

Part II Assignments for the Realization of an Enriched Life through the Improvement of Quality of Employment
Chapter 1 Economic and Social Changes and Current Situations of Employment
Section 1 Economic and Social Changes surrounding Employment

Some changes have emerged as a result of the change in the population structure such as the rapid advent of the aging society with fewer children and the decline in the productive-age population. And they include an increase in the percentage of female and elderly workers. Changes are also occurring in the economy and society, including the globalization of the economy and advancement of information and communications technologies and service economies. Furthermore, changes are found in the quality of the employees sought by corporations, and human resources with specialty areas are in higher demand; and at the same time, working patterns have been diversified represented by an increase in non-regular employees. Amid changes in the economy and society, it is now necessary to add higher values to human resources appropriately.

Mid and Long-Term Changes in Economy and Society

The Japanese economy is on the verge of recovery. This economic recovery is propelled by an increase in exports along with an increase in foreign demand due to the foreign recovery in areas such as Asia and the United States. Its steady recovery is also aided by an increase in domestic demand for capital expenditure represented by IT investments of the corporate sector. A positive real growth rate was recorded in 2003, reducing the magnitude of the decline in nominal growth rate down to - 0.1% (Figure 12).

Japan has been experiencing a rapid growth in the aging population and fewer children, and the total population is expected to reach its peak in the year 2006, followed by a decline. Coupled with that, it is prognosticated that the productive-age population, between 15 and 64 years of age, who constitute the majority of the labour force supply will consistently decrease in the future (Figure 13).

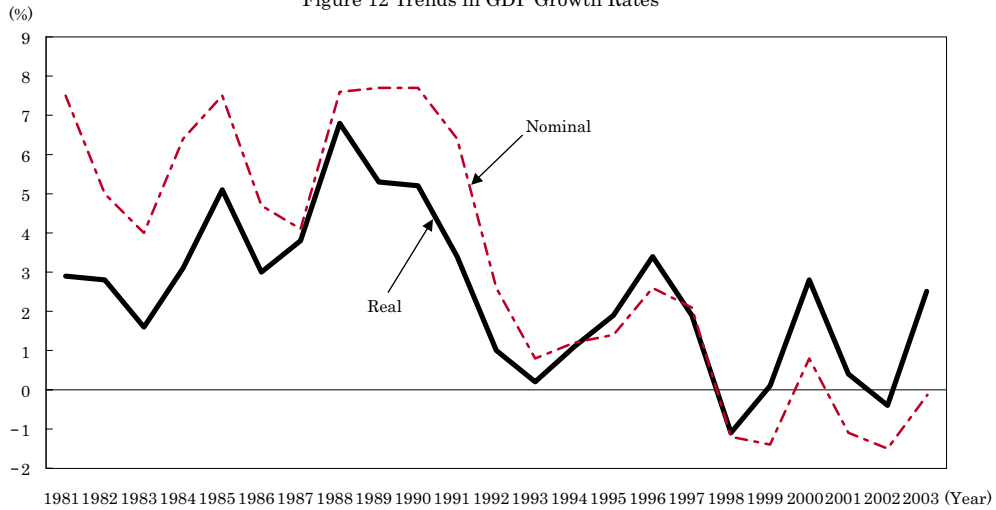
The Japanese Economy Increasingly Strengthens its Relationship with the World Economy

In recent years, Japan has been strengthening its relationship with the world economy. Looking at the trends by region, the share of the United States and Europe is on the decline in terms of both imports and exports, whereas that of Asia has been increasing. Due to recent rapid economic growth in China, trade with China in particular has been increasing.

Further development of the division of labour on an international scale is believed to exist behind such changes to the trade structure: specifically, corporations have been trying to increase overseas production and imports of labor-intensive goods and low value-added products, whose price competitiveness has weakened because of the appreciation of the Japanese yen following the Plaza Agreement in 1985, and they have been shifting from domestic products or exports to more value-added products.

External direct investments have been on the rise along with the appreciation of the Japanese yen throughout the first and second oil crises and the Plaza Agreement, affected by the change in the exchange rate system from a fixed to a more flexible one in February 1973 (Figure 14). Moreover, corporations have been increasing overseas production focusing on matured technology goods, whereas many products requiring highly advanced production technologies are produced domestically; thus, some signs of return of factories back to Japan have appeared in recent years.

