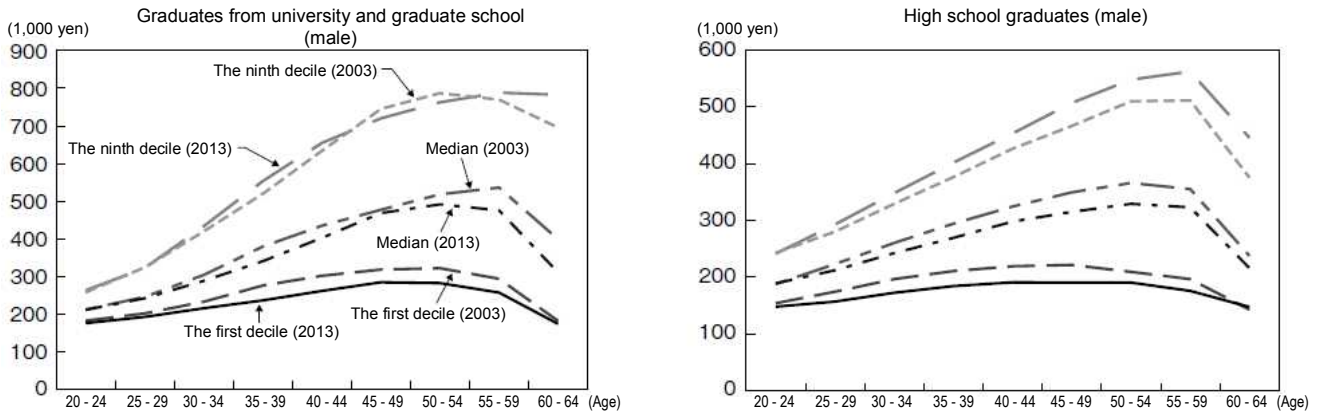
- In recent years, the percentage of companies that have introduced a performance evaluation system is declining.



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

Figure 33: Changes in wage standard by academic background and age group

- The first decile and median are decreasing in almost all age groups (graduates from university and graduate school, high school graduates).
- The ninth decile decreased in high school graduates and has remained unchanged in graduates from university and graduate school.



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

- (Note) 1) Companies with 10 or more employees
2) General workers values for June each year

(Human resources management based on the external labour market)

Looking at major occupations with a high ratio of workers who have changed their job more than twice from the first job in the small occupational classification in Table 34, the ratio is higher in automobile drivers and home-visit care workers, etc. These job type use more regular workers based on the external labour market that focus on outsourcing experienced human resources.

Using Figure 35, when we compare companies that focus on the external labour market with those that focus on the internal labour market in employment management items that are carried out in order to increase labour productivity and motivate workers to work, the ratio of companies that focus on the internal labour market is higher in all items. In this way, in human resources management based on the external labour market, companies put relatively less efforts on internal employment management.

In some companies that conduct human resources management based on the external labour market, a document of duty definition is created for each position, personal treatment are determined based on position, wage standard by position is determined based on the external market status.

(Option of "diversified regular workers" draws attention)

As the employment needs of workers diversify, "diversified regular workers" are drawing attention recently in creating a society where workers are able to work in a flexible and diverse manner. According to a survey result, approximately half the number of companies has introduced the employment classification of diversified regular workers. Figure 36 shows purposes (multiple answers) of introducing the classification of diversified regular workers. Many companies answered that their purposes are for the necessity of "securing excellent human resources" and "retaining employees," and "support for maintaining the balance between work and child rearing/nursing care (work-life balance)." Looking at the advantages of employees who are diversified regular workers in Figure 37, about 60% answered that their "employment is stable," which is the same ratio as typical regular workers. About 30% of the workers answered that they "do not have to worry about relocation to a distant place (including change of residence)."

The diversified regular worker system has brought a certain level of improvement in securing human resources and operational efficiency in companies. From the employee's side, the satisfaction level of working as a diversified regular worker is high since they are provided personal treatment similar to those of typical regular workers while being able to work with an acceptable work-life balance. Various people are able to choose ways to work with a higher satisfaction level, which also matches their lifestyle, thanks to the popularity of diversified regular employment. This is considered to contribute to securing human resources and improving productivity in businesses.

(Promotion to higher positions or regular workers for non-regular workers)

Table 38 shows the status of promotion to higher positions for non-regular workers. According to this, the ratio of companies that have workers in managerial positions by type of worker is 16.2% (part-time workers), 31.7% (contract employees), and 4.7% (dispatched workers). This indicates that some companies promote contract employees to higher managerial positions such as department manager and section chief and they regard non-regular workers as essential employees and good potential.

Many companies are improving the system to promote non-regular employees to regular employees. It is expected that further use of diversified regular workers will stabilize the employment and working conditions of non-regular workers who seek for better personal treatment.

Table 34: Major occupations with a high ratio of workers who have changed their job more than twice from the first job in the small occupational classification

- The ratio of workers who have changed their job more than twice from the first job is higher in automobile drivers and home-visit care workers.

(Unit: 10,000 persons, %)

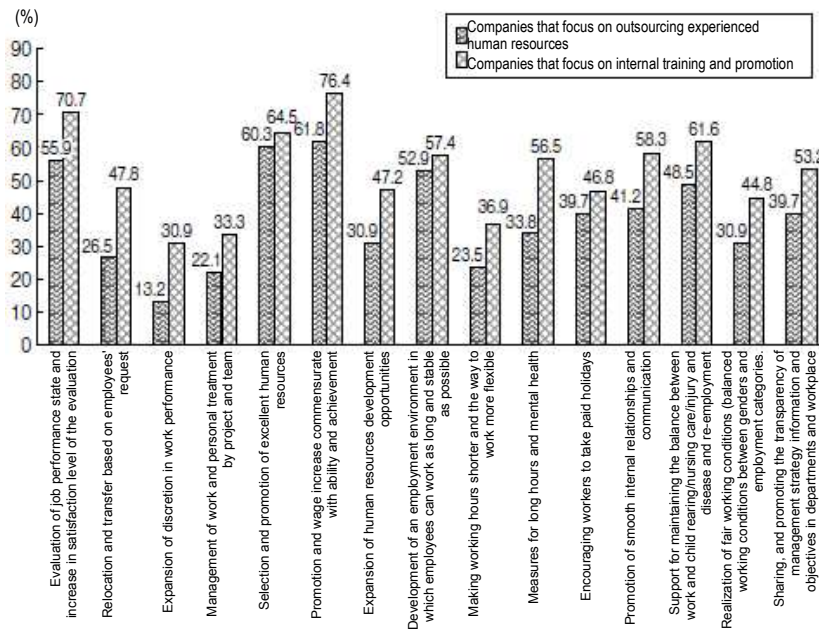
Occupation		Number of regular staff and employees (including executives)	The ratio of workers who have changed their job more than twice from the first job
1	Automobile drivers	102	59.0
2	Home-visit care workers	11	47.8
3	Guards	14	46.7
4	Delivery workers	29	46.7
5	Care workers (medical and welfare facilities, etc.)	70	40.7
6	Packing workers	10	40.5
7	Real estate sales workers	10	39.9
8	Other social welfare professionals	29	39.0
9	Other carrying, cleaning and packaging workers	14	38.9
10	Chefs	50	38.9
11	Service staff in places of amusement	17	37.5
12	Other block fixing and construction machine operation workers	12	36.2
13	Civil engineers	26	35.4
14	Metal welding or cutting workers	12	35.2
15	Workers of wood and paper products manufacturing	19	34.9
16	Designers	12	34.2
17	Plumbers	17	33.0
18	Metal machine tool operators	11	32.4
19	Workers of food manufacturing	42	32.0
20	Workers ceramics, stone and clay products manufacturing	11	31.5

Source: Compiled independently by the Office of Counselor for Labour Policy, MHLW from questionnaire data of the "Basic Statistical Survey on Employment Structure" (2012) Statistics Bureau, Ministry of Internal Affairs and Communications

- (Note)
- 1) Calculated for executives or regular staff/employees under the age of 60.
 - 2) Small occupational classifications with 100,000 or more regular staff/employees (including executives) are listed.
 - 3) "Workers who have changed their job more than twice from the first job" are those whose first job is not the current or previous job.

Figure 35: Employment management points by policy concerning training and promotion of managers, which are implemented in order to increase labour productivity and employees' motivation to work.

o The ratio is higher in companies that focus on internal training and promotion in all points.

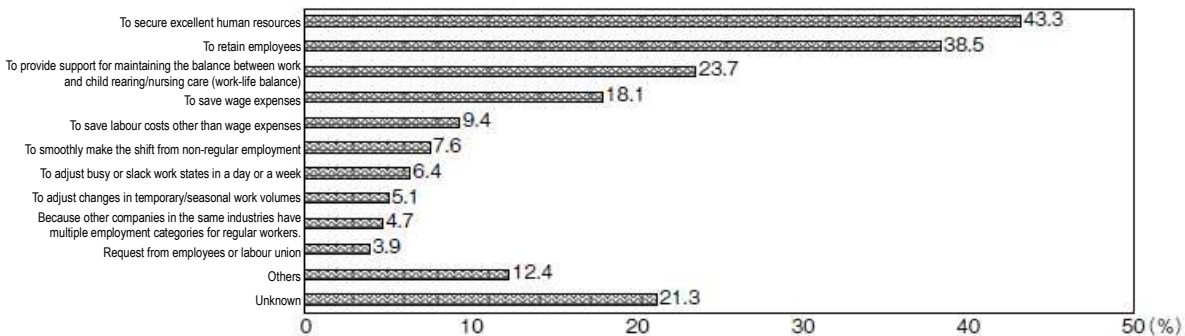


Source: Compiled independently by the Office of Counselor for Labour Policy, MHLW, from questionnaire data of the "Survey on the Way of Human Resources Management" (2014) Japan Institute for Labour Policy and Training.

(Note) Multiple answers

Figure 36: Reason for using multiple employment categories for regular workers

o Many companies responded that the reason for using diverse employment categories for regular workers is to secure and retain human resources and support their work-life balance.



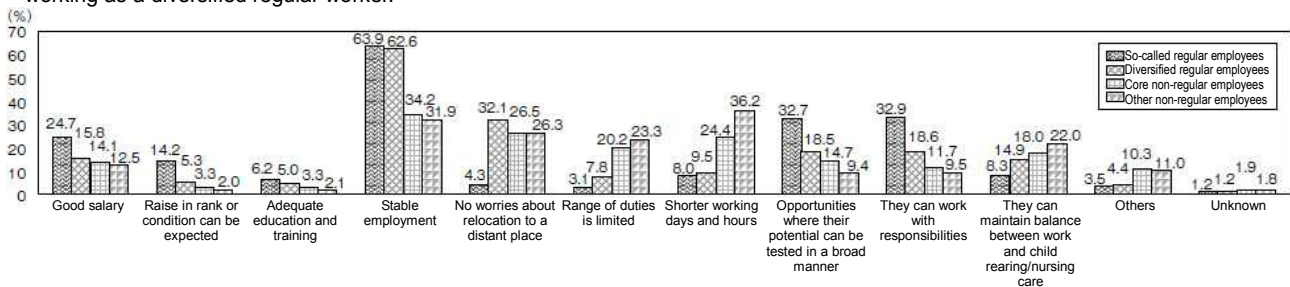
Source: "Business Questionnaire Survey on Regular Workers in Diversified Employment Form" (2011, commissioned by MHLW) Mizuho Information and Research Institute

(Note) 1) Responses of companies with two or more employment categories.

2) Multiple answers.

Figure 37: Advantage of present working form

o Many workers said that employment is stable and they do not have to worry about relocation to a distant place as the advantage of working as a diversified regular worker.



Source: "Questionnaire Survey for Employees on Regular Workers in Diversified Employment Form" (2011, commissioned by MHLW) Mizuho Information and Research Institute

(Note) 1) Core non-regular employees are non-regular employees who work with a regular employee with the same responsibility.

2) Up to three answers.

Table 38: Ratio of companies by presence or absence of a system to promote non-regular workers to a managerial position or regular employee

- Some companies promote non-regular workers to a high-level managerial position
- Many companies offer appointments of non-regular workers as a permanent employee.

(Unit: %)

Items		Permanent or contract part-time workers	Contract employees	Dispatched workers
Presence or absence of workers in managerial positions (multiple answers)	On-site leaders	14.7	19.7	3.1
	Chief class	2.8	7.8	1.2
	Section manager class	0.7	7.1	1.4
	Department manager class	0.6	7.6	0.2
	No managers	83.8	68.3	95.3
Presence or absence of a system to appoint non-regular employees to regular employees	There is a system to appoint non-regular employees to regular employees	27.5	39.5	12.8
	There is a custom, though not a system, to appoint non-regular employees to regular employees	27.8	25.8	21.9
	There is an opportunity to become a regular employee in other employment forms	11.0	5.8	12.0
	There is no opportunities to become a regular employee	24.2	21.7	42.8
	Unknown	9.6	7.3	10.6

Source: "Survey on Diversified Types of Employment" (2010) Japan Institute for Labour Policy and Training

(Note) "No answers" are excluded from the total.

Section 3. Current situation and issues of human resources development

Companies manage human resources of regular workers focusing on the internal labour market and use diversified human resources. Human resources development is an important issue in business management.

Regular workers have access to the development of their career within the company through structured and systematic OJT (for younger generations) and various personnel transfers (for mid-career generations). Internal training and promotion are prioritized for the policy of training and promotion of managerial positions. A higher percentage of companies that focus on internal training places efforts on human resources development compared with those that focus on outsourcing. However, it seems difficult to train candidates of managers in a structured manner. Issues of human resources development includes the insufficient time for training due to busy work schedule and lack of supervisors' training ability and leadership.

Non-regular workers are provided less opportunities of human resources development compared with regular workers. As the use of human resources by companies diversifies and the number of non-regular workers increases, it is expected that non-regular workers have more opportunities to play an active role according to their motivation and abilities including promotion to regular workers.

(Human resources development is an important issue in business management)

The point of highest priority to strengthen in the future in order for companies to increase their competitiveness is the "training system that improves abilities and the potential of human resources." Therefore, human resources development is an important issue in business management.

(Young generations who are trained using structured and systematic OJT, etc.)

According to Figure 39, compared with mid-career generations (those not in young generations and managerial positions), a higher percentage of companies basically conduct uniform internal OFF-JT for all these employees (structured and systematic OJT, placement of supervisors and instructors, orientation, etc.) as activities of human resources development for young generations (employees who have worked in a company up to 3 years).

According to Figure 40, a relatively high ratio of companies answered that the issues of human resources development for young generations are "the insufficient time for training due to busy work schedule," "lack of supervisors' training ability and leadership," and "human resources development that is not carried out in a structured and systematic manner."

(Mid-career generations develop their career more through various personnel transfers compared to young generations)

When comparing activities of human resources for mid-career generations with those for young generations, many companies conduct activities for career development such as "personnel exchange (temporary transfer) with other businesses" and "relocation (personnel transfer between businesses)" (forecited Figure 39).

A relatively higher ratio of companies said their issues of human resources development for mid-career generations are, as in those for for young generations, busy work schedule, lack of supervisors' training ability and leadership, and human resourced development that is not carried out in a structured and systematic manner. However, a higher ratio of companies answered that they have more issues in human resources development for mid-career generations than those for young generations (forecited Figure 40).

(Structured development of managers is a issue)

Managers play a role of connection between executives and job site, and their influence on business performance is large. A much higher ratio of companies focus on "internal training and promotion" rather

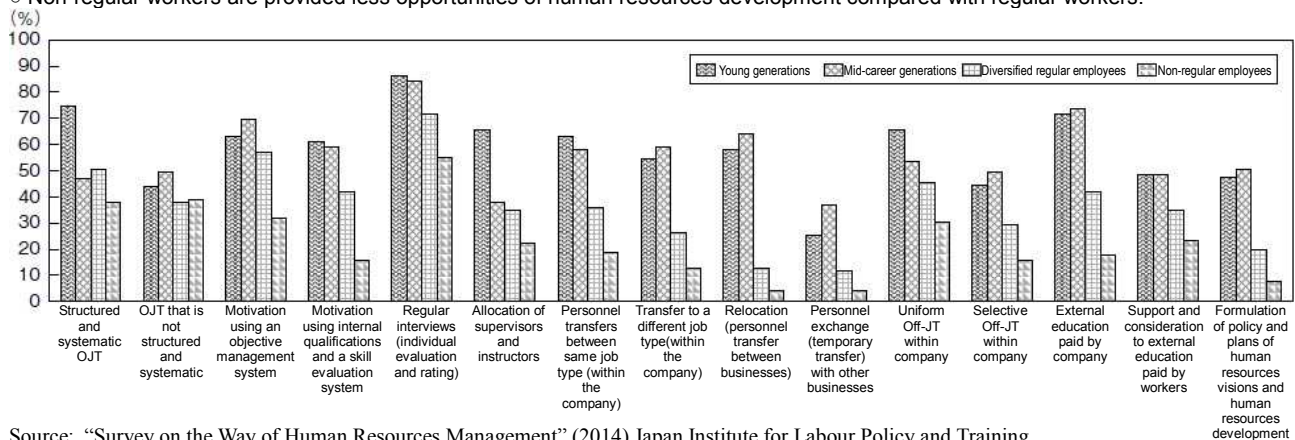
than "outsourcing experienced human resources" as the policy of training and promotion for managerial positions. However, it seems difficult to train candidates of managers in a structured manner.

According to Figure 41, the largest number of companies answered that the insufficient ability and potential of managers in recent years is "ability of supervising and training subordinates and replacements (listening and communication abilities)," followed by "leadership and ability to direct people and execute," and "ability to plan new projects and strategies." At an organizational level, companies are required to develop conditions to reduce work load and supervise and train subordinates and replacements.

