Part I Trends and Features of the Labour Economy in 2003
Chapter 1 Employment and Unemployment Trends

Looking back on the labour market of 2003, the employment situation has shown some signs of improvement although it has remained severe; while the ratio of active job openings to active job applicants increased, unemployment rate declined for the first time in thirteen years despite remaining at high levels, and the number of employees turned into a positive.

(1) The ratio of active job openings to active job applicants (based on officially registered numbers at the public employment security office) has been experiencing an increasing trend since the beginning of 2003, increasing by an average of 0.64 times per year.

(2) While the number of male employees decreased, the number of female employees continued to rise, resulting in an increase in the total number of male and female employees for the first time in two years.

(3) Unemployment rate declined for the fist time in thirteen years although it remained at high levels at an average rate of 5.4% per annum.

(4) Although the head of household unemployment decreased, long-term unemployment increased.

The unemployment rate remained at low levels in 2004, and the employment situation improved although it remained severe.

Job Openings and Seeker Trend

New job openings have been increasing since the beginning of 2002, led mainly by the manufacturing and service industries and others. New job openings in the construction industry had previously been weak, but the rate of the decline gradually slowed, and the figures finally turned into a positive in the middle of 2003. There has been an improving trend since then (Figure 1).

New job seekers turned into a positive in 2004 after they had been almost on a decline trend since the fourth quarter (October-December) of 2002, and have remained at a high level. Among regular new job seekers, the number of those who have quitted job by involuntary reason for business conditions is still decreasing in 2003, demonstrating the alleviation of the employment reduction constraint. A corporate feeling of employment surplus and the percentage of business entities implementing employment adjustments have shown a declining trend since the start of 2002.

Trend in the Job Openings Ratio

The ratio of active job openings to applicants has remained on a rise trend, recording the 2003 average of 0.64, up 0.10 points from the previous year (0.54). The rate of new job openings to applicants has gradually increased as well with the 2003 average of 1.07, up 0.14 points from the previous year (0.93) (Figure 2). The ratio by employment patterns (2003 average) is 0.51 for ordinary workers and 1.46 for part-time employees; the rate of new job openings for ordinary workers is lower than that for part-time employees. When compared with the data from the two previous recoveries, the figures of the current phase of recovery show the narrower range of increase in the ratio of active job openings.

Employed Persons and Employee Trends

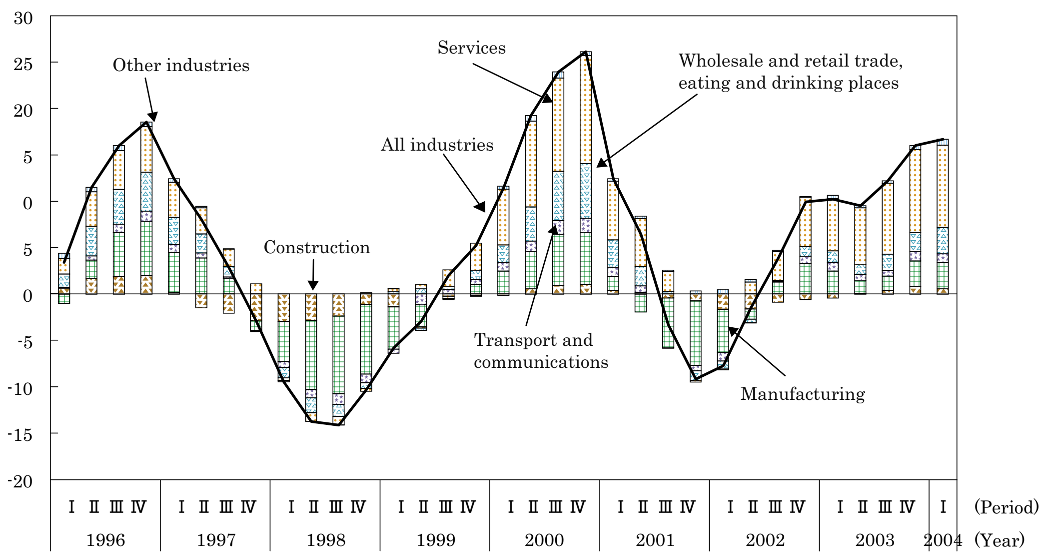
The average number of employed persons stood at 63.16 million in 2003 (down 0.14 million from the previous year). This reflects a 6-year downward trend. The average number of employees was 53.35 million in 2003 (up 0.04 million from the previous year), the first increase in two years.

In summary trends in the number of employees in 2003 are as follows:

(1) The number of regular female employees started to increase from the middle of 2003, and the rate of the decline in the number of regular male employees slowed in 2003. The total number of regular male and female employees has been experiencing a rising trend since the middle of 2003. Temporary and Daily workers are on an increase trend as well (Figure 3).

