

The Employment Policy Study Group Report

*Building an Inclusive Labour Market
for All Backgrounds*

August 2024

The Employment Policy Study Group

List of Members

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Total: 14 participants

(Chairperson indicated with *, names are listed in alphabetical order, honorifics omitted)

Meeting Progress

1st Meeting: June 1, 2023 (Thursday)

- ✓ Overview of Japan's Economic and Employment Situation and Issues (Presentation of Discussion Points)

2nd Meeting: June 27, 2023 (Tuesday)

- ✓ Estimates of Labour Supply and Demand (A Review of previous estimates)
(Presenter)
- Takashi Saito, Professor (Faculty of Economics, Meiji Gakuin University)

3rd Meeting: July 26, 2023 (Wednesday)

- ✓ The Impact of New Technologies on Employment
(Presenters)
- Kazuto Ataka, Professor (Faculty of Environment and Information Studies, Keio University)
- Daiji Kawaguchi, Professor (Graduate School of Public Policy and Graduate School of Economics, The University of Tokyo)
- Mina Takazawa, Director for Government Affairs (Microsoft Japan Co., Ltd.)
- Yutaka Matsuo, Professor (Graduate School of Engineering, The University of Tokyo)

4th Meeting: October 11, 2023 (Wednesday)

- ✓ Diverse Career Development and Work Styles
(Presenters)
- Nobutaka Ishiyama, Professor (Hosei Graduate School of Regional Policy Design, Hosei University)
- Masako Hayashi, Director (Career Ownership Support Department, Asahi Group Japan, Ltd)

5th Meeting: November 30, 2023 (Thursday)

- ✓ Career Development and Work Styles for Women
(Presenters)
- Keiko Fujimi, Reskilling Business Manager (Waris Co., Ltd.)
- Momoe Makino, Senior Research Fellow (Institute of Developing Economies)

6th Meeting: December 21, 2023 (Thursday)

- ✓ Human Capital Investment and Labour Market Development
(Presenters)
- Hideo Owan, Professor (Faculty of Political Science and Economics, Waseda University)
- Susumu Amano, Head of Employee Success Division (Fujitsu Ltd.)

7th Meeting: February 5, 2024 (Monday)

- ✓ Diverse Career Development and Work Styles for Women (Health Issues Unique to Women in the Workplace)
- ✓ Regional Employment and Foreign Workers
(Presenters)
- Koji Inoue, Chief Researcher (Japan Finance Corporation Research Institute)
- Yu Korekawa, Director (International Research and Cooperation, National Institute of Population and Social Security)
- Yu Hirano, Director (LIFEM Co., Ltd.)

8th Meeting: February 22, 2024 (Thursday)

- ✓ Regional Employment
- ✓ Preparations towards the Consolidation of the Report
- ✓ Progress on Labour Supply and Demand Projections - Confidential

9th Meeting: March 11, 2024 (Monday)

- ✓ Diverse Career Development and Work Styles for Women (Health Issues Unique to Women in the Workplace)
- ✓ Preparations towards the Consolidation of the Report

10th Meeting: May 17, 2024 (Friday)

- ✓ Report of the Employment Policy Study Group (Preliminary Draft 1)

11th Meeting: June 24, 2024 (Monday)

- ✓ Report of the Employment Policy Study Group (Preliminary Draft 2)

12th Meeting: July 23, 2024 (Tuesday)

- ✓ Report of the Employment Policy Study Group (Final Draft)

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1. Changes in Employment Policy and the Environment Surrounding Employment

The current situation of employment in Japan has shown signs of improvement, as the classification of COVID-19 under the Infectious Disease Control Law shifted to Category 5 (removal of certain restrictions pertaining to COVID-19 patients) in May 2023, which led to a resurgence in economic activity and a stable trend in job openings.

On the other hand, the COVID-19 pandemic caused two phases—a contraction of the economy and a transition back to normal economic activity—within a short time frame of about three years since the declaration of the state of emergency in April 2020. This necessitated timely and agile responses in employment policy.

In this chapter, we will review past reports from the Employment Policy Study Group and revisit the impact of COVID-19 on employment conditions and employment policies.

1-1 Employment Situation During the COVID-19 Pandemic

The 2020 Employment Policy Study Group Report noted that from April to October 2020, the number of new job openings decreased by approximately 30% to 50%, compared to the same month in the previous year in industries with high levels of personal contact, such as wholesale and retail trade, accommodation, food and drink services, lifestyle related and personal services and amusement services. These industries saw a larger impact compared to others.

By March 2022, approximately two years after the declaration of the state of emergency, the number of effective job openings reached approximately 2.41 million units; for the first time surpassing the level immediately prior to the declaration of the state of emergency in March 2020. However, across abovementioned industries, new job openings fluctuated between -30% to -15% compared to the same months in 2019, indicating a slower recovery relative to other industries.

On the contrary, the number of effective job seekers remained robust, exceeding 1.9 million since August 2020, with about 1.96 million in March 2022.

In addition to these trends pertaining to job opening and job seeking, the 2022 Employment Policy Study Group Report highlighted that the prolonged duration of unemployment has given rise to issues regarding the adjustment function of the labour market. It also noted a trend of disengagement within the labour force, particularly among women and senior citizens, against the backdrop of loss of employment among non-regular workers.

1-2 Employment Measures During the COVID-19 Pandemic

Although the labour market encountered the challenges outlined above, the unemployment rate experienced only a gradual increase compared to the levels seen during the global financial crisis.

This can be attributed to a labour shortage that had worsened since even before the pandemic,

possibly at a level much more severe than during the global financial crisis. Additionally, it has been considered that the employment policy implemented during this period reflected an approach that was more agile and of a larger scale than that of its precedents.