Some companies select candidates at an early stage in order to train future managers and executives in a structured and efficient manner. According to Figure 42, compared with managers in general, many companies provide training for early candidates with contents such as priority in transfer (including within relocation) for the cultivation of diverse experience, important work experience such as special projects and position in a core department, and providing opportunities to communicate with executives and learn management philosophy directly from executives.

Figure 39: Status of activities for human resources development

○ Non-regular workers are provided less opportunities of human resources development compared with regular workers.

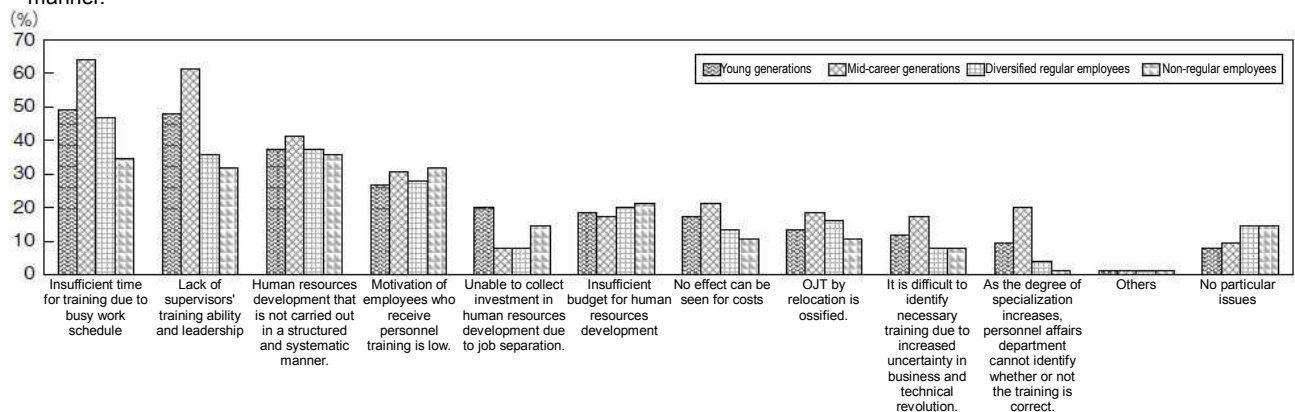


Source: "Survey on the Way of Human Resources Management" (2014) Japan Institute for Labour Policy and Training

- (Note) 1) "Diversified regular employees" in this survey are permanent employees who have less designated working hours and limited job type and place of work, rather than standard working style as a permanent employee.
 2) Results are only of companies that employ diversified regular workers and gave effective answers.
 3) Multiple answers.

Figure 40: Issues of human resources development

○ A relatively high ratio of companies answered that the issues of human resources development are "busy work schedule," "lack of supervisors' training ability and leadership," and "human resources development that is not carried out in a structured and systematic manner."

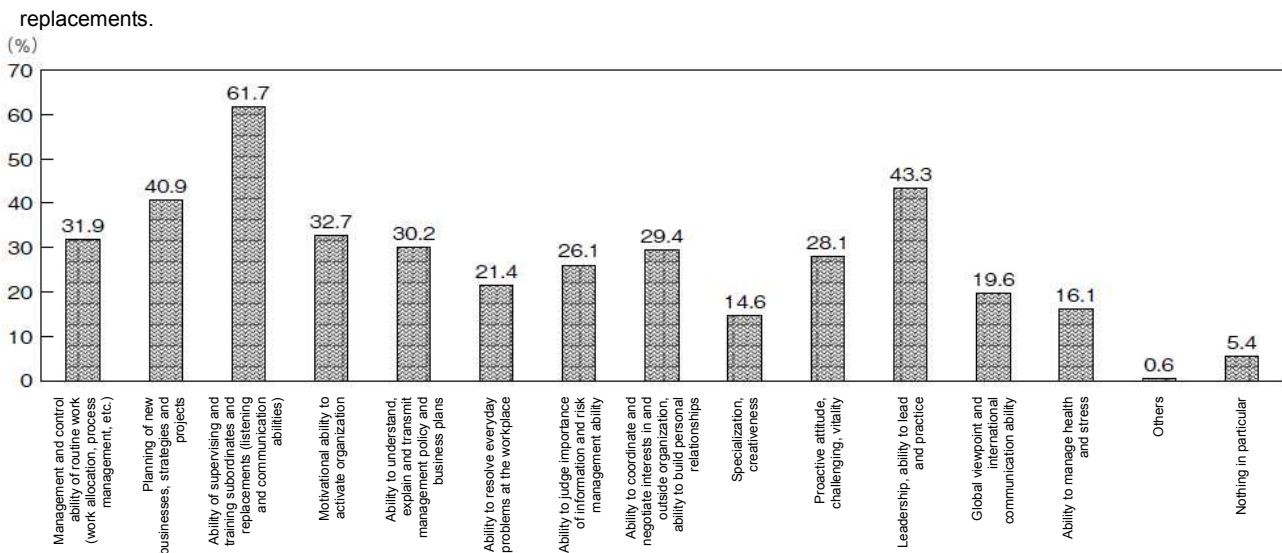


Source: "Survey on the Way of Human Resources Management" (2014) Japan Institute for Labour Policy and Training

- (Note) 1) "Diversified regular employees" in this survey are permanent employees who have less designated working hours and limited job type and place of work, rather than standard working style as a permanent employee.
 2) Results are only of companies that employ diversified regular workers and gave effective answers.
 3) Multiple answers.

Figure 41: Ability and potential that are insufficient in managers of recent years

○ Many companies answered that the ability insufficient in managers is the ability of supervising and training subordinates and



Source: "Survey on the Way of Human Resources Management" (2014) Japan Institute for Labour Policy and Training
 (Note) Multiple answers.

(Companies that focus on internal training put more efforts in human resources development)

Using Figure 43, we compare activities implemented for human resources development for young generations and mid-career generations by companies whose training and promotion policy of managers focuses on "internal training and promotion (based on internal training)" with those that focus on outsourcing experienced human resources (based on outsourcing). The ratio of companies that focus on internal training is higher in almost all activities.

In particular, much larger number of companies that focus on internal training implement "structured and systematic OJT" for young generations, "promotion of motivation through an objective management system" for mid-career generations, and "personnel transfers in the same job type (within the company)" and "relocation (between businesses)" for career development for young and mid-career generations, compared to companies that focus on outsourcing. This implies that companies that focus on internal training develop internal human resources through these activities.

(Policy for the development of diversified regular workers regulates activities compared to general regular workers)

Looking at companies' policy on education and training opportunities, many companies allow regular workers to "acquire a broad area of abilities in a structured manner from a long-term viewpoint." On the contrary, compared with general regular workers, many companies answered that they limit activities for diversified regular workers to "acquire abilities depending on work as needed," and "acquire special ability in a structured manner from a long-term viewpoint."

(A issue for non-regular workers is to provide education and training to improve their future careers)

Non-regular workers are provided less opportunities of human resources development compared with regular workers.

For part-time workers, a relatively high ratio of companies implement education and training that are necessary to carry out their tasks, while the ratio of companies that implement education and training for future careers is low. Dispatched workers develop their skills while working in the company they are placed. The ratio of temporary agencies that implement education and training from a long-term viewpoint is low compared to basic skills.

While the use of human resources by company diversifies and the number of non-regular workers increases, more than 60% of companies consider that companies are responsible for human resources

development for non-regular workers (main document Appendix 2 - (3) - Table 1). It is expected that non-regular workers have more opportunities to play an active role according to their motivation and abilities including promotion to regular workers.

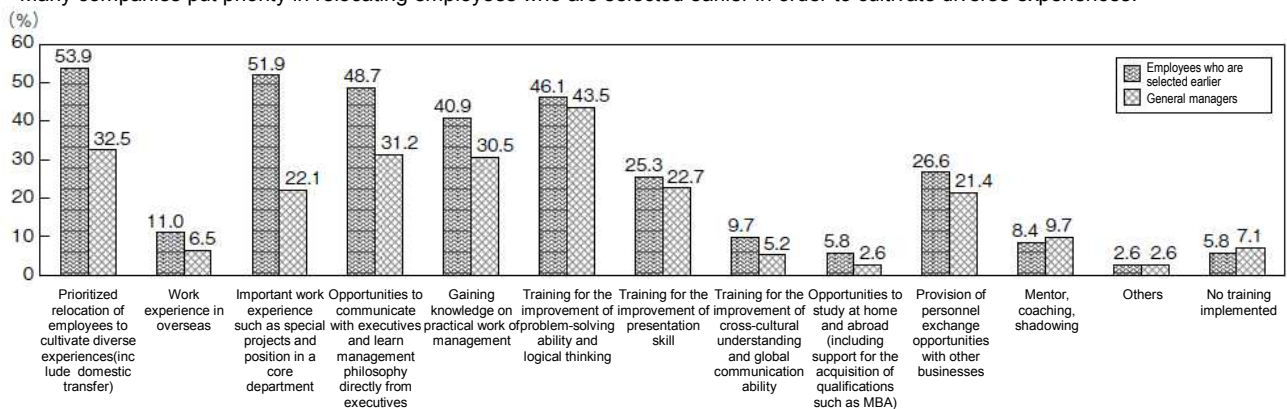
(Toward further improvement in human resources development within company)

Human resources development in companies has been implemented in various styles such as education and training (OJT, OFF-JT) and personnel transfers such as relocation.

Figure 44 shows points that are considered necessary for companies to develop human resources in a more effective and efficient manner. This indicates that a busy work schedule and supervisors' training and leadership to subordinates are considered big issues in human resources development.

Figure 42: Training carried out for employees who are selected earlier

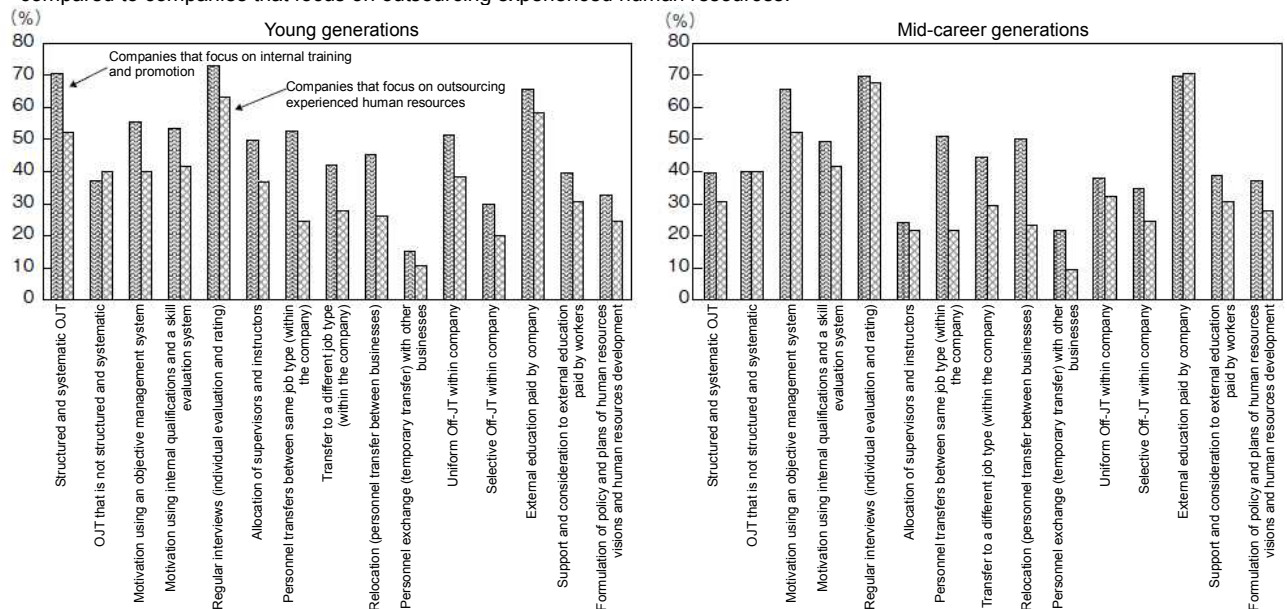
o Many companies put priority in relocating employees who are selected earlier in order to cultivate diverse experiences.



Source: "Survey on the Way of Human Resources Management" (2014) Japan Institute for Labour Policy and Training
(Note) Multiple answers

Figure 43: Implementation status of activities for human resources development by policy concerning training and promotion of managers

o Companies that focus on internal training and promotion implement activities for human resources development at a higher percentage compared to companies that focus on outsourcing experienced human resources.



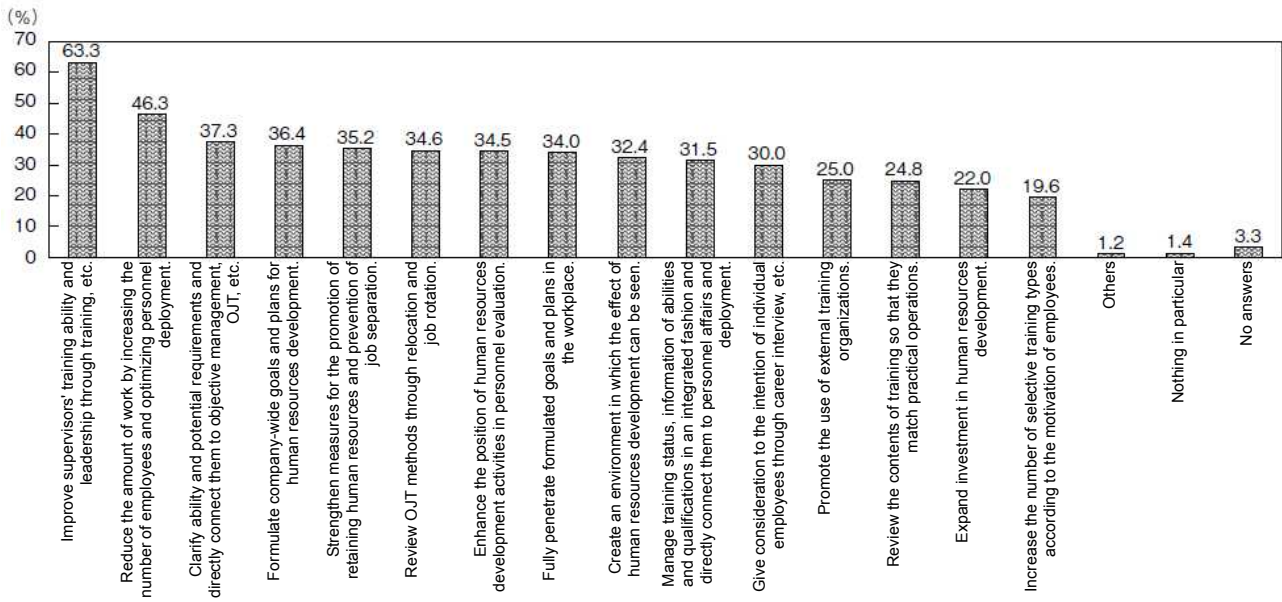
Source: "Survey on the Way of Human Resources Management" (2014) Japan Institute for Labour Policy and Training

(Note) 1) "Companies that focus on internal training and promotion" are those that answered that their policy for training and promotion of managers is to focus on internal training and promotion" or "focus on internal training and promotion, if anything." "Companies that focus on outsourcing experienced human resources" are those that answered that their policy is to "focus on outsourcing experienced human resources" or "focus on outsourcing experienced human resources, if anything."

2) Multiple answers.

Figure 44: Things that are necessary to develop human resources in an effective and efficient manner

- Many companies answered that they need to improve supervisors' training ability and leadership to develop human resources in an effective and efficient manner.



Source: “Survey on the Way of Human Resources Management” (2014) Japan Institute for Labour Policy and Training
 (Note) Multiple answers.

Section 4. Issues in human resources management toward the improvement of business performance and the development of core human resources

The purpose of human resources management is to motivate employees to work and maximize their abilities through employment management such as personnel relocation and education and training, management of working conditions and wage management in order to maintain and strengthen competitiveness of the company in the long run. To realize this, it is important to develop a management system that uses the right person in the right place, accumulate human capital through education and training inside and outside the workplace, and motivate employees to work. Besides, companies are required to design strategic careers toward the development of core human resources as a key to business growth, which are able to understand the management strategy, create and carry out specific plans, pass down knowledge, experience and skills that they have acquired through their occupational career to the younger workforce.

The characteristic of companies whose employees have higher motivation to work are that they manage employment in a broad manner regardless of employment form and proactively work on human resources development. These companies tend to have higher stability of workforce and higher productivity and recurring profit margin. Moreover, focusing on managers as core human resources of the company, a process was found where experience through work improves abilities that are necessary for managers.

(Companies whose employees have higher motivation to work tend to have higher stability of workforce and higher productivity and recurring profit margin)

Human resources management that motivates employees to work and maximizes their abilities has a great impact on maintaining and strengthening the company's competitiveness. First, it is considered that increased motivation of employees to work is directly linked to the stability of workforce. The stability of workforce means improvement in human capital with more experience through work. This is considered to have positive influence on the company's productivity and profitability.