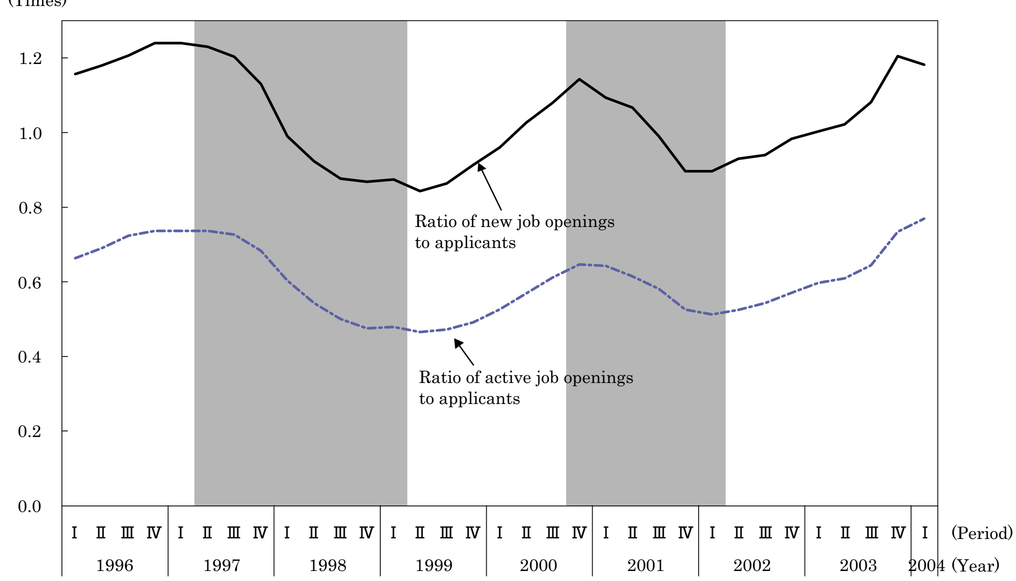
(2) Looking at the figures by gender (seasonally adjusted), the figures for women continued to increase, while those for men declined after a slight recovery in the fist half of 2003.

Figure 1 Trends in Contribution of Variation by Industry in New Job Openings
(Percentage Changes from Previous Year)



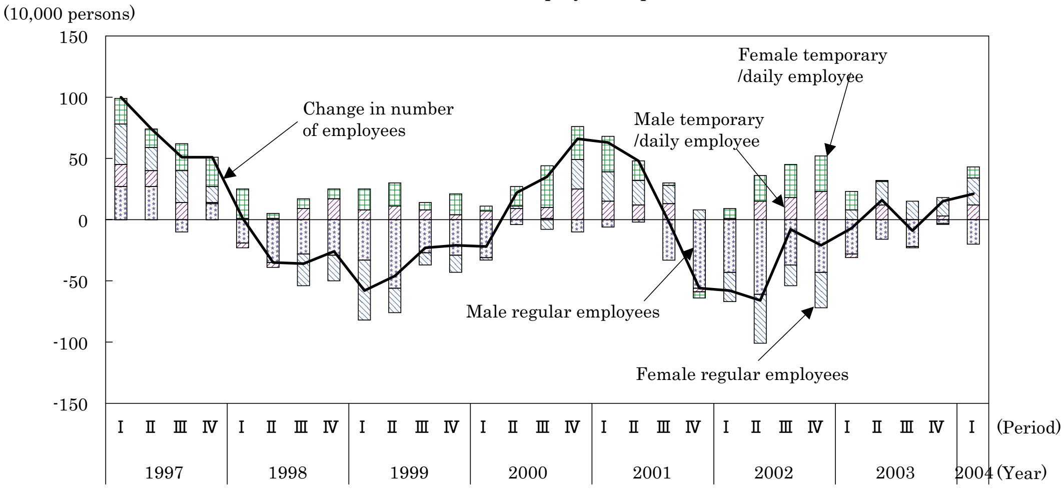
Source: Ministry of Health, Labour and Welfare (MHLW) "Report on Employment Service"

Figure 2 Ratio of Job Openings to Applicants (Seasonally adjusted)



Source: MHLW, "Report on Employment Services"
Note: Shaded portions indicate periods of recession

Figure 3 Change in Number of Employees from Previous Year
(Broken down into employment patterns)



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

(3) Looking at the figures by industry, the medical, health care and welfare industries show an increase over previous years, whereas the construction and manufacturing industries have a declining trend over previous years. In addition, looking at the data of the level of employment of those non-agricultural industries, large corporations started to increase in 2003, while small and medium-sized enterprises continued to decline (Figure 4).

