

### **Increasing Variance in Hours Worked**

Total hours worked have been on a decline trend in Japan. When looking at details, the share of those who have short hours worked and long hours worked have both increased, resulting in an increasing variance in hours worked.

When looking at gender and age groups, the percentage rise of long hours worked is found mostly in the male in his prime (Figure 21). The percentage of those who work 60 hours or more per week is particularly high in the transport. By occupation, it is particularly high in those who are worked in transport and communications occupations, sales worker, technical workers, and manager and officials. By type of employment, the percentage of those who work 60 hours or more per week is increasing among regular staffs, at the same time, the number of those who work less than 35 hours per week is also rising, indicating an increase in variance in hours worked.

### **Increasing Number of Employees Feeling Fatigue and Stress**

While the total number of casualties caused by industrial accidents is on the decrease, the number of employees feeling fatigue and stress is rising with those in their thirties and forties topping the list by ages. By hours worked, the longer they work, the more stress, etc. they feel as well as physical fatigue.

By occupation, those who are engaged in professional and technical workers tend to feel physical fatigue and stress by nature; it has increased even more in recent years. Also, those who are managers and officials increasingly feel more stress and physical fatigue (Figure 22). By type of stress, personal relations at work, quantity of work, quality of work, and future of the company, etc. account for a large proportion.

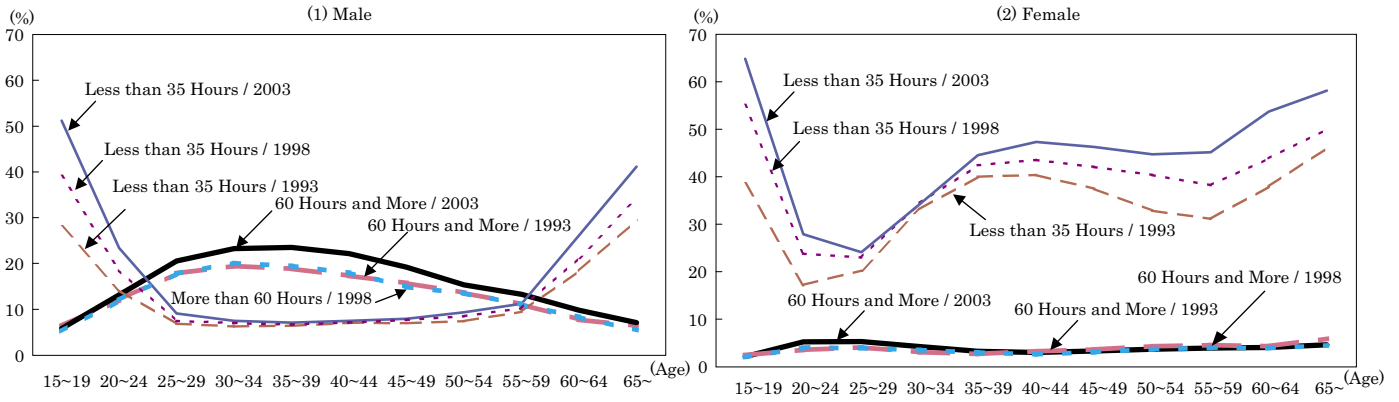
The number of employees applying for industrial accident compensation insurance for cerebral or cardiac diseases that can lead to "karoshi" (death) or for mental disorders such as depression has increased, resulting from occupational activities.

### **Increasing Concerns about Employment**

The unemployment rate in Japan has been on rise trend during the 1990s until 2002 reflecting the long-term economic stagnation. The percentage of the long-term unemployed person for one year and more has almost doubled in ten years. When looking at the details of unemployed persons who left their previous job, a marked difference in severity is noted by industry and occupation.

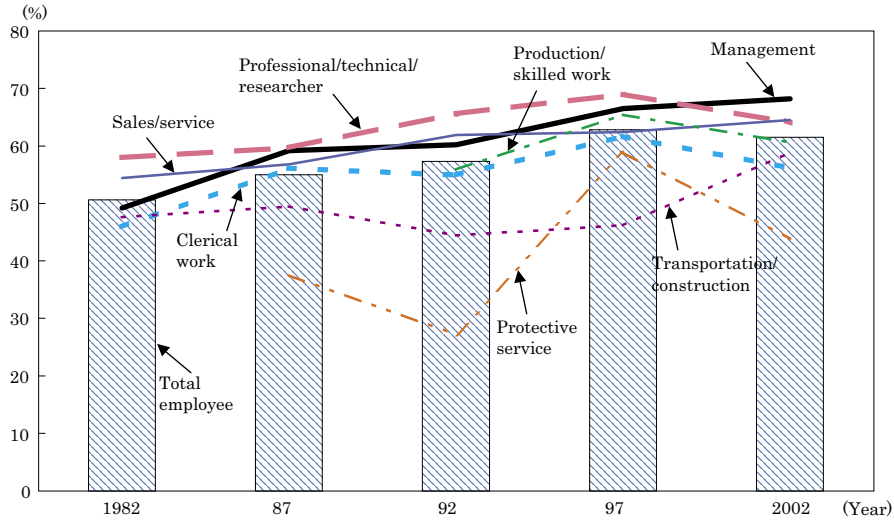
Along with the increase in unemployment, there is an increase in uneasiness about employment (Figure 23). Since the percentage of unemployed person who quitted a job involuntary (hereinafter referred as 'involuntary unemployment') has increased, it is fair to assume that the instability of employment has grown in recent years. However, there is no significant difference in the rate of involuntary unemployment between part-time employees and regular staffs. Therefore, one cannot necessarily conclude that an increase in part-time employees significantly heightens the instability of employment (the risk of involuntary unemployment).