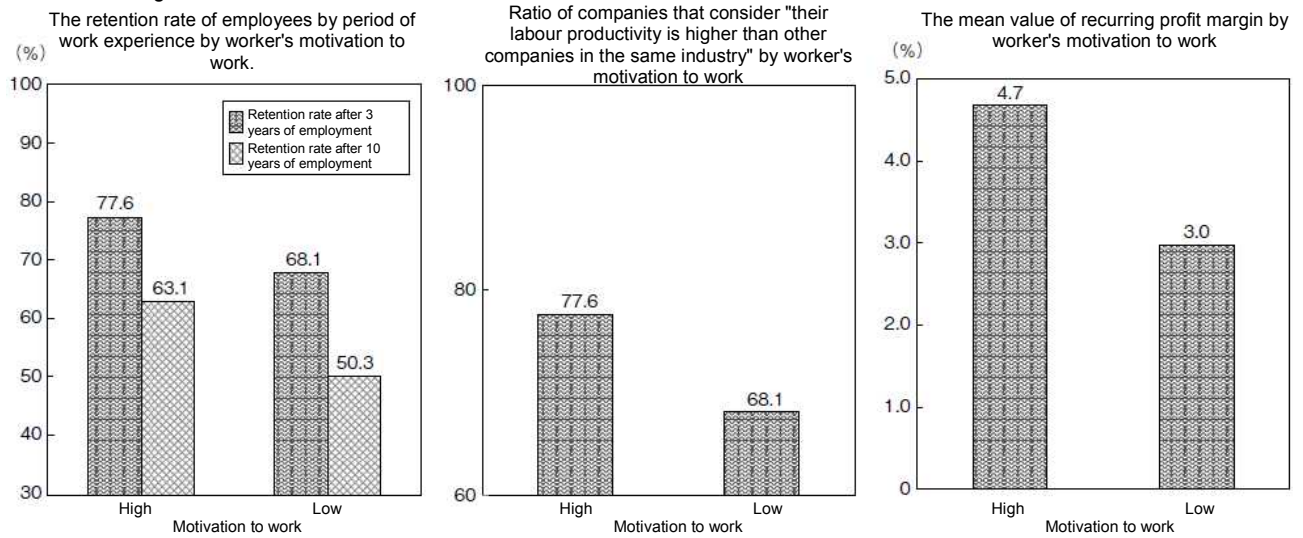
As shown in Figure 45, stability of workforce is higher in companies that answered their "employees' motivation to work is high, or higher" than in those that answered their "employees' motivation to work is low, or lower." The same tendency can be found in labour productivity. In the same way, looking at the relationship with "recurring profit margin" (index of earning capacity in company as a whole, actual business activities combined with financial activities) as a financial index that shows business performance in a more objective way, the recurring profit margin is higher in companies whose employees' motivation to work is high.

(Companies whose employees' motivation to work is high work on a broader range of employment management and the degree of effort is larger)

Companies are required to implement human resources management that increases satisfaction level of workers, motivates them to work and increase the company's competitiveness through these activities. What should companies do to motivate their employees to work? Using Figure 46, we will look at the difference of employment management in businesses of the same industry, comparing that between companies whose employee's motivation is high and those whose employees' motivation is low. Companies whose employees have higher motivation to work are proactively implementing employment management in a broad manner for both regular workers and non-regular workers. There are some differences in activities for regular employees, such as "business strategy information, sharing of objectives in departments and workplace, and promotion, "facilitating relationship and communication in the workplace," "selecting and promoting excellent personnel," "improvement in human resources development opportunities," and "evaluation of work progress and improvement in the satisfaction level to the evaluation." Activities with the most advanced employment management for non-regular workers include "facilitating relationship and communication in the workplace," "development of an employment environment where people can work in as long and stable a manner as possible." Activities with some difference include "measures for the long hours and mental health," "evaluation of work progress and improvement in the satisfaction level to the evaluation," and "realization of equal treatment."

Figure 45: Relationship between motivation to work and retention rate of regular workers/labour productivity/recurring profit margin

- A high percentage of companies that consider that their employees have higher motivation to work tend to think they have the stability of the workforce and higher labour productivity and their recurring profit margin, which is a financial index for corporate profits, also tends to be high.

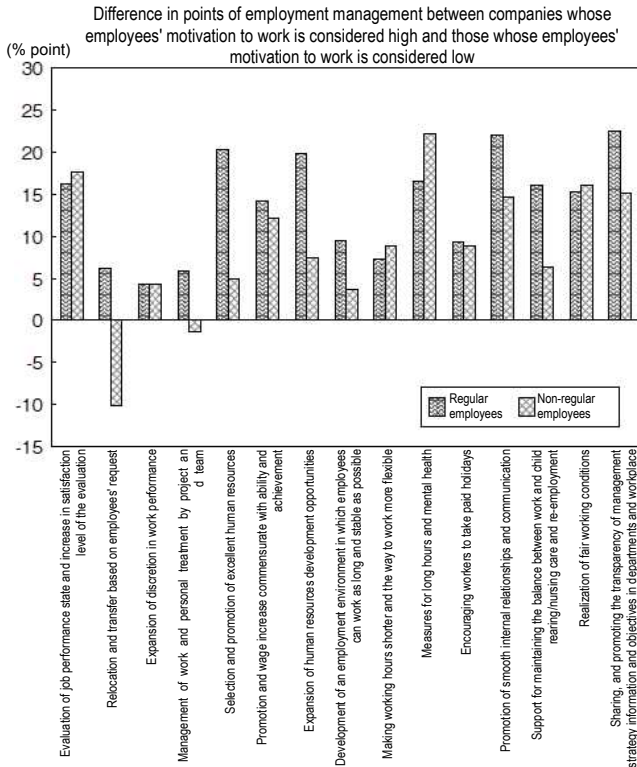


Source: Compiled independently by the Office of Counselor for Labour Policy, MHLW, from questionnaire data of the “Survey on the Way of Human Resources Management” (2014) Japan Institute for Labour Policy and Training.

- (Note) 1) This survey asked workers how they "evaluate labour productivity (added value per employee) and employees' motivation to work in the company compared to other businesses in the same industry." In the figure, values are calculated for companies that answered that their employees' motivation to work and labour productivity are "high or higher" and companies that answered they are "low or lower."
- 2) Retention rate by period of work experience shows "employees who have worked more than 3 years after being employed as a regular worker, of all newly employed regular workers."
- 3) Recurring profit margin is a measurement of corporate profits and is defined as value determined by ordinary profits divided by sales.

Figure 46: Characteristics of employment management in companies whose employees' motivation to work is considered high and those whose employees' motivation to work is considered low

- Companies whose employees' motivation to work is considered high proactively implement employment management for both regular and non-regular workers in a broad way.

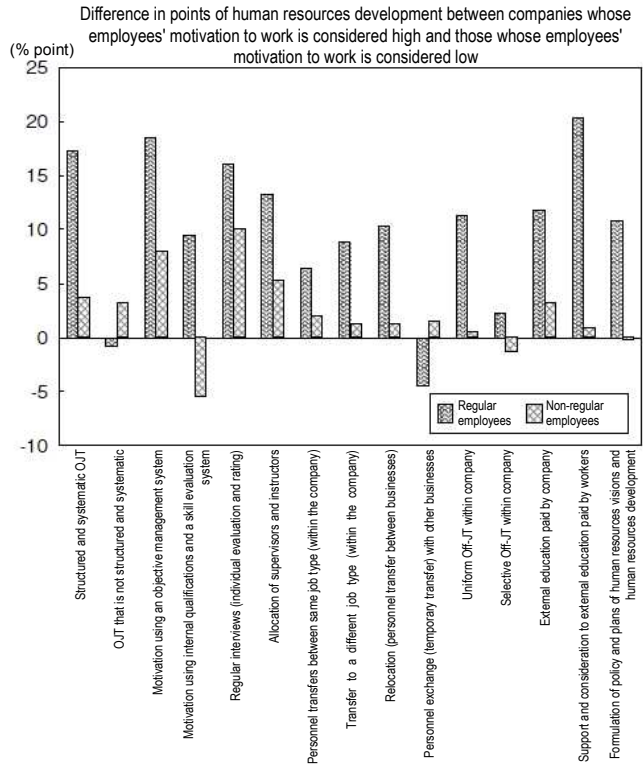


Source: Prepared by the Office of Counselor for Labour Policy, MHLW based on the "Survey on the Way of Human Resources Management" (2014) Japan Institute for Labour Policy and Training

(Note) Bar graphs show points of difference (ratio of companies that consider their employees' motivation to work is high - ratio of companies that consider their employees' motivation to work is low) determined by calculating the rate of companies that implement activities (separate rate for companies with high motivation and those with low motivation).

Figure 47: Characteristics of human resources development in companies whose employees' motivation to work is considered high and those whose employees' motivation to work is considered low

- Companies whose employees' motivation to work is high implement education and training through day-to-day operations and external training, motivate workers using an objective management system, and conduct regular interviews.



Source: Prepared by the Office of Counselor for Labour Policy, MHLW based on the "Survey on the Way of Human Resources Management" (2014) Japan Institute for Labour Policy and Training

(Note) Bar graphs show points of difference (ratio of companies that consider their employees' motivation to work is high - ratio of companies that consider their employees' motivation to work is low) determined by calculating the rate of companies that implement activities (separate rate for companies with high motivation and those with low motivation).

(Companies whose employees' motivation to work is high implement education and training through day-to-day operations and external training, motivate workers using an objective management system, and conduct regular interviews.)

Figure 47 shows differences in human resources development activities. Companies whose employees have high or higher motivation to work are implementing various employment management activities compared to those whose employees have low or lower motivation to work. Activities with large difference in regular employees are "support and consideration to training outside the company paid by employees," "structured and systematic OJT," and "motivating employees using an objective management system," as well as "regular interview (individual evaluation and performance review)" and "allocation of supervisors and instructors." Activities with prominent difference in non-regular workers are "regular interviews (individual evaluation and performance review)" and "motivating employees using an objective management system."

(Development process to managers through accumulation of occupational experiences)

It is pointed out that the development of managers as core human resources of the company is important in order for a company to adapt to environmental changes and develop.

Based on the "Survey on Occupational Career Development (2014)" by the Japan Institute for Labour Policy and Training, have a look at the experiences that were important for the manager's whole occupational career in Figure 48. The top five experiences before they were placed in managerial post are: "having worked with supervisors who they respect," "having achieved pressure-packed work," "having been shown expectation and trust to them," "having mistakes that led to the way they are today," and "having worked on a project with tight schedule."

According to Figure 49, experiences after the managers were placed in managerial post are: "having achieved pressure-packed work," "having worked in cooperation with other department in the company," "having had difficulties in training subordinates," "having worked with supervisors who they respect," and "having had conversations with people in higher positions including executives in the company."

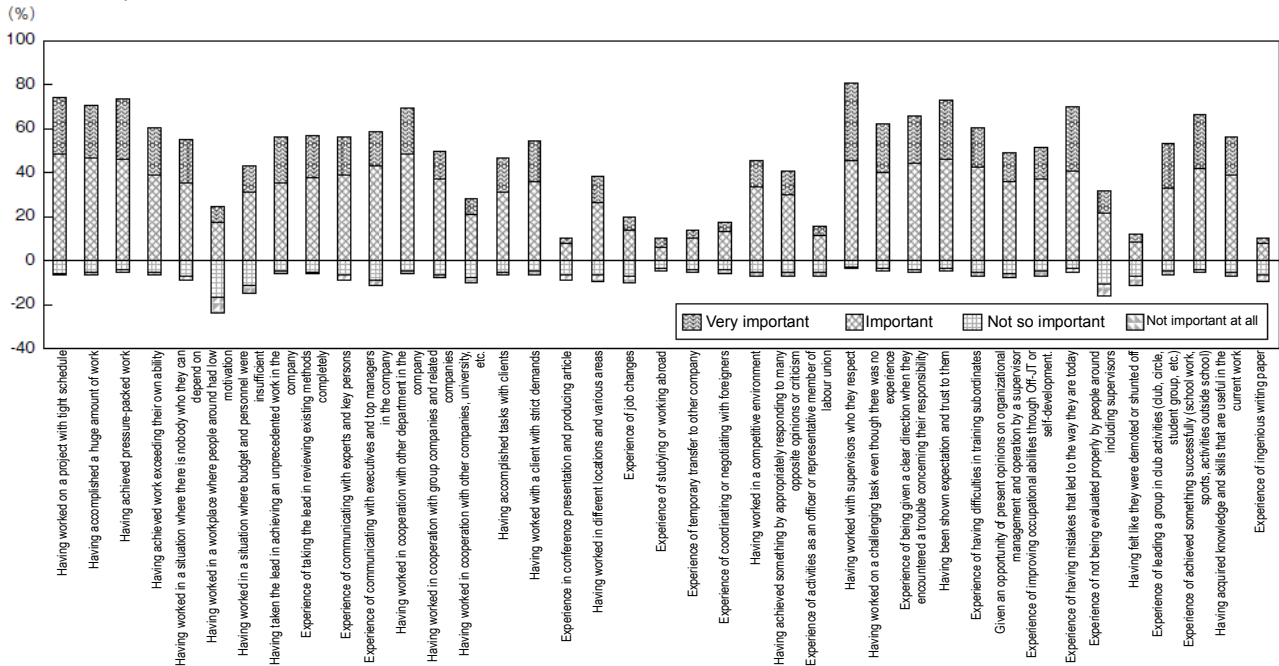
(Strategic career design toward the growth of workers and company)

Various occupational experiences influence abilities that are required for managers (main document Chapter 2 - (4) - Table 8). This means that, by designing workers' careers in a strategic manner, companies are able to improve employees' abilities through work experience and develop core managers who become a fountain of business competitiveness.

Although the business competitive environment is becoming severe, rather than unnecessarily decreasing the number of personnel, companies should be aware that human resources are human capital that grows in a long term and implement better human resources management that takes into account employee's life. Based on these, maximizing workers' abilities and successfully training human resources that will become the core of the company is the foundation of continuous business growth. Furthermore, if these activities lead to the accumulation of human capital at a macro level, improvement in labour quality is expected to contribute to the economic growth in Japan.

Figure 48: Experiences that were important in occupational career (before becoming a manager)

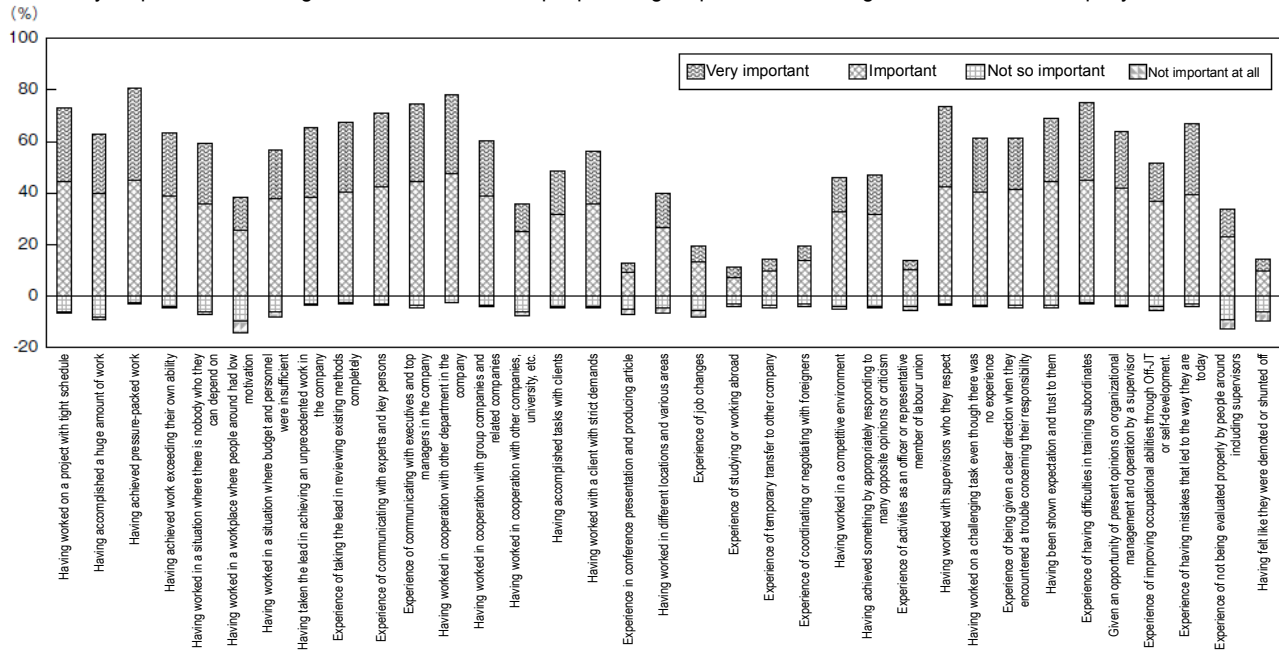
- As experiences before they were placed in managerial post, "having worked with supervisors who they respect," "having achieved pressure-packed work," "having been shown expectation and trust to them," "having mistakes that led to the way they are today" are listed on top.



Source: Prepared by the Office of Counselor for Labour Policy, MHLW based on the "Survey on Occupational Career Development" (2014) Japan Institute for Labour Policy and Training

Figure 49: Experiences that were important in occupational career (after becoming a manager)

- Experiences after the managers were placed in managerial post are: "having achieved pressure-packed work," "having worked in cooperation with other department in the company," "having had difficulties in training subordinates," "having worked with supervisors who they respect," and "having had conversations with people in higher positions including executives in the company."



Source: Prepared by the Office of Counselor for Labour Policy, MHLW based on the "Survey on Occupational Career Development" (2014) Japan Institute for Labour Policy and Training

Chapter 3 Career development through occupational life

Section 1. Current situation concerning occupational careers in Japan

Looking at the current situation concerning occupational careers in Japan, many males have worked in a single workplace for a long period (long-term employment career) and there is not a big change in this situation for different generations. If employees continue to work in a single company, they are relocated every few years and many of them develop an occupational career where they are able to develop expertise while having a broad range of experiences. On the other hand, quite a few people have an occupational career where they change their job several times. Some people with high income change their job proactively.

It is necessary to revitalize the external labour market in order to secure human capital needed in growing industries and maximize the ability of human resources. To realize this, the nominal wage in growing industries should increase so that more and more voluntary labour transfers are carried out by workers. It is also important to strengthen the labour market in a strategic manner, such as the improvement of public support including public vocational training for workers who are forced to leave their job involuntarily, creation of an environment where workers' occupational abilities are fully evaluated at the time of job transfer such as providing transparency to their occupational abilities. Besides this, workers themselves need to put more effort on self-development in order to improve their abilities.