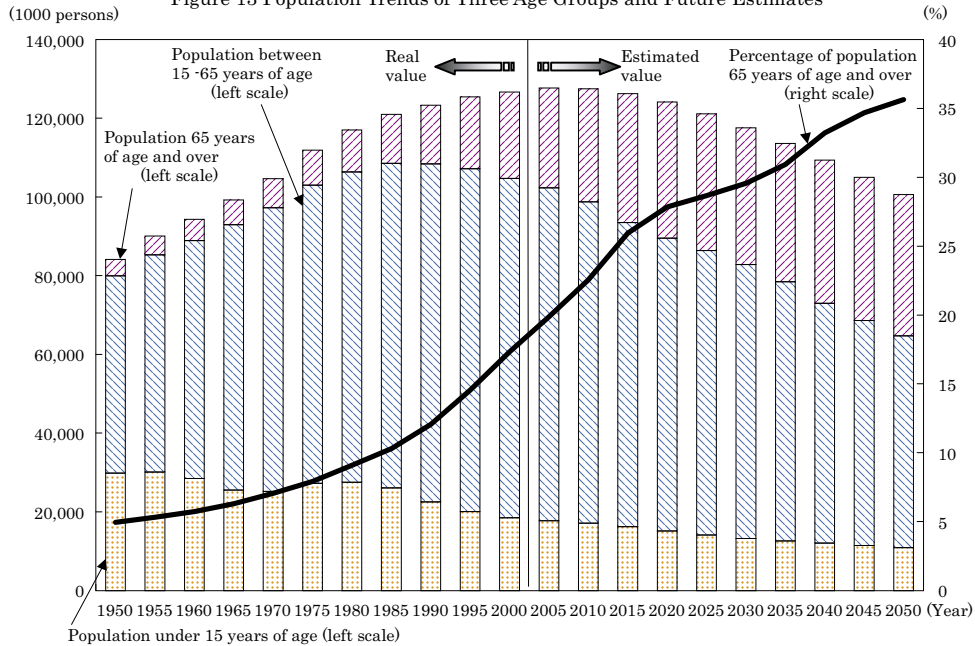
Figure 12 Trends in GDP Growth Rates



1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 (Year)

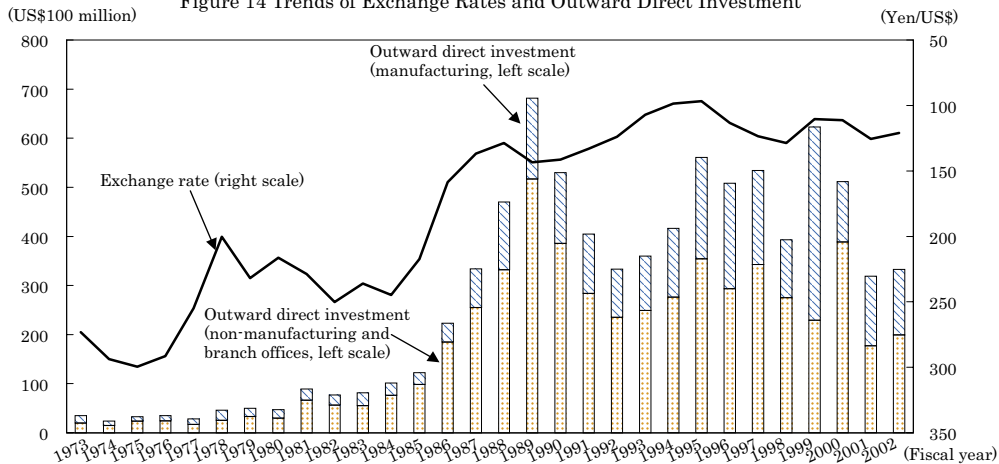
Source: Cabinet Office "National Accounts"
 Notes: Definite data prior to 2001, revised definite data for 2002, and preliminary data for 2003 (Secondary: First quarter (January-March) 2004).

Figure 13 Population Trends of Three Age Groups and Future Estimates



Source: Statistics Bureau, MIC "Population Census"
 National Institute of Population and Social Security Research, "Population Projections of Japan"
 (January of 2002 estimation: median estimation)

Figure 14 Trends of Exchange Rates and Outward Direct Investment



Source: Ministry of Finance, "Outward Direct Investment"
 Bank of Japan, "Foreign Exchange Rate"

Notes: 1) Annual average of exchange rates is calculated using monthly data of Interbank spot rates of Tokyo market
 2) Values of outward direct investment after 1989 are calculated by multiplying disclosed values (Japanese yen) by exchange rates defined by this document.