Figure 21 Percentage of Employees Working Less than 35 Hours and 60 Hours and More (Broken into age groups)



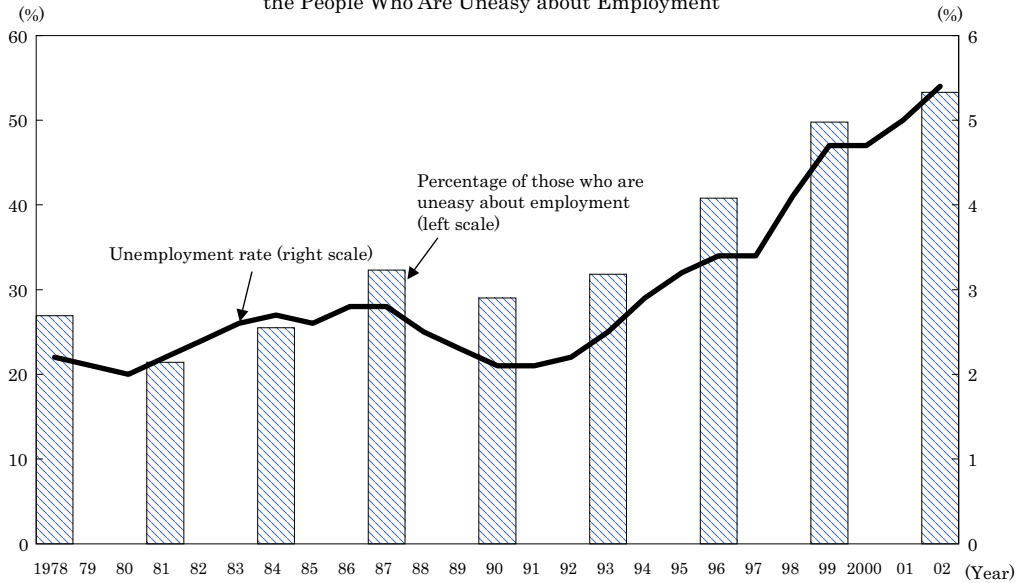
Source: Specially calculated by the Office of Counselor in charge of Labour Policy, MHLW, using Statistics Bureau, MIC "Labour Force Survey"  
Note: Percentages of total workers excluding those who are not at work

Figure 22 Percentage of those who Feel Strong Anxiety, Worry, Stress by Occupation



Source: MHLW "Survey on State of Employee's Health"  
Notes: 1) "Clerical work" was referred to as "General clerical work" until 1987  
2) "Sales / services" was referred to as "Sales/services/communications" until 1987  
3) "Protective service" was first introduced in 1987, and "production/skilled works" in 1992

Figure 23 Trends in the Unemployment Rate and the Percentage of the People Who Are Uneasy about Employment



Sources: Unemployment rate: Statistics Bureau, MIC "Labour Force Survey"  
Percentage of those who are uneasy about employment: Cabinet Office "National Survey on Lifestyle Preferences"  
Note: "Those who are uneasy about employment" are the total number of respondents who answered "not very satisfied" or "not satisfied at all" to the question, "working without worries".

### **Section 3 Changes in Awareness of Workers and Motivation for Work**

Amid social and economic changes and the diversification of work and lifestyles of workers, a tendency toward stability was more pronounced particularly in the middle aged group and a tendency toward challenge was more apparent particularly in the younger generation when questioned about ideal work. There was also a tendency to emphasize harmony between work and personal life. Also, the importance of work in personal life is increasingly significant.

Satisfaction with work has been on a decline trend over the long term, indicating the possibility of not utilizing the full potential of employees. In the future, it will be significant to not only to increase the quantity of employment, but also to improve the “quality of employment” in terms of working conditions such as motivation to work, wages and hours worked.

#### **View of Work and its Changes**

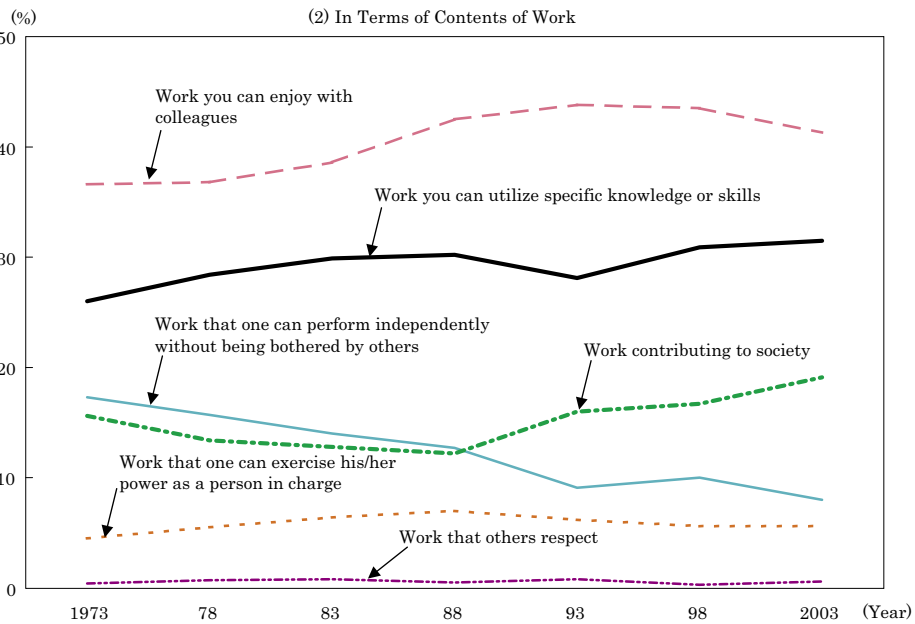
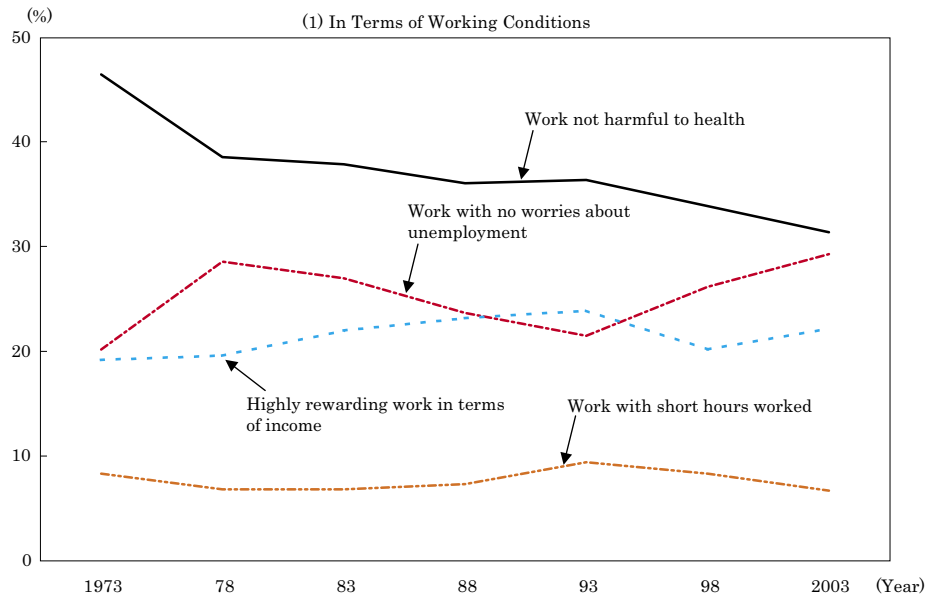
When asked about a perspective on ideal work in Japan, a tendency toward stability became more pronounced particularly in the middle aged group and a tendency toward challenge was more apparent particularly in the younger generation.