(Half the number of male workers continues to be employed in their first company until they are mid-50s)

We will look at the situation of separation and transfer from the first job by age using Figure 50 in order to obtain an overview of individual occupational life. The figure indicates that half the number of males aged between their 30s and mid-50s continue to work without leaving the first job. The ratio of workers younger than their mid-50s who are working in the second company they have worked for has been stable at 15%. If this distribution is constant, then more than 60% of males change their job only once at most before they become around 60. Moreover, this means that half the number of males have worked in a single company without leaving once until they become around 60. In other words, the occupational career of males in Japan is often considered to be a long-term employment career in which they work in a single workplace for a long period.

On the other hand, about 25% of female workers aged between their 30s and mid-50s continue to work without leaving the first job and slightly more than 30% of female workers are working in the second company they have worked.

(The continuous employment rate by age group is increasing in recent years)

Figure 51 shows the continuous employment rate by age group in regular workers after their mid-20s. The rate has been gradually declining for both males and females, and bottomed out in those who were born between October 1967 and September 1972. The rate increases in those who were born after the generation, and in particular, the continuous employment rate of females (until early 30s) who were born between October 1977 and September 1982 exceeds that of the generation born between October 1952 and September 1957.

In light of the situation in cohort, the situation where about half the number of males (at least regular workers) continue to work in a single company without leaving their first job or relocating almost until their retirement hasn't changed much for different generations.

(About half the number of employees in a managerial position has experienced working in more than four departments after the first employment)

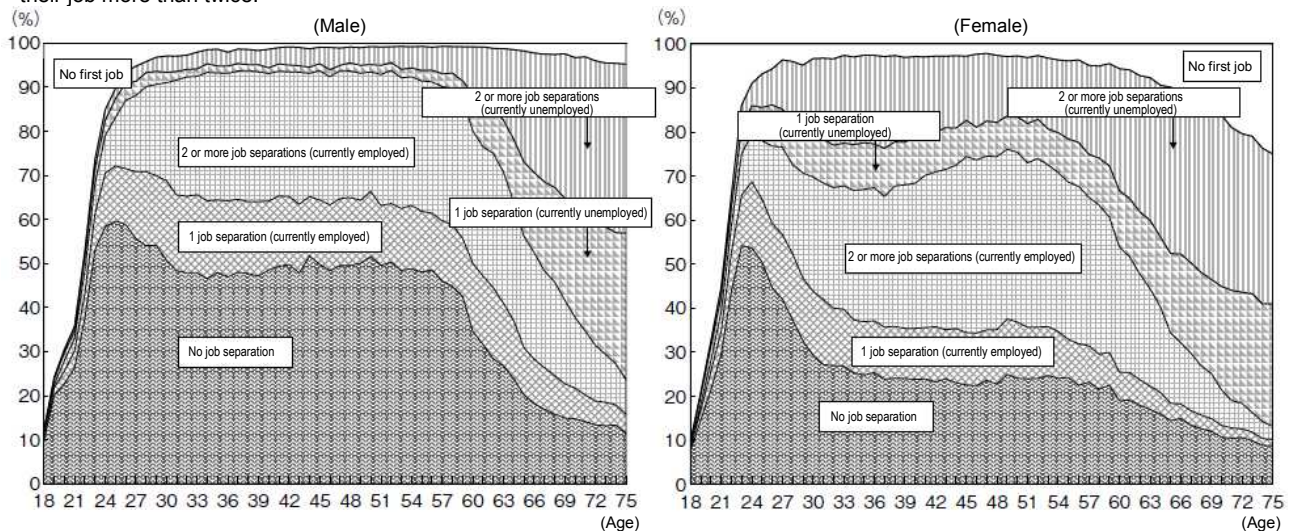
Figure 52 shows the number of relocations (including job transfer and temporary transfer, hereinafter referred to the same) and types of job type that employees who are currently in a managerial position (positions correspond to section chief or department manager) have experienced. According to the figure, the largest number of employees has relocated 1 to 3 times, and half the number has relocated more than 4 times.

Considering that many of these employees are in their mid-40s, they have experienced relocations in a frequency of more than once in about five years on average. If employees continue to work in a single company, they are relocated every few years and many of them are considered to develop an occupational career where they develop necessary skills and experiences while experiencing working in various departments.

On the other hand, the largest number of employees has experienced two job types and almost 70% have experienced less than two. This indicates that, rather than experiencing various types of work, many people develop their career that enables them to have a broad area of experiences and cultivate expertise for the job type with some focus.

Figure 50: Percentage of the number of job separations from the first job by age

- Half the number of males in their 30s to 50s continue to work without leaving their first job.
- Only a small number of females continue to work without leaving the first job, and about 40% of females in their late 40s have changed their job more than twice.

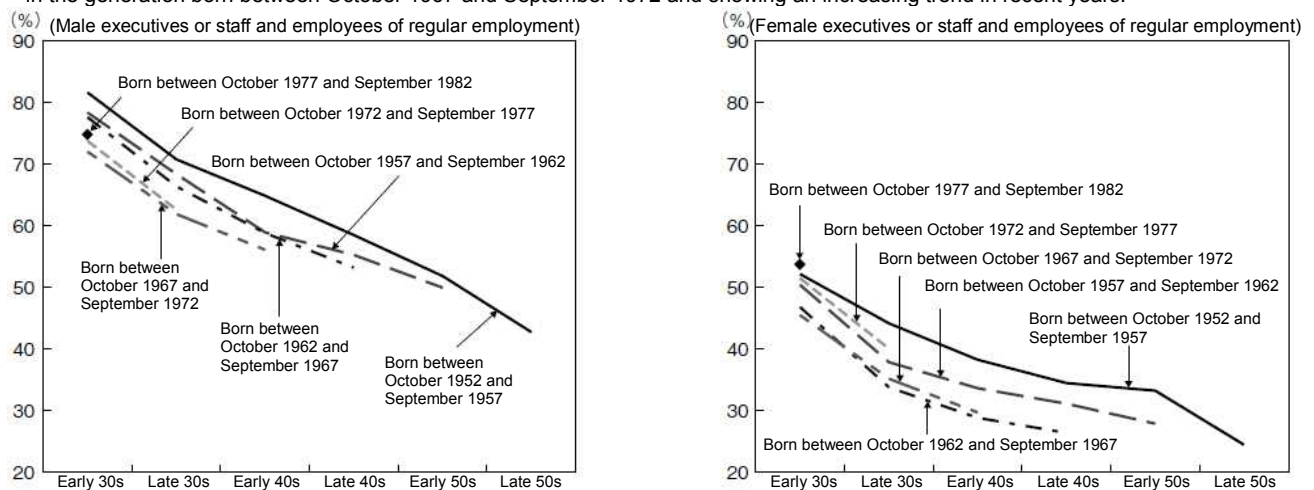


Source: Compiled independently by the Office of Counselor for Labour Policy, MHLW, from questionnaire data of the “Basic Statistical Survey on Employment Structure” (2012) Statistics Bureau, Ministry of Internal Affairs and Communications

- (Note) 1) People whose current job is the first job are those with "no job separation," people whose previous job is the first job are those with "1 job separation," and people whose job other than current and previous jobs is the first job are those with "2 or more job separations."
 2) People whose first job is unknown are excluded from the calculation.

Figure 51: Continuous employment rate from late 20s by generation

- The continuous employment rate of both males and females has gradually decreased as the generation age is younger, bottomed out in the generation born between October 1967 and September 1972 and showing an increasing trend in recent years.

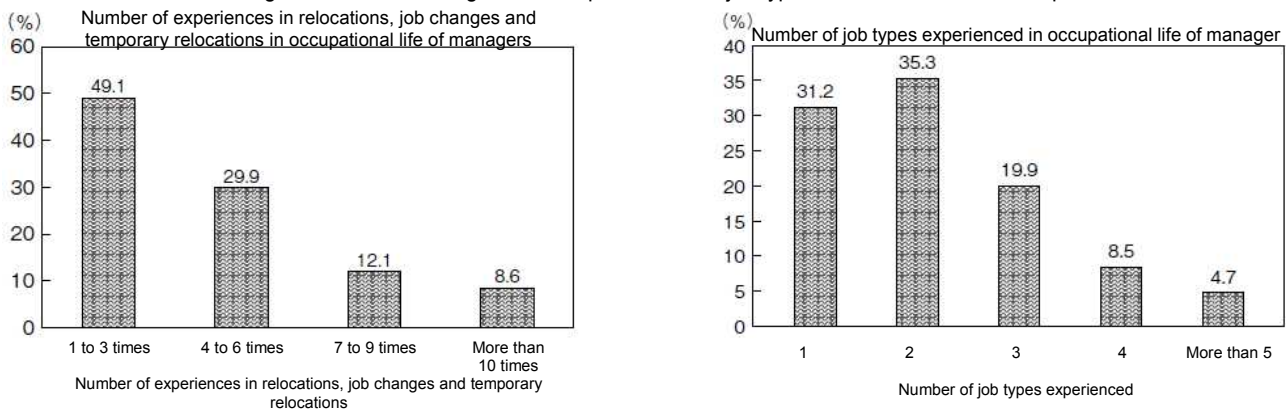


Source: Compiled independently by the Office of Counselor for Labour Policy, MHLW, from questionnaire data of the “Basic Statistical Survey on Employment Structure” Statistics Bureau, Ministry of Internal Affairs and Communications

- (Note) Rate determined by the number of people who have been continuously employed from late 20s divided by the number of currently-employed workers in late 20s.

Figure 52: Number of experiences in relocations, job changes and temporary relocations and the number of job type experienced in occupational life of managers

- The largest number of managers in companies experienced relocations, job changes and temporary relocations 1 to 3 times, and half the number experienced 4 or more relocations.
- On the other hand, the largest number of managers have experienced two job types and almost 70% have experienced less than two.



Source: Compiled independently by the Office of Counselor for Labour Policy, MHLW, from the “Survey on Occupational Career Development” (2014) Japan Institute for Labour Policy and Training

- (Note) 1) Managers refer to those in a position correspond to section managers or department managers.
 2) Number of job types experienced is the number of job types experienced so far from the following 14 categories: "sales," "interpersonal service (including nurses and care workers)," "marketing, survey and analysis," "management planning, business planning, and business development," "public relations, personnel affairs and legal affairs," "finance, accounting and financial experts," "buyers, logistics, transportation," "other clerical workers," "manufacturing, construction and production management," "research and development, engineering and design," "planning, development and management of system," "other professional and engineering workers (medical service, education, etc.)," and "others."

(Popularity of "diversified regular workers" contributes to stable life)

Figure 53 shows the simulation of annual income (by employment form) gained by males who obtained employment at the age of 25 and continue to work in the same company. It implies that regular workers (excluding diversified regular workers) are likely to gain an annual income of 6 million yen or over after around 30 years of employment. In particular, it indicates that regular workers who are employed by a company with proactive human resources development or actively try to develop their occupational skills by themselves are likely to gain an annual income of around 7 million yen. It is considered that human resources development is effective for personal treatment increase. On the other hand, although the wage of "contract workers, dispatched workers and others" and "part-time workers" increases at a certain level if they work for a long period, the former's income is likely to peak out at about 3 million yen and the latter's about 2 million yen. On the contrary, the annual income of "diversified regular workers" increases in proportion to their service period. The annual income of those who have worked for around 25 years may exceed 5 million yen. If the employment form of "diversified regular workers" becomes popular, non-regular workers who wish to be employed as regular employees will have more chance to become a regular worker in diverse forms. At the same time, gaining a higher personal treatment is expected to bring them a stable life.

(People who have changed their job tend to have a desire for more job changes)

Looking at the ratio of regular workers aged between 30 and 55 who wish to change job by experience of job transfer, the ratio of those with an experience of job transfer is higher than that of those without a job transfer experience.

This indicates that some of regular workers do not transfer job in their occupational career and others transfer job in a relatively frequent manner.

(Some people with high income change their job proactively)

Figure 55 shows the ratio of regular workers who have changed job more than twice by annual income level. According to the figure, in general, the ratio of those with an annual income of less than 5 million yen and those with a high annual income of more than 15 million yen is high. Looking at the breakdown of reasons why people who wish to change job by annual income level in Figure 56, the majority of those whose annual income is relatively low answered the reason is because "the income is small," and many of

those whose annual income is high answered the reason is because "they would like to use their knowledge and skills." This is considered to indicate that some of those with a high annual income change job for a positive reason. The occupations in which the largest number of people with job transfer experiences and a high income are engaged are information technology engineers, management, finance and insurance professionals, and sales workers in banking and insurance businesses.

(Satisfaction level of job change is relatively low for those who have experienced an involuntary job separation from work)

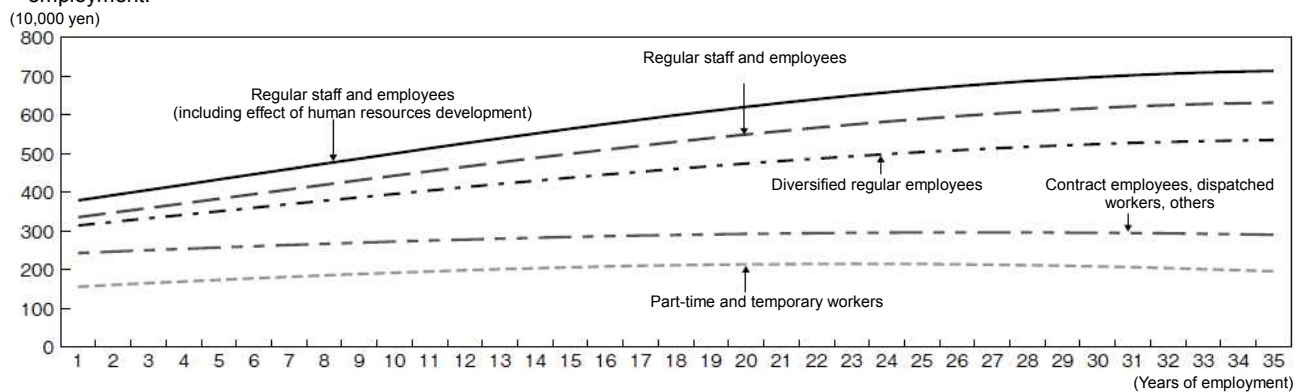
Figure 57 shows the satisfaction level to job change and the desire for continuous work in the new job by reason of job change. The satisfaction level of those who have experienced an involuntary job separation from the previous job is lower than that of those who voluntarily separated from their previous job. In accordance with this, the ratio of those who wish to continue to work in the new workplace is low. The satisfaction level of people who voluntarily separated from their previous job with a positive reason is high. However, of those, the ratio of people who have a desire to change job again is high.

Figure 58 shows the status of wage variation due to job change by reason of separation. According to the figure, 30% of those who separated from their previous job for a voluntary reason has increased wage from the job change and one third of those has decreased wage. On the contrary, less than 20% of those who separated from their previous job involuntarily have increased their wage and nearly half the number has decreased their wage from the job change.

As stated above, if people separated from their previous job involuntarily, many are not always able to find a new job with better working conditions due to inadequate preparation period for the new employment. It is considered that their satisfaction level to job change is lower than that of people who voluntarily separated from their previous job.

Figure 53: Wage simulation by employment form

- o Wage of regular employees increases in proportion to years of employment, and the annual income standard of "diversified regular workers" may exceed 5 million yen.
- o If companies or individuals are proactive about human resources development, the annual income of regular workers may increase.
- o On the other hand, the effect of employment length on wage increase is low for workers of employment form other than regular employment.

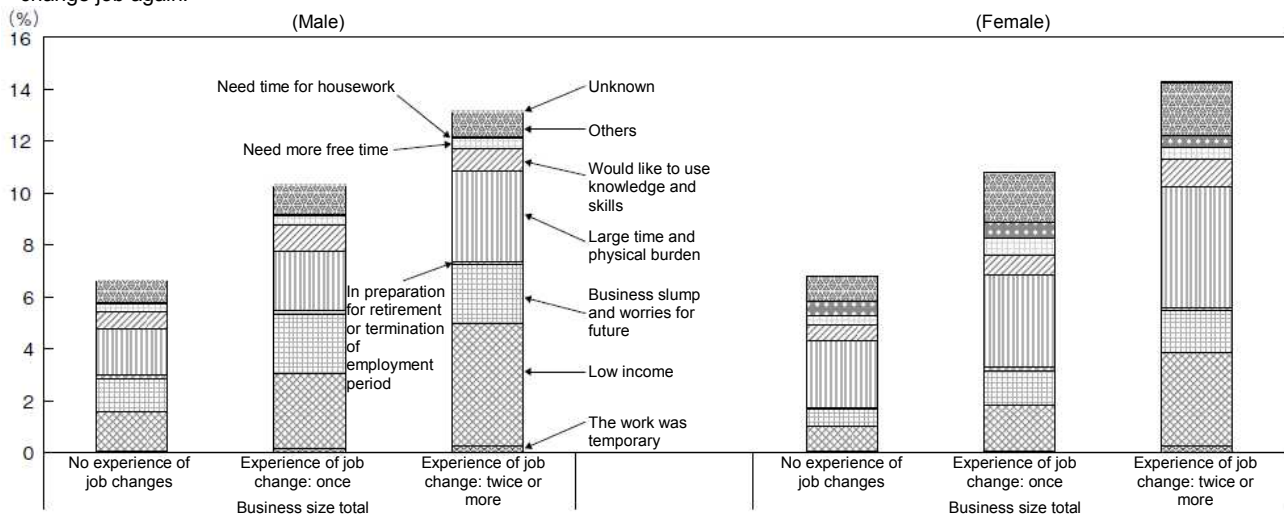


Source: Compiled independently by the Office of Counselor for Labour Policy, MHLW, from questionnaire data of the "Survey on Diversified Types of Employment" (2010, employee survey) Japan Institute for Labour Policy and Training

- (Note) 1) "Diversified regular workers" refer to "regular staff and employees" surveyed, who apply to the following labour conditions: "do not become a manager in principle," "job type is specified," "place and area of work is specified," and "do not work overtime."
 2) The simulation shows the standard of wage (annual income) reached if a male worker aged 25 continues to work in the same employment form.
 3) As for the "effect of human resources development," answers of "yes" to the questions "do you think your company is proactive in human resources development?" "are you proactively committed to the development of your occupational skills?" are made dummy variables and used as the predictor variables of the estimate formula.

