

# **Analysis of the Labour Economy 2013 Summary**

## **(White Paper on the Labour Economy 2013)**

- Employment, Human Resource and Ways of Working in the Midst of Structural Change –

The employment structures in Japan have been changing in line with the growth of the service economy. In order for Japan to promote sustainable growth and to expand employment and income in the midst of changes including the slowed economic growth and globalization, it is necessary for both companies and workers to adjust themselves to the structural changes. In the "Analysis of the Labour Economy 2013," the analysis focuses on the strengthening of competitiveness through development of industries and securing and development of human resources who will contribute to growth, as well as on the necessity of establishing the ways of working which generate motivation and realize the potential ability of workers and revitalize companies.

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# Outline of the Analysis of the Labour Economy 2013 (White Paper on the Labour Economy 2013)

~ Employment, Human Resource and Ways of Working in the Midst of Structural Change ~

The employment structures in Japan have been changing in line with the growth of service economy. In order for Japan to promote sustainable growth and to expand employment and income in the midst of changes including slowed economic growth and globalization, it is necessary for both companies and workers to adjust themselves to the structural changes. In the White Paper, the analysis focuses on the strengthening of competitiveness through development of industries and securing and development of human resources who will contribute to growth, as well as on the necessity of establishing the ways of working which generate motivation and realize the potential ability of workers and revitalize companies.

## Chapter 1. Trends and features of the labour economy

### **The analysis focuses on the recent employment situation and trends of wages and workers' household expenditures**

- The ratio of active job openings to active job applicants was 0.80, and the unemployment rate was 4.3% in 2012; the employment situation is thus showing movements of improvement recently, although it still remains severe (Figure 1).
- Looking at the total sum of cash earnings of full-time workers, we can see that the scheduled wages remains at the same level, and the special wages can be more variable (Figure 2). In the labour-management negotiations in the spring of 2013, some companies agreed on a bonus increase, as their business performance was improving.
- The consumption expenditure of workers' households increased in 2012 for the first time in two years, partially thanks to the eco-car subsidy program. Consumer confidence has improved from January, 2013, as consumer expectations have become higher mainly in terms of the employment environment.

## Chapter 2. Change of Japanese economy and employment structure

### **The analysis focuses on economic growth, structural changes and trends of manufacturing industries**

- In line with the further expansion of the service economy, the employment structure also shows the trend toward the service economy. Tertiary industry increased its share in total employment.
- Since 2001, the gap between the entry rate and the exit rate has been closing. It is necessary for the whole government to make efforts toward economic growth and to create employment, by increasing the entry rate through creation of new businesses in strategic fields, etc.
- Through exporting, the manufacturing industry is creating employment not only in the manufacturing industry but also in non-manufacturing industries, thus plays an important role in terms of the employment (Figure 5). In the future, it will be important to create value added through such means as entry into new industrial fields, and to secure competitiveness through development of human resources, etc. (Figure 6).
- The tasks for all the industries are to improve productivity of the service industry, etc., to create and maintain high value-added industries, and to change the industrial structure through labour mobility without unemployment.

## Chapter 3. Changes in acquisition and development of human resources in the labour market

### **The analysis focuses on human resources sought by companies and actual conditions of non-regular employment**

- In order to assist employment of young people, companies should make further efforts to more clearly, define what kind of human resources they are seeking, and universities should endeavor to improve students' abilities and promote student internships. The government should promote strengthening of collaboration and information sharing among organizations of small and medium-sized enterprises, Hello Works, universities, and other entities.
- During the period of 25 years from 1985 to 2010, while regular employment has not been decreasing, the ratio of non-regular employees increased, owing to the increase of non-regular employment in many industries, which resulted from the measures taken by the labour demand side in saving human cost and in dealing with business fluctuation (Figure 7). Most of the non-regular employees are fixed-term employees. The fixed-term employees account for 28% of all employees, and it is expected that more employees will move from fixed-term employment to permanent (or non-fixed term) employment.
- From the companies' viewpoint of motivating employees and improving productivity through securing of human resources and increasing their stability, and from the workers' viewpoint of developing careers of non-regular employees and securing more stable employment, we need to facilitate "diversified ways of working" which will lead to the expansion of employment and income through growth.

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

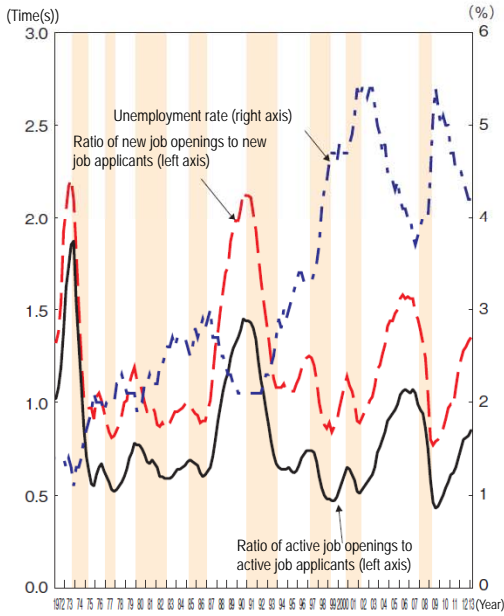


Figure 2: Transition of the breakdown of total sum of cash earnings of full-time workers

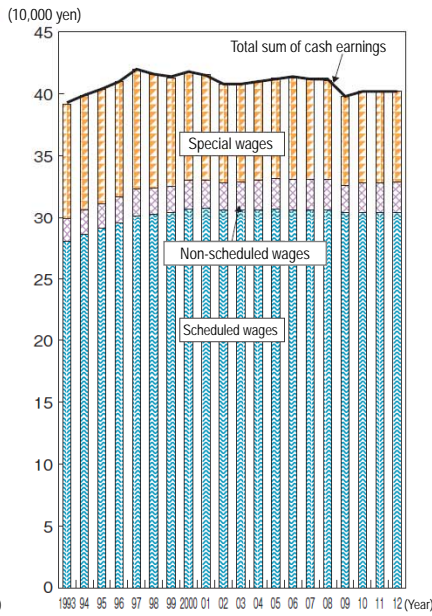


Figure 3: Transition of the consumer confidence index

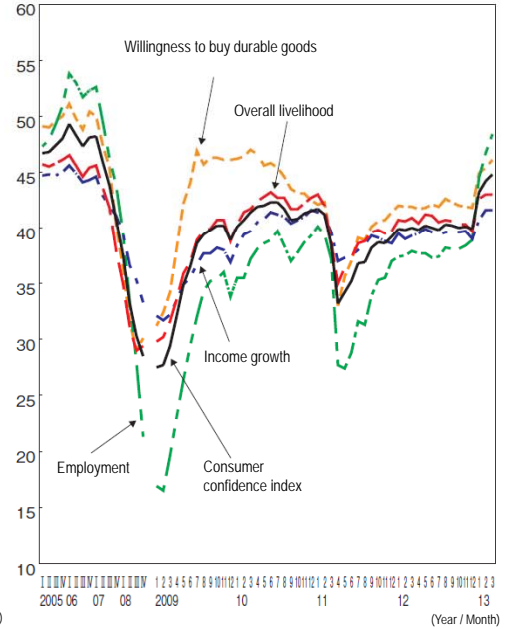


Figure 4: Transition of employment composition by industry

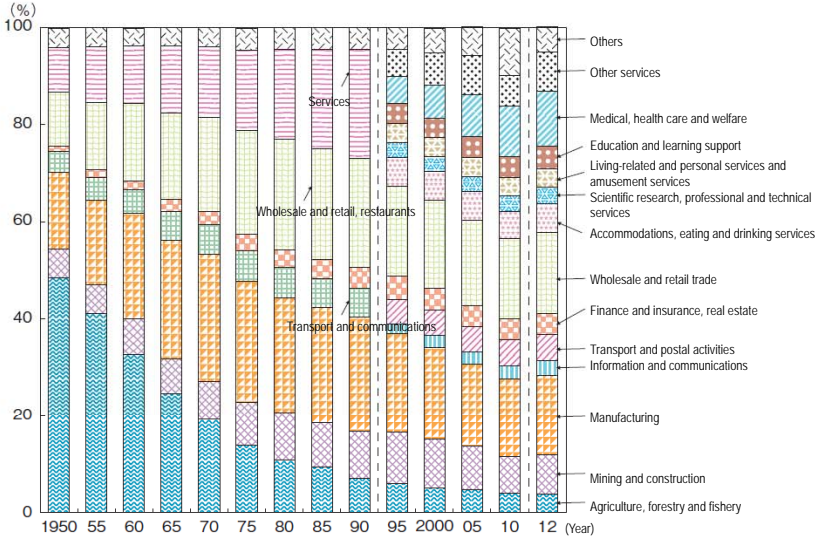


Figure 5: Employment creation effects through export from the manufacturing and non-manufacturing industries

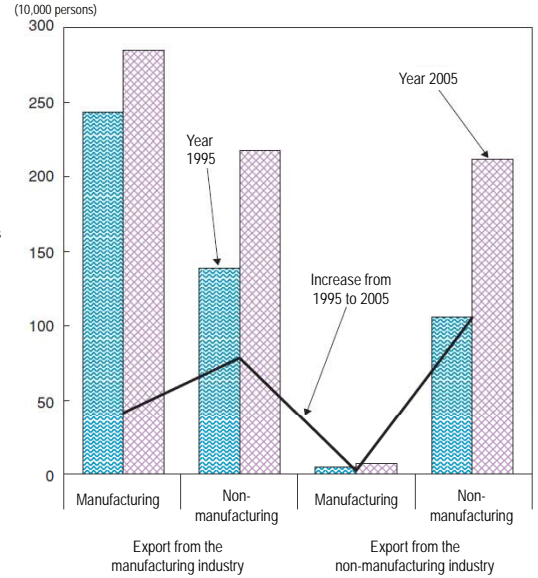


Figure 6: Source of competitiveness according to companies' views

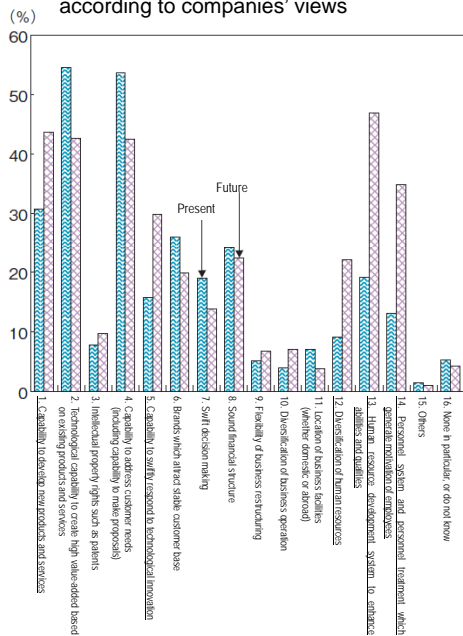
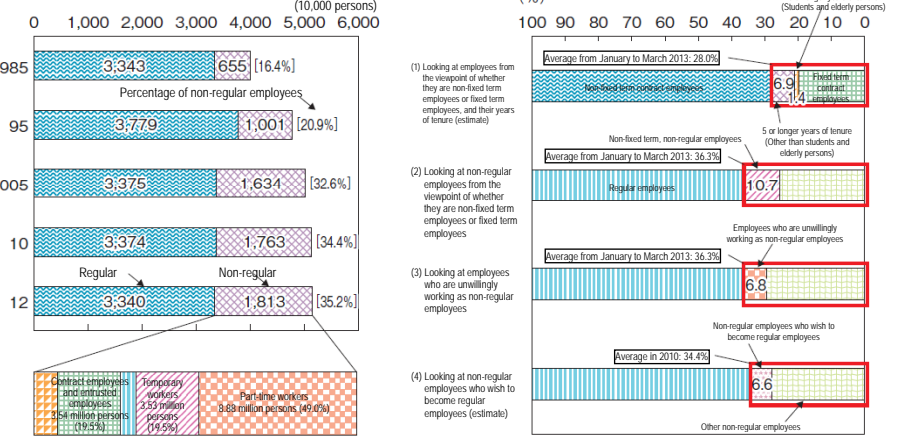


Figure 7: Transition of employees and breakdown of employees by employment type



## Chapter 1. Trends and features of the labour economy

### Section 1. Trends of general economy, employment and unemployment

In the process of economic recovery after the financial crisis in the autumn of 2008, the Japanese economy suffered stagnation of production and declining of corporate profits, due to the Great East Japan Earthquake and the continued strengthening of Japanese yen; after that, however, it has began to show a tendency of recovery once again, thanks to the reconstruction demand and various policy effects. In 2012, the manufacturing industry was affected by the slowdown of the world economy and rebound from the policy effects, leading to a decline of production, etc., but the recovery trend has come back. As for the employment situation in 2012, the ratio of active job openings to active job applicants was 0.80, up 0.15 from the last year, and the unemployment rate was 4.3% in 2012, down 0.3 from the last year; the employment situation is showing movements of improvement recently, although it still remains severe.

With respect to the workers' households, the income of householder's spouse reached the highest ever, owing to the decline of householders' income and labour participation of spouse's; it is necessary for us to further promote the improvement of environment where it is easier for job seekers to find the jobs they wish for.

Also, 2012 was the year when the baby boomer generation (born 1947 to 1949) reached their 65 for the first time. Due to the Partial Amendment to Law on Stabilization of Employment of Elderly Persons (hereinafter referred to as the "Elderly Persons Employment Stabilization Law"), the employment of persons aged 60 to 64 tends to increase by 2010, compared to 2005. Although there may be other factors including economic trends, the reduction of labour force is alleviated in 2012 as well, due to the increase of labour force participation ratio of the persons aged 65 to 69. It is important for us to promote the policy measures for improvement of employment environment, so that elderly people can continue their work according to their willingness and abilities.

As for the employment environment in the area affected by the Great East Japan Earthquake, the ratio of active job openings to active job applicants, etc. were improved thanks to such factors as the reconstruction demand, and fulfillment of job openings is an important issue. Shortage of construction workers still remains a problem in the coastal areas, and it is also important to eliminate the labour mismatch in the marine product processing industry. In line with the reconstruction of the whole affected area, we need to improve the factors preventing employment and to support fulfillment of job openings and smooth hiring, through detailed assistance at Hello Works.

#### **(The employment situation is showing movements of improvement recently, although it still remains severe)**

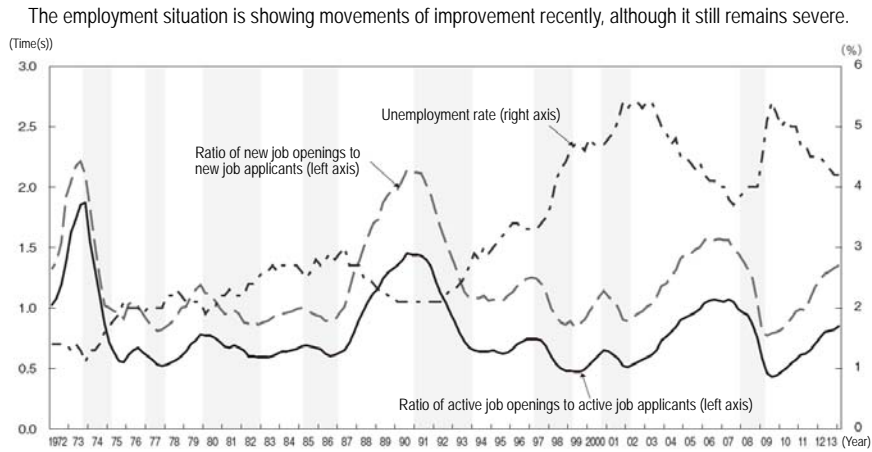
Although the Japanese economy was affected by the slowdown of the world economy in 2012, the economic trend is picking up at a moderate pace in 2013. With this situation in mind, when looking at the transition of the unemployment rate (seasonally adjusted) and the ratio of job openings to job applicants (seasonally adjusted) under Figure 1, we can see that the unemployment rate increased to 5.4% in the period from July to September 2009, but is showing the tendency of decline in line with the recovery of the economic trend. In the first half of 2011, the rate temporarily ceased to improve partly due to the Great East Japan Earthquake, but declined to 4.2% in the period from October to December 2012 and remained at 4.2% in the period from January to March 2013.

The ratio of new job openings to new job applicants declined to 0.77, the lowest ever recorded, in the period from April to June 2009; however, the ratio increased to 1.08 in the period from July to September 2011, exceeding 1 for the first time in 11 quarters, 1.33 in the period from October to December 2012 and 1.35 in the period from January to March 2013. Similarly, the ratio of active job openings to active job applicants declined to 0.43, the lowest ever recorded, in the period from July to September 2009; however, thereafter the ratio increased to 0.82 in the period from October to December 2012 and 0.85 in the period from January to March 2013, showing a tendency of recovery.