Looking at the changes in the perspective on ideal work, there are some elements that seem to reflect business fluctuations in terms of working conditions and other factors. Those who chose the response “work with no worries about unemployment” dramatically increased since the latter half of the 1990s when the unemployment rate rapidly increased. In terms of content of work, the respondents who chose the response “work you can enjoy with colleagues” came top of the list, and those who chose “work you can utilize specific knowledge or skills” , and “work contributing to society” were on the increase. It indicates that more people are interested in whether the content of the work itself is appropriate for their ability and aptitude, and whether they are satisfied with the social implications of the work itself (Figure 24).

Looking at the changes in perceptions of whether one puts more emphasis on work or leisure, from the perspective of the balance between work and personal life, the width of increase of respondents who chose “the balance between work and leisure’ was particularly large. Much of the perception was greatly shifted to the emphasis on harmony with personal life (Figure 25). In addition, the importance of work in personal life is increasingly significant in the recent economic stagnation.

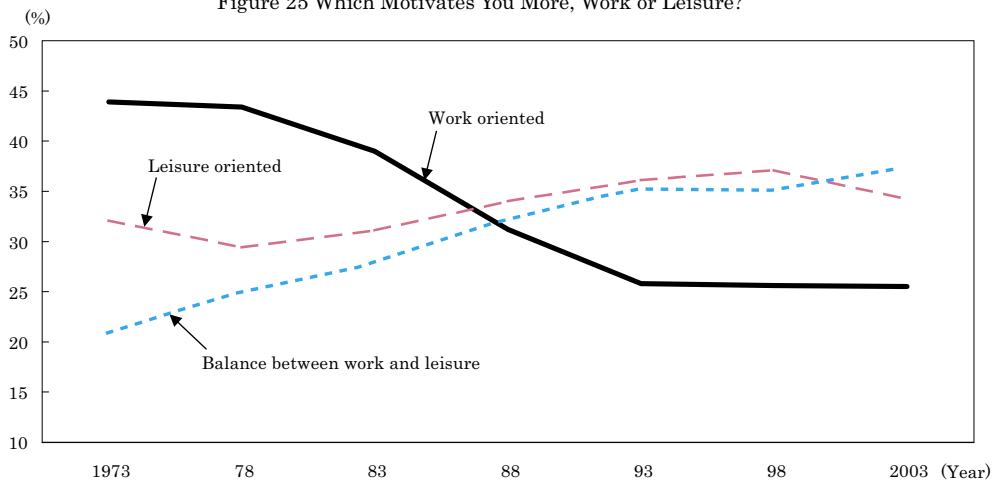
Change in the overall perception of lifestyle, emphasizing the fulfillment of mind and everyday life, is seen as the background to such changes in the view on work. It is assumed that this change facilitates the tendency in job selection to pursue what one really wants to do at this time. In terms of the selection of careers in the life course of women, the following facts seem to affect the lifestyle of not only women but also men, and they seem to reinforce the needs of work that allow them to balance work and home life: Many women chose “it is better to continue working even after childbirth” which topped the list; and an increasing number of people regard “household cooperative” lifestyle or “independent husband and wife” lifestyle as an ideal state of family life.

Figure 24 Trends in View on Ideal Work  
(1) In Terms of Working Conditions



Source: Broadcasting Culture Research Institute "The Japanese Value Orientation Survey"  
Note: Total of the first and second choices as ideal work

Figure 25 Which Motivates You More, Work or Leisure?



Source: Broadcasting Culture Research Institute "The Japanese Value Orientation Survey"

Notes: Details of each item are as follows:

Work oriented: 'Exert all efforts in pursuit of fulfillment at work' 'Enjoy leisure sometimes, but exert more efforts at work'

Balance between work and leisure: 'Exert effort equally for both work and leisure'

Leisure oriented: 'Seek more fulfillment in leisure rather than work' 'Enjoy leisure as much as possible by finishing work early'

### **Declining Satisfaction with Work in the Middle and Long-Term**

By satisfaction with entire work, the number of respondents who answered that they were satisfied with their entire work is outnumbered those who were dissatisfied (“Survey on Awareness on Work-Life Balance” (2003)). In addition, it seems that satisfaction with entire work has on a declined trend in the middle and long-term (Figure 26).