As part of an effort to support job retention, the Employment Adjustment Subsidy, which subsidizes costs related to temporary leave for workers, was enhanced with increased subsidy rates that surpassed those during the global financial crisis. Moreover, the Emergency Employment Stabilization Subsidy was established to support workers who are not covered by the Employment Adjustment Subsidy, including those who are not registered under employment insurance.

The impact of the Employment Adjustment Subsidy and the Emergency Employment Stabilization Subsidy on the unemployment rate has been estimated by the Ministry of Health, Labour and Welfare (MHLW) in the analysis entitled "2021 Analysis of Labour Economy - Impacts of COVID-19 on Employment and Labour."¹ Based on certain assumptions and considered with a sizable margin, the estimation suggests that these measures effectively reduced the unemployment rate by approximately 2.6 percentage points from April to October 2020.

However, there are concerns that prolonged support through these subsidies could hinder the maintenance and enhancement of workers' skills and impede smooth labour mobility towards growing sectors. Consequently, in February 2021, about a year after the declaration of the state of emergency, the Industrial Employment Stabilization Subsidy was established, along with support measures for job retention which were implemented in the form of secondments to other companies, while retaining positions at the original company.

1-3 The State of the Labour Market After the COVID-19 Pandemic

On May 8, 2023, COVID-19 transitioned to Class 5 under the Infectious Disease Control Law, resulting in the removal of legal requirements for self-isolation for positive cases and close contacts. This transition further facilitated the normalization of economic activities. In response to this development, the situation regarding employment has gradually improved, with the number of active job openings reaching approximately 2.44 million in March 2024, surpassing the pre-COVID level of approximately 2.41 million recorded in March 2022.

Amid economic normalization, the temporary relief from labour shortages seen during the pandemic has returned to a critical state. The Bank of Japan's "Short-Term Economic Survey of Enterprises in Japan (Tankan)" indicates that the Employment Conditions Diffusion Index (D.I.) had returned to pre-COVID levels (first quarter of 2020) by the third quarter of 2022, and the sense of labour shortages has continued to intensify since that time.

However, in sectors such as wholesale and retail trade, accommodations, food and drinking

¹ MHLW (2021). "[Analysis of Labour Economy 2021 Edition - Impact of COVID-19 on Employment and Labour -](#)"

services, lifestyle related and personal services and amusement services have experienced delays in job recovery. As of March 2024, the number of new job openings in these industries has not recovered to the levels seen just prior to the declaration of the state of emergency in March 2020. Additionally, employment figures during the same period also indicate that they have not yet returned to pre-COVID levels.

Approximately four years have passed since the declaration of the state of emergency due to the COVID-19 outbreak, and one year has elapsed since its designation as a Category V Infectious Disease under the Infectious Diseases Control Law. In the current labour market, it is conceivable that advancements in digitalization and operational efficiency are driving changes in production activities within these industries.²

Conversely, in light of the senior population, which had previously shown disengagement from the labour force, comparisons of labour force participation rates between 2019 and 2023 reveal increases across all three age brackets: for those aged 60-64, the rate rose from 72.0% to 76.0%; for those aged 65-69, from 49.5% to 53.5%; and for those aged 70 and older, it has risen from 17.4% to 18.6%. Furthermore, for women, labour force participation rates have increased across all age groups, suggesting that while there was a temporary stagnation during the pandemic, progress has been made when compared to pre-COVID levels.

In terms of the overall labour force, there has been an increase from 69.12 million in 2019 to 69.25 million in 2023, reflecting a gain of 130,000 individuals. This surge surpasses the forecasts provided in the "Estimation of Labour Demand and Supply - Future Projections Based on the Labour Demand and Supply Model (2018 Edition)" published by the Japan Institute for Labour Policy and Training (JILPT) in March 2019.

The pandemic highlighted challenges regarding the adjustment mechanisms of the labour market, including job losses among non-regular workers and the withdrawal of women and the elderly from the labour force. On the other hand, government initiatives designed to maintain employment have helped curb the increase in the unemployment rate and have yielded certain positive outcomes. Currently, while overall employment is gradually recovering as economic activities normalize, some industries still exhibit lower levels of job openings and employment compared to pre-COVID conditions. This indicates that the pandemic may have catalysed changes in production activities, including increased digitalization. In contrast to this trend, labour participation among women and seniors has progressed compared to pre-pandemic levels.

² According to the "Survey on Trends in Capital Investment by Small and Medium-sized Enterprises (January 2024 Survey)" (in Japanese) conducted by Shoko Chukin Bank, Ltd., the percentage of companies citing "rationalization and labour-saving" as the purpose of capital investment has shown an increasing trend since 2021. Furthermore, according to the "2023 Annual Statistical Survey Report on Supermarkets" (in Japanese) by the All Japan Supermarket Association, the Japan Supermarket Association, and the National Supermarket Association, the proportion of companies installing self-checkout systems has been increasing year by year, reaching 31.1% in 2023.

2. Towards the Formulation of New Employment Policies under Labour Supply Constraints

2-1 The Future of the Labour Market in 2040

Japan's labour market is transforming as a result of an aging society, a declining birthrate, and consequently a declining population. The proportion of women and individuals aged 60 and over within the labour force has risen; these groups accounted for 40% and 14% in 2000 respectively, but by 2020, these figures had increased to 44% and 21%. Conversely, the share of men under 60, who constituted 50% in 2000, decreased to 42% by 2020, indicating a relative increase in labour participation among women and seniors.