Development of Information and Service Economy

The development of information can bring about economic effects in two ways: one, through the development of information technology infrastructure, and the other, through the use of such infrastructure. The former has shown a higher rate of growth than the mining and manufacturing industries; due to an increase in the production of information technology-related products caused by an increased demand for new equipment and services: for example, a rapid increase in demand for broadband and cellular phones with photographic capabilities (Figure 15). The latter has shown steady economic effects induced by an advancement of information technologies because the increase in consumption is led by digital electric appliances such as DVDs, which represent the effect of the information and communications related technologies.

The service economy has also been developing. Due to an increase in weight of non-production sectors such as research and development and marketing, and outsourcing of operations, more temporary workers and workers on lease from staffing agencies have been utilized. Health and medical services and communications services, have increased due to an improvement in income standards, advancement of the aging society, outsourcing of household chores due to an increased number of working women, etc.

Changes in the Industrial Structure and Employment Structure

Amid decreasing numbers of workers in recent years, the share of women and those 50 years of age and over has been growing, and the workers' education level has been rising.

In addition, the industrial structure has changed. Looking at the composition of industries, the number of people working in primary and secondary industries is decreasing, while those in tertiary industries, mainly the service industry, is increasing (Figure 16). Due to an aging society, and the advancement of the information and service economies in the future, the numbers employed in tertiary industries is expected to grow.

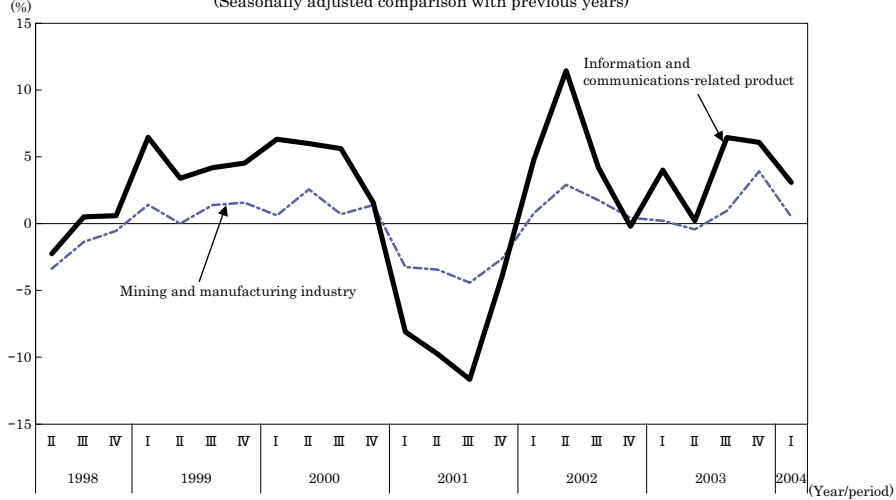
When looking at the data by working patterns, the number of clerical and related worker, manager and official, crafts man and manufacturing and construction worker, and labourer decreased during 1995 and 2000, but sales worker remained steady, and professional and technical worker and service worker increased and the rate of increase has accelerated during the economic recovery in the years from 2001 to 2003 (Figure 17). Looking at occupations that have recorded high growth rates by sub-classification of job types, clerical and related worker, manager and official, crafts man and manufacturing and construction worker, and labourer were among top of the list during the 1970s; however, in the 1990s many professional jobs requiring highly advanced knowledge and skills and interpersonal services emphasizing personality and competency of individual workers came top of the list, indicating highly professional human resources are needed. Thus, value addition of proper human resources is to be sought in the future.

Diversification of Working Patterns

As for the working patterns, while the number of regular employees and staff has been on the decline since 1997, that of non-regular employees and staff has increased; the share of non-regular employees and staff accounted for 28.1% of the total number of employed personnel on average in 2003. When looking at the data by industry, the share of non-regular employees and staff is large in "wholesale/retail trade, and eating and drinking places" industries, and "service" industries, etc.