When looking at satisfaction with entire work by industry, the satisfaction (D.I.) is high in the finance and insurance and services industries (Figure 27).

When looking at satisfaction by occupation, satisfaction with entire work is high in management, sales and interpersonal work, and satisfaction in the following areas is relatively high: motivation to work, work where one can exercise his/her authority/responsibility, and skill development. On the other hand, satisfaction with entire work is somewhat lower among production/skilled, professional/technical workers and their dissatisfaction with the volume of work is higher relative to employees in other occupations.

When looking at the effect of wages and hours worked on the satisfaction with entire work, responses are ranked as follows: (1) motivation to work, (2) wages, (3) skill development, (4) hours worked (the order of coefficients in regression analysis). In particular, motivation to work affects the satisfaction level. In addition, those who wish to have work that motivates them to work in the future, have lower satisfaction rates than those who wish to have other working patterns. From the perspective of concerns about the future, those who feel concerned about “health damage due to overwork”, “no chance of developing skills”, “being unable to secure living wages”, “being unable to secure a promotion and career advancement” have less satisfaction with their current work. From these factors, among various elements, satisfaction with motivation to work, skill development, wages and hours worked in particular appear to affect satisfaction with entire work.

While the discrepancy in wages and household incomes increases, more people tend to seek evaluation and due reward in accordance with their ability rather than everyone receiving the same income. It has been a significant issue to promote and develop frameworks to improve the understanding of the discrepancy and its basis.

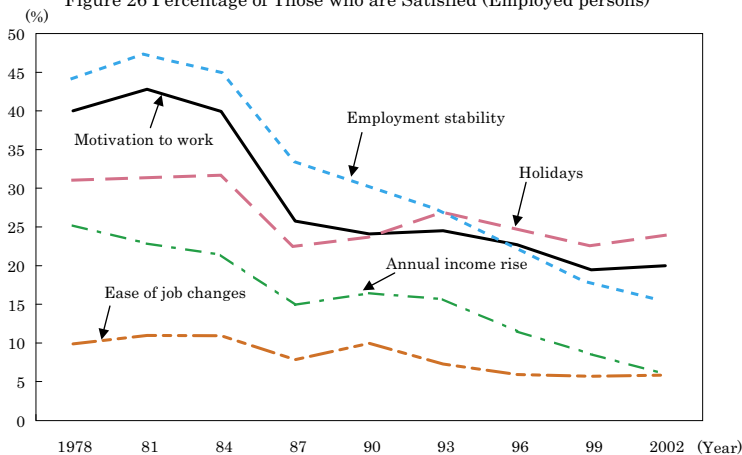
### **Necessity of Deliberation on the Quality of Employment**

As seen thus far, satisfaction with work is experiencing a declining trend over the long-term. Since there is a correlation between motivation and satisfaction, such a decline in satisfaction may indicate that corporations are failing to fully motivate employees, and to fully utilize their potential as a result (Figure 28). Moreover, in the changing society and economy, corporations need to upgrade business and to add high values to their products and services through full utilization of the skills of employees.

The contents of job and the subsequent working conditions are major factors to influence the improvement of motivation and abilities of employees; they can be called quality of employment factors to describe the content of employment. This quality of employment may also include the overall personnel and human resource management.

In order to create a society where individuals can work to their full potential and can feel affluence while valuing their personalities, it is necessary to improve the quality of employment so that each employment is empowered to create high value addition, and to provide greater motivation in response to the change in the awareness of workers about work.

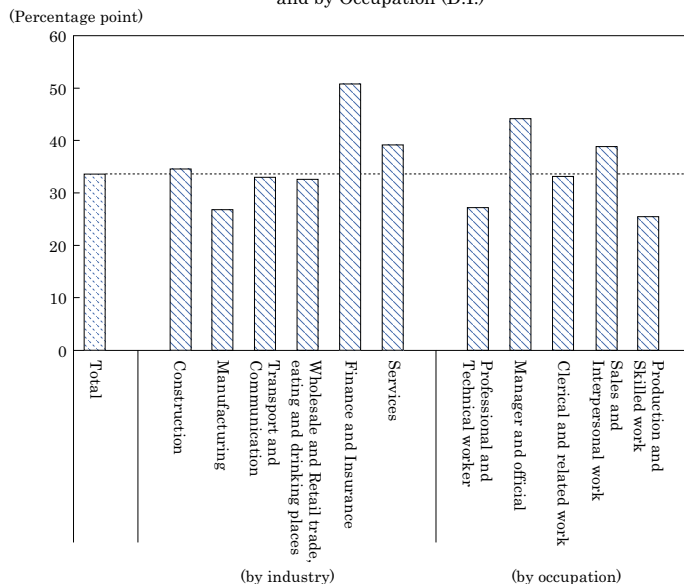
Figure 26 Percentage of Those who are Satisfied (Employed persons)



Source: Specially calculated by the Office of Counselor in charge of Labour Policy, MHLW, using Cabinet Office "National Survey on Lifestyle Preferences"