According to the "Population Projections for Japan (2023)" by the National Institute of Population and Social Security Research, the total population is expected to decline by approximately 10% of its current level by 2040, while the population aged 65 and over projected to comprise around 35% of the whole. As these demographic changes unfold, the labour market is also anticipated to evolve.

Based on the future population projections, JILPT conducted a simulation in its "2023 Labour Demand and Supply Estimation (Preliminary)" report. Under one scenario which assumes the simultaneous occurrence of economic growth and increased labour participation, the labour force and number of employed individuals respectively, is expected to reach 67.91 million and 67.34 million by 2040. This scenario anticipates continued increases in labour force participation rates among women and seniors, with women expected to account for 47% and individuals aged 60 and over accounting for 31% of the labour force by 2040, leading to more diversity in terms of labour participation. Conversely, in another scenario which assumes zero real growth per capita and no progress in labour participation, the labour force is projected to shrink to 60.02 million, with the number of employed individuals at 57.68 million. This scenario represents a significant decrease compared to the prior scenario with simultaneous economic growth and labour participation.

Achieving simultaneous economic growth and increased labour participation requires the optimization of working styles, workplace environments, and the enhancement of labour market infrastructure while promoting the participation of a diverse range of individuals. Additionally, improving labour productivity is essential to achieve economic growth. As nations around the world pursue economic growth, Japan must enhance its labour productivity through various initiatives, including increasing added value via new technologies such as generative AI, investing further in labour-saving measures, streamlining operations by reassessing traditional work practices, and addressing the issue of long working hours.

2-2 Towards the Development of the Labour Market in Response to Labour Shortages

Currently, the situation of labour shortage in Japan is becoming more severe. There are various types of labour shortages. These are the "excess demand," where labour supply does not meet labour demand; "frictional shortage," arising from mismatching between job vacancies and job seekers; and "structural shortage," which occurs under the circumstances where workplace environments and labour conditions do not accommodate the needs of individual workers, as when there is a lack of personnel with skills demanded by companies. Each variation requires a bespoke solution.

To address the type of labour shortage associated with "excess demand", it is essential to promote the participation of a larger number of individuals in the workforce, including women and seniors. While specific measures will be detailed in Chapter 3, it would be valuable to highlight the importance of creating of a working environment that enables flexible working arrangements and promotes active involvement workers who are seniors or are middle-aged. Additionally, the improvement of compensation is also crucial in encouraging further labour participation.

For "frictional shortage," it is necessary to create an environment that allows workers to find suitable jobs and enter these roles smoothly. In Chapter 5, specific measures emphasizing the need for platforms that provide centralized labour market information will be highlighted. Such platforms aim to facilitate smooth transitions to workplaces where workers can realize their desired careers and utilize their experiences and skills. It is also vital to strengthen support for re-employment provided by public employment security offices (Hello Work) and other essential infrastructure.

In addressing "structural shortages," it is important to create a workplace environment that enable workers to thrive despite various constraints. Initiatives may include the development of personnel who meet corporate needs, considering structural changes such as digital transformation (DX) and green transformation (GX). Specific measures will be elaborated in Chapters 3, 4, and 5, focusing on creating workplaces that do not operate under the assumption that employees will work long hours, the facilitation of the use of various measures that support work-life balance, enhancement of employee engagement, support towards autonomous and proactive skill development, and the establishment of environments where individuals' acquired skills are recognized and valued.

2-3 Considerations for Employment Policies towards 2040

With rising labour participation among women and seniors and increasingly diverse employment needs expected in the 2040 labour market, it is equally important to establish a common vision of "employment policies" that all labour market participants can share, alongside specific approaches that address the abovementioned labour shortages.

Historically, employment policies have focused on measures that have targeted unemployment during economic downturns, namely vocational training for reemployment and hiring incentives,

that have emphasized "the employability of workers" and "the creation of an environment that is conducive to employment." As labour supply constraints become increasingly pronounced however, it is essential to recognize that companies are shifting from being selectors to becoming the ones who are selected. Thus, it is crucial to develop policies that focus on "the ability of companies to attract workers" and "the creation of environments that facilitate worker success."

In other words, as workers increase in value under constraints in labour supply, companies must focus on differentiating themselves from competitors, improving compensation and working conditions, and investing in employee development to create attractive and rewarding workplaces. Meanwhile, companies should not be the sole entities responsible in cultivating such workplaces. Firstly, it is crucial for both employers and employees to communicate appropriately regarding desirable working conditions, implementing initiatives that are tailored to the specific circumstances of each company. Secondly, it is also necessary for government to provide necessary support to such companies.

Addressing labour supply constraints requires further engagement of diverse individuals. Consequently, it is essential to build environments that allow individuals with various circumstances to work according to their preferences beyond the limitations of labour supply, as this is a significant theme in the realm of enhancing social participation for diverse individuals. It is necessary to continued initiatives in this area.

2-4 Building Stable Workstyles Amid Labour Market Uncertainty

Based on experiences gained during the COVID-19 pandemic, it has become evident that the establishment and operation of safety nets that address uncertainty also plays a crucial role in employment policy.

When it comes to safety nets designed for times of uncertainty, certain aspects deserve high regard, such as promoting employment stability and providing training opportunities through various subsidies under the employment insurance system during economic downturns. Notably, the Employment Adjustment Subsidy plays a key role in supporting companies' efforts to preserve employment. However, concerns have been raised, noting that prolonged reliance on the subsidy may hinder skill development among workers and impede smooth labour mobility to expanding sectors. Starting April 2024, the Employment Adjustment Subsidy will incentivize companies to choose training over layoffs by reducing the subsidy rate if certain training requirements are not met after 30 days of paid leave. Therefore, it is essential to ensure that the employment safety net operates effectively during employment crises while being adapted to labour market dynamics.