#### **(Income of householders' spouses increased thanks to an increase of working hours of wives)**

In 2012, the monthly income of the wives of workers' households was 59,177 yen, up 11.5% compared to the last year, which was the highest ever by amount. Looking at the employment form of the householder's spouse, part-time workers accounted for the largest portion (5.47 million persons in 2012; 46.8% of all employees excluding executives) among others, followed by regular employees (4.36 million persons in 2012; 37.3%), both of these employment forms showing a tendency of increase. Figure 2 shows the average weekly working hours of wives from the households whose husbands are employees excluding executives; the average tends to increase if unemployed persons and non-labour force are included, but largely remain at the same level if unemployed persons and the non-labour force are excluded from all wives.

**Figure 1: Transition of the unemployment rate and the ratio of job openings to job applicants (seasonally adjusted)**

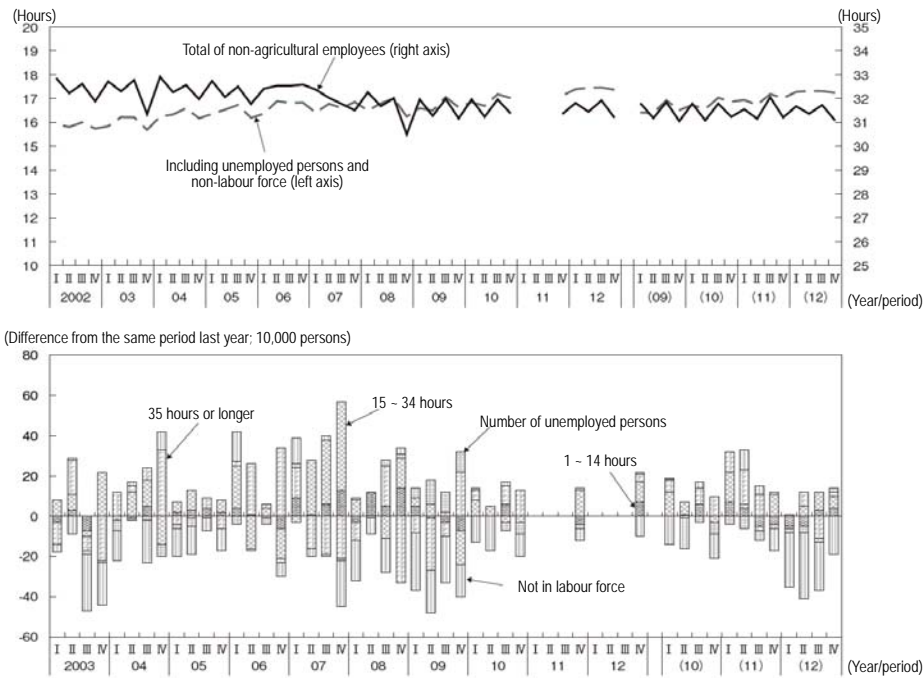


Source: "Report on Employment Service," Ministry of Health, Labour and Welfare (MHLW); "Labour Force Survey," Statistics Bureau, Ministry of Internal Affairs and Communications (MIC)

(Note) 1) The data is quarterly average (seasonally adjusted). The shadowed part in the graph indicates a recession period.  
 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

**Figure 2: Transition of the weekly working hours of wives**

The working hours of wives are increasing; the increase is especially significant in the group of weekly 15 to 34 working hours.



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) The values of weekly working hours of wives are collected, when their husbands are employees excluding executives.  
 2) Limited to the case when wives work for non-agricultural industries.  
 3) Upon calculation of the average values, 1 to 14 hours are set as 7 hours, 15 to 34 hours are set as 24.5 hours, 35 or longer hours are set as 44 hours, and unemployed persons and not in labour force are set as 0 hours.  
 4) The right side of the graph indicates the figures of 44 prefectures excluding Iwate, Miyagi and Fukushima prefectures.

The average working hours per person remain unchanged for working wives, while the average working hours increased for all wives due to an increase of labour participation; it is inferred that this is one of the reasons for the income increase of wives who are the spouses of householders.

Also, looking at the annual income of husbands from their work and the average value of wives' labor force participation ratio, we can see that the higher the annual income of husbands, the lower the wives' labour force participation ratio. This indicates that, in line with the decline of husbands' income, wives are increasingly participating as labour force in order to support the household budget; we need to further promote the environment so that these people can easily meet their wishes for employment.

### **(Employment decreased in the manufacturing industry, but the employment loss was kept to a low level, due to such means as reduction of new hiring)**

In 2012, both export-bound production and domestic-bound production declined due to the slowdown of the world economy, end of eco-car subsidy program, etc. While the seasonally-adjusted number of the employed decreased from 10.45 million persons in June 2012 to 10.05 million persons in December, the feeling of excessive employment is not at a level higher than that of the past recession periods, and the unemployed persons whose previous jobs were manufacturing employees are not at a high level. Figure 3 shows the latest reduction of production level and labour input (the product of working hours and number of the employed) and that of the past recession periods; the reduction of production level is relatively small compared to the past periods, and the labour input in light of production level is roughly at the same level as the 11th and 13th business cycles. Behind this, there seems to be an influence of the curbing of new hiring as a result of reduction of new job openings, etc.

### **(The baby boomer generation reached age 65 for the first time in 2012; however, the reduction of labour force is alleviated thanks to the increased labour force participation rate of the persons aged 65 to 69)**

From April 2006, the enterprises which have a compulsory age retirement system at the age less than 65 are required to take, under the amended Elderly Persons Employment Stabilization Act, one of the following measures to secure employment of elderly people: (1) increase of the retirement age; (2) introduction of continuous employment system, and (3) abolishment of the age retirement system. After 6 years since then, the baby boomer generation (born in 1947 to 1949) reached their 65 for the first time in 2012. On the assumption that the labour force participation rate, the employment rate, etc. by each age class (in 5 year increments) in 2005 remain the same in 2010, the population of each age class in 2010 is multiplied by each of the above rates, and the results are compared to the actual figures in 2010; then we can see that the labour force and the number of the employed of men have increased in the persons aged 60 to 64, suggesting that employment is expanding for this age group, while there may be an influence of economic trends, etc. Similarly, on the assumption that the labour force participation rate, the employment rate, etc. by each age class in 2011 remain the same in 2012, the population of each age class in 2011 is multiplied by each of the above rates, and the results are compared to the actual figures in 2012 as shown in Figure 4; then we can see that the actual figures of the labour force, number of the employed, etc. are greater than the assumed figures, suggesting as a background the increase of labour force participation rate, employment rate, etc. for the group aged 65 to 69.

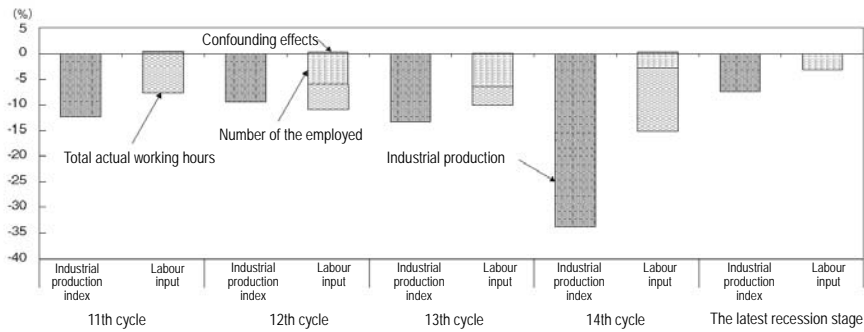
Also, the percentage of persons aged 65 or over is increasing in the industries of real estate, leasing of goods, services, etc. It is considered that, in these industries, the presence or absence of compulsory age retirement system and the age limit are related to the environment where elderly people can continue their work; it is important for us to promote the policy measures for improvement of employment environment, so that elderly people can continue work according to their willingness and abilities.

### **(Fulfillment of job openings is an important issue in the area affected by the Great East Japan Earthquake)**

In the area affected by the Great East Japan Earthquake, the ratio of active job openings to active job applicants, etc. were improved thanks to such factors as the reconstruction demand, and fulfillment of job openings is an important issue. According to Figure 5, which shows the situation of job openings and job applicants by each Hello Work and by occupation (as of January 2013), we can see that there is still a shortage of construction workers in the coastal areas. Also, in the marine product processing industry, there is a tendency that workers seek jobs by closely looking at various work conditions other than the wage level, such as ease of working at workplace. In line with the reconstruction of the whole affected area, we need to support fulfillment of job openings and smooth hiring, through detailed assistance at Hello Works.

Figure 3: Relationship between the production level and labour input, in comparison with the past recession periods

The contribution of the decreased total actual working hours to the labour input is smaller, compared to the past recession periods.



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, "Industrial Production Index" Ministry of Economy, Trade and Industry, and "Monthly Labour Survey" Ministry of Health, Labour and Welfare

- (Note)
- 1) The number of the employed were adjusted so that the figures under the 10th revision of industrial classification can be connected to the figures under the 12th revision of industrial classification, and then seasonally adjusted by the Office of Counselor for Labour Policy.
  - 2) The peak and bottom of business cycle are compared. However, the reference dates of business cycle are fixed up until the 14th cycle, and the "latest recession stage" here compares the figure in January 2012 and the figure in December 2012.
  - 3) The labour input is the product of the number of the employed and the total actual working hours.

Figure 4: On the assumption that the labour force participation rate, the employment rate and the ratio of employees (excluding executives) to population were the same as that in 2011, the differences between the assumed figures and the actual figures in 2012

In 2012, the labour force participation rate and employment rate increased for the persons aged 65 to 69, and the labour force, number of the employed, and number of employees excluding executives increased in that age group.

(Population, labour force and number of the employed by age group)

□ Actual figures in 2011 (Unit: 10,000 persons)

	Age 15 - 19	Age 20 - 24	Age 25 - 29	Age 30 - 34	Age 35 - 39	Age 40 - 44	Age 45 - 49	Age 50 - 54	Age 55 - 59	Age 60 - 64	Age 65 and over	Total of all ages
Population aged 15 and over	609	641	725	815	914	916	801	763	838	1,055	2,969	11,108
Labour force	88	439	620	669	799	769	890	642	654	637	583	6,591
Number of the employed	79	403	580	636	764	738	645	621	629	604	571	6,289
Number of employees excluding executives		469		1,148		1,333		1,079		890	242	5,163

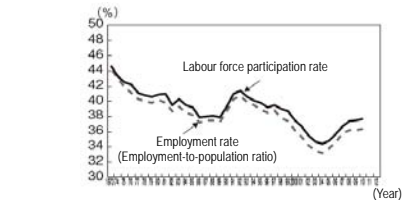
□ Actual figures in 2012

	Age 15 - 19	Age 20 - 24	Age 25 - 29	Age 30 - 34	Age 35 - 39	Age 40 - 44	Age 45 - 49	Age 50 - 54	Age 55 - 59	Age 60 - 64	Age 65 and over	Total of all ages
Population aged 15 and over	606	629	709	788	947	944	813	766	802	1,035	3,055	11,095
Labour force	89	428	608	650	779	794	699	645	628	626	609	6,555
Number of the employed	81	394	569	620	747	763	676	623	605	597	595	6,270
Number of employees excluding executives		461		1,122		1,337		1,094		879	259	5,154

□ With the assumption that the labour force participation rate, employment rate and ratio of employees excluding executives to population were the same as those in 2011, the figures in 2012 (the population is assumed to be the same)

	Age 15 - 19	Age 20 - 24	Age 25 - 29	Age 30 - 34	Age 35 - 39	Age 40 - 44	Age 45 - 49	Age 50 - 54	Age 55 - 59	Age 60 - 64	Age 65 and over	Total of all ages
Population aged 15 and over	606	629	709	788	947	944	813	766	802	1,035	3,055	11,094
Labour force	88	431	606	647	777	792	700	645	626	625	600	6,536
Number of the employed	79	395	567	615	743	761	675	623	602	593	588	6,240
Number of employees excluding executives		464		1,115		1,334		1,088		868	249	5,113

(Labour force participation rate and employment rate of age group 65 to 69)

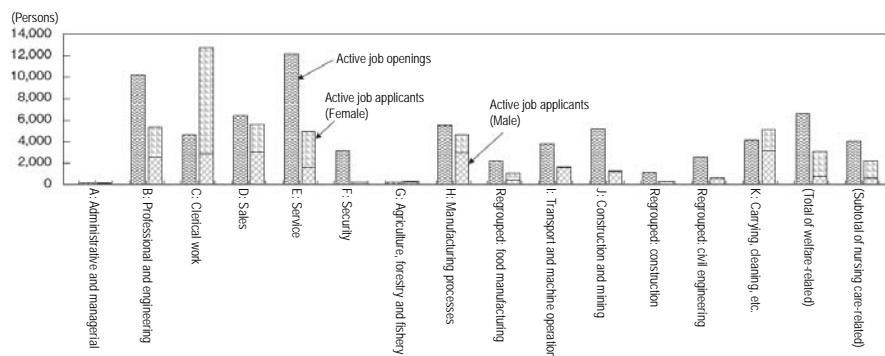


Source: Prepared by the Office of Counselor for Labour Policy, MHLW, based on the "Labour Force Survey" Statistics Bureau, Ministry of Internal Affairs and Communications

- (Note)
- 1) Under the Labour Force Survey, the benchmark population which is the basis for calculation is switched to the Population Census 2010 (new criteria) from the Population Census 2005 (old criteria); the figures of the population, labour force and number of the employed by age class in 2011 are in accordance with those calculated by the Statistics Bureau, Ministry of Internal Affairs and Communications by using the new criteria. For the years from 2005 to 2011, the labour force participation ratio and employment ratio of the age group 65 to 69 are in accordance with those retroactively calculated by the Statistics Bureau, Ministry of Internal Affairs and Communications by using the new criteria.
  - 2) The population aged 15 or over is calculated as the sum of labour force and not in labour force.

Figure 5: Trends of job openings and job applicants in the coastal areas of the 3 prefectures affected by the Great East Japan Earthquake

We can see that, in the coastal areas of the affected 3 prefectures, the job offerings are not fulfilled and human resources are in shortage in the occupations of food manufacturing, and construction and mining.



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

- (Note)
- 1) The method of classifying occupations was changed from the statistics for March 2012. Although it has been determined that the occupations of food manufacturing will not be grouped for counting after the change, these are regrouped in accordance with the method before the change; it is possible that, in the process of the regrouping, a little bit of error or commissions may have occurred.
  - 2) The figures are as of January 2013.
  - 3) The subject areas are Kamaishi, Miyako, Ofunato, Kuji, Sendai, Ishinomaki, Shioyama, Kesenuma, Taira, and Soso.

## Section 2. Trends of wages and working hours

In 2012, the Japanese economy showed a movement toward recovery until summer thanks to the reconstruction demand, policy effects, etc. After that, the economy weakened in line with the slowdown of the global economy, reducing export and production.

Looking at the wage trends in 2012 under these circumstances, the total sum of cash earnings declined for a consecutive 2 years and the scheduled wages declined for a consecutive 7 years. On the other hand, as for the working hours, the extra working hours increased for a consecutive 3 years and the total actual working hours and scheduled working hours increased for the first time in 2 years.

### **(The total sum of cash earnings showed a weak tone in 2012)**

The total sum of cash earnings decreased for a consecutive 3 years since 2007 on a year-to-year basis; although it had increased in 2010, it turned downward again in 2011, and the decrease rate worsened in 2012, showing a decrease by 0.7%.

### **(The increased ratio of part-time workers also contributed to the decrease of the total sum of cash earnings)**

Looking at the transition of total sum of cash earnings under Figure 6, the amount by all employment forms peaked in 1997 with 360,000 yen, and continued to decrease after that; the amount in 2012 decreased by 12.8% compared to the amount in 1997. During the same period, full-time workers decreased by 4.3% and part-time workers increased by 3.4%.

By breaking down the increase or decrease of the total sum of cash earnings under all employment forms into 5 factors (the growth of scheduled wages of full-time workers, growth of non-scheduled wages of full-time workers, growth of special wages of full-time workers, growth of wages of part-time workers, and change of the ratio of part-time workers), we can see that the increase of the ratio of part-time workers, whose total sum of cash earnings is relatively low, consistently constitutes a factor for the decrease of the total sum of cash earnings.

### **(While the change in the scheduled wages of full-time workers is small, the change differs according to sex, age class and industry)**

Focusing on the breakdown of full-time workers' total sum of cash earnings, we can see that the fluctuation of scheduled wages is small (except for 2002 after the collapse of the IT bubble and 2009 after the financial crisis) and the fluctuation of special wages is generally large after 1998 when the total sum of cash earnings began to decrease. When comparing the real values in 1997 between that of 2012, we can see that the scheduled wages remained at the same level, but the special wages decreased.