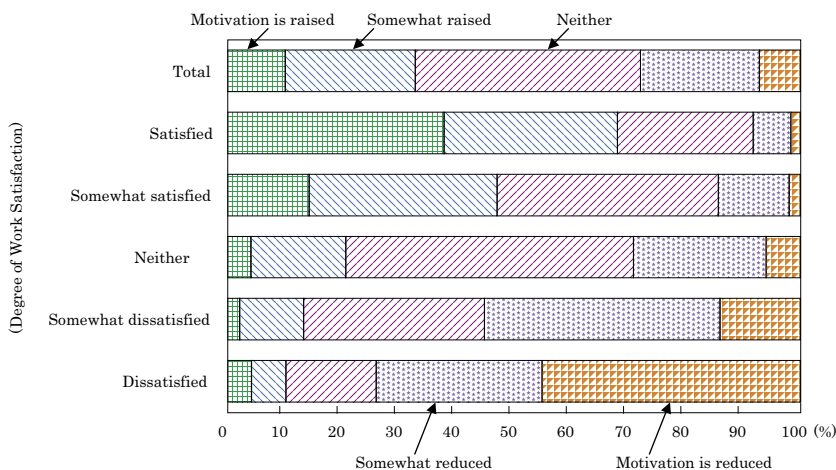
- Notes: 1) The percentage of employed person who responded that they are either fully satisfied or relatively satisfied in each item  
 2) The details of each item are as follows: 'Motivation to work': having a job that motivates you or is suitable for you, 'Employment stability': being able to work without worrying about losing your job, 'Holidays': being able to take many holidays throughout the year, 'Annual income rise': steady increase in income annually, 'Ease of job changes': easy to change to more desirable job  
 3) 'Employed persons' counted in this figure are those other than housewives/househusbands (without occupation), students, persons without occupation (excluding housewives/househusbands), and others.

Figure 27 Degree of Satisfaction with Entire Work by Industry and by Occupation (D.I.)



Source: MHLW "Survey on Awareness of Work-Life Balance" (2003)  
 Note: D.I.= (Satisfied + Somewhat satisfied) - (Dissatisfied + Somewhat dissatisfied)

Figure 28 Relationship between Work Satisfaction and Motivation



Source: Specially calculated by the Office of Counselor in charge of Labour Policy, MHLW, using The Japan Institute for Labour Policy and Training "Survey on Employees' Willingness to Work and Employment Management (2004)"

## **Chapter 2 Improvement of Quality of Employment and Development of Economy and Society**

### **Section 1 Corporate Behavior and Improvement of Quality of Employment**

In order to respond to changes in the economy and society, corporations need to motivate their employees and to tap their potential. Reforms in employment management systems have been implemented to improve the wage/treatment system, the hours worked system, and the ability development program: specifically, to reduce the incidence of seniority-based components and to increase that of ability and performance-based components and to encourage employee initiatives.

It is important to secure the justification and fairness in the evaluation of employees so that motivation is enhanced and their potential is achieved through such efforts of corporations. Common and traditional employment practices in Japan are valued in terms of achieving outcomes in a cooperative manner. And in a actual workplace, desired outcomes are actually achieved through cooperation among colleagues. Therefore, it is necessary to continue facilitating more in-depth communication in the workplace in order to enhance smooth cooperation among employees.

#### **Changes in the economic world and the direction of corporate initiatives**

The corporate business environment is being affected by prolonged economic stagnation and changes in the economic world including the innovation of information and communication technologies and globalization of the economy; and therefore, corporations are aware of dealing with such changes.

Corporations regard it important to be committed to the recruitment and development of personnel training in order to respond to rapid changes in the economic environment, while improving their financial structure. Thus, they try to strengthen the management strategies, improve coordination and flexibly implement reforms in the area of personnel and labour management including the recruitment and development of human resources (Figure 29).

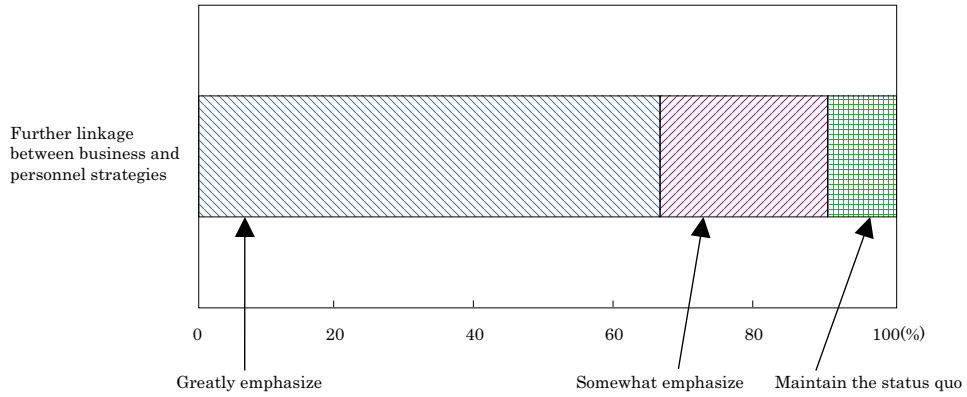
#### **Trends in wage and treatment system**

Looking at employment policies of corporations, the percentage of corporations that chose the response “intend to maintain long-term employment, mainly of regular employees” is high. Corporations basically want to maintain long-term employment; however, they are shifting to an achievement and performance-based system and reducing the incidence of seniority-based components, while controlling total labour costs in wages and treatment (Figure 30).

More than 40% of respondents answered that the wage level had changed insignificantly; approximately 30% said it had gone down, and less than 30% said it had gone up. The largest percentage of respondents answered that the wage dispersion among workers of the same generation had changed insignificantly; however, approximately 30% said it had widened. Those who are satisfied with the change in wages account for a little more than 10%; this means that the degree of satisfaction with the wage and treatment system is not necessarily high. However, the degree of satisfaction is higher for those who are under a system where the performance of their work is reflected in their wages compared with those who are under no such system (Figure 31).