Figure 54: Rate of people who wish to change job by experience of job change since the first job and reason for the job change (executives or regular staff and employees aged 30 or older and younger than 55)

○ For both males and females, the more the number of job changes they have experienced, the higher the rate of those who wish to change job again.

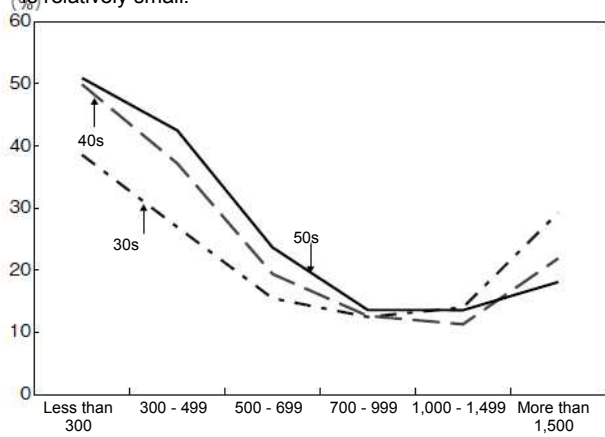


Source: Compiled independently by the Office of Counselor for Labour Policy, MHLW, from questionnaire data of the “Basic Statistical Survey on Employment Structure” (2012) Statistics Bureau, Ministry of Internal Affairs and Communications

(Note) 1) People whose current job is the first job are those with "no experience of job changes," people whose previous job is the first job are those with "experience of job change: once," and people whose job other than current and previous jobs is the first job are those with "experience of job change: twice or more."

Figure 55: Proportion of those who have experienced 2 or more job changes since their first job by annual income class (executives or regular staff/employees, total of males and females)

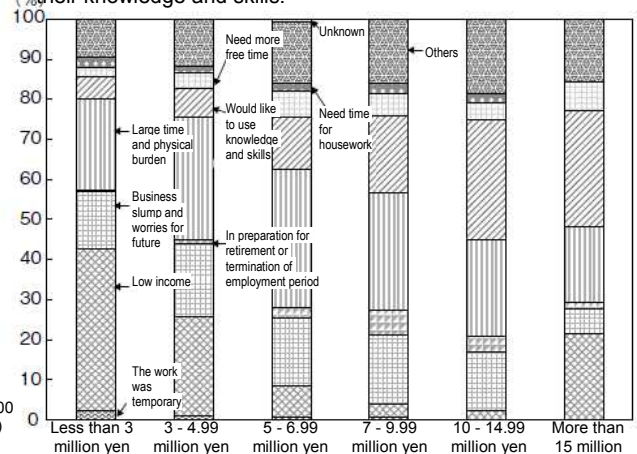
○ Many people with relatively low income and high income have changed their job more than twice. The number of people in the middle class who have experienced twice or more job changes is relatively small.



Source: Compiled independently by the Office of Counselor for Labour Policy, MHLW, from questionnaire data of the “Basic Statistical Survey on Employment Structure” (2012) Statistics Bureau, Ministry of Internal Affairs and Communications (Note) "Workers who have changed their job more than twice from the first job" are those whose first job is not the current or previous job.

Figure 56: Breakdown of reason for job change of people who wish to change job by annual income class (executives or regular staff and employees aged 30 or older and younger than 55, total of males and females)

○ Many people with relatively low income answered that the reason of job change is "low income" and those with high income said that the reason is because "they would like to use their knowledge and skills."



Source: Compiled independently by the Office of Counselor for Labour Policy, MHLW, from questionnaire data of the “Basic Statistical Survey on Employment Structure” (2012) Statistics Bureau, Ministry of Internal Affairs and Communications

(When the nominal wage per person becomes higher, the number of voluntary job changes increases)

Looking at changes in the job change and hiring rate by wage variation classification together with changes in increase/decreased rate of workers' nominal wage per person in Figure 59, the number of job changes for higher wage increased in the periods between 1988 and 1992, and between 2005 and 2006, when the nominal wage per person increased. The number of job changes as a whole increased in light of this. The increase in the number of voluntary job separations can also be seen in these periods. This means that, when wages are increasing in society, the number of voluntary job changes for higher wage also increases.

As Japan exits from a deflationary economy and the nominal wage per person in general increases, it is considered that, if wage increase in growing industries surpasses that of matured industries, the smooth labour transfer to growing industries will be promoted.

(There is a certain level of effect on controlling wage decrease to take part in public vocational training for those who involuntarily separated from their previous job)

People who involuntarily separated from their previous job have a relatively larger possibility of not being able to change jobs smoothly compared to those who voluntarily separated from their previous job. For this reason, it is important to provide better support for the re-employment of people who are forced to leave their company.

For example, looking at the variation in wage from job changes for people who involuntarily separated from the previous job by the presence or absence of public vocational training in Figure 60, the wage increase rate of those who have participated in vocational training is slightly higher than that of those who haven't participated.

(For professional and engineering workers, those with experience in the same occupation receive the same personal treatment as that of employees who are in continuous employment)

In general, people who changed jobs gain a lower wage than that of those who are in continuous employment. For professional and engineering workers who changed jobs, however, at least males are more likely to receive a wage as much as that of workers in continuous employment if they have experience in the same occupation. It is expected that experiences in other companies are fully evaluated and reflected on wages for professional and engineering workers at the time of job change. In order to promote a smooth transfer of labour, it is considered necessary to create an environment where disadvantages in wage are generated from job change as little as possible. As seen in some of occupations including professional and engineering as of today, it is deemed effective to provide workers with an environment in which their experiences in other companies are fully utilized and evaluated by standardizing occupational abilities and making them transparent.

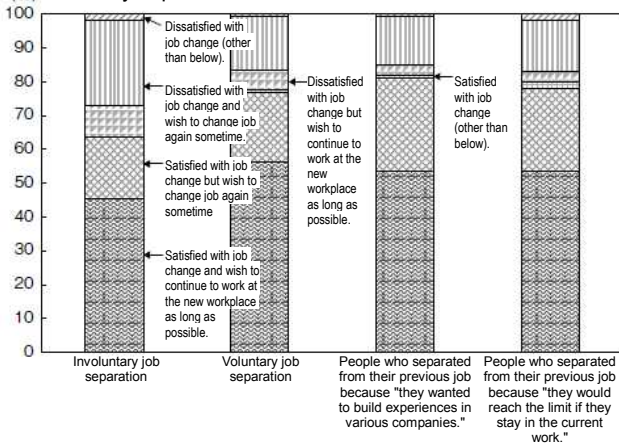
(Self-development is important to gain a high personal treatment)

Figure 61 shows the distribution of regular workers' annual income by the presence or absence of self-development in the past year. This shows that many workers who work on self-development gain a higher annual income. This implies that it is important to implement continuous self-development in order to gain a high personal treatment. Looking at the implementation rate of self-development by presence or absence of desire to change jobs, those with a relatively high annual income who wish to change jobs implement more self-development. This shows that it is necessary to put efforts on self-development if one wishes to change jobs while retaining a high personal treatment. On the other hand, people with lower income are likely to have fewer opportunities of necessary self-development due to insufficient finance.

If labour transfers become active, the incentive to develop human resources in companies may decrease. Therefore, it is considered more important for workers to develop their skills by themselves. It is also necessary to support workers so that they can implement adequate self-development for the promotion of smooth labour transfers.

Figure 57: Satisfaction level of job change by reason and desire for continuous employment at the new workplace

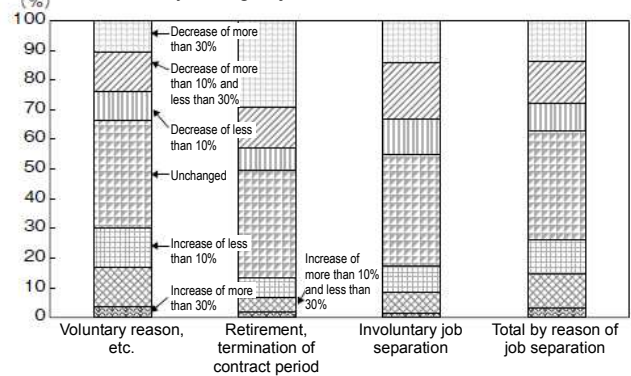
- People who voluntarily separated from their previous job are more satisfied with the job change and have more willingness to continue to work at the new workplace compared to those who involuntarily separated.



Source: Compiled independently by the Office of Counselor for Labour Policy, MHLW, from "Survey on Current Situation concerning Measures for Personnel Affairs of Mid-Career Recruitment" (2013, commissioned by MHLW) Mizuho Information and Research Institute

Figure 58: Breakdown of wage variation before and after job change by reason for job separation

- Increase rate of wage is higher and decrease rate is lower for people who voluntarily changed their job compared to those who involuntarily changed job.

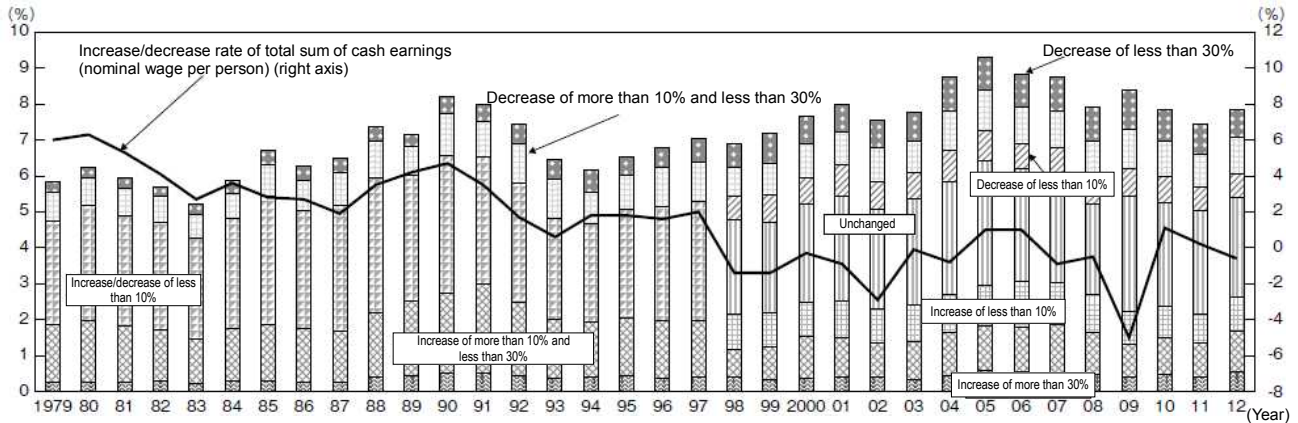


Source: "Labour Market Analysis Report Vol.15: Situation concerning Wage Variation of Workers Who Changed Job or Newly Employed" (July 30, 2013) Ministry of Health, Labour and Welfare

- (Note)
- 1) Specially compiled the "Survey on Employment Trends" Ministry of Health, Labour and Welfare
 - 2) General workers, average values for 2002 - 2011
 - 3) Calculated for current workers who changed job or newly employed at the time of survey, excluding unknown wage variation.
 - 4) Calculated reasons for job separation other than "retirement or termination of contract period" and "involuntary job separation" as "voluntary or other reasons."
 - 5) Total by reasons of job separation includes unknown reason for job separation.

Figure 59: Changes in the rate of former employees who changed job or newly employed by wage variation category.

- The number of job separations with wage increase is rising when the general nominal wage per person is increasing, and this increases the number of job changes as a whole.

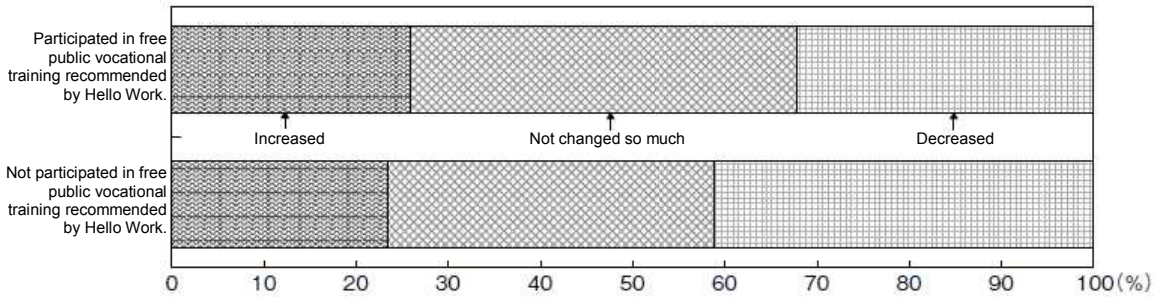


Source: "Survey on Employment Trends," "Monthly Labour Survey" Ministry of Health, Labour and Welfare

- (Note)
- 1) Rate of former employees who changed job or newly employed is determined by the number of regular employees who were previously employed for at least a year, newly employed in the year and are currently working in the company after they changed their job at the time of the survey divided by the regular employees as of January 1.
 - 2) Construction workers are excluded in this graph as it is a time-series comparison. In this Survey on Employment Trends, time-series comparison requires attention as education is added for the survey from 2004.
 - 3) Options concerning wage variation were changed from 1998 and cannot be connected before and after the year.
 - 4) Increase/decrease rate of total sum of cash earnings is the total in surveyed industries and the total in employment forms in companies with 30 or more employees.

Figure 60: Breakdown of wage variation from job change of those who involuntarily separated from their previous job by presence or absence of participation in public vocational training

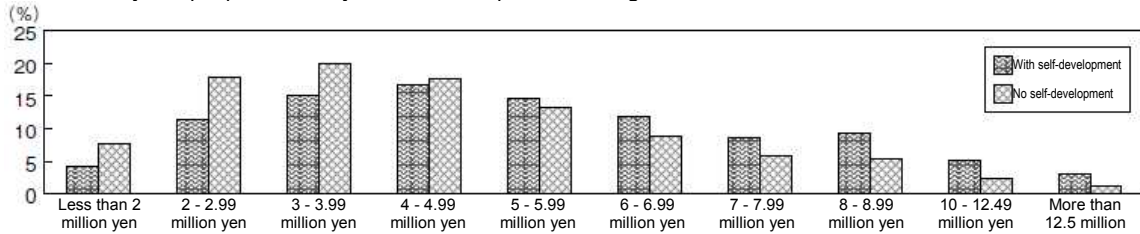
- As for people who involuntarily separated from their previous job, the rate of those whose wage decreased by changing job is smaller for those who participated in public vocational training.



Source: Compiled independently by the Office of Counselor for Labour Policy, MHLW, from “Survey on Current Situation concerning Measures for Personnel Affairs of Mid-Career Recruitment” (2013, commissioned by MHLW) Mizuho Information and Research Institute

Figure 61: Distribution of annual income by presence or absence of self-development in the past year (executives or regular staff/employees aged 30 or older and younger than 55, total of male and female)

- There is a tendency that people who carry out self-development earn high income.



Source: Estimated by the Office of Counselor for Labour Policy, MHLW, from questionnaire data of the “Basic Statistical Survey on Employment Structure” (2012) Statistics Bureau, Ministry of Internal Affairs and Communications

Section 2. Events and occupational career in one's life

What are the issues in developing a sustainable occupational career while coping with life events such as bearing and raising children, nursing care, etc.?

Many of unemployed women during pregnancy and parenting have a desire to work. Both men and women support women's continuous employment and the employment rate of women in their 30s who have more than one child aged under 6 years is increasing. At the same time, in order to support women's continuous employment and re-employment, it is important to improve a working environment in which women can work actively and display their ability and a childcare support system, as well as support for a work-life balance by the company.

As for the balance between work and nursing care, it is expected that the use of family care leave in the company is effective for continued employment. It is also important to provide support in working hours and appropriate information on nursing care in the workplace. The number of working elderly people is increasing as they never wish to retire, and it is expected that the elderly people work more actively in companies and local communities using their knowledge and skills that they have acquired and continue to support society.

(Many women during pregnancy and parenting and the elderly people have a desire to work)

Looking at unemployed people who were previously employed, (1) many women aged between 25 and 34 left their previous job due to bearing and raising of children, and (2) the number of people who left job due to family care and nursing peaked at ages between 55 and 64 for both men and women, and (3) many men in their 60s left their job because of retirement and the termination of employment contract.

Many of those who are forced to cease or terminate their occupational career still have a desire to work. Of the unemployed population, the number of people who have a desire to work was 4.28 million in 2013 (1.13 million men and 3.15 million women). Of these, the number of women whose reason of not looking for a job is bearing and raising children was 1.05 million and the number of people aged 60 or over was 700,000 in total.

According to Figure 62, the labour force participation rate of women in Japan by age group (2013) draws an M-shaped curve with those in their 30s at the bottom. Looking at the proportion of potential labour force (calculated by the sum of labour force and people who have a desire to work, potential labour force participation rate) to the population, it decreases in women in their 30s or older from 87.0% at ages between 25 and 29. The proportion changes at 80 to 89% from the age 50 to 54.

(The employment rate of women in their 30s who have more than one child aged 6 or younger is increasing)

As both men and women support women's continuous employment, the labour force participation rate of women by age group is generally in the upward trend according to the recent years' cohort, and the bottom of the M-shaped curve (age 30 to 34) is raised.