Looking at the transition of full-time workers' scheduled wages in the 2000s by industry according to the "Basic Survey on Wage Structure" (Ministry of Health, Labour and Welfare), the scheduled wages tend to increase in the industries including finance, insurance and information and communications whose fixed wages are higher than those of all industries, but tend to decrease in many other industries including wholesale and retail, restaurants, services, transportation, and postal services.

### **(In 2012, all of the total actual working hours, scheduled working hours and extra working hours increased)**

Looking at the transition of total actual working hours under Table 7, the working hours slightly decreased in 2011 in line with the decrease of the scheduled working hours, but in 2012, the scheduled working hours and extra working hours increased and the total actual working hours increased by 0.5%.

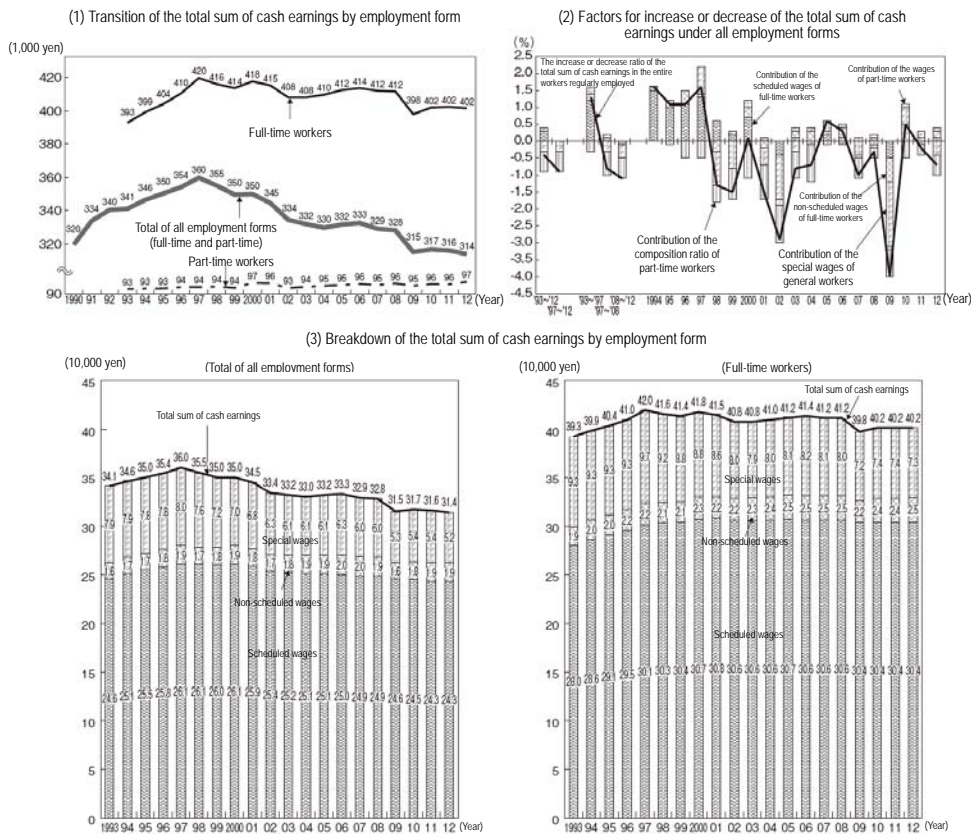
The extra working hours tend to fluctuate, being affected by economic trends. As for the transition on a quarterly basis, the extra working hours temporarily decreased in the period from April to June 2011, by 1.1% on the year-to-year basis, partly due to the impact of the Great East Japan Earthquake, then gradually increased from the period from July to September, and again turned into decrease in the period from July to September 2012.

Looking at the transition of production and overtime hours, the extra working hours (seasonally adjusted) in the manufacturing industry temporarily decreased due to the decline of production affected by the Great East Japan Earthquake. Although the production did not recover to the level immediately before the earthquake, the extra working hours picked up and exceeded the pre-quake level; however, in the context of declining production due to slowdown of the global economy, the extra working hours once again decreased, in the period from May to November 2012. In and after December, the extra working hours turned into increase, in line with the recovery of production due to the improved export environment, etc.



**Figure 6: Transition of the total sum of cash earnings by employment form**

During the period from 1993 to 2012, the wages for full-time workers and part-time workers showed almost no growth. The increased ratio of part-time workers led to the decrease of the total sum of cash earnings.



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

- (Note) 1) Total of the surveyed industries; business establishments with 5 or more employees.  
 2) These figures are real-valued ones, which are modified to enable time-series linkage, and which are obtained by multiplying the index by a standard value (average in 2010).

(2) Source: Estimated by the Office of Counselor for Labour Policy, MHLW, based on the "Monthly Labour Survey" Ministry of Health, Labour and Welfare

- (Note) 1) This indicates the degree of influence made by the 3 factors (increase or decrease of the total sum of cash earnings of full-time workers, that of cash earnings of part-time workers) against the ratio of increase or decrease of the total sum of cash earnings of the entire workers regularly employed including both the full-time workers and part-time workers. The specific breakdown method is in accordance with the following formula:

$$\frac{\Delta W}{W} = \frac{\Delta W_n(1-r) + (1-r)\Delta r}{W} + \frac{\Delta W_p(r + \Delta r)}{W} + \frac{\Delta r(W_p + (W_p + \Delta W_p) - W_n - (W_n + \Delta W_n))}{2W}$$

└ Contribution of the wages of full-time workers
└ Contribution of the wages of part-time workers
└ Contribution of the composition ratio of part-time workers

W: Total sum of cash earnings

( $\Delta$  represents the all workers, the suffix n represents full-time workers, p represents part-time workers and  $\Delta$  represents difference with the last year.)

r: The composition ratio of part-time workers

Under the graph, further breakdown is performed as follows:  $\Delta W_n = \Delta$  (scheduled wages of full-time workers) +  $\Delta$  (non-scheduled wages of full-time workers) +  $\Delta$  (special wages of full-time workers)

- 2) Total of the surveyed industries; business establishments with 5 or more employees.  
 3) For each of the all workers regularly employed, full-time workers and part-time workers, real-values, which are modified to enable time-series connection, are calculated by multiplying the index of total sum of cash earnings by a standard value, and then the composition ratio of part-time workers is estimated on the basis of such real values.  
 4) The calculation was made in accordance with the following formulas:  
 Non-scheduled wage = Contractual wage - Scheduled wage; Special wage = Total cash wage - Contractual wage.  
 5) For the factors of increase and decrease in each of the periods from 1993 to 2012, from 1997 to 2012, from 1993 to 1997, from 1997 to 2008 and from 2008 to 2012, the figures are annualized.

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

- (Note) 1) The figures are real-valued ones, which are modified to enable time-series connection, and which are obtained by multiplying the indexes (the index of total sum of cash earnings, index of contractual wages, and index of scheduled wages) by each standard value (average in 2010).  
 2) The calculation was made in accordance with the following formulas:  
 Non-scheduled wage = Contractual wage - Scheduled wage; Special wage = Total cash wage - Contractual wage.  
 3) The analysis by employment form has been made in and after 1993.

**Table 7: Transition of monthly working hours**

In 2012, all of the total actual working hours, scheduled working hours and extra working hours increased.

(Unit: hours; %)

Year/period	Total actual working hours				
	[Full-time workers]	[Part-time workers]	Scheduled working hours	Extra working hours	
Hours	2007 Year	150.7	170.6	94.0	139.7
	08	149.3	169.3	92.6	138.6
	09	144.4	164.7	90.2	135.2
	10	146.2	167.4	91.3	136.2
	12	145.6	167.2	90.8	135.6
	12	147.1	169.2	92.1	136.7
Year-on-year	2007 Year	-0.7	0.0	-1.9	-0.8
	08	-1.2	-0.9	-1.7	-1.1
	09	-2.8	-2.5	-2.3	-1.8
	10	1.5	1.8	1.3	0.8
	12	-0.2	-0.1	-0.3	-0.3
	12	0.5	0.8	1.1	0.5
Comparison to the same period last year	2011 I	-0.5	-0.2	-0.1	-0.7
	II	-0.5	-0.4	-0.7	-0.5
	III	-0.2	0.1	-0.4	-0.2
	IV	0.1	0.3	-0.3	0.0
	12 I	1.6	1.7	2.3	1.7
	II	1.0	1.3	1.4	0.7
	III	-0.8	-0.7	0.2	-0.9
	IV	0.5	0.9	0.6	0.6
	13 I	-2.9	-2.6	-2.0	-3.2

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 numbers.

### **Section 3. Trends of prices and workers' household expenditures**

As for the price movement in 2012, the corporate goods price declined by 0.9% on a year-to-year basis, due to the concern over the global economy slowdown. In and after December 2012, the corporate goods price gradually increased on a year-to-year basis, in line with the weakening yen exchange rate. On the other hand, the general consumer prices (excluding fresh foods; so-called "core") decreased by 0.1% compared to the last year, down for consecutive 4 years, partly due to the price fall of consumer durable goods, etc.

Looking at the transition of workers' household expenditures in 2012, the consumer expenditures increased for the first time in 2 years, while the consumption was supported by the field of transportation and communication, etc. in which a new eco-car subsidy program was initiated. Consumer confidence has improved from January 2013, as consumer expectations have become higher mainly in terms of the employment environment.

#### **(Trends of prices)**

In 2012, although the international commodity markets (such as crude oil) showed an upward trend, the domestic corporate goods price index declined by 0.9% on a year-to-year basis, reflecting the concern over slowdown of the global economy. By item, the index increased by 9.2% in the electricity, city gas and water utility and by 4.1% in agricultural and marine products, but declined in information and communication equipment, etc. of televisions and mobile phones, etc. (including smart phones) for which price competition is severe. In and after December 2012, the yen kept weakening and the index gradually increased, on a month-to-month basis, by gross average.

The corporate services price index in 2012 declined by 0.4% down for consecutive 4 years, being affected by the decline in the real estate, leasing and rental, information and communications, etc.

Looking at the transition of consumer price index according to Figure 8, the general consumer price index in 2012 remained at the same level as the last year, remaining unchanged for the first time in 4 years, and the general index excluding fresh foods (so-called core) declined by 0.1%, down on a year-to-year basis for consecutive 4 years. The decline of the general index excluding fresh foods, petroleum products and other special factors (so-called core-core) was larger, because the influence of price increase of petroleum products, electricity and gas was removed. By item, the light and water utility showed a general tendency of increase, but the culture and entertainment and furniture and household products showed a sign of downward momentum.

#### **(Trends of workers' household expenditures)**

Looking at the consumer expenditure of workers' households in 2012 according to Table 9, the consumer expenditure of workers' households in 2012 decreased in the fields of housing, etc. due to the influence of the reconstruction demand of the Great East Japan Earthquake and the eco-point system for housing in the previous year; however, consumer expenditure increased in the fields of transportation, communication, etc. due to the new eco-car subsidy program and popularization of the Internet and mobile phones (including smart phones). In total, both nominal and real consumer expenditures increased by 1.6% compared to the last year, up for the first time in 2 years. In the following period of January to March 2013, the consumer confidence has improved thanks to the rise in stock prices and the consumer expenditure picked up, with 4.9% increase from the last year.

Looking at the retail sales in 2012 by business category (in existing stores), the sales decreased by 1.4% in super markets and by 0.3% in convenience stores, but department stores increased for the first time in 16 years, by 0.4% compared to the last year.

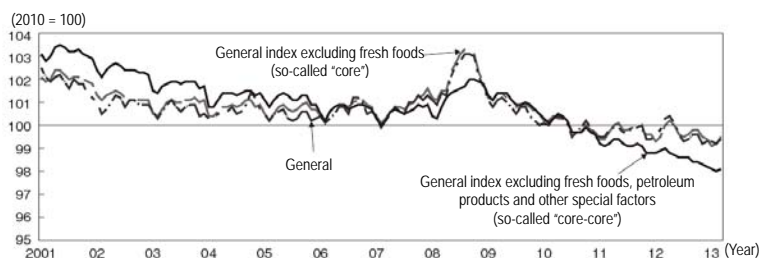
#### **(Consumer confidence has improved from the beginning of 2013)**

According to Figure 10, the consumer confidence index (general households; seasonally adjusted) which represents consumer mind showed the lowest decline on a month-to-month basis (since April 2004 when the survey was started to be conducted on a monthly basis) in March 2011, and then gradually recovered to the level around 40; however, the index did not return to the level before the earthquake. As consumer expectations have become higher mainly in terms of the employment environment in response to the rise in stock prices, the emergency economic measures, etc., the index increased by 3.3 points in January 2013 (which was the largest increase since July 2004), and continued to increase for a consecutive three months until March, showing the sign of recovery in consumer confidence.

Also, the private consumption integrated estimates, which comprehensively shows the situation of consumption on demand and supply sides, increased for a consecutive 2 months since January 2013.

**Figure 8: Transition of the consumer price index**

In 2012 the general consumer price index excluding fresh foods (so-called "core") declined for 4 consecutive years. In and after 2011, the decline of the general index excluding fresh foods, petroleum products and other special factors (so-called "core-core") was larger than the decline of the general consumer price index and "core" index.



Source: "Consumer Price Index" Statistics Bureau, Ministry of Internal Affairs and Communications

(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" 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 2013.

**Table 9: Transition of consumer expenditures by expense item**

The consumption expenditure of workers' households increased in 2012, on a year-to-year basis. By expense item, "Transportation and communications" showed a considerable increase thanks to the policy effects of eco-car subsidy program.

Year/period	Consumer expenditures		Foods		Housing		Light, heat and water utility		Furniture and household products		Clothing and footwear		Health care		Transportation and communication		Education		Culture and entertainment	
	Index	Real ratio on comparison to the same period last year (%)	Index	Real ratio on comparison to the same period last year (%)	Index	Real ratio on comparison to the same period last year (%)	Index	Real ratio on comparison to the same period last year (%)	Index	Real ratio on comparison to the same period last year (%)	Index	Real ratio on comparison to the same period last year (%)	Index	Real ratio on comparison to the same period last year (%)	Index	Real ratio on comparison to the same period last year (%)	Index	Real ratio on comparison to the same period last year (%)	Index	Real ratio on comparison to the same period last year (%)
2008	99.3	-1.1	101.4	-1.6	92.3	-5.6	99.4	-0.8	91.7	6.2	102.4	-4.4	100.8	-0.6	96.3	2.3	91.8	-2.3	93.2	1.2
09	99.4	-0.3	100.3	-1.5	94.6	2.4	98.0	-1.1	91.1	-1.1	100.0	-2.5	104.9	3.9	99.2	2.6	95.8	2.8	95.5	2.2
10	100.0	0.6	100.0	-0.5	100.0	6.0	100.0	1.3	100.0	9.9	100.0	-0.3	100.0	-4.8	100.0	0.9	100.0	3.2	100.0	4.6
11	97.3	-2.7	98.7	-1.3	104.8	4.7	97.1	-3.0	103.4	3.6	96.7	-3.2	96.1	-3.8	93.8	-6.3	104.1	4.5	95.4	-4.6
12	98.6	1.6	99.8	1.4	99.4	-5.0	96.3	-0.4	107.1	3.7	99.7	3.4	104.2	8.6	102.9	10.1	99.6	-3.6	94.1	-0.9
11 I	97.7	-4.0	96.0	-1.3	93.5	-2.4	125.4	2.5	90.2	3.7	98.0	-9.6	95.7	-3.9	97.8	-5.3	101.8	-1.7	90.8	-6.4
11 II	96.1	-1.7	96.2	-1.6	99.2	-5.8	95.1	-3.3	104.3	17.0	94.5	-0.9	91.6	-2.5	90.2	-3.6	116.0	-0.2	94.7	0.2
11 III	95.4	-3.4	98.6	-1.7	112.7	17.1	81.1	-7.2	109.4	-1.3	84.3	-7.2	92.6	-7.2	92.4	-14.5	92.7	13.3	99.9	0.0
11 IV	100.2	-1.6	104.0	-0.6	113.8	9.8	87.0	-5.3	109.7	-2.7	109.9	4.2	104.6	-2.0	94.8	-1.0	105.8	9.2	96.1	-11.5
12 I	97.9	1.4	97.2	2.5	93.3	1.0	123.3	-0.5	92.6	3.5	103.6	7.1	103.5	9.2	96.2	-0.6	104.4	3.4	91.3	1.8
12 II	98.3	2.4	97.3	1.2	98.0	-1.1	94.0	-0.9	103.9	-0.5	98.5	4.1	96.0	4.7	103.8	15.6	119.8	3.8	93.4	-1.1
12 III	96.4	1.0	99.8	1.1	99.4	-11.6	79.6	-1.8	114.8	4.7	82.4	-2.3	105.5	13.8	106.2	14.8	81.0	-12.3	94.0	-6.0
12 IV	101.7	1.6	105.0	1.1	107.1	-6.6	88.2	1.5	117.1	6.8	114.2	4.0	111.9	6.8	105.3	11.3	93.3	-10.6	97.9	2.0
13 I	103.6	4.9	99.8	1.9	93.4	-1.7	124.6	0.2	94.1	0.7	106.8	2.7	107.3	2.6	111.5	14.8	112.3	8.4	96.3	4.7

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) The index is nominal, and is adjusted on the basis of age distribution of household members and householders.