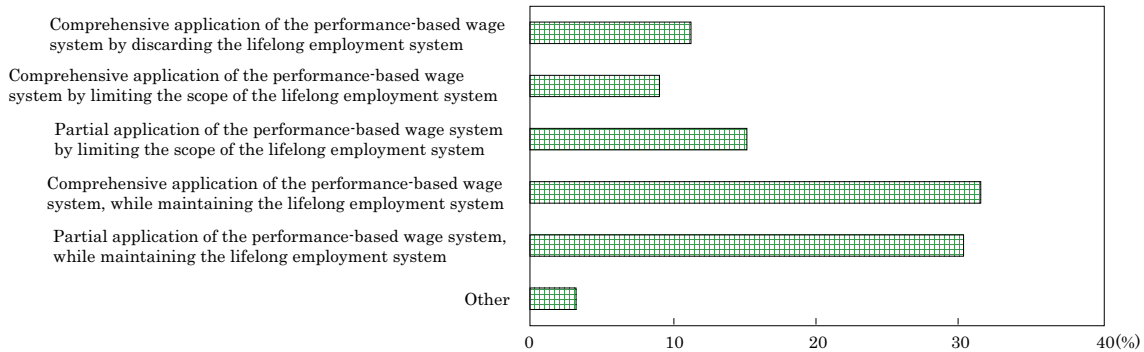
Such a wage and treatment system is regarded as important to upgrade the working environment and improve the motivation of employees. Therefore, the tasks involved in the improvement of the motivation in real terms are to enhance the fairness of the evaluation of performance and ability and to facilitate the understanding on the evaluation schemes as being reflective of the wages and benefits by, for example, introducing an assessment and evaluation system, while gaining understanding of the employees.

Figure 29 Policies to Be Emphasized for Shaping Personnel Strategies in the Future



Source: JTUC Research Institute for Advancement of Living Standards "How Labour Unions Should Cope with Corporate Structural Reforms and Related Labour Law Issues" (2003)

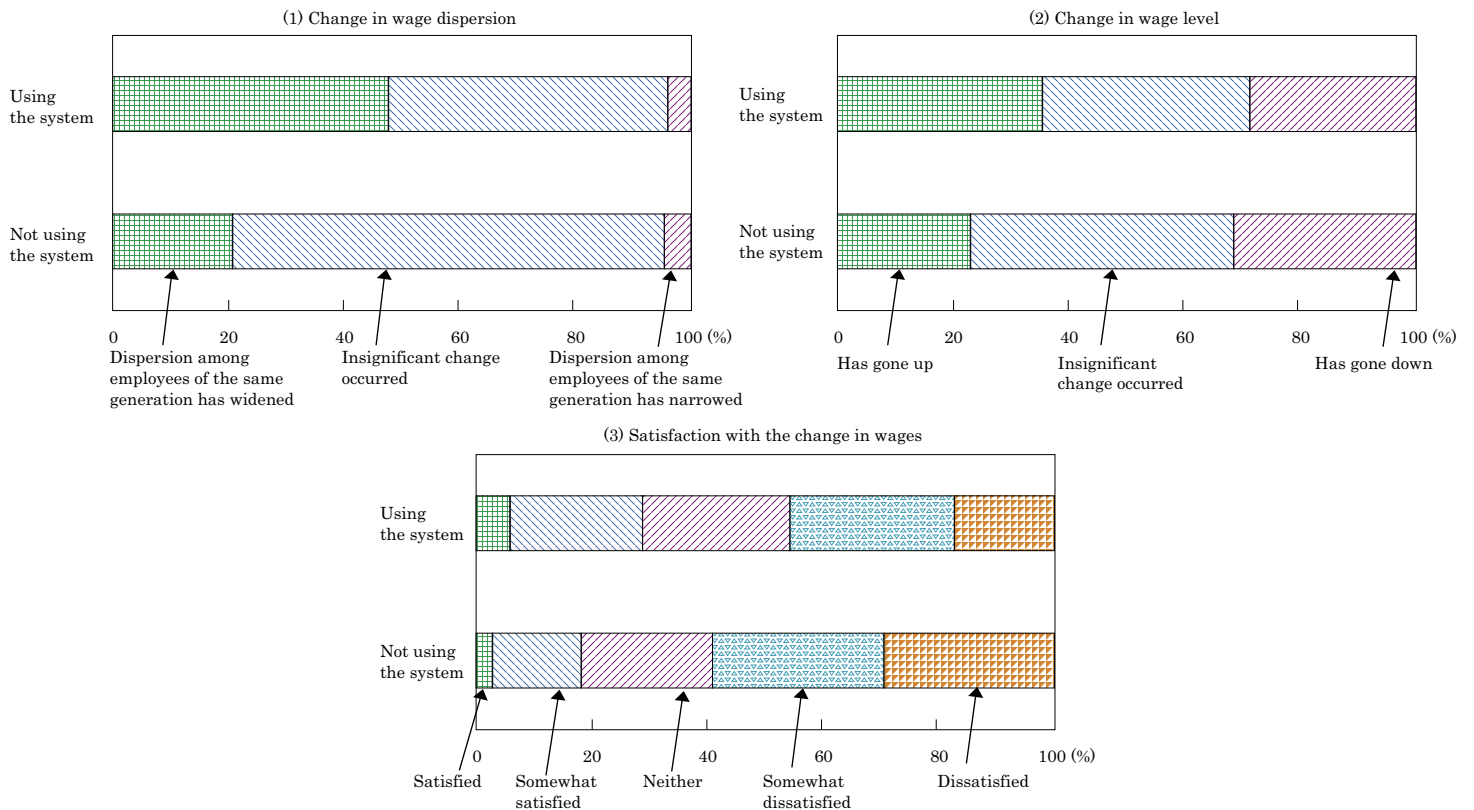
Figure 30 Current Employment and Personnel Policies



Source: Ministry of Finance, Policy Research Institute "Major Results of Questionnaires concerning Corporate Governance by Institutional Investors"

Notes: Targeting the corporations which chose either of the responses "not so much" or "no" (response rate of 45.7%) to the question, "Does the current employment and personnel policy adopt the seniority-based wage system, coupled with the lifelong employment?"