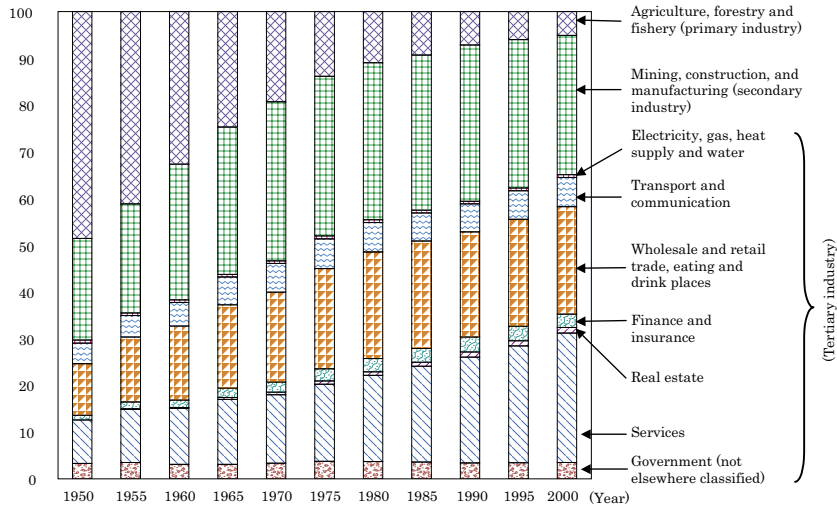
Working patterns are expected to be even more diversified in the future, affected by the change in the economy and society represented by the renovation of information and communications technologies and development of a service economy; diversification of working patterns will be facilitated in order to respond to the needs of corporations and those of employees in terms of securing a highly skilled and adaptable workforce, and ensuring employment flexibility in view of the reduction of labour costs and employment, etc.

Figure 15 Trends in Production of Information and Communications Technology-Related Products in the Mining and Manufacturing Industry (Seasonally adjusted comparison with previous years)



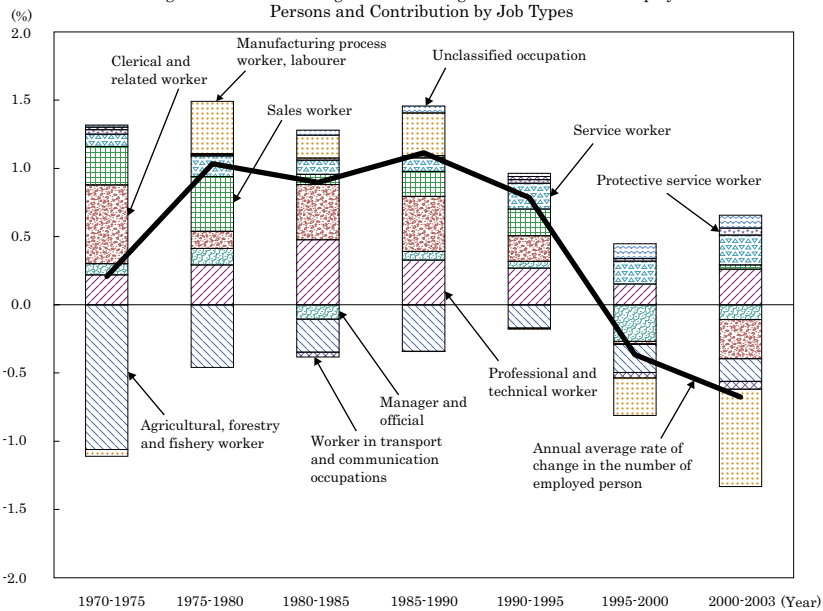
Source: Calculated by the Office of Counselor in charge of Labour Policy, MHLW, using METI "Industrial Production Index"
 Note: 1) Information and communications technology-related products include office machinery, batteries, communication equipment, electronic computers, electronic parts, semiconductor devices, integrated circuits, and semiconductor parts.
 2) Production index of information and communications technology-related products is obtained by subtracting the aggregated values of the weighted added value in each category from the aggregated values of production index in each category \times weighted added value in each category.

Figure 16 Trends of the Share of the Number of Employed Persons in Each Industrial Sector



Source: Statistics Bureau, MIC, "Population Census"

Figure 17 Annual Average Rate of Change in the Number of Employed Persons and Contribution by Job Types



Source: Statistics Bureau, MIC "Labour Force Survey" (2000-2003)
 "Population Census" (prior to 2000)

Section 2 Economic and Social Changes and Working Life

When looking at the effect of changes in the economy and society on the working life, wages have been on the decline and the wage dispersion has become wider. The overall income level, on the basis of a household unit, has declined and income discrepancies have grown. Both percentages of those who have long hours worked and short hours worked have increased, resulting in dispersion. In particular, the percentage rise of long hours worked is most common for males in their prime.