Furthermore, figures for self-employed worker and family worker also continue to decrease.

Trends of the Labour Force and Persons not in the Labour Force

The labour force participation rate has been experiencing a declining trend. This is largely due to the growing influence of the change in the population structure associated with the aging society. Also, the reduction of its rate of each age group tends to affect the decline in the labour force. Among persons not in the labour force, persons wishing to work (who wish to work but are not seeking a job) by reasons of "no prospect of finding a job" numbered 2.05 million in first quarter (January-March) of 2004.

Trends in the Unemployed

The number of unemployed person stood at 3.5 million, down 0.09 million on average from the previous year, recording the first decline in thirteen years. Among job seekers, the number of those who have quitted job by involuntary reason for business conditions, which had previously been at a high level, has been on a declining trend since 2003 (Figure 5).

The average rate of total unemployment for males and females was recorded at 5.3%, the first decline in thirteen years, and this trend continued in 2004. Looking at the figures by gender, the figure for males was 5.2% and for females was 4.5% in the first quarter (January–March) of 2004. Figures have continued to be more favorable for females than for males since around 1999, and the gap has been widening (Figure 6).

Unemployment frequency has declined for both male and female employees, and the number of unemployment has also declined; however, the duration of unemployment has remained protracted, particularly for male employees. The number of long-term unemployed workers (those without a job for one year or more) and the long-term unemployment rate (the rate of the long-term unemployed against the population in the labor force) has remained at high levels. The number of unemployed the head of households has shown a declining trend, with an average of 0.95 million in 2003 (down 0.04 million from the previous year), marking the first decline in twelve years.

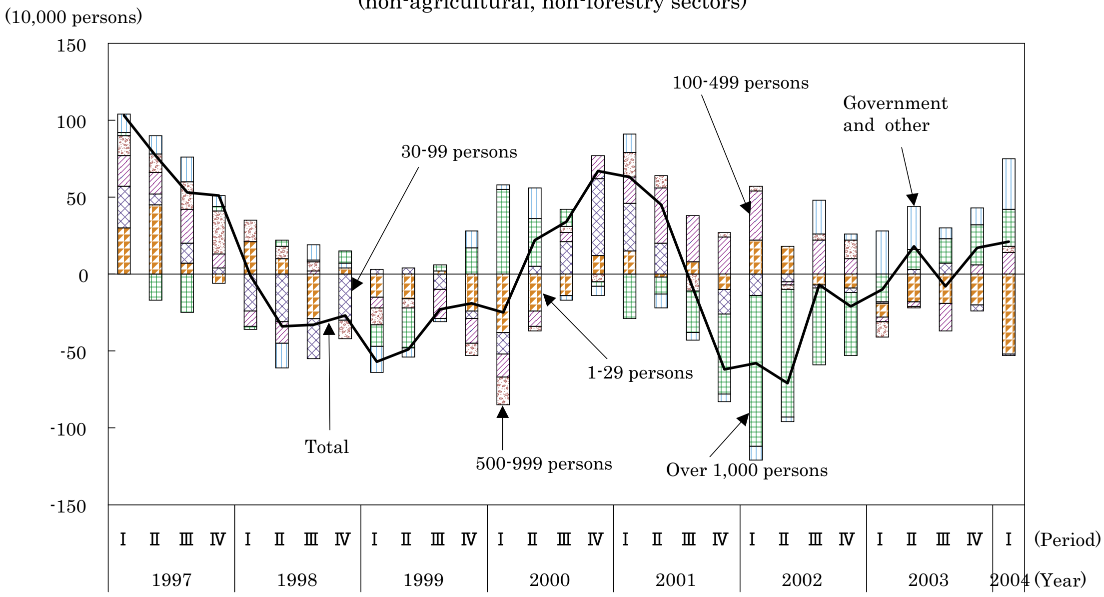
Graduate Labour Market Trends

The placement recruitment rate of new graduates showed improvement over the previous year in March 2003, despite remaining low.