Figure 31 Wages of the employees using the system in which work performance is reflected in wages



Source: Specially calculated by the Office of Counselor in charge of Labour Policy, MLHW, using the Japan Institute for Labour Policy and Training "Survey on Employees' Willingness to Work and Employment Management (Survey on Workers)"

Note: Responses on the changes over the past three years



### **Trends in the working hours system**

The introduction of systems to facilitate -flexible working hours (the availability of hours worked options suitable for the execution of work) has been promoted. Looking at some systems, the percentage of workers who recognize improved flexibility among those who use the discretionary work system, flexible working hours system, and/or variable working hours system is higher than that among those who do not use these systems, and the percentage of workers who are satisfied with changes in hours worked among those who use these systems is higher than that among the total respondents.

However, since the percentage of those who are working longer hours has increased, particularly among middle-aged workers, the overall satisfaction rate with the change of hours worked is as low as less than 30% (Figure 32).

As far as the allocation of time for work and personal life is concerned, for the majority of workers life is centered around work and they wish to spend more time for themselves. The longer they work, the less they sleep or spend on hobbies or leisure, and the more they tend to feel stress or fatigue. Thus, the percentage of those who are satisfied with the work-life balance is less than 40%.

In order to improve the satisfaction and motivation of workers, it is important to promote the introduction and the use of such systems in the future.

### **Trends in capability development systems**

Both corporations and workers realize the importance of capability development. The workers of a corporation whose policies are to reinforce capability development tend to have higher satisfaction rates, and those who have used planned OJT (On-the-job Training) or Off-JT (Off-the-job Training), or support systems for self-development tend to have increased motivation.

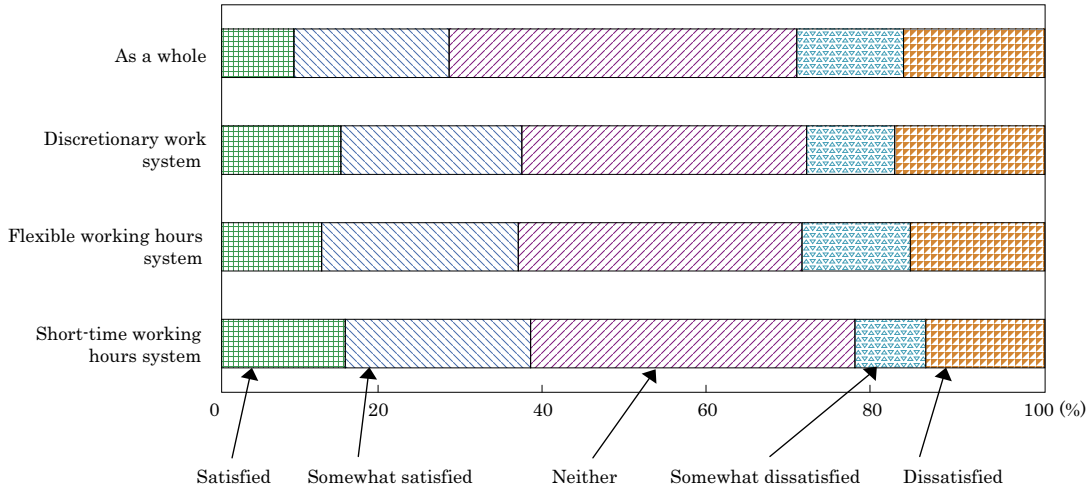
Capability development has been an important element for workers to be committed to their work with a willingness to work, and both corporations and workers are expected to actively be involved in capability development (Figure 33).

While the so-called performance-based wage and treatment system spreads widely, corporations are showing the convergence toward the principle that individual workers should take responsibility for their own capability development. Adjustments to grant time for capability development and improvement various capability development opportunities are increasingly important so that workers can take initiatives in capacity development. Furthermore, since the working patterns are more diversified, such as an increase in the number of non-regular workers, it is important to carry out the capability development program which is in harmony with the description of work of non-regular workers so that they can actively take part in capability development and design their careers through the choice of occupation. (Figure 34).

### **Issues concerning the improvement of employment management in the future**

With the introduction of performance-based systems, many large corporations have promoted the introduction of systems in which personnel assignment is made with consideration for employees' wishes, such as an in-house recruitment system and self-declaration system. It is necessary, in the future, to deal with personnel and labour management in a more comprehensive manner, including the improvement of application usability as well as the change in the system itself. Common and traditional employment practices in Japan are valued in terms of achieving outcomes in a cooperative manner. And in a real work setting, desired outcomes are actually achieved through cooperation among colleagues. Therefore, it is necessary to continue facilitating more in-depth communication at the workplace in order to enhance smooth cooperation among employees. With sufficient communication between labour and management, it is necessary to develop the strength of conventional employment practices and to create an employment environment which provides a sense of security and satisfaction.