**Figure 10: Transition of the consumer confidence index**

The consumer confidence has improved from January, 2013, as the consumer expectations have become higher mainly in terms of the employment environment.



Source: "Consumer Confidence Survey" Cabinet Office

(Note) 1) The consumer confidence index was prepared as follows:

(1) The consumer perceptions are surveyed about 4 items: "overall livelihood," "income growth," "employment" and "willingness to buy durable goods."

At which time, the respondents are requested to provide their answers, on a 5-point scale, about how they thought would each survey item change during the next half year.

(2) Points were given to each survey item according to the 5-point scale, and the consumer confidence index was calculated for each survey item.

More specifically, in the case of the answers classified as positive about consumption, (+1) was given to "will improve" and (+0.75) was given to "will improve slightly," in the case of the answers classified as neutral, (+0.5) was given to "will not change" and in the case of the answers classified as negative, (+0.25) was given to "will worsen slightly" and (0) was given to "will worsen"; then the points in each answer classification were multiplied by each composition ratio (%) and then the results were totaled.

(3) By using the simple average of 4 consumer perception indexes (unadjusted), the consumer confidence index (unadjusted) was calculated.

2) General households, seasonally adjusted.

## **Section 4. Trends of labour-management relationship**

In the labour-management negotiations of the springtime in 2012, in the severe environment including the Great East Japan Earthquake and historic rise in the value of yen, many companies maintained the amount corresponding to periodic wage increase (wage curve); the bonuses decreased compared to the last year, reflecting business performance of each industry and company.

In the spring of 2013 when the employment situation is still severe with the unemployment rate staying at the level in excess of 4%, the labour-management negotiations included such topics as improvement of treatment of all workers. As a result of the negotiations for wage increase, many companies maintained the wage curve, and some companies whose business performance was improving agreed to raise the bonus compared with the previous year.

### **(The labour-management negotiations in the springtime of 2012 reflected the still severe employment situation)**

Looking at the results of the labour-management negotiations in the springtime of 2012 according to Figure 11, the agreed amount was 5,400 yen, the wage increase rate was 1.78% (5,555 yen and 1.83% in the same period last year), reflecting the still severe employment situation. Although the agreed amount and wage increase rate were at the level lower than the last year, many companies maintained wage curves.

### **(Trends of labour-management negotiations in the springtime of 2013)**

Looking at the movement on the labour side in the labour-management negotiations in the springtime of 2013, the Japanese Trade Union Confederation (RENGO) stated in its policy for spring struggle for a better life that they would promote the campaign for resolution of issues concerning overall labour conditions, aiming to achieve "a secure society built around work as its core theme" and to promote the actions for realization of decent work. It was also stated that they should place emphasis on the recovery and raise of the bottom of wages decreasing since its peak in 1997, seek to expand consumption and domestic demand through increase of wages, and thereby aim for overcoming deflation as early as possible.

On the other hand, looking at the management side, the Japan Business Federation (KEIDANREN) stated in its "Position Paper 2013 by Committee on Management and Labour Policy" that "the labour and management will work together to confront the crisis and go forward into the future" and that they should take the policy measures (including promotion of economic partnerships, reduction of corporate taxes, further reform of social security systems and review of labour regulations) aiming for earlier improvement of the domestic business environment, which is becoming severer, and to strengthen location competitiveness and to stimulate demand.

In such situation, many companies maintained the wage curves and the business performance in each industry and company is reflected to the bonuses; some companies whose business performance was improving agreed to a base-up of wages and a bonus increase.

### **(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, the number of labour union members belonging to single organization unions increased to 12,699 thousand persons in 1994 and then has been showing a tendency of decline. As of June 30, 2012, the number of labour unions was 25,775 (down by 277 unions and by 1.1% from the last year) and the number of labour union members was 9,892 thousand persons (down by 68,000 persons and by 0.7% from the last year).

Looking at the organizational situation of part-time workers according to Figure 12, the number of part-time workers who were labour union members was 837,000 persons in 2012 (up by 61,000 persons and by 7.9% from the last year); the ratio of part-time workers to all labour union members increased from 7.8% last year to 8.5%, and the estimated unionization rate of part-time workers was 6.3%, showing the increase tendency.

Improvement of treatment of non-regular workers was also listed in the demands of the labour-management negotiations in the springtime of 2013. The labour side strengthened its activities.

Figure 11: Situation of demands and conclusions of negotiations for wage increase in major private companies in the springtime of 2012

Although the agreed amount and wage increase rate were at the level lower than the last year, many companies maintained wage curves.

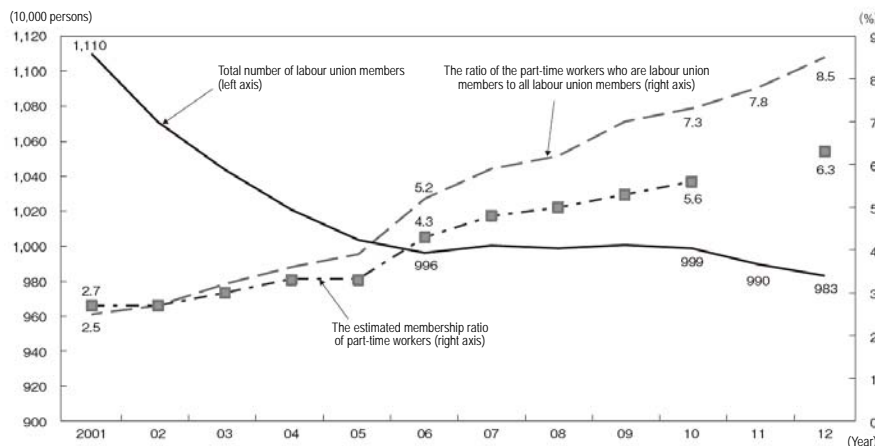
Industry	Number of surveyed companies	Average age	Current wage base	Demanded amount	Agreed amount	Wage increase rate	(Reference) Agreed amounts in 2011			
							Number of companies	Agreed amount	Wage increase rate	
	Companies	Age	Yen	Yen	Yen	%	Companies	Yen	%	
Construction	23	37.3	295,811	7,790	5,535	1.87	23	6,528	2.02	
Foods and tobacco	31	37.9	312,638	5,873	5,350	1.71	33	5,575	1.78	
Fibers	11	38.0	293,752	5,649	5,488	1.87	11	5,509	1.88	
Papers and pulp	3	40.6	317,359	5,000	4,711	1.48	4	4,639	1.48	
Chemical	32	38.1	333,270	6,433	6,262	1.88	32	6,536	1.94	
Petroleum	1	-	-	-	-	-	1	-	-	
Rubber products	7	38.3	293,207	5,257	5,202	1.77	7	5,191	1.81	
Ceramic	3	36.5	284,706	6,642	6,006	2.11	3	5,837	2.06	
Steel	13	41.4	285,855	5,856	3,695	1.29	15	3,693	1.29	
Non-ferrous metal	11	38.2	296,942	5,592	5,058	1.70	11	4,743	1.60	
Machinery	19	37.4	299,287	6,284	6,067	2.03	16	5,959	1.99	
Electric equipment	10	39.4	327,463	6,248	6,091	1.86	10	6,242	1.91	
Shipbuilding	9	37.0	305,499	8,846	5,846	1.91	9	5,911	1.94	
Precision equipment	5	39.5	325,899	6,033	5,891	1.81	5	6,071	1.84	
Automobiles	39	37.5	310,734	6,356	6,164	1.98	37	6,144	1.99	
Other manufacturing	11	37.8	292,135	5,600	4,547	1.56	8	5,084	1.66	
Electricity and gas	13	39.4	289,071	6,750	4,201	1.45	13	5,101	1.75	
Transportation	7	39.1	297,096	6,905	4,202	1.41	7	4,087	1.37	
Wholesale and retail	63	37.1	290,115	6,122	4,758	1.64	63	4,975	1.73	
Finance and insurance	2	35.6	275,286	6,301	5,737	2.08	2	5,799	2.16	
Services	11	35.7	289,236	6,119	5,451	1.88	12	5,354	1.90	
Average	324	38.1	303,238	6,403	5,400	1.78	322	5,555	1.83	

Source: "Situation of Demands and Conclusions of Negotiations for Wage Increase in Major Private Companies (Springtime)" Ministry of Health, Labour and Welfare

- (Note) 1) The companies covered by the tabulation in 2012 are the 324 companies which have capital of 1 billion yen and 1,000 or more employees, which have a labour union, and for which an agreed amount (the amount of wage increase including the amount of periodical pay raise) can be identified. The figures are weighted average using the number of union members in each company.
- 2) If details of agreement cannot be identified for a company due to such reason that the agreed amount is not published, such company is excluded from the subjects of tabulation.
- 3) The amounts of demand are calculated on the basis of 269 companies for which specific amounts of demand are identified.
- 4) In principle, the average wage increase including periodical pay raise is used for the agreed amounts; however, the agreed amounts (the wage increase including periodical pay raise) at certain age points (such as age 30, age 35, etc.) are also partially included.
- 5) If the number of companies covered by the tabulation is 1 in a certain industry, the result is included for calculation of average of all industries, but the result for a certain industry is not published.

Figure 12: Transition of the estimated membership ratio of part-time workers

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 short-time regular workers, 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. Change of Japanese economy and employment structure**

### **Section 1. Economic growth, growth factors and productivity**

In line with the slowdown of the economic growth rate, labour demand has been stagnant. The main reason for the slowdown of the economic growth rate after 1990s was the downturn of capital amount and total factor productivity (TFP); on the other hand, improved quality of labour supported growth. Export is important, as the contribution of external demand to growth is roughly half that of internal demand and is never small.

#### **(Economic growth supported by the quality of labour)**

The real growth rate was at the mid 4% range in 1970s and 1980s, and was slowed down to about 1% in the 1990s; in 2000s, the rate was about 0.3%, showing a decrease of about 4%. Through the analysis of the factors which caused the slowdown by using growth accounting, we can see that the slowdown was largely due to capital reduction and the slowed TFP increase rate. The improved labour quality supported the growth rate by 0.6% in 1980s and 0.5% in and after 1990s, keeping approximately the same level of contribution to the growth rate (Figure 13).

#### **(Considerable contribution of external demand to growth)**

Looking at the contribution of internal and external demands to the real growth rates in and after 1995, the contribution of external demand was roughly the half that of the internal demand; during the period when the domestic economy was sluggish, such as in 2002 and 2008, the export increased and the positive contribution of external demand supported economic growth (Figure 14).

#### **(The productivity of export industry slightly exceeds the average of all industries)**

Looking at labour productivity (gross domestic product / number of the employed) by economic activity in each industrial sector in 2011, the sector with high productivity is the industries in which relatively large capital (building and equipment) is handled, such as the industry of real estate, and the sector with low productivity is the labour-intensive industries which have a relatively large number of small-sized business establishments, such as the industries of agriculture, forestry and fishery and service. In the manufacturing industry, the labour productivity level in the fields of transportation machinery, electric machinery and general machinery, which hold a leading position in the Japanese export industry, slightly exceeds the industrial average.

### **Section 2. Transition of industrial and occupational structures**

While the employment structure is showing the trend toward the service economy, the number of the employed increased in the industries of social insurance, social welfare and care services, and decreased in the industries of construction, manufacturing, wholesale trade, etc.

By occupation, the workers engaging in the professional and engineering occupations, etc. are increasing.

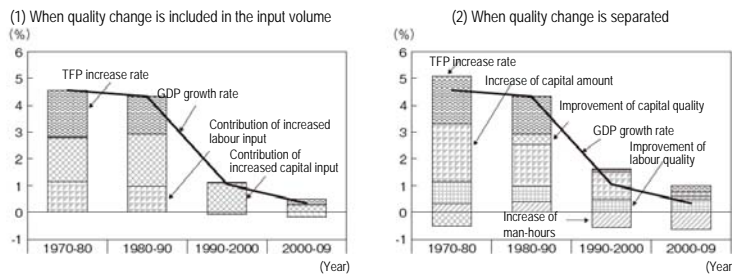
Reduction in public capital formation had a profound effect on the decrease of the number of the employed in the regional blocks including Hokkaido, Tohoku and Shikoku.

#### **(Employment increased in social insurance, social welfare and care services, and decreased in construction, manufacturing and wholesale)**

From a long-term view, the tertiary industrialization of employment structure is further advancing (Figure 15). During 5 years since 2005, the medium industrial category in which the number of the employed increased the most was the industry of "social insurance, social welfare, and care services" (such as welfare and care services for the elderly people), followed by "industries unable to classify," "medical and other health services," "postal activities," "manufacture of general-purpose machinery" and "food take out and delivery services." The number of the employed decreased the most in "construction" followed by "employment and worker dispatching services," "agriculture," "wholesale trade," "postal services" and "manufacture of textile mill products."

**Figure 13: Analysis on factors of the real economic growth rate (growth accounting)**

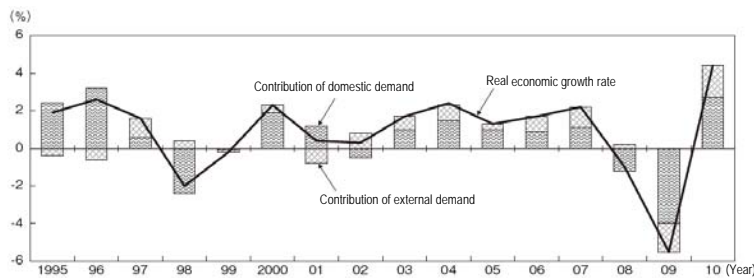
Increased capital and TFP (total factor productivity) made a large contribution to the economic growth, and the contribution by labour input has been small. Improved quality of labour supported the growth during the 2000s as well.



Source: Prepared by the Office of Counselor for Labour Policy, MHLW, based on the "Japan Industrial Productivity (JIP) Database 2012" The Research Institute of Economy, Trade and Industry  
 (Note) 1) The labour quality is to consider the change in the share of labour cost per hour by worker attribute, and the capital quality is to consider the change in the share of capital service price by industrial sector and by asset. For details, see: <http://www.rieti.go.jp/jp/database/JIP2012/>  
 2) The growth rate is the average year-to-year growth rate (%) in each year, and is not the annual growth rate during the period.

**Figure 14: Contribution of domestic demand and external demand to the real economic growth rate**

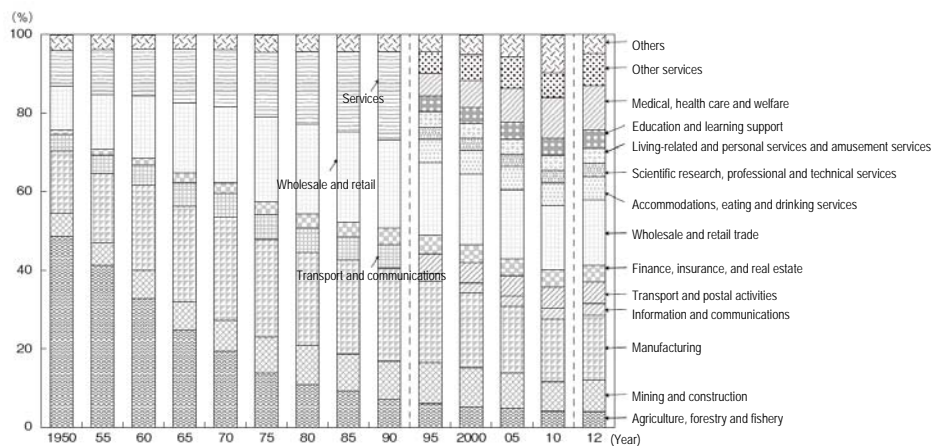
The contribution of external demand to the growth rate is roughly the half that of domestic demand.



Source: Prepared by the Office of Counselor for Labour Policy, MHLW, based on the "National Accounts" Cabinet Office  
 (Note) 1) Based on the 2005 criteria (93SNA).  
 2) The contribution of external demand represents the contribution of net export of goods and services (which is obtained as follows: Export of goods and services - Import of goods and services).

**Figure 15: Transition of employment composition by industry**

The ratio of employees who work in the primary and secondary industries tends to decrease. The employment structure is also showing the trend toward the service economy.