Future Prospect of Employment/ Unemployment Situations

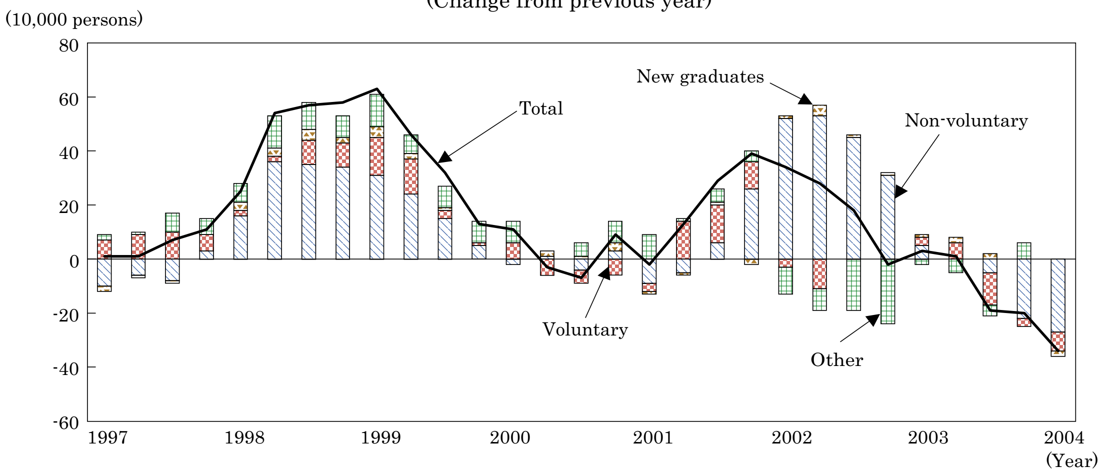
Looking at the regional employment and unemployment situation, some improvements have been observed in regions where the industries leading the economic recovery are clustered, while other regions have lagged behind the general uplift, causing regional discrepancies. Moreover, small and medium sized enterprises are still experiencing severe conditions. It is important in the future to increase employment opportunities, through creation of employment opportunities in local areas and vitalization of small and medium sized enterprises induced by the sustained economic revival.

Figure 4 Change in Number of Employees from Previous Year
(Broken down into sizes of employment)
(non-agricultural, non-forestry sectors)



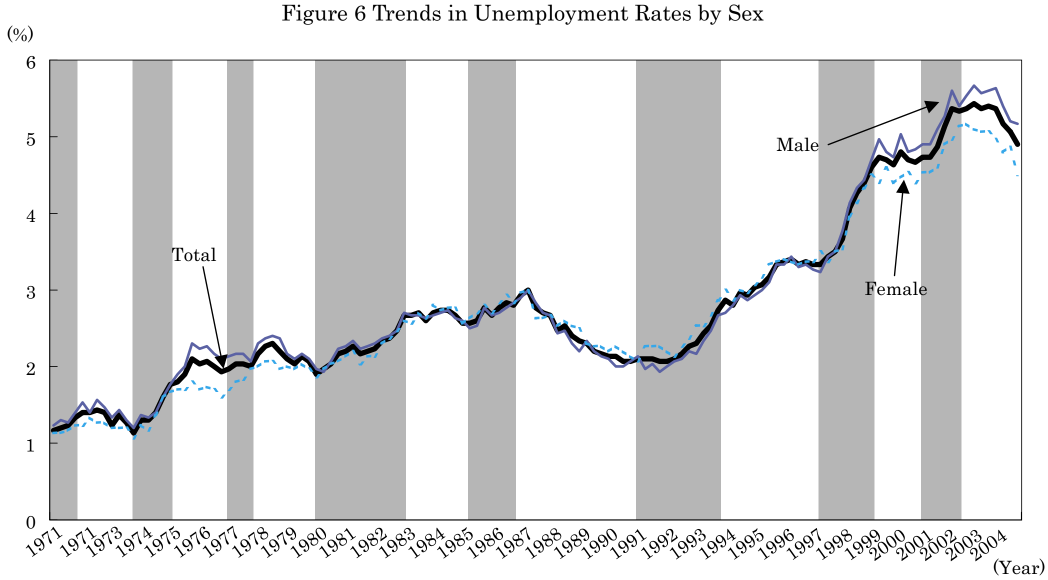
Source: Statistics Bureau, MIC. "Labour Force Survey"

Figure 5 Reasons for Job-seeking among the Unemployed
(Change from previous year)



Source: Statistics Bureau, MIC. "Labour Force Survey"

Figure 6 Trends in Unemployment Rates by Sex



Source: Statistics Bureau, MIC. "Labour Force Survey"
Note: 1) Seasonally adjusted data for quarters
2) Shaded portions indicate periods of recession

Chapter 2 Wages and Hours Worked Trends

Total cash earnings decreased three years in a row, although the rate of decline has slowed and figures by full-time employees and part-time employees are both showing signs of bottoming out. The rate of decline in scheduled cash earnings and special cash earnings has slowed and non-scheduled cash earnings increased for the first time in three years.
Total hours worked shows no marked fluctuations because of the broad increase in non-scheduled hours worked on one hand, reflecting the economic recovery, and a lower width of decline in scheduled hours worked on the other.