2-5 Towards Improvement in the Working Condition of Workers through Strengthening Labour Market Functions, including Wages

In response to labour shortages, it is important to strengthen labour market functions to facilitate improvements in both wages and non-monetary values like job satisfaction.

Specifically, efforts should focus on expanding opportunities for skill development and fostering environments where workers can enhance their skills. Additionally, a centralized platform for labour market information should be established to illustrate the relationship between wages and careers. This will incentivize individuals to pursue skill development and create a cycle where enhanced skills lead to better treatment, including higher wages. To support this, companies must place a priority on boosting productivity through operational improvements and investments in labour-saving strategies.

2-6 Building an inclusive labour market where individuals from diverse backgrounds can thrive, regardless of their circumstance

Based on the fundamental considerations outlined above, it is crucial to construct a labour market by 2040 that is inclusive and allows diverse individuals to thrive, regardless of their circumstances. This report will outline directions for initiatives that are to be undertaken over the next five years.

In Chapter 1, we assessed the current employment landscape, while Chapter 2 organized the fundamental considerations for employment policies that target 2040. Chapter 3 focuses on the perspective of labour supply, examining the improvements needed in workplace environments to accommodate diverse working styles. These include greater flexibility in employment management, addressing long working hours, and creating environments where individuals can thrive regardless of age, gender, family situation, or health status, as well as securing local human resources. Chapter 4 examines how new technologies may be leveraged to address labour shortages and enhance labour productivity. Finally, Chapter 5 highlights the importance of continuous career assessment and skill acquisition to develop individual capabilities, which would thereby ensure appropriate treatment. This is essential for addressing productivity challenges, structural labour shortages, and enhancing overall well-being.

3. Towards a Labour Market Where Diverse Individuals Participate and Work with Motivation

3-1 Promoting the Participation of Diverse Individuals in the Labour Market

i. Towards A Diverse and Flexible Human Resource Strategy that is Mindful of Individuals and their Needs

As labour shortages intensify, people's awareness of, and needs regarding employment and work styles among people are becoming increasingly diverse. To encourage greater workforce participation in a way that helps individuals thrive, it is essential to go beyond the improvement of wages and labour conditions, but to also create a workplace environment that accommodates diverse talents according to their preferences, thereby enhancing incentives for labour participation.

In Japan, traditional employment management for full-time employees has been based on the assumption that employees are "willing to accept sudden overtime" and "open to transfers or job reassignments," regardless of factors linked to certain life stages, such as marriage or child-rearing. This approach has often left employees feeling obligated to comply with directives regarding overtime, work location, and job changes, resulting in insufficient consideration of individual circumstances³.

To further promote the participation of diverse individuals in the workforce, it is necessary to shift towards employment management that presents a variety of options, enabling flexible work styles that align with the lifestyles and values maintained by each individual.

ii. From a Binary Structure of "Regular" and "Non-Regular" Employment towards Flexible Work Styles

When the job descriptions and working conditions provided by companies fail to match employees' desired work styles, it can lead to higher turnover. To address this, and to balance companies' needs for talent with workers' work-life balance, there has been growing emphasis on the promotion of "diverse regular employees" with limited duties, designated work locations and hours, which aims to bridge the gap between regular and non-regular employment⁴.

According to the Basic Survey of Gender Equality in Employment Management, 23.5% of establishments had diverse regular employee systems in FY2023, including short-time, location-limited, and job-type-limited regular employees. However, its actual utilization remains limited, with only 3.2% of establishments employing short-time regular employees, 15.4% employing location-limited regular employees, and 16.0% employing job-type-limited regular employees. It is essential to promote broader adoption of diverse regular employee systems while ensuring that their implementation is carefully tailored to the needs of individual workplaces and workers.

³ Tsuru, K (2023). *Personnel Economics* (in Japanese). Nikkei Business Publications, Inc.

⁴ MHLW. [Diverse Regular Employees](#)

Additionally, support has been provided for workers who aim to transition into regular employment through career advancement subsidies. It is hoped that, alongside the appropriate utilization of diverse regular employee systems, progress will be made in promotion transitions to regular employment.

To effectively utilize diverse regular employees, it is important to align the preferences of both employers and employees. Clear communication is primordial during job reassignments, where limitations must be described to workers in advance to avoid misunderstanding. As of April 2024, amendments to the Labour Standards Act enforcement regulations now require employers to clearly define the scope of potential changes in job location and the nature of the work when entering a new labour contract. This change presents an opportunity for both companies and workers to deepen their understanding of employment management. By fostering dialogue, workers can choose work styles that best suit their preferences, including the establishment internal policies for transitions between regular and diverse regular employment.⁵

When implementing diverse regular employee systems, it is desirable to ensure equitable treatment in areas such as wages and promotions, as well as to establish flexible transition systems. Companies should evaluate and reward performance fairly, based on predetermined working conditions including work location, duties, working hours. The achievement of fair evaluation requires a clear delineation of the purpose and criteria of evaluations, and the engagement of thorough discussions held between labour and management within each company to determine appropriate evaluation methods.