Source: Prepared 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 "Labour Force Survey" (2012) Statistics Bureau, Ministry of Internal Affairs and Communications  
 (Note) 1) The data of 1995, 2000 and 2005 are the estimate and tabulation based on the extracted details tabulation by the Statistics Bureau, Ministry of Internal Affairs and Communications. The data of 1990 and before use different notations and linkage is not possible.  
 2) The transport in and after 1995 includes the postal activities and finance, insurance and real estate includes goods rental and leasing. The eating and drinking places, accommodations are referred to as the accommodations, eating and drinking services in and after 1995.  
 3) Up to 1990, wholesale and retail sector included eating and drinking places.  
 4) In 2010, the "dispatched workers of labour dispatching undertakings" are classified into the industries of clients; this must be noted when the data of 2010 is compared to the data of other years in which the dispatched workers are classified into "Other services" to which the dispatching undertakings belong.

### **(Increasing professional and engineering workers)**

Looking at the long-term transition of the employment composition by occupation, the ratio of "professional and engineering workers" increased from 6.6% in 1970 to 14.5% in 2010, and the ratio of "clerical workers" increased from 14.0% in 1970 to 18.4% in 2010 (Figure 16).

### **(Decrease in public capital formation which greatly affected regional employment)**

By plotting the relationship between the changes in the composition ratio of public capital formation to the gross prefectural product and the changes in the regional increase rate of the employed and the ratio of the number of workers in the construction industry to the number of workers in the region, we can see that the decrease of public capital formation had a more profound effect on the decrease of the number of workers in the regional blocks including Hokkaido, Tohoku and Shikoku, than the 3 major urban regions, i.e. South Kanto, Kinki and Tokai (Figure 17).

## **Section 3. Employment creation and employment loss**

The entry rate tended to decrease until 1998 and remained at the same level after that year; the entry rate was higher than the exit rate until 2000, but the gap between the entry rate and the exit rate has been closing in recent years.

After the 1990s, the self-employed individuals in the industries other than agriculture, forestry and fishery started to decrease; before that, they were supplying a certain level of employment opportunity.

### **(The gap between the entry rate and the exit rate has been closing)**

Looking at the entry rate and the exit rate of business establishments hiring workers in and after 1981, the entry rate tended to decrease by 1998 and then generally remained unchanged; by 2000, the entry rate exceeded the exit rate and the number of business establishments was increasing, but after 2000 the entry rate and exit rate have come close and intersected, indicating that the number of business establishments is not increasing so much in recent years (Figure 18).

### **(New business openings did not recover for the manufacturing industry)**

In 2009 when the impact of the financial crisis was grave, the net decrease rate of employment was largest in the transportation, postal services and manufacturing industry, in which the effect of employment loss was strong in continuing business establishments. The decrease rate was alleviated in 2010; in the transportation and postal services, the employment loss in continuing business establishments was reduced and the effect of opening new business establishments became stronger than in 2009; in the manufacturing industry, the employment loss in continuing business establishments was reduced and employment creation was expanded, but the effect of opening new business establishments became weaker than in 2009.

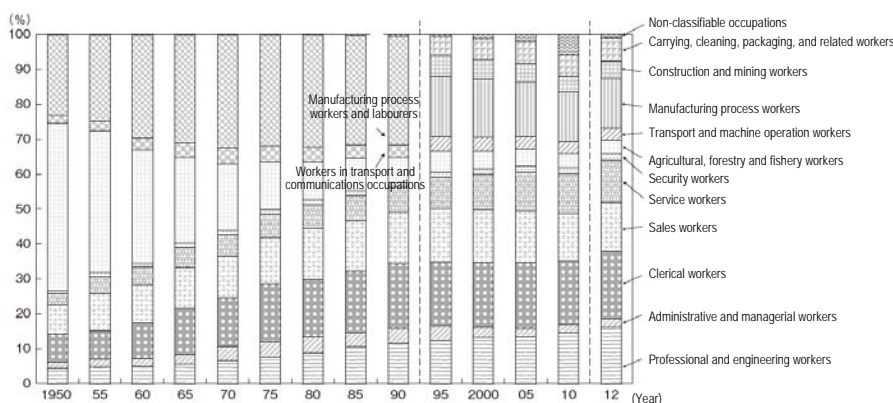
### **(By 1980s, self-employed individuals were supplying a certain level of employment opportunity)**

Looking at the transition of the number of self-employed individuals in the industries other than agriculture, forestry and fishery, the number reached a peak of 7.07 million persons in 1983, showing the tendency of increase by then. The number began to show a downward trend in the 1990s. The pace of increase of employees slowed in the late 1990s; it can be said that up until several years before that, the self-employed individuals in the industry of agriculture, forestry and fishery also provided a certain level of employment opportunity.



**Figure 16: Transition of employment composition by occupation**

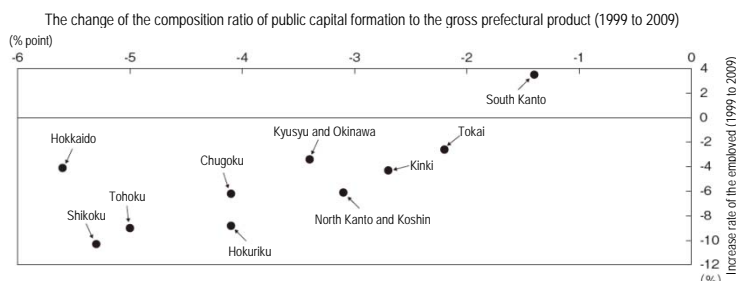
While the number of workers in agriculture, fishery and forestry is declining, the percentage of the professional and engineering workers, clerical workers, and service workers is increasing. The percentage of manufacturing process workers and labourers tends to decline; employment structure is showing the trend toward the service economy, even in terms of each occupation.



Source: Prepared 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 "Labour Force Survey" (2012) Ministry of Internal Affairs and Communications  
 (Note) The data of 1995, 2000 and 2005 are the estimate and tabulation based on the extracted details tabulation by the Statistics Bureau, Ministry of Internal Affairs and Communications  
 The data of 1990 and before use different notations for occupations and linkage is not possible.

**Figure 17: The composition ratio of public capital formation to the gross prefectural product in each regional block**

While the composition ratio of public capital formation to the gross prefectural product is high in Hokkaido, Hokuriku, Kyushu and Okinawa and Tohoku, the ratio tends to decrease in all regions. The rate of decrease during the 10 years from 1999 was relatively high in Hokkaido, Shikoku, Tohoku and Chugoku. The greater the decrease of the composition ratio of public capital formation to the gross prefectural product in a region, the greater the decrease of total workers and the percentage of construction workers in such region.



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

(Note) 1) The regional classification is as follows.

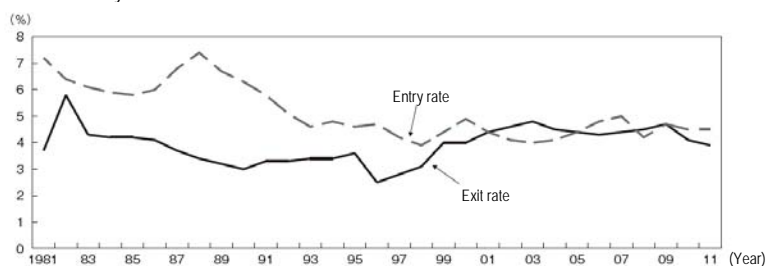
Tohoku: Aomori, Iwate, Miyagi, Akita, Yamagata and Fukushima  
 North Kanto and Koshin: Ibaraki, Tochigi, Gumma, Yamanashi and Nagano  
 Tokai: Gifu, Shizuoka, Aichi and Mie  
 Chugoku: Tottori, Shimane, Okayama, Hiroshima and Yamaguchi  
 Kyushu and Okinawa: Fukuoka, Saga, Nagasaki, Kumamoto, Oita, Miyazaki, Kagoshima and Okinawa

South Kanto: Saitama, Chiba, Tokyo and Kanagawa  
 Hokuriku: Niigata, Toyama, Ishikawa and Fukui  
 Kinki: Shiga, Kyoto, Osaka, Hyogo, Nara and Wakayama  
 Shikoku: Tokushima, Kagawa, Ehime and Kochi

2) The correlation coefficient between the change rate of public capital formation composition ratio and the increase rate of the employed was 0.764, and the correlation coefficient between the change rate of public capital formation composition ratio and the change rate of construction workers composition ratio was 0.516.

**Figure 18: Transition of the entry rate and the exit rate**

The entry rate tended to decrease until 1998, and then generally remained unchanged; the exit rate, while there was a fluctuation, generally remained unchanged. Up until 2000, the entry rate exceeded the exit rate, but after 2000 the entry rate and exit rate have intersected several times, indicating that the number of business establishments is not increasing so much in recent years.



Source: Prepared by the Office of Counselor for Labour Policy, MHLW, based on the "Employment Insurance Statistics" Ministry of Health, Labour and Welfare

(Note) 1) Entry rate = Number of business establishments to which employment insurance newly applies in the year ÷ Number of applicable business establishments in the previous year

Exit rate = Number of business establishments to which employment insurance no longer applies ÷ Number of applicable business establishments in the previous year

2) In and after 1995, the correlation coefficient between the real economic growth rate and the entry rate was 0.327, and the correlation coefficient between the real economic growth rate and the exit rate was -0.111. During the period from 1981 to 2009, the correlation coefficient with the entry rate was 0.741, and that with the exit rate was -0.146.

#### **Section 4. Roles played by the manufacturing industry and labour mobility**

The manufacturing industry provides quality work opportunities, supports regional employment and creates employment for all industries through export, thus plays an important role in the Japanese economy.

Due to the change of manufacturing technologies, the value-added through "fine-tuning" which is the strength of the Japanese manufacturing industry has been reduced, and modularized assembly processes are now being transferred to overseas.

Although, in Japan, companies generally develop location strategies while comprehensively evaluating the closeness to related companies and markets, etc., many companies believe that they will place weight on domestic business investment in the future, in order to prevent leakage of technology, etc. It is necessary to support such future movement to increase domestic employment.

In the midst of the recent trends of modularization and digitalization, emphasis is placed on product planning, R&D, and high value-added production such as high-mix low-volume production; although some companies are moving their R&D facilities to outside of Japan, it is considered that domestic plants in Japan will play the role as base plants (mother plants) having the functions to develop and accumulate the technologies and skills for overseas markets. In this situation, cultivation of core human resources has become a challenge for the future. While there is a trend toward the increasing importance of advancement into new industrial fields and capability to develop new products and services, the companies have a strong recognition of the importance of diversification of human resources and human resource development; it is necessary for us to promote development and securing of human resources in technical fields.

In terms of all industries, the power of expanding employment is weak in the high-income sectors (such as finance and insurance industries), and is strong in sectors with relatively lower income (such as the welfare industry); this is one reason for the decline of income level. Increased labour productivity contributes to the increase of wages; it is important for us to increase labour productivity at the macro level, by increasing business investment, by creating industries with high value-added, by allocating labour to such industries through labour mobility without unemployment, and by effectively using technological advancement. Furthermore, as one way to improve terms of trade, we should increase productivity by, for example, promoting R&D investment, equipment investment, business restructuring, etc., and reflect the increased productivity to wages.

#### **(Through exporting, the manufacturing industry is creating employment widely for all industries, thus has a profound effect on the Japanese economy)**

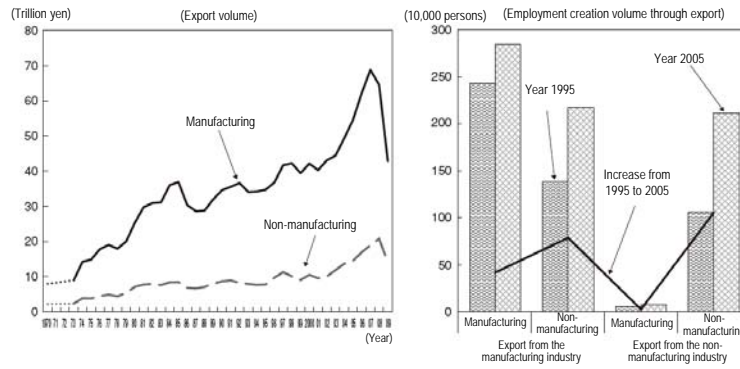
The employed in the manufacturing industry have been decreasing since the early 1990s; it is considered that this is because productivity has increased while the production level has maintained almost at the same level. Figure 19 shows how much employment has been created through export from the manufacturing industry and non-manufacturing industry; while export increased during the period from 1995 to 2005, employment was created through export from the manufacturing industry for about 2.9 million persons in the manufacturing industry and for about 2.2 million persons in the non-manufacturing industry; during the same period, through the export from the non-manufacturing industry, employment was created for about 0.1 million persons in the manufacturing industry, and for about 2.1 million persons in the non-manufacturing industry. One reason behind this is the difference of export values; considering that the export value of the manufacturing industry tended to increase at a rate larger than that of the non-manufacturing industry, the manufacturing industry has a profound effect on employment. The estimated lifetime earnings of high school graduates are higher in the manufacturing industry than in construction, wholesale, retail, medical care and welfare, suggesting that the manufacturing industry provides quality work opportunities, and during the stage of economic expansion, the unemployment rate is lower in the prefectures where the ratio of the employed working in the manufacturing industry is high; it is considered that the manufacturing industry has a great effect on employment.

#### **(Trends of plant locations in Japan)**

Looking at the situation of plant locations in Japan, the number of plant locations and site areas tended to decrease in the 1990s, but there was an increasing tendency during the period from 2002 to 2007. Considering the current status of overseas business development and future strategies, it is unlikely that a "return of plants to Japan" (in the sense that overseas bases will be substituted by domestic bases) will rapidly progress on a short-term basis. However, according to Figure 20, looking at the planning of future business investment among the companies which are currently operating overseas business or are planning to operate overseas business in the future, the companies which answered "Weight is placed rather on domestic business investment" accounted for the highest percentage of 27.3%.

**Figure 19: Employment creation effects through export from the manufacturing and non-manufacturing industries**

Export from the manufacturing industry creates employment not only for the manufacturing industry itself but also for non-manufacturing industries through ripple effects.

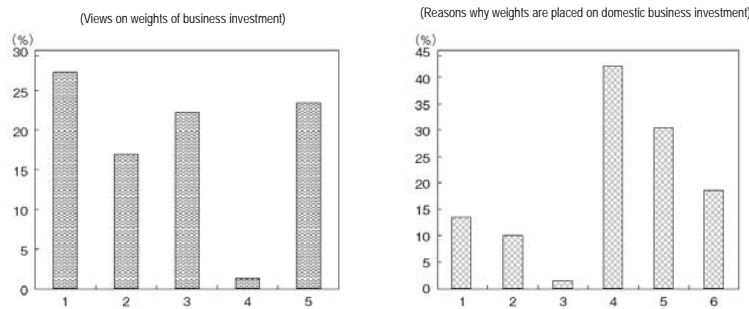


Source: Prepared by the Office of Counselor for Labour Policy, MHLW, based on the "Year 1995-2000-2005 Input-Output Table" Statistics Bureau, Ministry of Internal Affairs and Communications and "Japan Industrial Productivity (JIP) Database 2012" The Research Institute of Economy, Trade and Industry

- (Note) 1) When the number of employees is calculated as a product of the labour input coefficient matrix, Leontief inverse matrix and export vector, the number of employees by export from the manufacturing industry (non-manufacturing industry) is the value obtained when the export from the non-manufacturing industry (manufacturing industry) is set as 0 in the export vector.  
 2) Upon estimation of employment creation volume, the 102 categories table was used; the manufacturing industry ranges from "009: Foods" to "063: Other industrial products." Under the left figure, the manufacturing industry ranges from "8: Livestock products" to "59: Other manufacturing industrial products" of the Japan Industrial Productivity (JIP) Database 2012.

**Figure 20: Companies' views on future business investment**

Among the companies which are currently operating overseas business or plan to operate overseas business in the future, the companies which place weight on domestic business investment accounted for the highest percentage, based on the reason that the advantages of domestic business development are increasing.