Wages Trends

Accompanied by a recovery in production and an increase in non-scheduled hours worked at the turn of 2003, non-scheduled cash earnings turned into a positive, the rate of decline of both scheduled cash earnings and special cash earnings slowed. As a result, the size of the decline in total cash earnings was reduced, despite the decline from the previous year, down 0.8%: with scheduled cash earnings, down 0.8%, non-scheduled cash earnings up 3.6%, and special case earnings down2.5% from previous years. Real wages decreased for three consecutive years, down 0.6% from the previous year (Table 7).
The rate of spring wage increases in major private companies in 2003 stood at 1.63%, having decreased for six years in a row; however, the size of the decline shrank.
When scheduled cash earnings of regular workers are divided into two categories: full-time employees and part-time employees, those of full-time employees stayed at the same level from the previous year and those of part-time employees started to rise; on the other hand, an increase in the share of part-time employees contributed to the decrease in scheduled cash earnings: and therefore, although scheduled cash ernings of regular workers decreased, the rate of decrease was reduced. The reasons behind this include the slight increase in the number of companies which had raised wages of full-time employees, reflecting the economic recovery. Also, the 0.6% increase in scheduled hours worked of part-time employees is assumed to have influenced this change.
Bonuses, which account for the majority of special cash earnings, increased by 1.0% for the fist time in three years in summer, whereas they decreased by 1.3% in winter compared with the previous year, recording a decline for seven consecutive years.
The movement of wages is closely related to corporate profits; however, there is a time lag between the improvement of corporate profits and that of wages in recent years (Figure 8).

Hours Worked Trends

Total hours worked in 2003 stayed unchanged from the previous year. Scheduled hours worked decreased 0.4% from the previous year, reducing the width of its decline, and the width of increase of non-scheduled hours worked expanded at 4.8%, reflecting the economic recovery.
Non-scheduled hours worked (seasonally adjusted) in the manufacturing industry surpassed the level of the fourth quarter (October-December) 2000, the peak of the previous economic recovery, and the first quarter (January –March) of 2003, reflecting production trends (Figure 9).
Scheduled hours worked decreased throughout the year, except for the second quarter (April-June), although the width of decline reduced. This was affected by an increase in scheduled hours worked of part-time employees for the first time in three years.

Table 7 Trends in Level of Contribution to Cash Earnings Rise by Element

(Units: Yen, %)

Year/Period	Total cash earnings	(full-time employees)	(part-time employees)	Contractual cash earnings	Scheduled cash earnings	Non-scheduled cash earnings	Special cash earnings	Real Wages
Amount								
2000	355,474	421,195	95,226	283,846	265,062	18,784	71,628	
2001	351,335	419,480	94,074	281,882	263,882	18,000	69,453	
2002	343,480	413,752	93,234	278,933	261,046	17,887	64,547	
2003	341,898	414,089	94,026	278,747	260,153	18,594	63,151	
Difference from the previous year								
2000	0.1	1.0	3.2	0.5 (0.4)	0.3 (0.2)	4.0 (0.2)	-1.5 (-0.3)	1.0
2001	-1.5	-0.5	-0.5	-1.1 (-0.9)	-0.8 (-0.6)	-4.5 (-0.3)	-3.3 (-0.6)	-0.6
2002	-2.9	-1.6	-3.0	-1.6 (-1.3)	-1.7 (-1.3)	-1.3 (0.0)	-7.8 (-1.6)	-1.8
2003	-0.8	0.0	0.7	-0.5 (-0.4)	-0.8 (-0.6)	3.6 (0.2)	-2.5 (-0.4)	-0.6
Difference from the same period of the previous year								
2002 Ⅰ	-2.4	-1.3	-2.8	-1.8 (-1.7)	-1.6 (-1.4)	-6.3 (-0.3)	-12.0 (-0.7)	-0.7
Ⅱ	-3.0	-1.6	-3.0	-2.1 (-1.7)	-2.1 (-1.6)	-3.3 (-0.1)	-6.2 (-1.3)	-1.9
Ⅲ	-3.9	-2.9	-2.9	-1.6 (-1.3)	-1.7 (-1.3)	0.3 (0.0)	-14.8 (-2.5)	-3.0
Ⅳ	-2.2	-0.9	-3.3	-1.2 (-0.8)	-1.5 (-1.0)	4.5 (0.1)	-4.7 (-1.3)	-1.6
2003 Ⅰ	-1.2	-0.4	0.3	-0.5 (-0.5)	-0.7 (-0.6)	4.7 (0.1)	-13.2 (-0.7)	-0.8
Ⅱ	0.6	1.4	1.0	-0.4 (-0.3)	-0.5 (-0.4)	2.9 (0.1)	4.7 (1.0)	0.8
Ⅲ	-1.7	-0.9	0.4	-0.4 (-0.3)	-0.6 (-0.5)	3.7 (0.1)	-8.4 (-1.4)	-1.5
Ⅳ	-1.3	-0.3	0.8	-0.7 (-0.5)	-1.0 (-0.7)	3.0 (0.2)	-2.5 (-0.8)	-1.0