It is also important to note that the establishment of a diverse regular employee system may not be required in all cases. For instance, companies could revise transfer policies by implementing exemption periods rather than designating employees as location-limited regular employees. Similarly, the needs of short-time regular employees could be met through alternative measures such as reducing long working hours, enabling telework, or offering flexible work hours and support for balancing work with childcare or eldercare. Ultimately, diverse regular employee systems should serve as one of many options for supporting varied work styles and employment management practices.

iii. Creating Workplaces That Do Not Assume Long Working Hours

To promote the participation of a diverse range of individuals in the workforce, it is essential not only to improve systems that support flexible working arrangements but also to shift societal attitudes away from long working hours. While efforts such as Work Style Reform have targeted this issue, according to the "Labour Force Survey (Basic Tabulation)" by the Ministry of Internal Affairs

⁵ The MHLW website has published [materials](#) regarding the smooth introduction and operation of diverse regular employees, and it is recommended to refer to them.

and Communications, the percentage of individuals working 60 hours or more per week decreased from 8.8% in 2013 to around 5% in 2022. Furthermore, the total actual working hours for the average general worker have improved, falling below 1,800 hours in recent years.

Specific regulations concerning overtime work have been implemented, applying to large enterprises since 2019 and to small and medium-sized enterprises since 2020. Starting 2024, industries such as construction, trucking, bus and taxi driving, and doctors, which had been granted a deferral of these regulations, will also be subject to these limits, with adjustments made to reflect industry-specific circumstances. This ensures that all sectors adhere to such regulations.

Recently, workers have shown a greater interest in diverse and flexible work styles that align with their individual lifestyles and values, with working hours in a chosen industry becoming a key factor in job selection. As industries face increasing pressure to address labour shortages, implementing Work Style Reform that enhance well-being – such as the reduction of long working hours - is critical in becoming more appealing to job seekers. To achieve this, entire industries must work collectively to improve their practices by raising awareness of compliance with laws, eliminating unreasonable practices, and sharing best practices.

At the firm level, it is crucial to shift away from employment management practices that rely heavily on the assumption of "working overtime" or the availability of employees who are willing to work extra hours. Companies should reassess their work practices and management styles to ensure they do not encroach on individuals' personal time, which should inherently be a matter of individual choice. This includes examining whether current practices impede personal career advancement or disrupt work-life balance.

MHLW has launched a portal site⁶ to showcase best practices for improving work styles and rest periods, offering services for companies to conduct self-assessments. Additionally, free consultations with Work Style Reform consultants are available, along with subsidies to support companies working to reduce working hours. Greater promotion and awareness of these initiatives are needed to maximize their impact.

Efforts to address long working hours are vital not only to ensure individual health but also to improve the working conditions of supervisors. While it has been mandatory to track the working hours of supervisors since 2019, this has been challenging to implement, as overtime regulations apply differently to them compared to that of general workers. Therefore, in order to accurately monitor working hours, companies must utilize tools such as applications that record time-logs on the computers used by employees. Furthermore, it is important for the government to continue conducting various surveys to understand the circumstances that lead to long working hours, including that of supervisors.

⁶ MHLW. [Work Style and Leave Improvement Portal Site](#)

iv. **Promoting Work Styles with More Flexibility**

The previous section focused on promoting the use of diverse regular employee systems and improving work practices that operate under the assumption of long working hours. Meanwhile it is equally essential to implement measures that allow individuals to determine their location of work and adjust their hours according to their circumstances. It is of particular importance to foster an environment that facilitates telework and flexible working hours.

Telework was adopted rapidly following the outbreak of COVID-19 in 2020. According to "the Communications Usage Trend Survey 2023," by MIC, the proportion of companies implementing telework reached 50% in 2021 and has remained relatively stable through 2023. Moreover, the "15th Survey on Workers' Awareness" by the Japan Productivity Center indicates that the rate of telework⁷ implementation reached 31.5% in May 2020 and has maintained a level of approximately 15% as of July 2024. In Tokyo, the rate of telework reached 24.0% in March 2020, 62.7% in April 2020, and 44.0% in June 2023, surpassing pre-COVID-19 levels, even after the alteration of the classification of COVID-19.⁸ It is crucial to sustain the momentum achieved during COVID-19 and ensure that the trend does not revert in developing workplace environments that support telework.⁹

To promote the implementation of telework, MHLW founded the telework guideline¹⁰, which offers subsidies for its implementation (such as the Employment Stability Support Subsidy for Telework), as well as consultation centers that aid in the introduction of telework. It is vital to raise awareness of these guidelines and promote the use of related measures.

Additionally, flex time system allows individuals to adjust their working hours based on their lifestyle. Under this system, workers may freely choose the time at which they start and end work from day-to-day, as long as they are in operation for a pre-determined number of working hours. The additional flexibility provided by this system offers significant benefits, greatly assisting the attainment of workers' desired work styles.¹¹

According to the "General Survey on Working Conditions for 2023" by MHLW, 51.7% of workers were subject to some form of employment system with variable working hours. Specifically,

⁷ The terms "working from home," "working at specific facilities such as satellite offices and telework centers," and "mobile work (working in general locations such as cafes and parks, rather than specific facilities)" are collectively referred to as "telework."

⁸ Tokyo Metropolitan Government (2024) "[Telework Implementation Rate Survey Results](#)" (in Japanese) (Accessed May 16, 2024)

⁹ Natalia Emanuel and Emma Harrington (2023)* analyze American call centers that transitioned from optional to exclusively telework due to office closures during the COVID-19 pandemic. They suggest that the reduction of stigma associated with telework may have made it easier for workers to choose telework without worrying about its impact on their promotion opportunities. They also emphasize the importance of fostering an environment where telework is actively utilized.

*Emanuel, Natalia and Harrington, Emma. (2023) "[Working Remotely? Selection, Treatment, and the Market for Remote Work.](#)" *FRB of New York Staff Report* No. 1061.