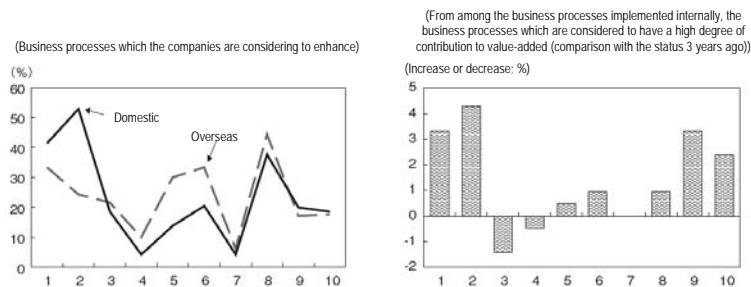


Source: "Survey on the Corporate Management and Human Resources in the Midst of Structural Changes" (February 2013) Japan Institute for Labour Policy and Training

- (Note) 1) Under the above two figures, the numbers represent the followings.  
 (Views on weights of business investment) 1: Weight is placed rather on domestic business investment; 2: Weight is placed rather on overseas business investment; 3: Weight is placed on both domestic and overseas business investments; 4: There is no plan to make business investment domestically or overseas; 5: Future policy for business investment not yet decided, or is unknown  
 (Reasons why weights are placed on domestic business investment) 1: There are concerns about returns from overseas investment (such as deterioration of security, and disruption of operation due to natural disaster or labour dispute); 2: Advantages in domestic business development are becoming smaller (such as increased human costs); 3: At the moment, the Yen is expected to be weakened; 4: The advantages of domestic business development are increasing (such as productivity and protection of confidential information and know-how); 5: In line with overseas development, it becomes more and more necessary to strengthen domestic development areas, etc.; 6: Others  
 2) No-answers are not represented, thus the grand total is not 100%.  
 3) The calculation was made only with the manufacturing industry.

**Figure 21: Companies' views on supply chains**

The companies in the manufacturing industry are considering to enhance on the domestic scene, the upstream and downstream processes such as product planning, marketing, R&D and sales, and, on the overseas scene, the middle-stream processes such as production of parts and semi-products, processing, assembly and execution of work.



Source: "Questionnaire Survey on Actions toward New Industrial Structures" Mitsubishi Research Institute; conducted on October 2011 upon commission from Ministry of Economy, Trade and Industry

- (Note) 1) The figures of the manufacturing industry are excerpted from those of all industries.  
 2) The business process which corresponds to each number in the lateral axis is as follows. 1: Product planning and marketing; 2: R&D; 3: Production infrastructure and system development; 4: Production of raw materials; 5: Production of parts and semi-finished products; 6: Processing, assembly and execution of work; 7: Distribution; 8: Sales; 9: Providing of services; 10: Security services and after-the-sale services

As for the reasons why the weight is placed on domestic business investment, the companies which answered "the advantages of domestic business development are increasing (such as productivity and protection of confidential information and know-how)" accounted for 42.4%. While there may be an influence of exchange rate movements, it is necessary for us to sustain the domestic equipment investment and new plant establishments, and to increase domestic employment.

**(In domestic production processes, human resources are required at the stages of creating products and dealing with customers)**

As a change in the competition environment surrounding the manufacturing industry, we can point out that the level of manufacturing in Asia has improved through modularization and popularization of 3D CAD, etc. It is pointed out that the value obtained from manufacturing decreased due to this change; however, according to Figure 21, in the midst of such structural change, the companies list product planning, marketing, and R&D, as the business processes they want to enhance domestically and overseas; in comparison with the status 3 years ago, the degree of contribution to value-added has increased within the company, in the processes of product planning, marketing, R&D, providing of services, security and after-the-sale services. Further, there is a sign of increase of regular employees in such business processes, showing that the human resources especially regular employees are needed for value-added in the stage of creating products through production processes and the stage of dealing with customers.

**(Challenges toward strengthening of competitiveness by creation of value-added)**

As shown in Figure 22, while creation of value-added is being sought, the companies in the manufacturing company views that their abilities to develop new products and services, diversification of human resources and human resource development system to enhance abilities and qualities are considered important toward the future, in comparison with the current status, as the source of competitiveness. We can say that the importance of diversification of human resources and human resource development is strongly recognized by the companies when they provide new products and services with high value-added; meanwhile, the human resources and skills necessary for the R&D jobs and specialized and technical jobs are changing in line with technological innovation and business restructuring, etc., but the companies still cannot fully deal with the development and securing of such human resources. One reason behind this is that it is difficult for a company alone to deal with the human resource issue due to insufficient know-how and lack of time and budget; it is necessary for us to develop and secure technical human resources through academic-industrial alliances and ability development.

**(Labour productivity declined due to decreased efficiency of labour allocation)**

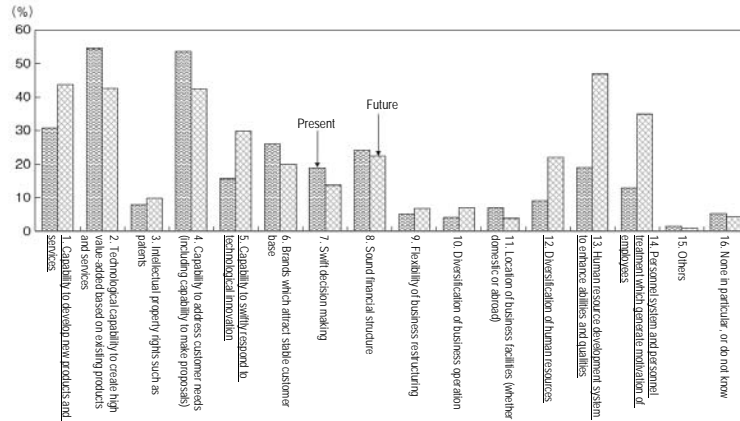
One challenge toward increase of workers' wage income is the increase of labour productivity; as shown in Figure 23, when the factors for labour productivity change are broken down into the change in capital-labour ratio per worker, change in TFP (total factors productivity), and change in labour allocation, we can see that the TFP change ratio and capital-labour ratio consistently contributed at a considerable level, but the contribution by the industrial composition of workers was negative in the 2000s. In the background, it is suggested that the labour allocation was shifted from the industries with high productivity; in the future, it is necessary for us to promote transformation of industrial structure, by creating and maintaining the industries with high value-added and promoting labour mobility without unemployment. As the contribution of the capital-labour ratio to the increase of productivity is declining, we need policy measures to overcome deflation and to promote business investment.

**(It is important to improve terms of trade and to increase wages through improved productivity)**

While the real gross national income (GNI) increased during the economy recovery phase from 2002 thanks to net income from overseas, the trade loss due to worsened terms of trade negatively contributed. The terms of trade rapidly worsened in the 2000s, and this is considered to be the reason for the GNI reduction. Under Figure 24, the real wage increase rate, which hypothetically assumes that the labour share ratio remains the same, is broken down into the factor for change in labour productivity and the income outflow effect; due to the income outflow effect associated with trade loss, the increase of labour productivity is reduced, which resulted in the decreased real wage increase rate when it is hypothetically assumed that the labour share ratio remains the same. In order to reflect the efforts for increase of labour productivity to the wages, we should also improve terms of trade by promoting, for example, R&D investment, and ensuring export prices, and reflect the increased productivity to wages.

**Figure 22: Source of competitiveness according to companies' views**

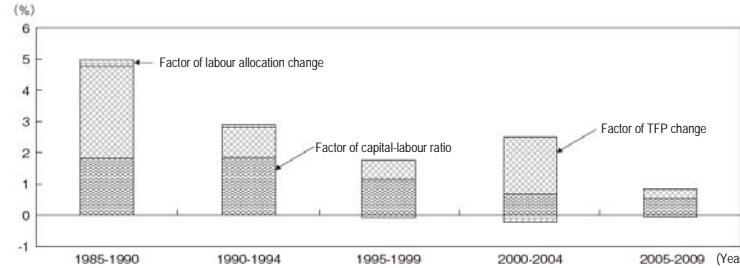
Looking at the source of competitiveness according to companies' views, the percentage of "Technological capability to create high value-added based on existing products and services" remains at a high level but declines for the future, while the percentage of "Capability to develop new products and services" increases. Also, the percentages of "Diversification of human resources" and "Human resource development system to enhance abilities and qualities" considerably increase, suggesting a strong recognition of these supporting factors.



Source: "Survey on the Corporate Management and Human Resources in the Midst of Structural Changes" (February 2013) Japan Institute for Labour Policy and Training

**Figure 23: Analysis of factors for the labour productivity change ratio**

By breaking down the factors for labour productivity change, we can see that the capital deepening and TFP increase contributed to the increase of labour productivity, but the contribution by capital deepening to increase declined. Since the mid-1990s, the labour allocation effect negatively contributed to labour productivity.



Source: Prepared by the Office of Counselor for Labour Policy, MHLW, based on the "Japan Industrial Productivity (JIP) Database 2012" The Research Institute of Economy, Trade and Industry (Note) The factors are broken down in accordance with the following formula.

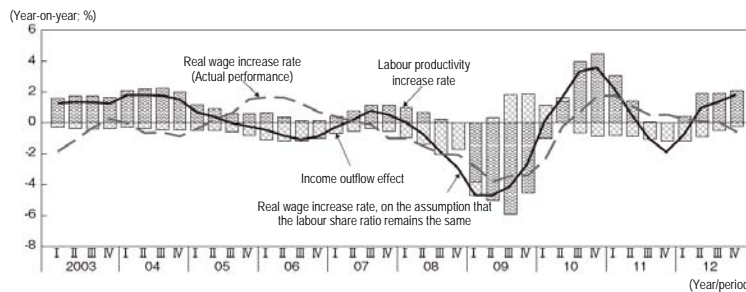
$$\frac{\Delta y}{y} = \underbrace{\sum_i \frac{Y_i}{Y} \left( \frac{\Delta A_i}{A_i} + \alpha_i \frac{\Delta k_i}{k_i} \right)}_{\text{Intra-industry factor}} + \underbrace{\sum_j \frac{Y_j}{Y} \Delta \theta_j}_{\text{Inter-industry factor}}$$

Factor of labour allocation change

Y represents the real value-added, y represents the labour productivity, A represents the TFP (total factor productivity),  $\alpha$  represents the capital allocation ratio, k represents the capital-labour ratio, and  $\theta$  represents the workers composition ratio by sector.

**Figure 24: Influence of worsening of terms of trade on wages**

Assuming that the labour share ratio remains the same, we can see that the increased labour productivity cannot easily lead to increase of wages, due to income outflow resulted from worsened terms of trade.



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

(Note) 1) When  $\delta$  represents the labour share ratio, W represents the nominal wage per person, L represents the number of employees, Y represents the real GDP, P represents the GDP deflator, and Pd represents the domestic demand deflator,

$$\delta = \frac{W \cdot L}{Y \cdot P} = \frac{\left( \frac{W}{Pd} \right) \left( \frac{Y \cdot P}{L \cdot Pd} \right)}{\left( \frac{Y \cdot P}{L \cdot Pd} \right)}$$

Thus: Change rate of labour share ratio = Real wage change rate - Labour productivity change rate - Income outflow effect

"Real wage increase rate, on the assumption that the labour share ratio remains the same" becomes the total of the labour productivity change rate and the income outflow effect when the left member of the above formula becomes 0.

- The income outflow effect is the change rate of P/Pd, and is obtained by subtracting the domestic demand deflator from the GDP deflator increase rate. This represents the reduction in real purchasing power of domestic income, which is due to increase of the domestic demand deflator resulted from increase of import price, thus it becomes nearly equal to: difference of trade profits with the last year  $\div$  real GDP.
- The real wage increase rate (actual performance) is based on the total sum of cash earnings (in the business establishments with 30 or more employees).
- The graph shows moving average values of 4 quarterly movements.

### **Chapter 3. Changes in acquisition and development of human resources in the labour market**

#### **Section 1. Human resources sought by companies in recruitment of new school graduates**

As already seen in Chapter 2, in order to strengthen the competitiveness of the Japanese economy in the midst of changes occurring to the circumstance surrounding Japanese economy and employment structures, the human resources are essential as the source of competitiveness.

About half of the new hiring is hiring those who changed jobs; the ratio of hired persons who changed jobs to all employees shows the tendency of increase, but is at a low level of around 10% at the present moment. When recruiting young people, companies are placing more emphasis on personality, such as enthusiasm, ability to take action and cooperation; competencies that companies expect for young employees are the ability to approach and deal with others, creativity and initiative.

In order to assist employment of young people, companies should make further efforts to more clearly define what kind of human resources they are seeking, and universities should endeavor to improve students' abilities and promote student internships. The government should promote strengthening of collaboration and information sharing among organizations of small and medium-sized enterprises, Hello Works, universities, and other entities.

#### **(In large business establishments, the persons hired after their job change tend to increase)**

Looking at the inflow of workers regularly employed at business establishments according to Figure 25, in and after 1981, the number of persons hired after their job change consistently accounted for about half of the new hiring, and the ratio of hired persons who changed jobs to all employees shows the tendency of increase, but is still at a low level of around 10% at the present moment. In and after 2001, the general hires without job change (except new school graduates) and persons transferred within from the same company (personnel relocation) have been exceeding the new school graduates hired without job change; it is inferred that companies have reallocated their employees to other departments, as a more moderate way to adjust employment. In the new hiring of full-time workers excluding part-time workers in companies with 1,000 or more employees, the hiring those who changed jobs have come to account for a large portion.

#### **(Human resources sought by companies and challenges for university students)**

When recruiting young people, companies are placing more emphasis on personality, such as enthusiasm, ability to take action and cooperation.

According to Figure 26, among the fundamental competencies for working persons, which are considered important by companies, a competency that companies consider is lacked by young employees is the ability to approach and deal with others, followed by creativity, initiative, problem-finding ability, ability to transmit messages and planning ability.

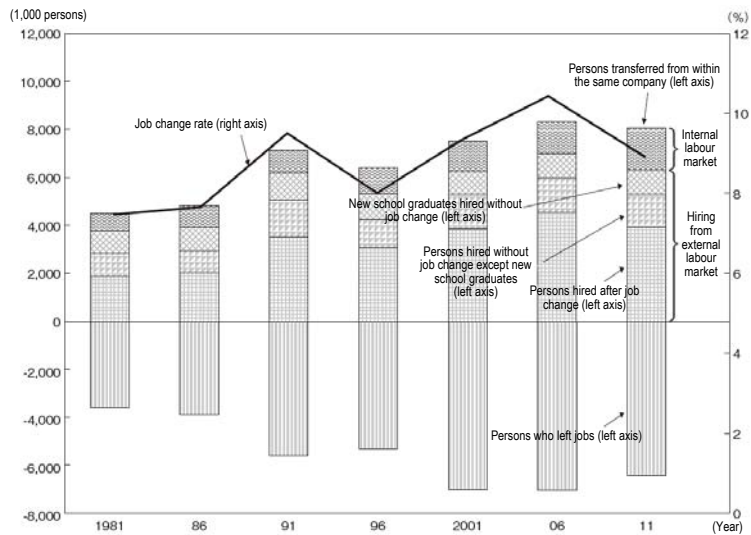
For the recruitment of young regular employees, the ratio of the companies placing emphasis on the immediate fighting strength decreased, and the ratio of the companies which place the same level of emphasis on both the potential and the immediate fighting strength is increasing.

University students generally have high motivation for employment. In response to the actual economic trends, the students who have willingness to enter a small and medium-sized company tend to increase. Opportunities for job applications are broadened through effective use of the Internet in job-seeking activities; the challenges are to deepen the students' career views to further substantiate the image of the working persons they strive to be, and to ensure efficient and effective matching between companies and students.

In a macro perspective, there is a concern that academic skills of university students are declining; students must make efforts for improvement of basic academic skills, etc. during their school lives, in order to have the opportunity to reach the real recruitment process including job interviews. On the whole, 60% or more of the companies are taking into account the universities the students have graduated from, and in recruiting activities, there is a tendency of putting more efforts into on-campus seminars. In the background, the number of students' entries at the stage of application has become large due to the Internet recruitment among major companies, and that the number of graduates recruited from targeted universities is increasing while the quality of students have become more diversified.

Universities should endeavor to improve students' abilities and promote student internships, thereby help the students to develop career views, and companies should make further efforts to more clearly define what kind of human resources they are seeking. The government should promote employment of young people, by strengthening collaboration and information sharing among organizations of small and medium-sized enterprises, Hello Works, universities, and other entities.

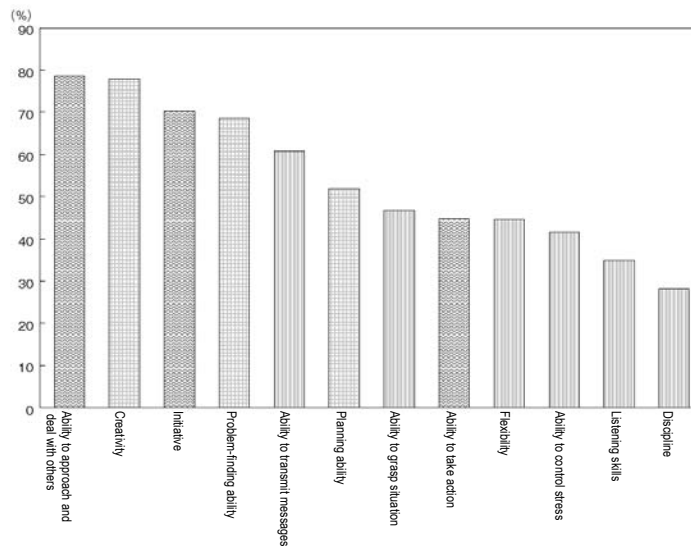
Figure 25: Transition of the situation of hiring and job separation (total of all sizes; total of all employment forms)  
 Job change and personnel relocation (transfer from within the same company) show a tendency of increase.