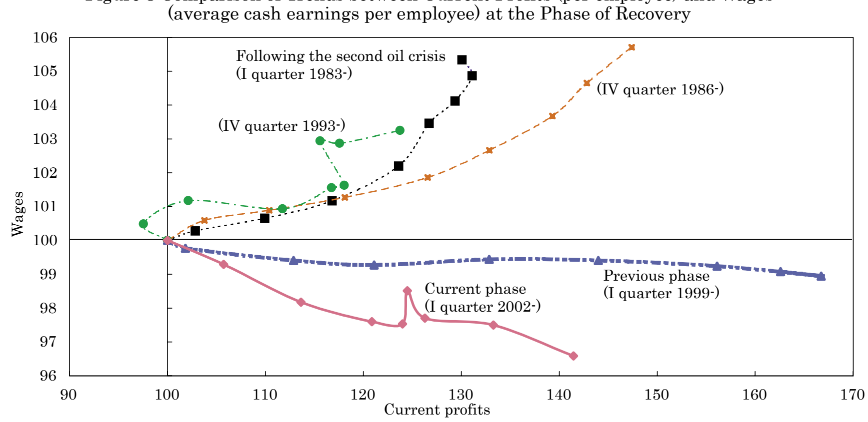
Source: MHLW, "Monthly Labour Survey"

Notes: 1) Figures in brackets represent the level of contribution to a change in the total cash earnings from the previous year (or the same quarter in the previous year), calculated by the Office of Counselor in charge of Labour Policy, MHLW. The total change from the previous year of wage types equals a change in the cash earnings compared with the previous year. (However, they are not always an exact total due to the rounding off of numbers.)

2) The figures are the average for the whole industries covering establishments with five or more regular employees.

3) The rates of increase from the previous year are calculated using index figures by correcting gaps and others which are generated from the change in the extracted subjects.

Figure 8 Comparison of Trends between Current Profits (per employee) and Wages (average cash earnings per employee) at the Phase of Recovery



Source: MHLW, "Monthly Labour Survey", Ministry of Finance, "Financial Statements Statistics of Corporation by Industries, Quarterly"

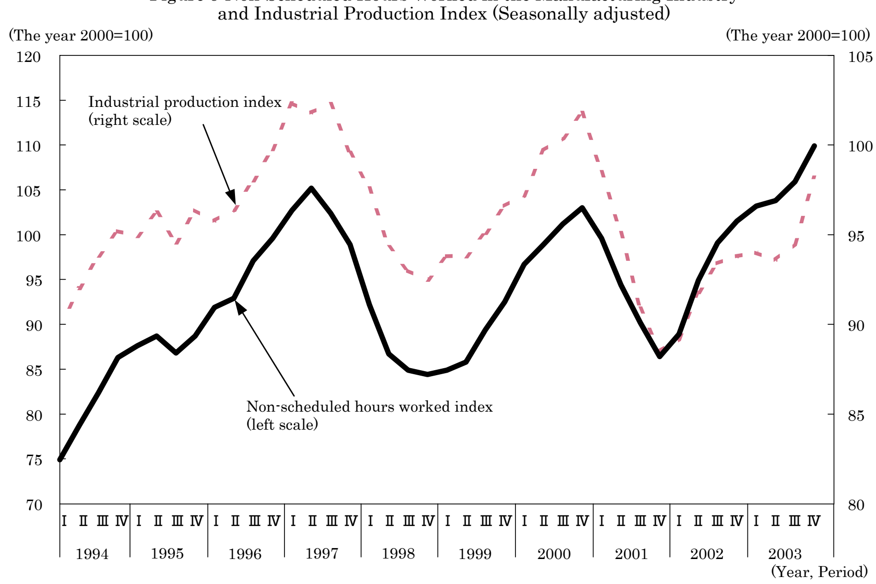
Notes: 1) The total surveyed industries, establishments with thirty or more regular employees ("Monthly Labour Survey", Ministry of Finance). All industries, all sizes ("Financial Statements Statistics of Corporation by Industries, Quarterly")

2) Changes following the trough by using the trough as base=100. For comparison with the values at this phase (until the first quarter of 2004), figures for eight quarters following the trough in each phase are used.