According to Figure 63, the rate of employed wives in their 30s in households with one or more children aged 6 or younger is increasing. This implies a possibility that the number of women of this age group who leave their job due to childbirth is decreasing and the number of women who continue to work after childbirth is increasing.

(Importance of working environment and childcare support system)

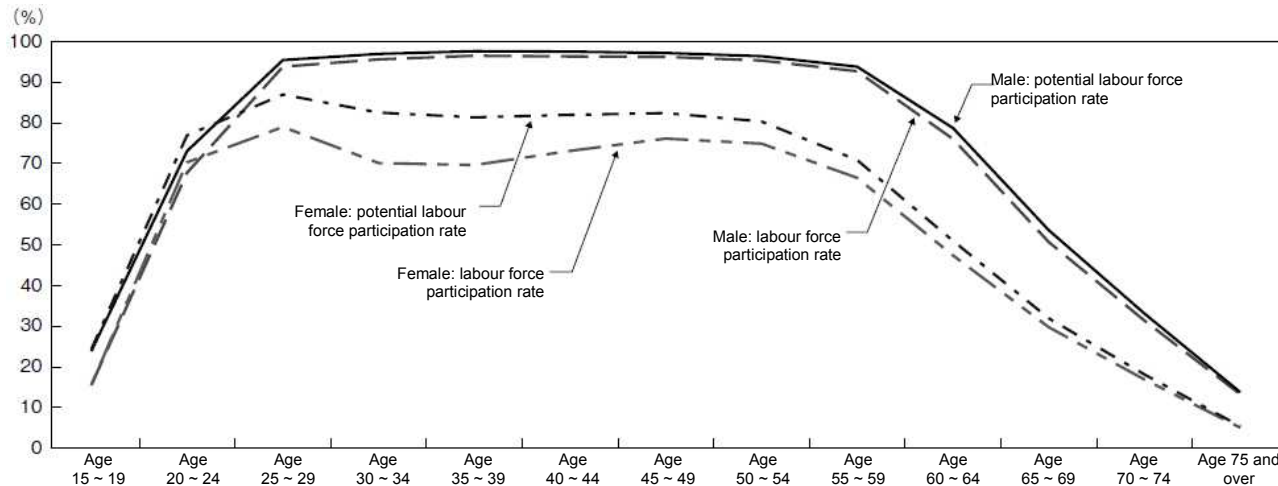
Figure 64 shows the ratio of women who were employed when they were expecting their first child and continued to work after maternity leave by age of childbirth. The ratio was 18.1% before 1998 but increased to 29.2% between 1999 and 2004, and 40.5% between 2005 and 2010. It is important to further promote the maternity leave system and improve a working environment in which women can work actively and display their ability and a childcare support system, as well as support for a work-life balance by the company.

Figure 65 shows factors contributing to the increase in the labour force participation rate of married

women in their 30s. According to the figure, women who live with parents and those with a higher availability of day-care centers are contributing to the increased labour force participation rate of married women in their 30s. Moreover, it is indicated that the effect of accumulated development of measures such as the Child Care and Family Care Leave Act and the Act on Advancement of Measures to Support Raising Next-Generation Children also contributed to the increase of the labour force participation rate of women in their 30s after 2005.

Figure 62: Labour force participation rate and potential labour force participation rate by gender and age group (2013)

○ Many women in their 30s wish to work and the potential labour force participation rate of women aged 50 to 54 has been changing between 80 - 89%.

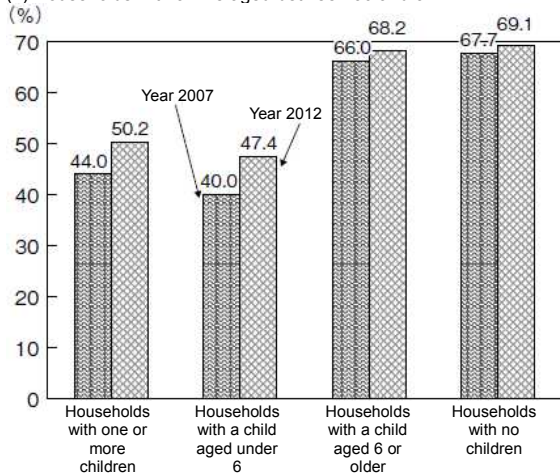


Source: "Labour Force Survey" (2013) Statistics Bureau, Ministry of Internal Affairs and Communications
 (Note) Potential labour force participation rate = (labour force + people who wish to work) / population x 100

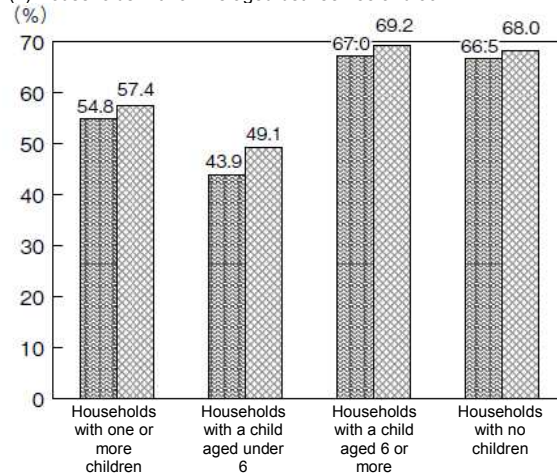
Figure 63: Percentage of households with employed wife in their 30s by presence or absence of a child

○ In the period from 2007 to 2012, the percentage of households with an employed wife in their 30s is increasing even in households with a child aged under 6 years.

(1) Households with a wife aged between 30 and 34



(2) Households with a wife aged between 35 and 39

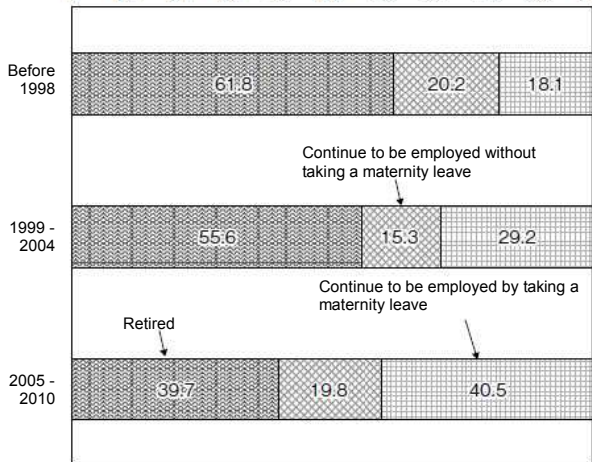


Source: Prepared by the Office of Counselor for Labour Policy, MHLW, based on the "Basic Statistical Survey on Employment Structure" Statistics Bureau, Ministry of Internal Affairs and Communications

(Note) Households with both a child aged under 6 and a child aged 6 or older are included in "Households with a child aged under 6."

Figure 64: Status of continuous employment during pregnancy and birth of the first child by age at the time of the first child birth

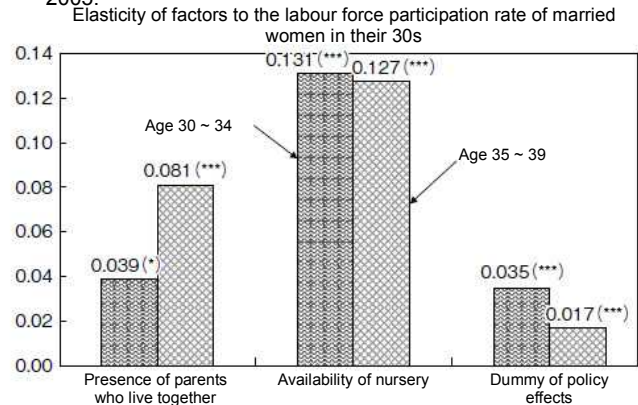
○ The percentage of females who take a maternity leave without retiring at the time of birth of the first child has been increasing in recent years.



Source: “Survey on the Way of Women’s Working Style and Family Life” (2010) Japan Institute for Labour Policy and Training
 (Note) Women aged 30 to 44 at the time of the survey (2010) and those who were employed when they found that they were expecting their first child were surveyed.

Figure 65: Factors that increase the labour force participation rate of married women in their 30s

○ Women who live with parents and those with a higher availability of nursery are contributing to the increased labour force participation rate of married women in their 30s.
 ○ Moreover, it is indicated that the effect of accumulated development of measures also contributed to the increase of the labour force participation rate of women in their 30s after 2005.



Source: Estimated by the Office of Counselor for Labour Policy, MHLW, based on the Population Census” (1950~2010) Statistics Bureau, Ministry of Internal Affairs and Communications and “Report on Social Welfare Administration and Services” MHLW

(Note) 1) Estimation of the increase rate (elasticity) of married women’s labour force participation rate when each factor increases by 1%.
 2) Dummy of policy effects are the effects after 2005 to see the effects of advancement in measures to support the balance between occupational life and family life such as the Child Care and Family Care Leave Act.
 3) “***” refers to 1% voluntary and “*” refers to 10% voluntary.

(Toward the balance between work and nursing care)

As the aging of the population accelerates, the number of elderly people who require care is increasing. Whether it is possible to balance work and nursing care is a challenging issue. The majority of reasons why people who stopped working while they care for a family member left their job are related to the limited time: "they couldn't take or have difficulty in taking family care leave" or "they couldn't change the time to start/finish working." It is considered that many of them had to change or leave work against their will.

Many workers who take the responsibility of family care have worries in balancing work and nursing care such as work arrangements, information on care and financial problem.

According to Figure 66, of workers who are engaged in family care, the ratio of workers who wish to stop working is higher than that of workers who are not engaged in family care. However, the ratio is lower for both male and female workers if they take family-care leave, etc. Figure 67 shows support provided by company, which is considered necessary for workers to keep the balance between work and family care. It indicates that there are high demands for support during working hours, such as "a system in which workers decide the time of arriving and leaving at a company" and "a system that eliminates/reduces overtime work."

(Elderly people's participation in labour and using their career)

In the society in which baby-boom generations (people who were born between 1947 and 1949) are in their late 60s and the pensionable age of the public pension scheme increased, measure to secure employment of elderly people in companies has been introduced and the number of elderly workers is increasing.

According to Figure 68, the labour force participation rate of people aged between 60 and 64 increased in 2007 and 2008 when the measure to secure employment of the elderly was made compulsory (made

effective in April, 2006) and after that the rate of males has remained at levels exceeding 75%. The rate of people aged between 65 and 69 increased after 2012, when baby-boomer generations turned 65. This was caused by the increased number of people who never wish to retire. The continuous employment of elderly people has been promoted and the fact that people in their 50s wish to work in the future has a positive effect on the employment of elderly people.

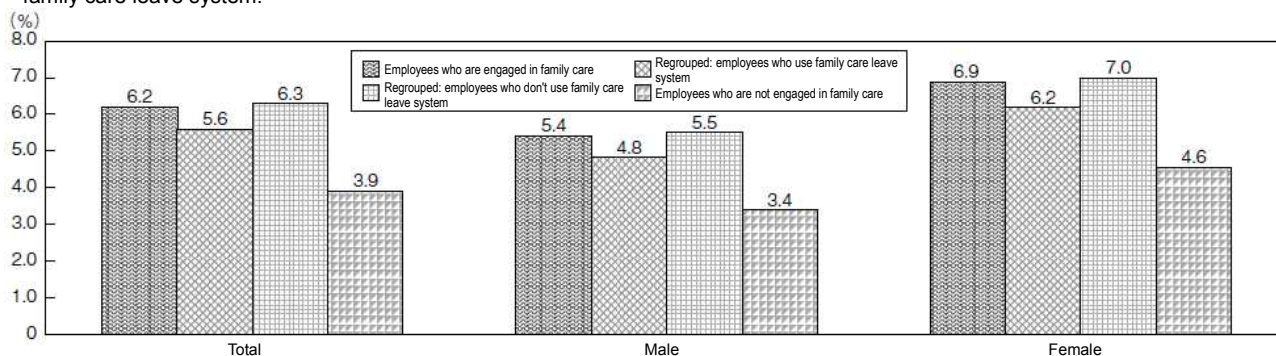
According to Figure 69, points on which baby-boomer generations put priority are: "they can continue to work without physical burden," and "they can work at their own pace," followed by "they can exercise their abilities." It is becoming more and more important to create a working environment in which elderly people can exercise their abilities and experience.

(To work in a way you wish throughout the entire life)

It is important to work in a way you wish throughout your entire life in order to realize "a society in which everyone participates." To realize this, it is necessary to maintain your health during your occupational career, use the potential labour force in labour market, and re-employ people who wish to work, as well as prevent involuntary separation from work because of difficulty in keeping a work-life balance and use the occupational career which has been developed.

Figure 66: Ratio of people who wish to discontinue to work of total employees by presence or absence of family care and use of family care leave system

o A high ratio of employees who are engaged in family care wish to discontinue to work but the ratio of those decreases by the use of a family care leave system.

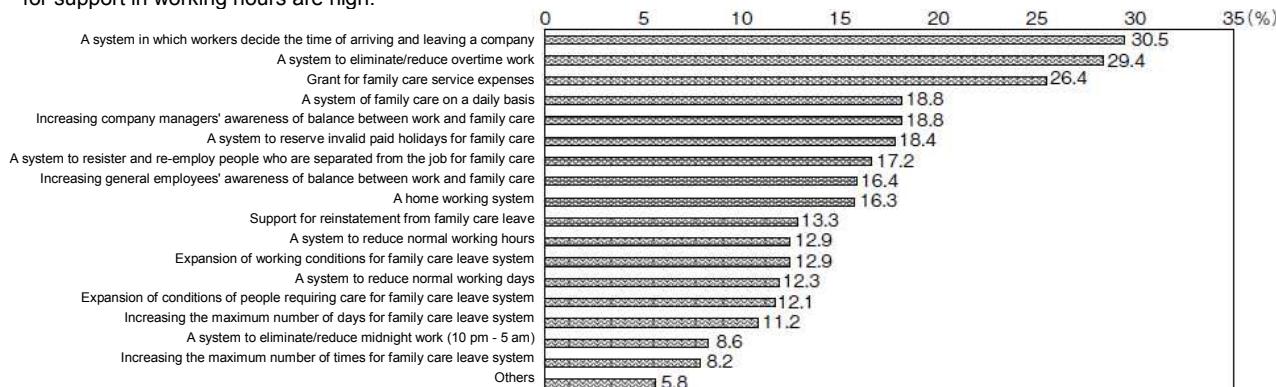


Source: Prepared by the Office of Counselor for Labour Policy, MHLW, based on the "Basic Statistical Survey on Employment Structure (2012)" Statistics Bureau, Ministry of Internal Affairs and Communications

- (Note) 1) Of all employees, ratio of "people who wish to discontinue to work" (those who answered that they "wish to completely discontinue this work" to the question "do you continue this work in the future?"
- 2) "Employees who use family care leave system" refer to those who used at least one of: family care leave based on the Child Care and Family Care Leave Act, short-time work, nursing care leave, and company's independent systems other than these systems.

Figure 67: Support from the employer necessary for keeping the balance between work and family care

o Of support from the employer, which is considered necessary for employees to keep the balance between work and family care, needs for support in working hours are high.

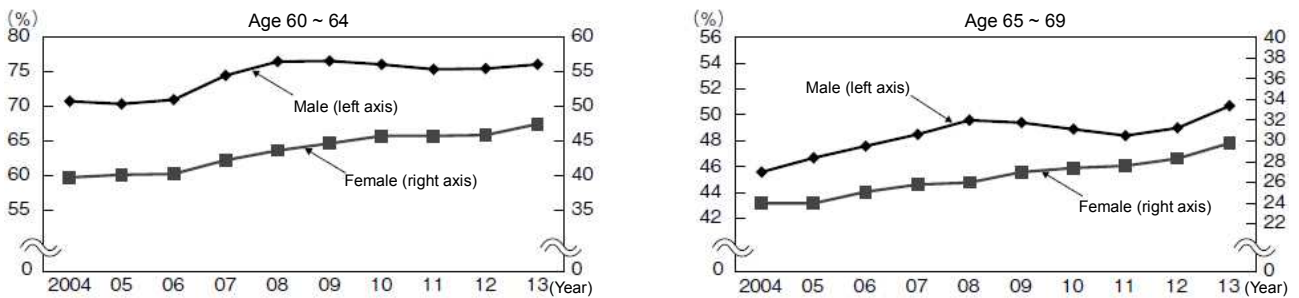


Source: "Survey Research on Current Situation concerning Balance between Work and Family Care" (2009, commissioned by MHLW) Mizuho Information and Research Institute

- (Note) 1) Employees aged between 30 and 64 who are engaged in the care of their own family or family of their spouse (age 65 or over) at the time of survey (February 2010) are surveyed.
- 2) Multiple answers.

Figure 68: Changes in labour force participation rate of elderly people (in their 60s)

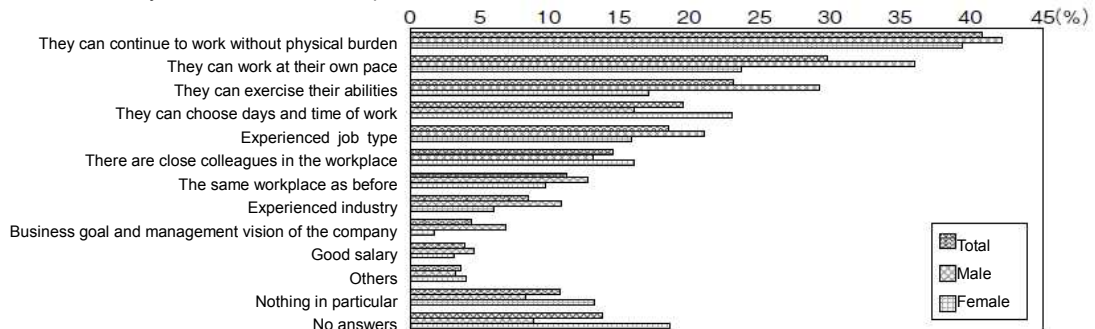
- The labour force participation rate of people aged between 60 and 64 increased in 2007 and 2008 when the measure to secure employment of the elderly was made compulsory (made effective in April, 2006) and after that the rate of males has remained at levels exceeding 75%.
- The labour force participation rate of people aged between 65 and 69 is characterized by the increase after 2012, when baby-boomer generations (born between 1947 and 1949) turned 65.