Source: Prepared by the Office of Counselor for Labour Policy, MHLW, based on the "Survey on Employment Trend" Ministry of Health, Labour and Welfare  
 (Note) 1) The figures for 1981 and 1986 are those from the industries (excluding construction), and the figures for 1991 and after that year are those of all industries.  
 2) The job change rate = The number of hired persons who changed jobs / The number of regular workers (as of January 1 of the survey year) × 100

Figure 26: Fundamental competencies for working persons, which companies consider are lacked by young employees

Among the fundamental competencies for working persons, which are considered important by companies, a competency that companies consider is lacked by young employees is the ability to approach and deal with others, followed by creativity, initiative, problem-finding ability, ability to transmit messages and planning ability.



Source: Calculated by the Office of Counselor for Labour Policy, MHLW, based on the "Survey on Human Resources Sought by Companies 2007 - Relationship with Fundamental Competencies for Working Persons" March 2007, Ministry of Economy, Trade and Industry

(Note) 1) Under the survey, the ability to approach and deal with others, initiative and ability to take action are classified as the "ability to step forward," the creativity, ability to find problems and planning ability are classified as the "ability to think through," and other 6 abilities are classified as the "ability to work as a team."  
 2) The ratio of the companies which consider that a competency is "lacked by young employees" is divided by the ratio of the companies which consider such competency is required.

## Section 2. Japanese employment system and future challenges

The prolonged low growth, aging of workers and increase of non-regular employees contribute to a drastic change of economic and social structures. In the future as well, we need to promote a system of wages and treatment of employees which will motivate workers and fulfill their potential and thereby vitalize companies.

### **(Ability to execute duties is a major factor to determine wages)**

The wage system has been reviewed since the past times; as a result, the percentage of the companies which choose the age and tenure as the factors to determine the basic wage (for the employees other than those in managerial positions) has been showing the declining tendency since the late 1990s; also, the percentage of the companies which choose business performance has been declining as well, due to the difficulty in operating the performance evaluation system, etc., although the percentage temporarily increased from the late 1990s to the 2000s. Instead, the companies, especially major companies, are increasingly placing emphasis on the work content such as duties and job type; the percentage of the companies choosing the ability to execute duties is still high, although it has somewhat declined.

### **(Future direction)**

Many companies believe that a "Human resource development system to enhance abilities and qualities" and a "Personnel system and personnel treatment which generate motivation of employees" should be strengthened in order to further improve their competitiveness; as for the matters related to employment management, they believe that "Promotion or wage increase which matches with the evaluation of abilities, performance, etc." and "Establishment of stable employment environment (where employees can have a sense of security without anxiety in jobs)" are important for maximizing the employees' abilities.

## Section 3. Structural changes and non-regular employment

During the 25 years from 1985 to 2010, regular employment has not been decreasing, but non-regular employment increased. Non-regular workers have drastically increased in many industries including services, wholesale, retail, and restaurants, and the ratio of non-regular workers has been elevated; however, the percentage of companies planning to increase the ratio of regular employees in the future exceeds the percentage of companies planning to increase the ratio of non-regular employees.

Most of the non-regular employees are fixed-term contract employees, and it is expected that more employees will move from fixed-term employment to permanent (or non-fixed term) employment. From the viewpoint of active participation of human resources at companies, and from the viewpoint of securing more stable employment for non-regular workers, we should focus on the "diversified ways of working."

It is considered that, if the labour and management of each company achieves an appropriate combination of employees and employment forms from the medium and long term perspective, it will lead to growth-based expansion of employment and income.

### **(Regular employment remained at the same level, and the ratio of non-regular workers has been elevated due to the increase of non-regular employment)**

According to Figure 27, during the period of the 25 years from 1985 to 2010, regular employment increased by 0.12 million persons (from 33.43 million persons to 33.55 million persons), and non-regular employment increased by 11.01 million persons (from 6.55 million persons to 17.56 million persons). For this reason, the ratio of non-regular workers increased from 16.4% in 1985 to 34.4% in 2010. Looking at the situation of non-regular employment in the non-agricultural industry during the same period, the elderly non-regular workers aged 55 or older increased by 4.16 million persons (from 1.22 million to 5.38 million) with the policy to promote their employment, the non-regular workers aged 15 to 24 increased by 1.36 million persons (from 0.89 million to 2.25 million), and the non-regular workers aged 25 to 34 increased by 1.99 million persons (from 0.99 million to 2.98 million).

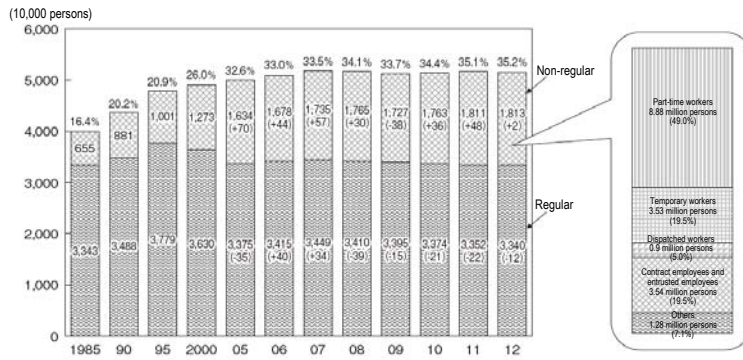
### **(Non-regular employment has drastically increased in the industries of services, wholesale, retail, and restaurants)**

Looking at the trends of regular employment and non-regular employment by industry according to Figure 28, regular employment did not drastically decrease in general terms, while the employment structure showed the trend toward the service economy during the period of 20 years from 1987 to 2007. On the other hand, during the same period, non-regular employees increased to 10.44 million persons (males increased by 3.51 million persons, and females increased by 6.93 million persons).



**Figure 27: Transition of the number of employees, by employment form**

The percentage of non-regular employees continues to be at the level exceeding one-third of the all employees.

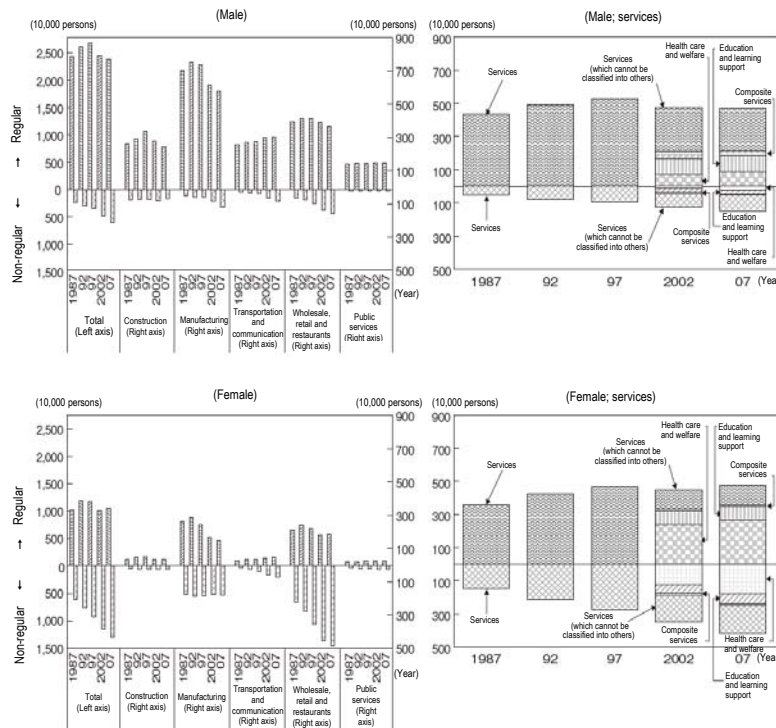


Source: "Labour Force Survey (Special Survey)" (February survey; up to 2000) Statistics Bureau, Ministry of Internal Affairs and Communications and "Labour Force Survey (Details Tabulation)" (annual average; in and after 2005) Statistics Bureau, Ministry of Internal Affairs and Communications

- (Note) 1) The parenthesized figures under the real numbers indicate the differences with the last year; the percentages above the bar charts indicate the ratio of non-regular employees to all employees (the ratio of non-regular workers).  
 2) The real numbers and ratios in and after 2005 use the figures which are retroactively tabulated by using the estimated population (new criteria) based on the population under the Population Census 2010. The real numbers and percentages in 2011 are the complementary estimated figures and the differences with the last year are reference values calculated by using the complementary estimated figures.  
 3) The classification of employment form is determined on the basis of how it is called at the workplace.

**Figure 28: Transition of the number of employees, by sex, industry and employment form**

Non-regular workers have drastically increased in the industries of services, wholesale, retail, and restaurants.



Source: Calculated 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) 1) The number of non-regular employees are calculated by subtracting the number of employees excluding executives (for 1997 and 2002, the number of employees is calculated by subtracting the number of executives from the total number of employees) from the number of regular employees.  
 2) It must be noted that, among the non-regular employees, the dispatched workers of labour dispatching undertakings are classified into the industries to which the dispatching undertakings belong, for the years until 1997, and are classified into the industries to which the clients' business establishments belong, for the years since 2002.  
 3) "Others (including non-classifiable ones)" are calculated by subtracting "Construction," "Manufacturing," "Transportation and communication," "Wholesale, retail and restaurants," "Services," and "Public services (which cannot be classified into others)" from the "Total" of all the industries. In 2002 and 2007, "Transportation and communication" is the total of "Information and communication" and "Transportation," and "Wholesale, retail and restaurants" is the total of "Wholesale and retail" and "Restaurants and hotels."

The non-regular employees increased by 3.6 million persons (males increased by 0.94 million and females increased by 2.66 million) in the service industry, and increased by 3.54 million persons (males increased by 0.95 million and females increased by 2.59 million) in the wholesale, retail and restaurants. In service businesses, a high percentage of the companies use the non-regular employees to deal with business fluctuation between busy times and off-times during a day or a week.

### **(The ratio of non-regular workers increased in many industries)**

According to Figure 29, the increased ratio of non-regular workers occurred in many industries such as wholesale, retail, restaurants and services, while the increase of the ratio of non-regular workers was also affected to a certain degree by the change of industrial structures such as the tendency toward service economy.

### **(The percentage of companies planning to increase the ratio of regular employees in the future exceeds the percentage of companies planning to increase the ratio of non-regular employees)**

According to Figure 30, the percentage of the companies in which the works assigned to non-regular workers are increased from the quantitative and qualitative aspects drastically exceeds the percentage of the companies in which the work assigned to non-regular workers are decreased; we observe cases that the non-regular employees have come to play a core role and have become a substantial part of workforce. However, the percentage of companies planning to increase the ratio of regular employees in the future exceeds the percentage of companies planning to increase the ratio of non-regular employees.

### **(Non-regular employees and fixed-term contract workers)**

When non-regular workers are counted on the basis of how they are called at the workplace, the number of non-regular workers is 18.7 million persons (36.3% of the all employees excluding executives) during the period from January to March 2013. The number of fixed-term contract workers is 14.44 million persons (28.0%) and it is considered that many of non-regular workers are fixed-term contract workers. The number of fixed-term contract workers whose years of tenure are 5 years or longer is estimated as 4.26 million persons (8.3%), and 3.56 million persons (6.9%) if the persons aged 65 or older and students are excluded. It is expected that more employees will move from fixed-term employment to permanent (or non-fixed term) employment.

### **(Reasons why the labour supply side chooses non-regular employment)**

Looking at the reasons why non-regular workers have chosen the current employment form, many persons answered "I can work at a time convenient for me" or "I want to support my household or to earn money for school, etc.," while not a small number of persons answered "I could not find a company where I can work as a regular employee." The number of persons who are unwillingly working as non-regular workers (the persons who are working as non-regular workers because they cannot find regular jobs) was 3.48 million persons during the period from January to March 2013. In addition, the non-regular employees who wish to become regular employees are increasing, and they are estimated as around 3.39 persons in 2010.

### **(Toward expansion of employment and income through growth)**

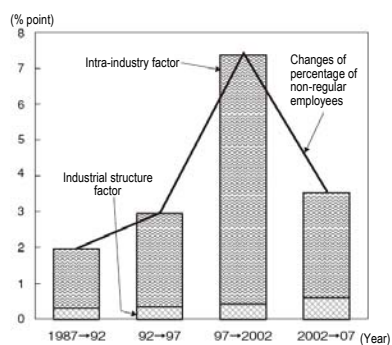
If the number of the persons who move from fixed-term contract workers to permanent workers increases and thereby employment is stabilized, companies can also expect such advantages as securing of human resources and stabilization of workforce. Also, there are persons who have unwillingly become non-regular workers in the midst of a severe employment situation. While focusing on the persons with high need for assistance, including the persons who are unwillingly working as non-regular workers, non-regular employees who wish to become regular employees, and non-regular workers who are the primary earners of households with a low household income, it is important for us to stabilize employment and improve treatment of employees, by providing opportunities for proper capability development, etc.

It is expected that, if many options are offered through "diversified ways of working," the companies will be able to generate motivation of employees and improve productivity through securing of human resources and an increase of workforce stability, and the non-regular workers will be able to develop careers and secure more stable employment and the number of persons who are unwillingly working as non-regular workers will decrease; and such offering of options can become an effective means to attain the work-life balance of regular employees.

Figure 31 shows the summarized breakdown of employees under this section, from the labour demand side and labour supply side. It is necessary to promote the actions for a favorable turn of economic conditions and growth, through cooperation among labour, management and the government.

Figure 29: Analysis on factors for change of the ratio of non-regular workers

The factors for the change of the ratio of non-regular workers can be broken down into the effect of industrial structure change (industrial structure factor) and the effect of change in the ratio of non-regular workers in each industry (intra-industry factor). The contribution of the latter is larger than that of the former.



Source: Estimated 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) 1) The analysis on factors for the ratio of non-regular workers is in accordance with the following formula.

$$\Delta R = \sum (r_i + \Delta r_i)(s_i + \Delta s_i) - \sum r_i s_i$$

$$= \sum (r_i + \frac{1}{2} \Delta r_i) \Delta s_i + \sum (s_i + \frac{1}{2} \Delta s_i) \Delta r_i$$

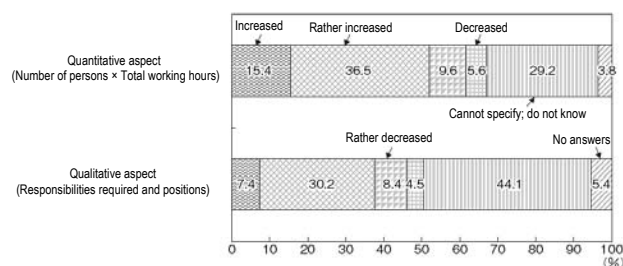
Factor of industrial structure      Intra-industry factor

i represents industry.  
L: Number of employees excluding executive (L=L1)  
l: Number of non-regular staffs and employees (l=L2)  
R: Ratio of non-regular workers (R=L/L1, Rst=L2/L1)  
s: Composition ratio of industry (s=L/L)

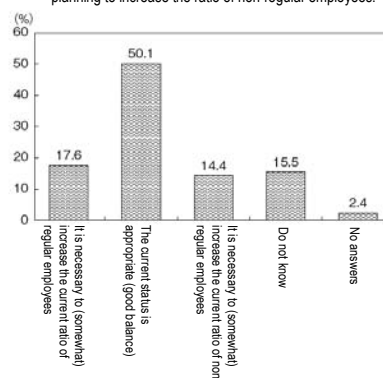
- 2) In 2007 and 2002 under the analysis of factors under this Figure, "transportation and communications" is the total of "information and communication" and "transportation," "finance, insurance and real estate" is the total of "finance and insurance" and "real estate," and "services" are the total of "restaurants and hotels," "medical care and welfare," "education and learning support," "composite services," "services (which cannot be classified into others)," in order to adjust the industrial classification in each time of survey of the "Basic Statistical Survey on Employment Structure." In addition, "services" are the total of "restaurants" and "services (which cannot be classified into others)" in and before 1997. Public services are excluded. It must be noted that, although such adjustment was made, the data from one time of a survey may not always be strictly connected with the data from another time of a survey, due to the effect of the industrial classification revision.
- 3) It must be noted that, among the non-regular staff and employees, the dispatched workers of labour dispatching undertakings are classified into the industries to which the dispatching undertakings belong, for the years until 1997, and are classified into the industries to which the clients' business establishments belong, for the years since 2002.