3) Current profits (per employee) is expressed in the values of average change in the latter three quarters computed by dividing current profits (seasonally adjusted) by the number of employees (seasonally adjusted). However, the seasonal adjustments of current profits following the second oil crisis and those of the number of employees were calculated by the Office of Counselor in charge of Labour Policy, MHLW.

4) Cash earnings are the average change in the latter three quarters of the Wage Index (total cash earnings, seasonally adjusted)

Figure 9 Non-Scheduled Hours Worked in the Manufacturing Industry and Industrial Production Index (Seasonally adjusted)



Source: MHLW "Monthly Labour Survey" (Manufacturing Industry), Ministry of Economy, Trade and Industry (METI) "Indices of Industrial Production"

Notes: Covering establishments with five or more regular employees ("Monthly Labour Survey")

Chapter 3 Prices and Worker's Household Expenditure Trends

Consumer Prices have decreased for the fifth consecutive year, and Domestic Corporate Goods Prices dropped three years in a row. However, the width of the decline reduces in both cases, demonstrating moderate deflation.
Household consumption in terms of the average for 2003 showed a decrease for the sixth straight year. By quarter, however, household consumption in the fourth quarter showed a gain over the same period of the previous year, a sign of recovery, as consumer sentiment began to improve.

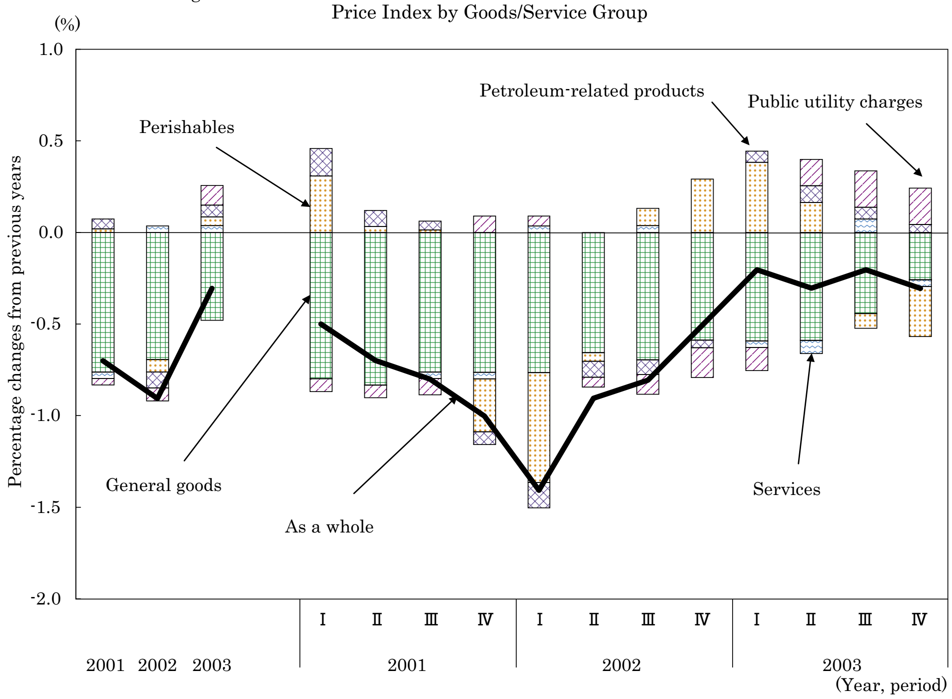
Price Trends

In terms of prices in 2003, Consumer Prices have fallen for the fifth consecutive year, and Domestic Corporate Goods Prices fallen three years in a row. However, the width of the decline in both cases reduced. However, the smaller width of decline in Consumer Prices was partly affected by temporary factors of buoyancy accompanied by poor rice crops and systematic changes; and therefore, the overall price trends indicate a moderate deflation.
Domestic Corporate Goods Prices continued to fall in 2003, resulting in a fall for three consecutive years. However, the extent of the drop was smaller than the previous year, due partly to the following factors: Prices of materials such as steel, chemical products, and nonferrous metals rose in response to a rise in the international commodity markets reflecting the demand expansion of the world economy, particularly that of China; and the price of petroleum and coal products went up due to the higher crude oil price.
Consumer Prices in 2003 fell for the fifth consecutive year; however, the size of the reduction decreased (Figure 10). The main reason for this was a rise in the price of petroleum-related products and public utility charges, while, on the other hand, the prices of durable goods such as personal computers and household electrical appliances, fabric products such as clothes as well as food industry products continued to follow a declining trend.