The number of fatalities and injuries caused by industrial accidents has declined in the long-term; however, the number of people who feel fatigue and stress from work is on the increase. Amid the increasing number of unemployed and long-term unemployed, there are growing concerns about employment.

Decline in Wage Level Affected by the Downward Pressure on Wage Cost

Following the long-term increase in wage levels, the real wage level per hour in Japan has turned into a decline trend since 1997 affected by growing downward pressure on wage costs amid the intensifying corporate competition under the deflationary economy (Figure 18).

When looking at this by industry, the wage level in manufacturing has still increased even after 1997, whereas that of wholesale and retail trade, eating and drinking places, transport and communications, and construction has declined significantly. Looking at it by occupation type, the level of annual income does not necessarily move in tandem with the change in the number of employees. Among the occupations with increasing number of employees, the annual income level of professional and technical workers increased (median value, estimated value); however, those of sales workers and those of service workers declined. When wage levels are compared to the United States and the United Kingdom, there are many professional and technical occupations with relatively lower wage levels in Japan. It is therefore necessary to acknowledge that the wage level of Japan is still less attractive than these countries, despite the fact that Japan has yet to form the external labour market.

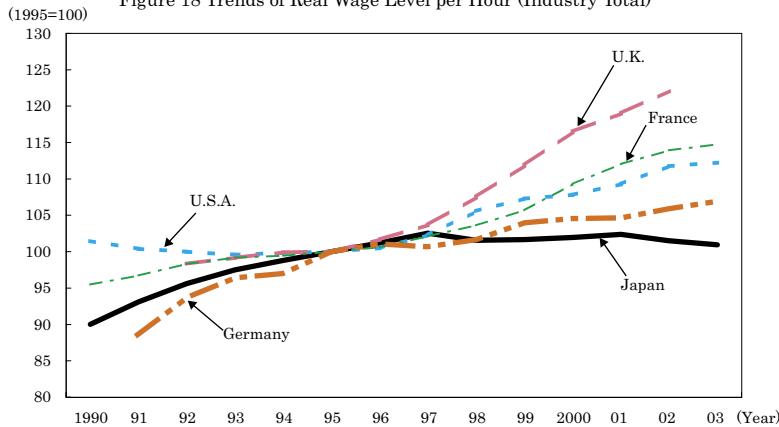
Increasing Wage Dispersion

When looking at hourly wages of employees, the wage dispersion has become increased. This is presumably caused by the following factors: An increase in the share of part-time employees with relatively low wage rates; and increasing wage differences between full-time employees and part-time employees (Figure 19). By industry, the gap in the wholesale/retail trade and restaurant industry has widened.

The spread of annual income has also been on the rise similar to the hourly wage. When looking at the spread of annual income between regular and part-time employees and the spread by occupations, the share of regular professional and technical workers with an annual income of 5 million yen or more is increasing, and the share of part-time employees engaged in services, sales, and clerical works in an annual income bracket of 1.0 to 1.49 million yen is increasing (Figure 20).

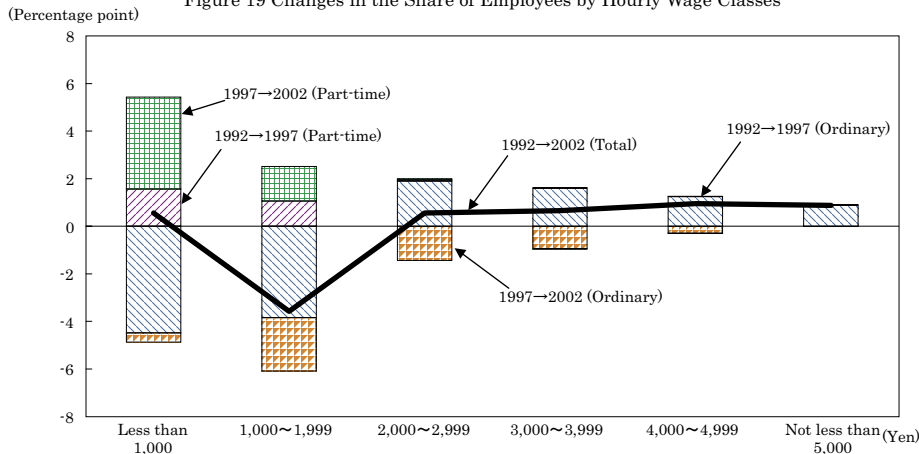
From this, it seems fair to conclude that the following factors have contributed to the wage dispersion: An increase in the number of relatively well-paid regular workers in, for example, professional and technical workers that require highly advanced knowledge and skills; and an increase in the number of relatively low-paid part-time employees in occupations that are stereotypically related to interpersonal operations and labour services, such as sales workers and service workers.