¹⁰ MHLW. "[Guidelines for the Appropriate Introduction and Implementation of Telework](#)" (in Japanese)

¹¹ MHLW, Prefectural Labour Bureaus, and Labour Standards Inspection Offices. "[Easy-to-Understand Explanation and Guide for Introducing Flexible Working Hours](#)"

18.7% were under an annual variable hour system, 22.0% were under a monthly variable hour system, and 10.6% were under a flex time system. Although the slope has not been drastic, the proportion of workers using a flex time system has seen a steady increase from 7.8% in 2018. Its use should be promoted, especially in consideration of preventing overwork.

These flexible work styles help eliminate constraints pertaining to time and location. Such practices may assist individuals in their conversion from short-term non-regular employment to full-time positions or may lead to an increase in their working hours. It is thus necessary to create working environments where a broader range of workers may benefit from such options.

As work styles have seen recent diversification, more individuals have actively chosen to freelance, as freelancing permits individuals to work in their preferred manner and offers the considerable flexibility with working hours and locations. However, in light of issues that have occurred between freelancers and contracting businesses¹², the "Act on Ensuring Proper Transactions Involving Specified Entrusted Business Operators" was enacted in April 2023, and is scheduled for implementation November 2024. Going forward, with related ministerial ordinances being amended, all specified entrusted business operators under this law will be able to join labour accident insurance under special provisions. All things considered, there persists a need to create a secure working environment for freelancers.

3-2 Broader Inclusion of Middle and Senior Generations in the Workforce

i. Institutional Responses towards Senior Employment

As Japan enters an aging society, it has never been more important to create systems that enable middle-aged and senior generations to continue to thrive. In recent years, there has been a steady rise in the employment rate of seniors. According to the MIC "Labour Force Survey (Basic Tabulation)", the employment rate for individuals aged 60 to 64, which was 51.0% in 2000, has increased to 74.0% in 2023. For those aged 65 and above, the employment rate rose from 22.1% in 2000 to 25.2% in 2023. Factors influencing behaviour of seniors regarding improvement, include the extension of healthy life expectancy, the increased employment security for older individuals, and the revision of public pension systems. In particular, the 2004 amendment to the Act on Employment Security of Elderly Persons mandated measures for securing employment for elderly persons up to the age of 65, and the 2020 amendment legislated obligations for employers to make endeavours to enact measures for securing job opportunities for elderly persons up to the age of 70.¹³ It is likely

¹² Cabinet Secretariat (CAS). (2020). "[Freelance Reality Survey Results](#)" (in Japanese)

¹³ Kondo, A. (2014) "Has the Mandatory Implementation of Measures for Securing Employment for Elderly Persons Increased Employment for Older Workers? -Policy Evaluation of the Amendment to the Act on Employment Security of Elderly Persons." (in Japanese) *The Japanese journal of labour studies* No. 642, pp. 13-22, should also be referenced

that the aforementioned amendments had some impact on the employment of seniors. According to the "Elderly Employment Condition Report" by MHLW, as of 2023, approximately 100% of companies have implemented measures for securing employment for elderly persons up to 65 years old. However, only 29.7% of companies have implemented measures for securing job opportunities for elderly persons up to 70 years of age. To ensure that the senior generation can continue to thrive in the medium to long term, it is important to accelerate measures that secure their employment.

Furthermore, considering the labour supply constraints that are anticipated to grow increasingly stringent in the future, it is important for individual companies to consider revising their executive age-limit as well as the mandatory retirement age so that seniors may continue to work according to their preferences and circumstances.

ii. **The Necessity to Change Conventional Perceptions Towards Senior Engagement**

To promote the active participation of the senior generation, it is essential not only to implement inclusive systems but to also realize desired working styles and address the need to change companies' perception of human resource utilization as well as workers' conventional perspectives on career. According to a survey by JOBS Research Center¹⁴, about 80% of workers wish to continue working even after retirement (including those who have responded as neutral). Among those who wish to continue working post-retirement, approximately 70% prefer to renew their contract with their current company. This result that shows immense support for continued employment is likely due to the difficulty seniors face post-retirement in finding new jobs independently, in addition to the lack of options beyond continued employment. Therefore, while it is important to stay mindful of certain circumstances specific to seniors, it is crucial to support seniors who wish to continue working while also creating opportunities for them to thrive outside their current workplaces.

Furthermore, the survey indicates that about 70% of companies are not proactively hiring seniors, citing concerns regarding health and physical fitness. However, many such companies have not reported specific reasons for their lack of proactiveness. It is crucial to encourage companies to actively hire seniors while also considering their health and fitness.

According to data from the Reports of Worker Casualties (2023), there has been an increase in the ratio of workers aged 60 and above among those who suffer from work-related injuries that result in more than four days of absence. Additionally, there is a higher incidence of work-related injuries per 1,000 workers among seniors—3.9 for men and 4.2 for women—compared to younger age groups, which highlights a need for specific considerations regarding workplace safety. MHLW has established "Guidelines for Ensuring Safety and Health of Older Workers (Age-Friendly Guidelines)" which outline essential measures for employers. It is necessary to increase public

¹⁴ JOBS Research Center (2023). "[What Middle Seniors Want for Their Post-Retirement Careers: An Analysis Report of the '2023 Senior Employment Status and Attitude Survey'.](#)" (in Japanese)

awareness of these guidelines to create a safe working environment for the senior generation.