Source: "Labour Force Survey" Statistics Bureau, Ministry of Internal Affairs and Communications
 (Note) Figures in 2011 are alternative estimate values of the Great East Japan Earthquake.

Figure 69: Points on which baby-boomer generations put priority

- Points on which baby-boomer generations (born between 1947 and 1949) put priority include "they can continue to work without physical burden," and "they can work at their own pace," followed by "they can exercise their abilities."



Source: "Survey on Awareness of Baby-Boomer Generations (2012)" Cabinet Office
 (Note) 1) Males and females born between 1947 and 1949 are surveyed.
 2) Up to three answers.

Section 3. Issues in developing worker's career

The way of occupational career development varies depending on employment forms. The wages of non-regular workers are relatively low even if their period of service is long. They also have fewer education and training opportunities inside and outside the workplace. Therefore, it is pointed out that accumulating human capital for non-regular workers is challenging. In particular, the issue of non-regular workers who wish to be employed as a regular worker but are not able to realize this (involuntary non-regular workers) is important and they require support to be transferred to regular employment.

About 20% of non-regular workers are these involuntary non-regular workers. The ratio is high in young generations who are engaged in accommodation, eating and drinking services, and wholesale and retail trades. By occupation, there are many involuntary non-regular workers in sales and service. Focusing on the shift from non-regular employment to regular employment, the ratio of shift to regular employment in the same industry and occupation is high. Factors that produce positive effects on determining a shift from non-regular to regular employment are: lower ages, certain years of work experience in the same company and participation in courses in a university or a graduate school using public subsidy. Besides, a person who was a regular employee in the first job can obtain a regular employment again more easily even if he or she temporarily became a non-regular worker.

(Increase in the number of non-regular workers by employment contract period)

Figure 70 shows the expansion of non-regular employment based on the attribute in contract period. It indicates that, in the period from 1982 to 2012, the ratio of regular workers decreased from 89.8% to 72.6%. On the other hand, the ratio of non-regular workers whose period of employment contract is more than one year (permanent employees) increased from 3.8% to 15.9%. As a result, long-term employment contract makes up the majority on a contract basis. On the contrary, the ratio of non-regular workers whose period of employment contract is less than one year (temporary/daily employees) increased from 6.5% in 1982 to 11.5% in 2012.

(Distribution of involuntary non-regular workers by industry and occupation)

According to the General Survey on Diversified Types of Employment (2010) by the Ministry of Health, Labour and Welfare, many people said that they chose non-regular employment because "they can work at times convenient to them," and "they would like to support their household budget or earn money for school fees." However, about 20% involuntarily became a non-regular worker because "there was no company where they can work as a regular employee" (Figure 71). Looking at the characteristics of industry and occupation based on the independent results of the "Basic Statistical Survey on Employment Structure (2012)," Statistics Bureau, Ministry of Internal Affairs and Communications, the ratio of involuntary non-regular workers is high in accommodation, eating and drinking services, and wholesale and retail trades for those aged between 15 and 24. By occupation, many of those in the same age groups are engaged in sales and service. By industry, many involuntary regular workers aged between 25 and 34 are engaged in manufacturing, transport and postal activities, medical and welfare services, services (which cannot be classified into others). By occupation, the ratio is high in a wide variety of fields including professional and engineering workers, clerical workers, manufacturing process workers, carrying, cleaning, packaging and related workers (Figure 72).

(Industrial and occupational characteristics that promote shift from non-regular to regular employment)

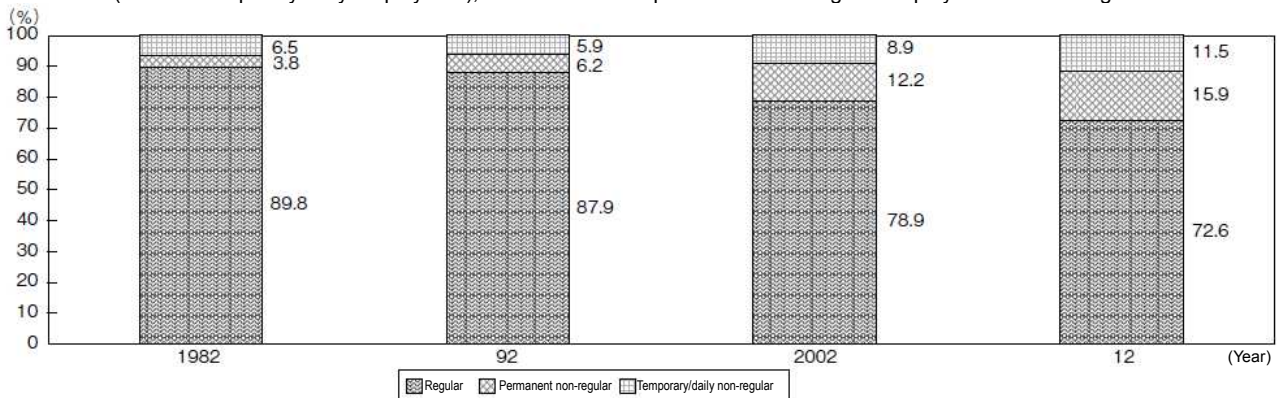
What are the necessary conditions for the shift from non-regular employment to regular employment? As a hypothesis, it is considered that shift in the same industry is easier if industry-specific capital is accumulated through working in a certain industry. If occupation-specific capital is accumulated, as in industry-specific capital, it is easier to transfer between the same occupation. Moreover, occupations in which an external evaluation system is developed, it is considered that shift to regular employment can be implemented smoothly.

Based on this, we will look at the characteristics of labour turnover between industries in Table 73,

limiting the scope to present regular workers (former non-regular workers) who left their previous work in the past five years. It indicates that many of those were generally transferred to regular employment in the same industry as their previous work. This tendency is notable in medical and welfare, construction, education and learning support industries. According to Table 74 that shows labour turnovers by occupation, the proportion of turnovers to regular employment is largest in the same occupation. In particular, professional and engineering workers make up the majority. This shows that the accumulation of advanced knowledge and skills through work is effective for the shift to regular employment. Figure 75 shows more detailed occupational classifications. Occupations with a large number of workers who moved to regular employment include: sales (70.6%) - a remarkably high ratio of shift to regular employment (6.8% in proportion of those who moved to regular employment in the occupation to the total number of workers who moved to regular employment), followed by nurse (49.0%) (3.4% in proportion), automobile drivers (47.1%) (3.8% in proportion) and construction and engineering workers (45.7%) (3.3% in proportion). On the other hand, the ratio of shift to regular employment is low in service workers and carrying, cleaning, packaging and related workers.

Figure 70: Changes in the ratio of employees by period of employment contract and position at the workplace

Looking at the increase of non-regular employment after 1992 by period of employment contract, the ratio of non-regular employees increased (even in "temporary/daily employees"), while the ratio of "permanent" non-regular employees is increasing.

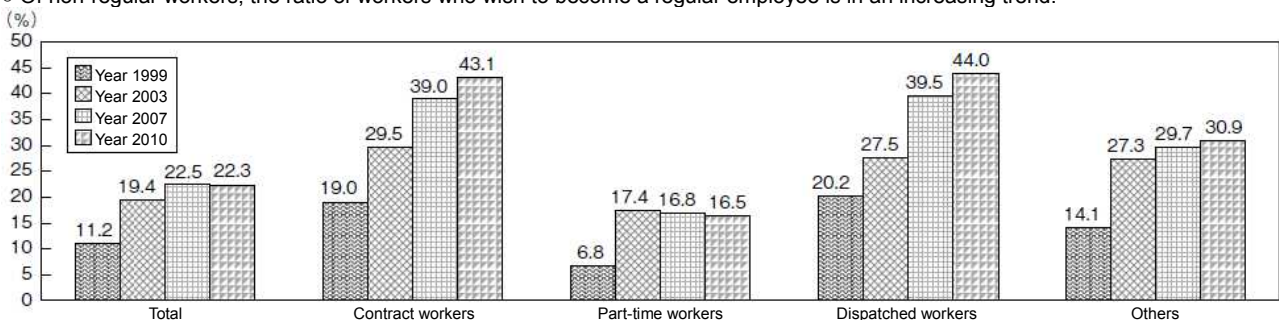


Source: Compiled independently by the Office of Counselor for Labour Policy, MHLW, questionnaire data of the "Basic Statistical Survey on Employment Structure" Statistics Bureau, Ministry of Internal Affairs and Communications

- (Note) 1) "Temporary/daily employees" refer to those whose employment contract is less than 1 year. "Permanent employees" are calculated for those whose employment contract is not less than 1 year in the 2012 survey (specifically, of fixed-term employees, those whose contract period is "more than 1 year and less than 3 years," "more than 3 years and less than 5 years," and "other period" plus "no fixed employment contract period," and "unknown period."
 2) Limited to employees who "mainly work" here.
 3) "Regular" and "non-regular" in the figure mean "regular staff/employees" and "part-time employees," "workers dispatched by temporary staffing agencies," "contract employees," "temporary employees" and "other non-regular workers" in the survey, respectively.

Figure 71: Ratio of non-regular employees who wish to become regular employees

Of non-regular workers, the ratio of workers who wish to become a regular employee is in an increasing trend.

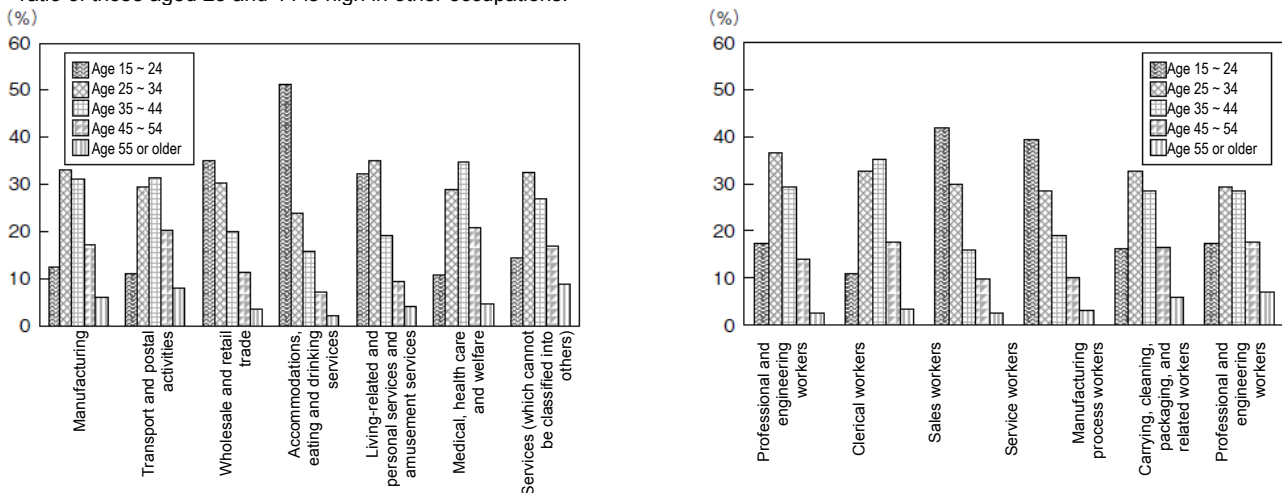


Source: "General Survey on Diversified Types of Employment" Ministry of Health, Labour and Welfare

- (Note) 1) "Ratio of non-regular employees who wish to become a regular employee" is determined by multiplying the ratio of non-regular workers who answered that "they wish to work in a different employment form in the current company or other company" by those who answered that they "wish to become a regular employee."
 2) Total includes temporary and temporarily relocated employees.

Figure 72: Distribution of involuntary non-regular workers by age group, industry and occupation (total of males and females)

- By industry, the ratio of involuntary non-regular workers aged between 15 and 24 is high in "accommodation, eating and drinking services," "wholesale and retail trades," and "living-related and personal services and amusement services," and the ratio of those aged between 25 and 44 is high in other industries.
- By occupation, the ratio of involuntary non-regular workers aged 15 and 24 is high in "sales workers" and "service workers, and the ratio of those aged 25 and 44 is high in other occupations.



Source: Compiled independently by the Office of Counselor for Labour Policy, MHLW, from questionnaire data of the "Basic Statistical Survey on Employment Structure" (2012) Statistics Bureau, Ministry of Internal Affairs and Communications

- (Note) 1) Industries and occupations with a 5% or more ratio of involuntary non-regular workers are listed.
 2) The ratio of non-regular workers of unknown age was calculated as: ratio of involuntary non-regular workers of individual job type or industry (number of involuntary non-regular workers/total number of non-regular workers in each job type and industry).

(Factors that increase the probability of successful shift to regular employment include younger age, the employment form of first job after graduation from university, experience in the previous work, learning and training with public subsidy, etc.)

Characteristics of non-regular workers who became a regular worker have been mentioned. Now, we will analyze in a more precise manner using statistic models (Figure 76). The younger the workers are, the higher the possibility of a shift to regular employment is. Looking at former non-regular workers by period of service, it is pointed out that workers whose period of work in the same workplace was between five years and 10 years have the highest probability of becoming a regular worker. However, the probability of those with a working experience of more than 10 years as a non-regular worker to become a regular worker is still high compared with those with less than a year of working experience. By occupation, the probability of shift to regular employment is higher in administrative and managerial workers, professional and engineering workers, construction and mining workers, and transport and machine operation workers compared to clerical workers and manufacturing process workers. As an industrial characteristic, the probability is high in medical and welfare services, real estate and leasing of goods. As for efforts in education and training, participation in seminars and workshops, self-learning as well as taking part in courses in university or graduate school using public subsidy in support of self-development have the most positive effect on the shift to regular employment. Besides, it is implied that a person who was a regular employee in the first job after graduation can obtain a regular employment again more easily even if he or she temporarily became a non-regular worker.

(To increase the employability of people who wish to become a regular employee)

It is important to stabilize the new graduate's market through steady growth of a macro-economy. In addition, it is pointed out that helping new graduates to obtain regular employment through public employment support such as Hello Works even in a temporal economic stagnation is important to stabilize occupational careers throughout the life of workers. Promotion of workers' voluntary efforts toward the development of occupational skills and providing appropriate opportunities to develop potential abilities for those who require public support can stabilize employment throughout their life.

On top of this support to enable workers to work in a way they desire, interactive efforts by both labour supply and labour demand, such as expanding the employment opportunities including the promotion of "diversified regular worker" model, are expected to bring a synergistic effect.

Figure 73: Ratio of former non-regular employees who turn to regular employment after changing job (by industry)

(Unit: %)

Industry of previous job	Ratio of shift to regular employment from previous industry	Industry of current job														
		Regrouped: construction	Regrouped: manufacturing	Regrouped: information and communications	Regrouped: transport and postal activities	Regrouped: wholesale and retail trade	Regrouped: finance and insurance	Regrouped: real estate and leasing of goods	Regrouped: scientific research, professional and technical services	Regrouped: accommodations, eating and drinking services	Regrouped: living-related and personal services and amusement services	Regrouped: education and learning support	Regrouped: medical, health care and welfare	Regrouped: services (which cannot be classified into others)		
Construction	26.6	13.0	2.8	0.3	2.2	2.2	0.7	0.4	0.9	0.4	0.2	0.0	1.2	2.3		
Manufacturing	22.7	1.9	9.3	0.3	1.8	2.3	0.5	0.2	0.5	0.6	0.5	0.1	3.1	1.5		
Information and communications	19.6	1.1	2.8	6.0	0.4	1.5	0.4	0.6	0.8	0.4	0.9	0.6	1.4	2.6		
Transport and postal activities	24.7	1.6	3.0	0.6	10.2	2.4	0.4	0.7	0.1	0.5	0.6	0.4	2.1	2.0		
Wholesale and retail trade	19.2	1.1	2.5	0.6	0.9	5.7	0.9	0.3	0.4	0.8	0.9	0.4	3.6	1.1		
Finance and insurance	18.2	0.9	1.4	0.4	0.6	2.9	4.4	1.1	0.8	0.1	0.4	0.3	3.5	1.4		
Real estate and leasing of goods	24.2	1.0	3.4	0.4	2.2	3.2	1.3	2.1	1.9	0.4	1.0	0.5	3.5	3.3		
Scientific research, professional and technical services	28.5	2.3	4.9	2.4	0.2	3.1	0.7	1.1	4.5	1.1	0.1	3.1	3.1	1.9		
Accommodations, eating and drinking services	20.0	1.0	2.6	0.5	1.0	2.9	1.1	0.3	0.8	2.9	0.9	0.6	4.6	1.0		
Living-related and personal services and amusement services	21.0	1.6	2.4	0.4	1.9	3.3	1.1	0.3	0.4	1.1	3.6	0.6	3.4	0.8		
Education and learning support	26.9	0.3	2.0	1.0	0.7	2.1	0.4	0.1	1.9	0.2	0.2	13.1	3.9	1.0		
Medical, health care and welfare	27.0	0.5	0.6	0.3	0.4	1.1	0.5	0.3	0.3	0.2	0.3	0.9	20.9	0.6		
Services (which cannot be classified into others)	19.1	1.5	1.9	1.4	1.1	1.9	0.5	0.5	0.6	1.1	0.7	0.3	3.5	4.1		

Source: Compiled independently by the Office of Counselor for Labour Policy, MHLW, from questionnaire data of the “Basic Statistical Survey on Employment Structure” (2012) Statistics Bureau, Ministry of Internal Affairs and Communications

(Note) The graph shows the rate of shift to regular employment by industry (the ratio of regular employees of current employees who separated from job in the past 5 years).