Worker's Household Expenditure Trends

The living expenditures of worker's households in 2003 decreased by 1.5% in nominal terms and by 1.2% in real terms compared with the previous year. This was the sixth straight annual drop, and the percentage decline also widened in both categories (Table 11). The quarter to quarter trend, however, showed signs of picking up, reflecting the improvement of consumer sentiment.
In 2003 the propensity to consume was 74.0%, an increase for the second straight year. This was due to the fact that while disposable income decreased a nominal 2.7% compared to the previous year and continued to decrease for the second consecutive year, living expenditures did not decrease to the same extent, and the downward trend was marginalized. The inference from this is that there has been an improvement in consumer sentiment and also that the level of consumption does not decline immediately when household income declines.
On the supply side, retail sales in 2003 fell 1.9% from the previous year, a decline for the seventh straight year, but the rate of decline was smaller than in the previous year. This reflected an upturn in sales by foods and drinks retailers and motor vehicle retailers.

Figure 10 Trends in Level of Contribution to Increase Rate of Consumer Price Index by Goods/Service Group



Source: Calculated by the Office of Counselor in charge of Labour Policy, MHLW, using "Consumer Price Index" of Statistics Bureau, MIC
Notes: Consumer price indexes are partially reclassified as follows:
General goods: Industrial products excluding petroleum-related products, rice, publications, etc.
Services: Services excluding public services
Perishables: Fresh vegetables, fresh fruits, fresh fish and shellfish, meat, etc.
Petroleum-related products: Kerosene, liquefied propane, gasoline, etc.
Public utility charges: Public services, electricity, gas, water supply

Table 11 Main Items of Worker's Household Expenditures (All Japan, Worker's Households) and Factors Contributing to Changes in Real Living Expenditure

(Unit: %)

Year/period	Living expenditure		Income			Propensity to consume	Consumer price index
				Disposable income	Non-living expenditures		
	Nominal	Real	Nominal	Nominal	Nominal		
Difference from the previous year [contribution to the real consumption expenditure]							
2001	-1.7	-0.8	-1.7 [-2.0]	-1.7	-1.9 [0.4]	72.1 [0.0]	-0.9 [0.9]
2002	-1.3	-0.2	-2.3 [-2.7]	-2.6	-0.8 [1.4]	73.1 [1.4]	-1.1 [1.1]
2003	-1.5	-1.2	-2.6 [-3.1]	-2.7	-2.0 [0.4]	74.0 [1.2]	-0.3 [0.3]
Difference from the same period of the previous year							
2003 I	-2.3	-2.0	-5.9	-6.2	-4.1	3.4	-0.3
II	-1.1	-0.9	-2.3	-2.5	-1.5	1.0	-0.2
III	-2.3	-2.0	-1.8	-1.0	-6.0	-1.1	-0.3
IV	-0.2	0.2	-0.8	-1.5	3.5	0.8	-0.4
Index (seasonally adjusted)							
2002 I	97.4	99.3	99.6	99.1		70.6	
II	97.6	99.5	96.3	96.1		73.0	
III	97.8	99.8	95.3	94.6		74.3	
IV	95.4	97.5	93.4	93.5		73.3	
2003 I	95.1	97.2	93.7	92.8		73.6	
II	96.6	98.8	93.9	94.2		73.8	
III	95.6	97.8	93.6	93.8		73.2	
IV	95.2	97.6	92.7	93.0		73.6	

Source: Calculated by the Office of Counselor in charge of Labour Policy, MHLW, using "Family Income and Expenditure Survey" and "Consumer Price Index" compiled by the Statistics Bureau of the MIC.
Notes: 1) In the "Difference from the previous year" column and "Index (seasonally adjusted)" column for "Propensity to consume," the levels are indicated, while in the "Difference from the same period of the previous year" column the point difference is indicated.
2) Consumer Price Index is the general, excluding the imputed rent.
3) The figures in [ ] are the degree of contribution to the rate of change of the real living expenditure (however, due to calculation error and rounding error, they do not always coincide).
Specifically, the calculation is as follows:

$C/P = Yd \cdot C/Yd \cdot (1/P)$ and $Yd = I - N = I(1-H)$ accordingly,

$$\underbrace{\dot{(C/P)}}_{\text{Rate of change of real living expenditure}} = \underbrace{\dot{I}}_{\text{Real income effect}} + \underbrace{\dot{(1-H)}}_{\text{Rate effect of proportion of non-living expenditure}} + \underbrace{\dot{(C/Yd)}}_{\text{Propensity to consume effect}} - \underbrace{\dot{P}}_{\text{Consumer price effect}}$$

C : Living expenditures
Yd : Nominal disposable income
P : Consumer price
I : Income
N : Non-living expenditures
H : Proportion of non-living expenditures (non-living expenditure / income)
The " ・ " over each variable indicates the rate of change of the difference from the previous year.
4) The "Family Income and Expenditure Survey" is based on two or more person households (excluding agricultural, forestry and fisheries households)