It is important to effectively employ and motivate the senior generation in tandem with initiatives geared towards improving workplace conditions. A survey by Persol Research and Consulting Co.,Ltd.¹⁵ indicates that a significant number of companies see low performance and motivation among senior workers as a challenge. One reason for this drop in motivation among seniors is believed to be the substantial wage-cut compared to their pre-retirement levels. Research by Kume et al. (2021)¹⁶ reveals low job satisfaction among those who continue to work after retirement, many whom often accept poorer treatment such as reduced wages in exchange for job stability. Such findings suggest that it is necessary to consider measures that would allow employees to choose post-requirement working arrangements other than continued employment if they so desire, which would thereby increase job satisfaction. Findings also indicate that among employees who continue their employment with the same company post-retirement, higher job satisfaction is reported by those who engage in specialized roles or educate younger employees on the tasks with which they were involved until they reached the age of 60. Therefore, it is crucial for companies to utilize seniors strategically, in a way that fosters satisfaction and motivation.

Regarding the utilization of seniors, the Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers (JEED), has compiled "Tips for Empowering Older Employees."¹⁷ The suggestions listed in this document include recommendations such as the utilization of seniors as knowledge transmitters and pairing them with junior staff, notably the establishment of positions for mentoring younger employees. Companies and industries should note these suggestions in developing strategies geared towards utilizing the senior workforce.

Research by Ishiyama and Takao (2021)¹⁸ suggests that the enhancement of work engagement among seniors can be achieved through proactive personal creativity and cross-border learning. To enable seniors to thrive regardless of age, companies should implement:

- i. Human resource development programs designed to enhance expertise within the middle-aged generation.
- ii. Opportunities to acquire new expertise through cross-border learning and side jobs.
- iii. Initiatives to maintain work engagement through career consulting that is specifically tailored to middle-aged and senior generations.

Additionally, workers are also encouraged to take proactive steps to reassess their careers,

¹⁵ Persol Research and Consulting Co., Ltd. (2021). "[Senior Employees' Performance and Reemployment Challenges: What is HR Management That Supports Senior Talent's Performance and Motivation?](#)" (in Japanese) (Accessed May 15, 2024)

¹⁶ Kume, K., Tsuruki, K., Sano, S., & Yasui, K. (2021). "The Working Conditions and Evaluations of Continued Employment after Retirement." (in Japanese) *JCER economic journal*, 79, 1-23.

¹⁷ JEED. (2022). "[Tips for empowering older employees: Initiatives by industry organizations.](#)"

¹⁸ Ishiyama, N., & Takao, M. (2021). "The actual situation and determinants of work engagement among employees subject to position retirement system and reemployment after retirement." (in Japanese) *Journal of the Japanese Society for Labour Studies*, 21(3), 43-62.

including re-skilling in preparation for their later years.¹⁹

Lastly, through Hello Work offices, MHLW is currently conducting awareness and guidance activities that assist those up to 70 years of age in securing job opportunities. Furthermore, JEED provides information through resources such as the "70-Year-Old Employment Promotion Manual," "Examples of Promoting Employment for Those Aged 70 and Older," and "Examples of Promoting Employment Beyond Age 65," and provides support through employment planners and grants that promote employment for seniors. The hope is for these public support measures to be utilized broadly and to be promoted to facilitate active engagement of the senior generation within individual companies.

iii. Promoting Senior Engagement Through Strengthened Local Job Matching

Mechanisms that allow the senior generation to take on roles and responsibilities not only within companies but also in local communities should also be enhanced, as these would connect companies and seniors to the region while also contributing to the invigoration of the local community. In recent years, we have seen a surge of motivation among seniors linked to their employment,²⁰ as well as a sustained level of high satisfaction among working seniors²¹. It is therefore necessary to facilitate job matching between highly motivated seniors and available job opportunities.

As for local employment, Silver Human Resources Centers have been crucial in maintaining local communities across the country, as they provide job opportunities for seniors. As of present, these centers offer various types of jobs, such as general office work and retail positions, but its scope should continue to expand. Meanwhile it is hoped that these centers may share good practices related to the active participation of seniors and allow members to better leverage their previous experiences. Additionally, employment forms for members of Silver Human Resources Centers are not limited to contracting work. Notably, these forms can also include dispatchments through contracts made with the Silver Human Resources Center Association or job placements through direct contracts with employers, which thereby enable seniors to realize their preferred working styles within a variety of employment arrangements.

Noting that a decreasing population is leading to a shortage of community contributors, the contributions made by seniors who leverage their experiences has become increasingly important in addressing challenges faced by local communities. In Ueda City, Nagano Prefecture, seniors established the "Ueda Workers' Cooperative" in May 2023, based on the Worker Cooperative Act enacted on October 1, 2022. They collaborate with related organizations, such as community support

¹⁹ Regarding the mid- to long-term career development of the middle generation, anticipating the needs of seniors, career development support such as self-career docks can be considered.

²⁰ JILPT (2020). "[Employment and Lifestyle Survey for Individuals in Their 60s](#)" (in Japanese) Survey Series No. 199

²¹ Recruit Works Institute [Japanese Panel Study of Employment Dynamics](#)

centers, to engage in tasks such as construction, painting, and air conditioning installation.²²

It is also crucial to strengthen the function of Hello Work in matching seniors with companies. Hello Work offices have established specialized counters that collect and provide information on job openings that are proactively considering seniors. These facilities offer detailed consultations for job seekers, taking into account their income situation (such as pension income), and provide tutoring on resume writing and interview techniques.²³ For seniors who may have no experience in changing jobs and are job-seeking for the first time, it is of particular importance to leverage the resources provided by the consultation system at specialized counters at Hello Work, as this provides an opportunity for seniors to frankly discuss their concerns about returning to work. Moreover, as mentioned previously, Hello Work holds seminars for seniors, providing opportunities to receive support from the initial phases of their job search. Additionally, there is a need to develop job opportunities that offer flexible working conditions, such as part-time work or limited weekly hours, as this would reduce barriers to entry.