Figure 30: Companies' views on recent transition of work assigned to non-regular workers; views on the future balance between regular workers and non-regular workers

The percentage of the companies which answered that the work assigned to non-regular workers was "quantitatively" increased exceeded 50%, considerably higher than the percentage of the companies which answered that the work "quantitatively" decreased.



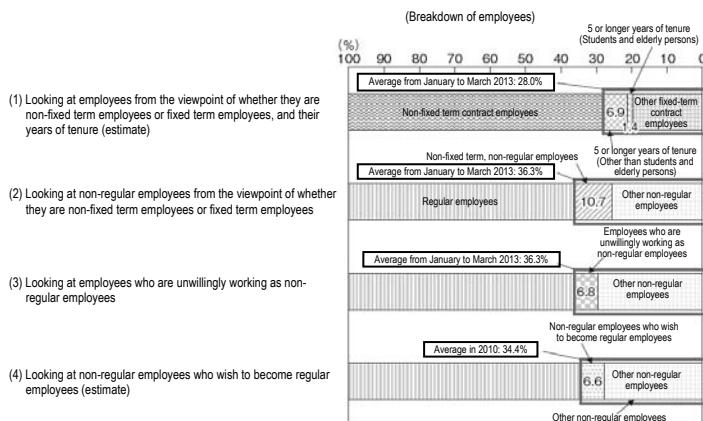
The percentage of companies planning to increase the ratio of regular employees in the future exceeds the percentage of companies planning to increase the ratio of non-regular employees.



Source: "Survey on the Corporate Management and Human Resources in the Midst of Structural Changes" (2013) Japan Institute for Labour Policy and Training

Figure 31: Breakdown of employees

Looking at the breakdown of employees (the ratio to all employees excluding executives), the ratio of fixed-term contract employees is 28.0%, and the ratio of fixed-term contract employees (excluding students and elderly persons) whose years of tenure are 5 years or longer is estimated as 6.9%. The percentage of non-regular workers under non-fixed term contract is 10.7%. From the viewpoint of the wish for employment, the percentage of persons who are unwillingly working as non-regular workers is 6.8%, and that of the workers who wish to become regular employees (estimate) is 6.6%.



Source: Prepared by the Office of Counselor for Labour Policy, MHLW, based on the "General Survey on Diversified Types of Employment" (2010) Ministry of Health, Labour and Welfare, "Survey on Actual Situation of Fixed-Term Labour Contracts 2011" Ministry of Health, Labour and Welfare, and "Labour Force Survey (Details Tabulation)" Statistics Bureau, Ministry of Internal Affairs and Communications

- (Note) 1) Under (1), the figures of the "fixed-term contract employees whose years of tenure are 5 years or longer" are the estimates based on the "Survey on Actual Situation of Fixed-Term Labour Contracts 2011" and "Labour Force Survey (Details Tabulation)" (January to March 2013). The figures of "others" under (1), and figures under (2), are those based on the "Labour Force Survey (Details Tabulation)" (January to March 2013).  
2) The figures under (3) are those based on the "Labour Force Survey (Details Tabulation)" (January to March 2013).  
3) The figures for the "non-regular employees who wish to become regular employees" under (4) are the estimates based on the "General Survey on Diversified Types of Employment" (2010) and "Labour Force Survey (Details Tabulation)."  
4) It must be noted that, each of the various data of breakdown of employees takes different point of view, and may be overlapped with each other.

## Summary

In the Analysis of the Labour Economy 2013, we have conducted analysis under the theme of "Employment, Human Resource and Ways of Working in the Midst of Structural Change," which can be outlined as follows.

### 1. Trends and features of the labour economy

#### ○ Trends of general economy, employment and unemployment

After the financial crisis in the autumn of 2008, the Japanese economy entered a phase of expansion from March 2009, overcame the temporary fall due to the Great East Japan Earthquake in 2011, and has maintained the momentum in early 2012. After that, although the economy was weakened due to the decline of export and production because of the global slowdown, it turned to pick up in 2013.

The ratio of active job openings to active job applicants was 0.80, up 0.15 from the last year, and the unemployment rate was 4.3% in 2012, down 0.3 from the last year; the employment situation is showing movements of improvement recently, although it still remains severe. In the manufacturing industry, the production activities showed a trend of decline: the feeling of excessive employment grew, and new job openings continued to decrease.

The income of wives in workers' households became the highest ever in 2012; one possible reason for this is because of their participation in the workforce as part-time workers, etc., reflecting the decrease of the householders' annual income.

While employment of elderly persons has been expanding up to now, part of the baby-boomer generation (born between 1947 ~ 1949) has entered their late 60's in 2012, and a growing number of them are continuing work after they reach the age of 65.

In the areas affected by the Great East Japan Earthquake, the ratio of active job openings to active job applicants has improved in line with the reconstruction demand, but there are still issues to be addressed, including matching of workforce (such as the shortage of construction workers) and population decline, recovery and restoration of coastal areas.

Looking at the employment situation of persons with disabilities, the actual ratio of persons with disabilities to total employees in private companies is 1.69% and the number of employees with disabilities is 382,000 as of June 1, 2012, and the number of persons with disabilities who were employed via Hello Works was 68,321 in fiscal 2012; all of these figures are the highest ever.

#### ○ Trends of wages and working hours

As for the wages in 2012, the total sum of cash earnings continued to be on a weak note, decreasing for a consecutive two years and by 0.7% compared to the last year, and the scheduled wages decreased for a consecutive seven years. In a medium and long term perspective, one of the factors which is contributing to the decrease of total sum of cash earnings is the increasing percentage of part-time workers whose total sum of cash earnings is relatively low. Focusing on the breakdown of full-time workers' total sum of cash earnings, we can see that the fluctuation of scheduled wages is generally small and the fluctuation of special wages is generally large after 1998 when the total sum of cash earnings began to decrease.

As for the working hours, all of the total actual working hours, scheduled working hours, and extra working hours increased in 2012 compared to the last year. Economic performance strongly affects the extra working hours; in and after May 2012, the extra working hours in the manufacturing industry decreased, but began to increase from December 2012.

#### ○ Trends of prices and workers' household expenditures

As for the prices, the domestic commodity prices decreased in 2012 due to the concern over the global economy slowdown, but gradually increased from December 2012 in line with the yen fall beginning from autumn. The consumer prices (general, excluding fresh foods) decreased by 0.1% compared to the last year, down for a consecutive four years, due to the price fall of consumer durable goods, etc.

Both the nominal and real consumer expenditures of workers' households increased in 2012. Transportation and communication expenses increased due to such factors as the new eco car subsidiary program and the further popularization of the Internet and mobile phones (including smart phones).

During 2012, consumer confidence did not recover to the level before the Great East Japan Earthquake, but began to pick up from January 2013 thanks to the heightened future expectation, in particular in terms of the employment environment, in reaction to the rise in stock prices, and emergency economic measures, etc.

## ○ Trends of labour-management relationship

In the spring of 2013 when the employment situation is still severe, the labour-management negotiations included such topics as improvement of treatment of all workers. As a result of the wage negotiation, many companies maintained the wage curve, and some companies whose business performance was improving agreed to raise the bonus.

As for the organization of labour unions, the number of labour union members was 9,892,000 persons as of June 30, 2012, and the unionization ratio is estimated as 17.9%; the members has been decreasing since the peak in 1994, when the membership reached 12,699,000 persons. In this situation, the union membership of part-time workers increased to 837,000 persons, and the unionization ratio is estimated as 6.3%, showing the upward trend.

## 2. Change of Japanese economy and employment structure

### ○ Economic growth, growth factors and productivity

In Japan, the real GDP growth rate was at the mid 4% range in 1970s and 1980s, and was slowed down to about 1% in the 1990s; in 2000s, the rate was about 0.3%, showing a decrease of about 4%. The labour contribution to the growth rate was negative in and after the 1990s, reflecting reduction of working hours and a decreased number of employed workers; on the other hand, when we consider the man-hour increase and labour quality change separately, we can see that the improved labour quality supported the growth rate by 0.6% in 1980s and 0.5% in and after 1990s, keeping approximately the same level of positive contribution to the growth rate.

The slowdown of growth rate is mainly due to the decrease of capital amount and slowing TFP growth rate; in view of the future Japan whose population will keep decreasing, it is hoped that the labour quality will be further improved through development of human resources, etc. and will continue to support economic growth. Also, it is considered quite possible to achieve a positive growth rate by keeping up business investment and technological innovation.

### ○ Transition of industrial and occupational structures

Looking at the long-term transition of employment composition by industry, the ratio of agriculture, forestry and fishery drastically decreased in the rapid economic growth period, and the ratio of manufacturing industry rose to 26.1% in 1970. After that, the ratio of agriculture, forestry and fishery, and that of the manufacturing industry decreased, and the employment structure changed to develop service industries, further advancing the tertiary industrialization.

Looking at the increase or decrease of workers in and after 2005 by medium industrial category, we can see that the number of workers increased in the industries of social insurance, social welfare, and nursing care, including welfare for the elderly people, and medical and other health services including hospitals; on the other hand, the number of workers drastically decreased in the construction industry which is considered to be affected by the reduction of public works, and the employment and worker dispatching services, agriculture, and wholesale trade.

In recent years, the composition ratio of public capital formation to GDP remains at the lowest level. Looking at the ratio of public capital formation to gross prefectural product by regional block in 2009, the ratio was high in Hokkaido, Hokuriku, and Kyusyu and Okinawa, and was low in the three major urban regions including South Kanto, Kinki and Tokai. We can see a positive correlation between the changing composition ratio of public capital formation and the regional increase rate of workers and the ratio of the number of workers in the construction industry to the number of workers in the region; the decrease of public capital formation had a more profound effect on the decrease of the number of workers in the regional blocks including Hokkaido, Tohoku and Shikoku, than the three major urban regions.

### ○ Employment creation and employment loss

In and after 2005, the effect of opening or closing business facilities on employment fluctuation was relatively greater in eating and drinking places, accommodations, scientific research, professional and technical services, and the information and communications industry; and the effect of continuing business facilities on employment increase and decrease was greater in manufacturing industry and construction industry.

In 2009 when the impact of financial crisis was grave, the net decrease rate of employment was largest in the other services, transportation and postal services and manufacturing industry, in which the effect of employment loss was strong in continuing business facilities. The decrease rate was alleviated in 2010; in the transportation and postal services, the employment loss in continuing business establishments was reduced and the effect of opening new business establishments became stronger than in 2009; in the manufacturing industry, the employment loss in continuing business establishments was reduced and employment creation was expanded, but the effect of opening new business establishments became weaker than in 2009.

### ○ Roles played by the manufacturing industry and labour mobility

The manufacturing industry provides quality work opportunities for high school graduates, supports regional employment, and creates employment for all industries through export, thus plays an important role in the Japanese economy.

Due to the change of manufacturing technologies, the value-added through "fine-tuning" which is the strength of the Japanese manufacturing industry has been reduced, and modularized assembly processes are now being transferred to overseas. On the other hand, companies in Europe and in the United States are yielding profits by effectively managing intellectual property.

Although there is a movement of establishing R&D centers in foreign countries, an increasing number of Japanese companies are considering to make new business investment domestically, in order to prevent leakage of technology, etc.

Domestic plants in Japan are supposed to play a role as "mother plants" (the base plants having the functions to develop and accumulate the technologies and skills for overseas markets), and cultivation of core human resources, who will be dispatched to overseas bases, is required. While Japan has its strength in production goods (including parts), maintenance of base technologies is essential for innovation. It is also important to protect the companies producing final consumer goods, through domestic demand stimulation. In addition, it is important to create value added through such means as entry into new industrial fields, and to secure competitiveness, backed by systems to cultivate abilities and qualities of human resources as well as diversification of human resources.

In terms of all industries, the power of expanding employment is weak in the high-income sectors (such as finance and insurance industries), and is strong in sectors with relatively lower income (such as welfare industry); this is one reason for the decline of income level. Increased labour productivity contributes to the increase of wages; it is important for us to increase labour productivity at the macro level, by increasing business investment, by creating industries with high value-added and with labour productivity increase, by allocating labour to such industries through labour mobility without unemployment, and by effectively using technological advancement. Furthermore, we should also improve terms of trade by promoting R&D investment, business investment, business restructuring, etc. and ensuring export prices, and reflect the increased productivity to wages.

### 3. Changes in acquisition and development of human resources in the labour market

#### ○ Human resources sought by companies in recruitment of new school graduates

About half of the new hiring is hiring those who changed jobs, and the ratio of hired persons who changed jobs to all employees tends to increase. Personnel relocation is also increasing; it is inferred that companies have reallocated their employees to other departments, as a more moderate way to adjust employment during the time of business difficulties.

When recruiting young people, companies are placing more emphasis on personality, such as enthusiasm, ability to take action and cooperation.

In order to assist employment of young people, companies should make further efforts to more clearly define what kind of human resources they are seeking, and universities should endeavor to improve students' abilities and promote student internships. The government should promote strengthening of collaboration and information sharing among organizations of small and medium-sized enterprises, Hello Works, universities, and other entities.

#### ○ Japanese employment system and future challenges

The prolonged low growth, aging of workers and increase of non-regular employees contribute to a drastic change of economic and social structures. In the future as well, we need to promote a system of wages and treatment of employees which will motivate workers and maximize their potential and thereby vitalize companies.

## ○ Structural changes and non-regular employment

In the Japanese economy, the number of non-regular employees has been increasing in line with the diversification of employment forms under a situation where companies have been trying to address economic fluctuations and medium to long term structural changes.

During the 25 years from 1985 to 2010, the number of regular employees has not been decreasing drastically overall, but the number of non-regular employees significantly increased. Not only part-time workers but also other forms of non-regular employment increased. Aging of the workforce contributed to the increase of non-regular employment.

Although actual use of non-regular employment is different in each industry, the ratio of non-regular employment is increasing in all industries. We observe cases that the non-regular employees have come to play a core role and have become a substantial part of the workforce. However, the percentage of companies planning to increase the ratio of regular employees in the future exceeds the percentage of companies planning to increase the ratio of non-regular employees.

During January to March of 2013, the number of non-regular employees was 18.7 million persons, and accounted for 36.3% of all employees excluding executives (the ratio of non-regular employees). Most of the non-regular employees are fixed-term employees. The number of fixed-term contract employees was 14.44 million persons, and accounted for 28% of all employees excluding executives. Among them, the number of employees with 5 or longer years of tenure was estimated as 4.26 million persons; it is hoped that more people will move to permanent (or non-fixed term) employment.

The number of employees who are unwillingly working as non-regular employees was 3.48 million persons. The number of non-regular employees who wish to become regular employees was estimated as 3.39 million persons in 2010. While non-principal household income earners, students, and elderly persons make up a considerable portion of the non-regular employees, the number of non-regular employees who are also the principal household income earners (income earners of the households with relatively low household income; excluding students and elderly persons aged 60 or older) was estimated as 1.492 million persons (which accounted for 2.9% of all employees excluding executives). It is important that we, focusing on such persons with high need for support, seek to stabilize employment and improve the treatment of employees, by providing opportunities for proper capability development, etc. We expect that the necessity of securing human resources and a more stable workforce, as well as the full implementation of the amended Labour Contract Law, will promote "diversified ways of working."

From the companies' viewpoint of motivating employees and improving productivity through securing of human resources and increasing their stability, and from the workers' viewpoint of developing careers of non-regular employees and securing more stable employment, we need to facilitate "diversified ways of working" and if the labour and management of each company achieves an appropriate combination of employees and employment forms from the medium and long term viewpoint; we expect that these efforts will lead to expansion of employment and income based on growth.

While taking into these analysis, it is necessary for both companies and workers to adjust themselves to the structural changes and to strengthen the competitiveness and human resources, in order for us to ensure sustainable growth of the future Japanese economy, and to create a "virtuous cycle" in which company profits are improved, domestic investment is enhanced, labour is moved to more productive sectors, wages and employment are increased, and consumption is enhanced.

As the globalization of economy progresses and the population keeps decreasing and aging, and the environment surrounding companies continues to change; we should support the companies to focus on the growth fields and to improve their competitiveness.

Human resource is Japan's most important resource and is the source of Japanese companies' competitiveness. It is important for us to motivate workers and fulfilling their potential and to promote stabilization of employment in the future employment system, leading to the establishment of "a society where everyone participate in social activities."

In order to strengthen and make full use of the potential competitiveness and human resources in the Japanese economy, it is important for us to promote the "labour policy toward growth" through cooperation among labour, management and the government, including labour mobility from mature sectors to growing sectors without unemployment and diversified ways of working.