Figure 18 Trends of Real Wage Level per Hour (Industry Total)



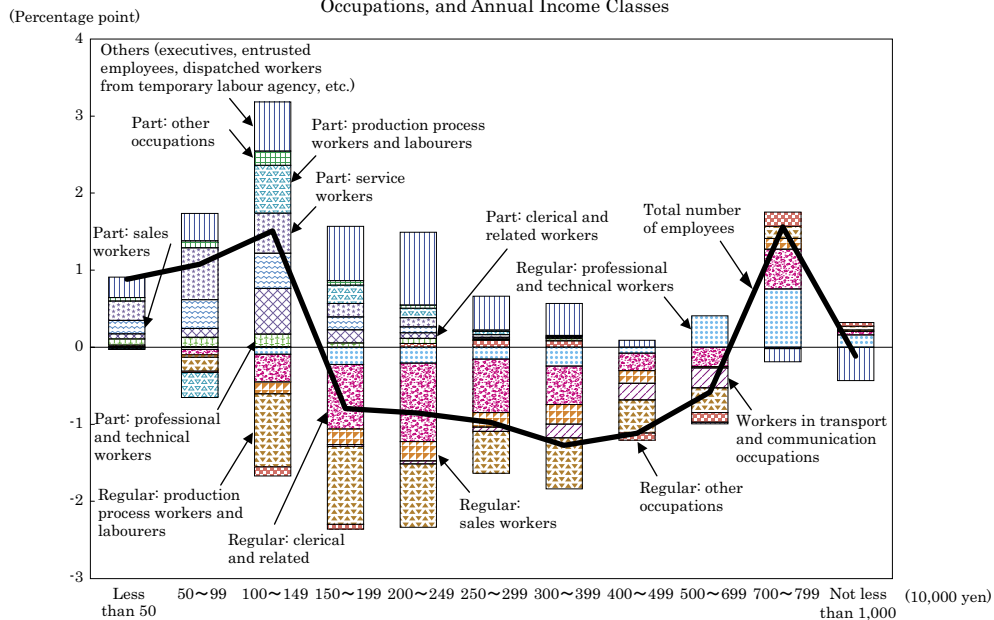
Source: Japan: Calculated by the Office of Counselor in charge of Labour Policy, MHLW, using MHLW "Monthly Labour Survey"
 U.S.A.: Calculated by the Office of Counselor in charge of Labour Policy, MHLW, using Bureau of Labor Statistics "Current Employment Statistics Survey" and ILO "Yearbook of Labour Statistics"
 U.K.: Calculated by the Office of Counselor in charge of Labour Policy, MHLW, using Office for National Statistics "Average Earnings Index" "Labour Force Survey", ILO "Yearbook of Labour Statistics"
 France and Germany: Calculated by the Office of Counselor in charge of Labour Policy, MHLW, using Cabinet Office "Foreign Economic Data"
 Notes: 1) Japan: establishments with five employees or more
 2) U.S.A.: Figures of productive employees excluding agriculture
 3) France: Figures of all industries excluding construction

Figure 19 Changes in the Share of Employees by Hourly Wage Classes



Source: Specially calculated by the Office of Counselor in charge of Labour Policy, MHLW, using MHLW "Basic Survey on Wage Structure"

Figure 20 Changes in the Share of Employees by Employment Patterns, Occupations, and Annual Income Classes



Source: Calculated by the Office of Counselor in charge of Labour Policy, MHLW, using Statistics Bureau, MIC "Employment Status Survey"
 Notes: 1) Figures in the item "¥3-3.99 million" of part-time are those for employees with more than ¥3 million of annual income
 2) The term 'regular' indicates the regular staffs. The term 'part' indicates the part-time workers and temporary workers.