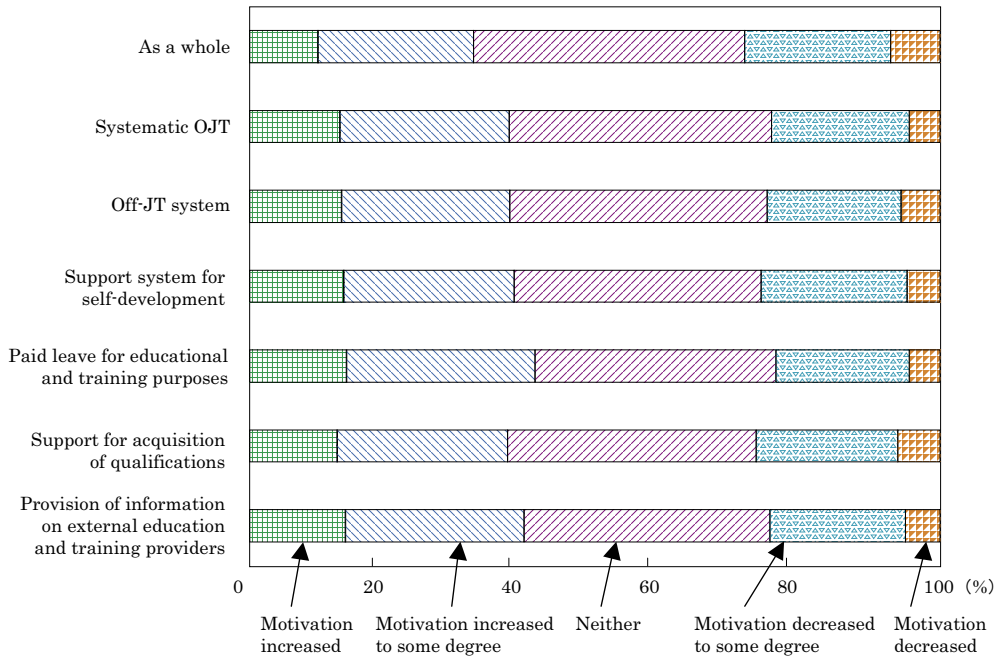
Figure 32 Usage of Working Hours System and the Degree of Satisfaction with the Change in the Hours Worked



Source: Specially calculated by the Office of Counselor in charge of Labour Policy, MHLW, using the Japanese Institute for Labour Policy and Training "Survey on Employees' Willingness to Work and Employment Management (Survey on Workers)" (2004)

Note: This figure indicates the degree of satisfaction with the change in hours worked in the past three years, where the satisfaction with each system is that of the users

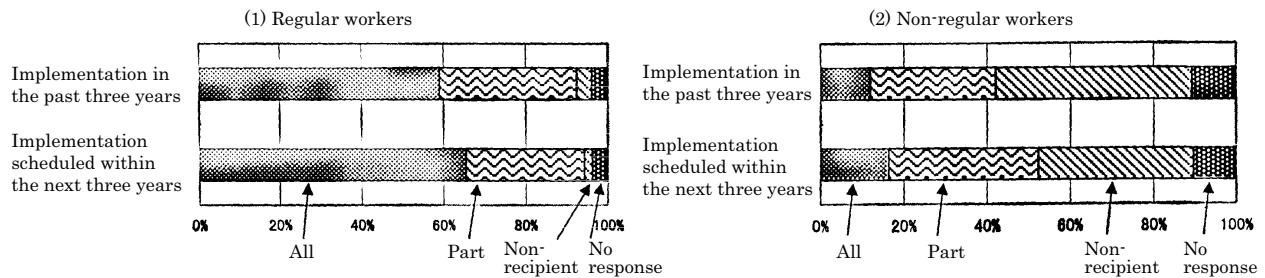
Figure 33 Usage of Capability Development System and Motivation for Work



Source: Specially calculated by the Office of Counselor in charge of Labour Policy, MHLW, using the Japanese Institute for Labour Policy and Training "Survey on Employees' Willingness to Work and Employment Management (Survey on Workers)" (2004)

Note: This figure indicates the change in motivation for work in the past three years, where the change in each system is the change in motivation for work of the users of the system in the past three years

Figure 34 Recipients of Capability Development Assistance



Source: Specially calculated by the Office of Counselor in charge of Labour Policy, MHLW, using the Japanese Institute for Labour Policy and Training "Survey on Employees' Willingness to Work and Employment Management (Survey on Workers)" (2004)

Note: "All" refers to the case where all of employees have access to capability development assistance in each category: regular workers or non-regular workers  
 "Part" refers to the case where the recipients of the capability development assistance are limited in accordance with job type, job title, or working conditions, etc.

## **Section 2 Vitalization of Corporate Activities and Improvement of Quality of Employment**

It has become a significant issue to increase the motivation of employees and tap their potential in order to advance and add high value to the business.

When looking at the relationship between the performance of corporations and motivation of employees, the rate of satisfaction of employees is higher in the corporations that show improved performance. Thus, it is fair to evaluate that the increase in motivation of employees and the corporate performance have a positive effect on each other.

Corporations with better performance have reduced the incidence of seniority-based components and introduced the capacity or performance-based wage and treatment system, the capability development system and the work-life balance system. And as a consequence, the increased motivation of employees and the utilization of their capacities seem to have contributed to the improvement of business performance.

Furthermore, when looking at the relationship between recruitment policies and business performance, the corporations that recruit new graduates and emphasize in-house tend to have higher current profits per worker than other corporations.

### **Motivation of Employees and Corporate Performance**

The percentage of workers who are satisfied at work and feel that their work is worthwhile or those who chose the responses such as “Can feel a sense of accomplishment at work”, “Experience personal development through working”, “The work I do contributes to the performance of the company or the department”, and “The work I do benefits the customers and thereby serves society” is higher in the companies which have improved their business performance during the previous three years. Moreover, the percentage of workers whose motivation was high is higher in the companies that had improved the business performance in the past three years.

From these facts, it is fair to infer that the increase in motivation of employees and corporate performance have a positive effect on each other.

### **Motivation of Employees and Corporate Performance through Employment Management**

When looking at the introduction of employment management system of corporations, corporations that improved their business performance in the previous three years have a higher rate of introduction of the system to reflect work performance in wages, a higher rate of introduction of the target management system and a higher rate of introduction of the annual salary system compared with the corporations whose business performance worsened (Figure 36).

The corporations that actively conduct capability development of employees have higher rates of increase in sales and current profits and thus have better corporate competitiveness than the corporations that are reluctant to conduct capability development (Figure 37).

A contributing factor may be that the corporations with strong business performance have the ability to change employment management systems and conduct more active capability development. However, it is also possible that the change in employment management system and active capability development are the factors contributing to the encouragement of motivation of individual employees and to the utilization of their capabilities and to the improvement in business performance.