Figure 74: Ratio of former non-regular employees who turn to regular employment after changing job (by occupation)

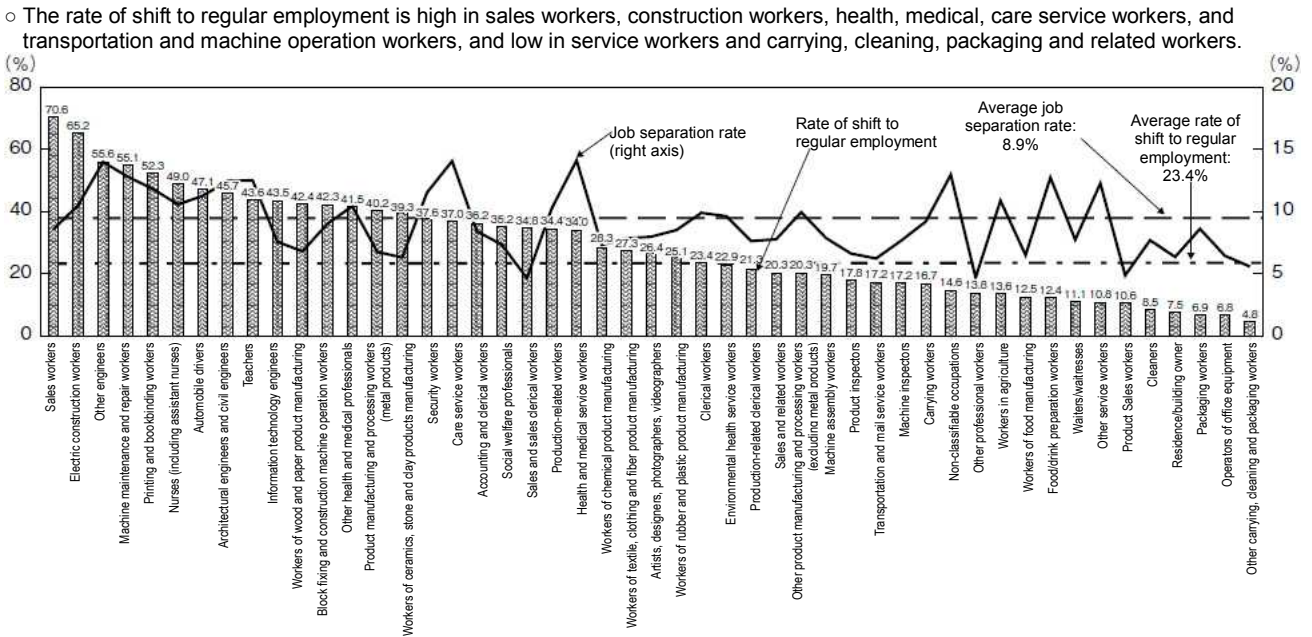
(Unit: %)

Previous occupation	Ratio of shift to regular employment from previous occupation	Current occupation										
		Regrouped: administrative and managerial workers	Regrouped: professional and engineering workers	Regrouped: clerical workers	Regrouped: sales workers	Regrouped: care service workers	Regrouped: security workers	Regrouped: manufacturing process workers	Regrouped: transport and machine operation workers	Regrouped: construction and mining workers	Regrouped: carrying, cleaning, packaging, and related workers	
Administrative and managerial workers	18.1	13.1	0.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Professional and engineering workers	33.0	0.1	21.3	4.7	1.6	2.2	0.7	1.8	0.2	0.2	0.3	0.3
Clerical workers	20.2	0.0	2.2	11.4	2.2	2.1	0.3	1.2	0.3	0.2	0.4	0.4
Sales workers	22.0	0.0	2.3	4.4	6.7	4.0	0.3	2.2	0.6	0.5	1.0	1.0
Service workers	22.3	0.0	3.6	3.4	3.1	8.0	0.4	1.9	0.6	0.6	0.8	0.8
Security workers	24.9	0.0	1.9	2.9	0.9	5.3	5.1	3.2	2.5	1.1	1.8	1.8
Manufacturing process workers	22.3	0.0	1.3	2.2	1.6	3.4	0.3	9.1	1.1	1.5	1.8	1.8
Transport and machine operation workers	34.0	0.0	0.2	1.8	1.4	1.4	0.3	3.6	20.2	1.2	4.0	4.0
Construction and mining workers	29.1	0.0	1.3	0.8	2.2	0.5	1.2	4.8	2.9	12.8	2.4	2.4
Carrying, cleaning, packaging, and related workers	16.2	0.0	1.0	2.4	1.9	2.5	0.6	2.6	1.8	1.2	2.2	2.2

Source: Compiled independently by the Office of Counselor for Labour Policy, MHLW, from questionnaire data of the “Basic Statistical Survey on Employment Structure” (2012) Statistics Bureau, Ministry of Internal Affairs and Communications

(Note) The graph shows the rate of shift to regular employment by occupation (the ratio of regular employees of current employees who separated from job in the past 5 years).

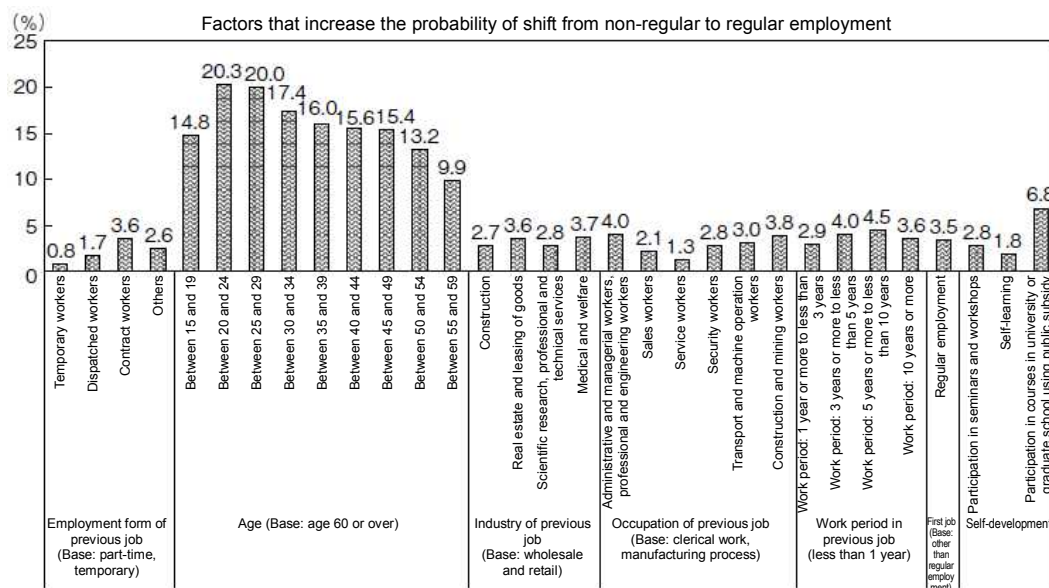
Figure 75: Rate of shift to regular employment and job separation rate by detailed occupational category



Source: Compiled independently by the Office of Counselor for Labour Policy, MHLW, questionnaire data of the “Basic Statistical Survey on Employment Structure” (2012) Statistics Bureau, Ministry of Internal Affairs and Communications

- (Note) 1) The graph shows the rate of shift to regular employment by occupation (the ratio of regular employees of current employees who separated from job in the past 5 years) and job separation rate (the ratio of people who separated from job in the past 5 years of employees of each occupation).
 2) Occupational categories listed are limited to occupations with 100 or more samples.

Figure 76: Analysis of factors causing shift from non-regular employment to regular employment (probit analysis)



Source: Estimated by the Office of Counselor for Labour Policy, MHLW, questionnaire data of the “Basic Statistical Survey on Employment Structure” (2012) Statistics Bureau, Ministry of Internal Affairs and Communications

- (Note) 1) Factors of voluntary standard of less than 10% are shown in the figure.
 2) "Marginal effect" shows the difference in the probability of shift to regular employment when compared with "base" for each factor. For example, if workers' ages are between 20 and 24, it shows a 20.3% higher probability of shift to regular employment compared to those aged 60 or over who were previously non-regular workers. Therefore, it should be noted that there is no point comparing marginal effects between factors of difference base.

Summary

From the middle of 2012, the Japanese economy weakened due to the global slowdown following the European sovereign debt crisis. However, thanks to such factors as the stock prices rising in hope of economic policy in 2013, the confidence of households and companies have been improving and the economy had shown a sign of recovery which was driven by domestic demands. It is on the track to a slow recovery. The improvement in production and corporate profits encouraged the steady recovery of employment situation. The number of employees has increased considerably by about 500,000 from the previous year. The unemployment rate continued to decline in a steady manner and fell to 3.6% in March 2014, showing a recovery to the level before the financial crisis. The ratio of active job openings to active job applicants surpassed 1 in six years and a month in November 2013 and marked 1.07 in March 2014. Under these situations, efforts to contribute to the improvement of corporate profits back to household incomes and further expand consumption are required to maintain the virtuous economic cycle.

In the "Analysis of the Labour Economy 2014," the situation of labour economy in 2013 was analyzed and the development of an environment that enables wage increase was discussed. Moreover, based on the awareness of the idea that "human resources are the most important world-class resource of Japan," it analyzed human resources management in companies and career development of workers under the subject of "for the maximum capability of human resources."

Chapter 1, entitled "trends and features of the labour economy," outlined the process of economic recovery mainly in employment in fiscal 2013 and analyzed issues for the establishment of a virtuous economic cycle that promotes a steady economic recovery.

As the corporate production (activity) level increases in early 2013, hours of overtime work as well as the number of workers in the non-manufacturing industry increased significantly. At the same time, corporate profits improved and both summer and year-end bonuses increased for the first time in a few years. This bolstered consumer spending and activities toward a virtuous economic cycle. Commodity prices have risen as the yen's exchange rate weakened and wages are also showing an increasing trend. As for wages, corporate profits and the employment situation showed a sign of improvement thanks to economic recovery, and the government, labour and management shared a common perception of increasing wages according to the expansion of corporate profits in the "meeting among government, labour and management towards a virtuous economic cycle." As a result of negotiation among the three parties based on this, many companies maintained the amount corresponding to periodic wage increase and agreed to raise wages in the shunto (annual spring wage offensive) of 2014. We will look to these movements and further wage increase by improving labour quality through the accumulation of human capital and labour productivity.

In the future, for steady economic recovery, it is important to cement the virtuous economic cycle: increase in corporate profits immediately result in wage increase and the expansion of employment, which promotes a further increase of corporate profits through the expansion of consumption and investment.

Chapter 2, entitled "trend and issues of human resources management in company," described analysis on human resources management - how companies manage and develop human resources and increase their competitiveness as the environment surrounding them change.

In conjunction with changes in the competition environment caused by the development of technical revolution including globalization and IT and increase in the uncertainty of management, companies are managing business by combining diverse human resource beyond the two employment forms (regular workers and non-regular workers) depending on the environment they are in and issues they confront.

Businesses in Japan changed management forms in conjunction with changes in the outside environment, such as the change of wage determinant factors and flattening of wage profile. Many companies in Japan focus on the internal labour market, and a high percentage of them work on employment management to increase labour productivity and work motivation compared to companies that focus on the external labour market.

Various people are able to choose ways to work with confidence thanks to the popularity of diversified regular employment. This is considered to contribute to securing human resources and improving productivity in businesses.

In using diverse human resources, human resources development is considered to be an important issue of business management. Regular workers develop their career within the company through structured and systematic OJT (for younger generations) and various personnel transfers (for mid-career generations). On the other hand, non-regular workers are provided less opportunities of human resource development compared with regular workers. It is expected that non-regular workers have more opportunities to play an active role in companies according to their motivation and abilities including promotion to regular workers.

Companies whose employees have higher motivation to work tend to have a higher stability of workforce and higher productivity and recurring profit margin. These companies manage employment in a broad manner regardless of employment form and proactively work on human resources development. Moreover, focusing on managers as core human resources of a company, experience through work improves abilities that are necessary for managers.

Chapter 3, entitled "career development through occupational life," outlined the current situation and trend of occupational careers in Japan and analyzed issues for the realization of smooth labour turnovers. It also analyzed life events such as bearing and raising children, nursing care, etc., occupational careers, and the shift from involuntary non-regular employment to regular employment.

Looking at the current situation concerning occupational careers in Japan, many males have worked in a single workplace for a long period (long-term employment career). On the other hand, quite a number of males have an occupational career in which they changed jobs several times. Some people with a high income change their job proactively. It is necessary to develop an environment that allows more number of voluntary turnovers by workers in order to promote smooth labour turnovers. To realize this, it is desirable that the nominal wage per person mainly in growing industries is increased by overcoming deflation. It is considered that support from sending companies and the improvement in public support such as vocational training are necessary for workers who are forced to leave their company against their will. Moreover, it is deemed necessary to provide workers with an environment in which their occupational abilities are fully evaluated by standardizing occupational abilities of workers and making them transparent.

Society is expecting the decrease and aging of the population, women's further participation in businesses and more serious problems in long-term care. In coping with life events such as bearing and raising of children, nursing care, etc., it is desirable for workers to maintain their health, prevent involuntary separation from work because of difficulty in keeping a work-life balance and use the occupational career that has been developed, in order to work in a way they wish throughout their entire life.

In particular, it is necessary to provide support for non-regular workers who wish to become a regular worker but are forced to work as a non-regular worker (involuntary non-regular workers). When non-regular workers change their employment form to regular employment, the highest ratio of workers transfers job in the same occupation. A statistical analysis of characteristics of workers who became regular employees shows the probability of shift to regular employment is higher for younger workers. In addition, the employment form of the first job after graduation, experience in the previous work, studying using public subsidy, etc. have a positive impact on the shift to regular employment.

Based on these analyses, a message for "maximizing capacity of human resources" is summarized as follows.

(Human resources management that develops human resources and increases their motivation is important for business growth. It will also become the basis for Japan's economic growth through the accumulation of human capital at a macro level)

In conjunction with changes in the competition environment surrounding businesses, such as the development of the technical revolution including globalization and IT, companies are changing their ways of using human resources depending on the competition environment they are in. In this situation, human resources are used in a way that cannot be identified with the two fold division (regular and non-regular employment). Many of regular workers have already been working as a "diversified regular worker" whose duties, work places and working hours are limited, while more and more non-regular workers become core

human resources and workforce.

Under these circumstances, companies whose employee's motivation is considered high implement employment management in a broad manner regardless of employment forms. These companies can successfully increase the occupational capability of various types of workers including non-regular workers and motivate them to work by proactively getting involved in human resource development toward workers' career development in collaboration with the comprehensive human resources management including smooth labour-management communication and deployment, promotion and personnel treatment of workers. Such human resources management puts a positive impact on business performances: the increase in the stability of workforce, the increase in labour productivity through the accumulation of company-specific human capital (as a result of stable workforce) and the increase of a recurring profit margin.

In this way, appropriate human resources management not only increases business competitiveness through the accumulation of human capital for individual workers but leads to the accumulation of human capital in Japan at a macro level, which contributes to economic growth. In addition, it is expected that, if human resources play an active role, it will lead to economic growth, and more good employment opportunities will be generated.

(Creation of an environment in which people can continue to work as they wish is the key to stable employment through occupational life. This can be realized by accumulating human capital through building up an occupational career and increasing the employability of people)

Opportunities in which individual workers need to decide the direction of their occupational career are expanding. These include longer occupational life, shorter business life due to rapid environmental changes, and increase in the possibility of job turnovers in conjunction with changes in technology and work responsibilities. As the industrial structure rapidly changes, it is necessary to secure human capital needed in growing industries and revitalize the external labour market in which the abilities of human resources are maximized by using the right person in the right place. Based on this situation, in the future, it will become more important to create an environment in which individual workers can voluntarily design their own career rather than developing an occupational career that excessively depends on the company and work in a way they wish.

Labour turnovers with a certain level of personal treatment and satisfaction are predicated on a stable macro-economic situation with an increase in nominal wage per person. Besides, it is also important to strengthen labour market infrastructure (matching function, ability evaluation system and human resources development system) in a strategic manner. Support from sending companies and the improvement in public support such as vocational training are necessary for workers who are forced to leave their company against their will. It is also necessary to provide workers with an environment in which they can use their occupational abilities that they have acquired before changing job and their occupational abilities are fully evaluated by standardizing occupational abilities of workers and making them transparent. Development of a system for career consulting such as the steady promotion of training for career consultants is also required.

In order to cope with life events such as bearing and raising of children, nursing care, etc., it is desirable to further improve the environment in which workers can choose the way the work in a flexible manner and they can smoothly continue, stop and restart working again.

In addition, society needs to be a place where workers have a chance to try again such as the provision of education and training opportunities even if they fail in the labour market. In particular, it is essential to create an environment in which those who wanted to be employed regularly but could not because the new graduate market weakened can make a shift to regular employment, as non-regular employment can be disadvantageous in their occupational career. It is important to stabilize the new graduate's market through steady growth of a macro-economy. In addition, helping young people including new graduates to obtain regular employment through public employment support such as Hello Works even in a temporal economic stagnation is important to stabilize occupational careers throughout the life of workers. Support for workers' voluntary efforts toward the development of occupational skills and providing appropriate opportunities to develop potential abilities can stabilize employment throughout their life. On top of this support, interactive efforts by both labour supply and labour demand, such as expanding the employment opportunities including the promotion of "diversified regular worker" model, are expected to bring a synergistic effect.

Developing occupational abilities by accumulating human capital through a sustainable vocational life contributes to a stable occupational life for people and strengthening of Japan's economic and social foundation.