3-3 Creating an Environment Where Men and Women Can Work According to Their Preferences, Regardless of Their Circumstances

i. The Current State of Gender-Neutral Work Styles

In envisioning a labour market where those of diverse backgrounds may thrive in accordance with their preferences, it is crucial to establish a workplace environment that allows men and women to pursue their desired work styles, regardless of their family circumstances.

The employment rate for women has improved steadily, with the previously noted "M-shaped curve" (A dip in the employment rate of women in child-rearing ages) showing signs of resolution. The number of women in regular employment has continued to rise even post-COVID-19, showing a positive trend.

However, there remain many challenges. According to the "Basic Survey on Wage Structure" by MHLW, the average length of service in a single firm in 2023 is about 14 years for men, while it is approximately 10 years for women. The "16th Annual Population and Social Security Surveys" (2021) by the National Institute of Population and Social Security Research's indicates that while the rate of continuous employment for women after their first childbirth has increased in recent years, it remains at approximately 70%. Additionally, the "Data Book of International Labour Statistics 2024" by JILPT reports that the ratio of managers who are women was 12.9% in 2022, which is not particularly high in comparison to other countries.

These disparities can also be observed in terms of job types and employment forms. According to

²² MHLW. "[Want to Know! The Worker Cooperative Act](#) (Ueda Worker Cooperative) <Established in March 2023>" (Accessed August 22, 2024).

²³ For details on the specialized counters, please refer to the [leaflet](#) from the MHLW.

the 2023 averages listed in the "Labour Force Survey" by MIC, 31.7% of Service workers are men and 68.3% are women; and that for Clerical workers, 39.6% are men and 60.4% are women. Contrarily, among construction and mining workers, 97.1% are men and 2.9% are women; and in Transport and machine operation workers, 95.9% are men and 4.1% are women. These results highlight large differences in gender ratios across various occupations. However, the number of women in Construction and mining, Transport and machine operation, and Security workers has seen an increase, implying certain improvements in gender-related occupational biases²⁴. For instance, the Ministry of Land, Infrastructure, Transport and Tourism has published a list of good practices²⁵ designed to promote the employment of women within the construction industry and has also held regional meetings²⁶ where participants exchange opinions pertaining to the issue at hand. Additionally, MHLW has introduced subsidies²⁷ for facilities such as changing rooms and shower rooms to create a more accommodating environment for women in the construction industry. Through such initiatives, it is expected that workplace environments will see improvement and that the stereotypical perceptions of gender in certain job types will be transformed. Furthermore, the MIC "Labour Force Survey" indicates that in 2023, the non-regular employment rate for men was 22.6%, while for women, it was 53.2%. This result demonstrates a gender disparity in employment forms.²⁸ Nonetheless, the number of both non-regular and regular employees who are women has seen yearly increase, which highlights the importance of sustaining support mechanisms for women to choose working styles that align with their preferences.²⁹

Such disparities also raise concerns about income level differences between men and women. According to the "Basic Survey on Wage Structure" by MHLW, the 2023 wage level for women was 78.2 when men's income is set at 100. Although in recent years, there have been important gains in shrinking the gender wage gap, it is crucial to accelerate efforts towards its resolution.

Naturally, these numerical improvements do not inherently signify the realization of a labour market where individuals can thrive regardless of gender. Once again, it is essential to develop an

²⁴ The disparity in gender ratios across occupations is also observed in other countries. For example, the percentage of women workers in service and sales occupations is 58% in the United States, 62% in Germany, and 65% in Sweden. Meanwhile, the percentage of men workers in equipment and machinery operation and assembly is 81% in the United States, 85% in Germany, and 84% in Sweden. (The figures for each country are from ILOSTAT for 2023. In Japan, the percentage of women workers in service and sales occupations is 49%, while the percentage of men workers in equipment and machinery operation and assembly is 80%.)

²⁵ MLIT. [Construction Industry and Real Estate Industry: Initiatives for Promoting the Retention of Women in the Construction Industry.](#)

²⁶ General Incorporated Foundation, Fund for Construction Industry Promotion. "[Web Portal for Supporting Women's Retention in the Construction Industry.](#)" (in Japanese)

²⁷ MHLW's leaflet. "[Subsidy for Securing Human Resources: Subsidy Course for Setting Up Worker Dormitories \(Construction Sector\) \(Subsidy for Establishing women-Only Worker Facilities\).](#)" (in Japanese)

²⁸ This trend is also observed internationally. Regarding the percentage of part-time employees, in the UK, 12% of men are part-time compared to 33% of women; in Germany, 10% of men compared to 36% of women; and in Sweden, 9% of men compared to 15% of women. (The figures for each country are from OECD Stat for 2022. In Japan, the percentage is 14% for men and 38% for women.)

²⁹ For information on promoting women's participation, please refer to "Cases of companies that cooperated in hearing sessions to prepare the report" (pp. 4-7).

environment where that enables men and women to pursue work styles, wage levels, and careers that align with their individual preferences.

ii. **Further Utilization of Support Measures for Individuals Involved in Childcare and Elder Care**

A society that Supports Work-Life Balance for Child Raising Generations.

It is crucial to create a society where individuals can pursue their preferred work styles while raising children. To improve employee retention, it is especially important to facilitate work arrangements that align with personal preferences, enabling individuals to balance their desired lifestyle with their career. For child-rearing generations, failure to accommodate childcare needs in workplace environments can lead directly to resignations.³⁰

Support measures to address the needs of child-rearing generations have included reducing scheduled working hours, limiting overtime, providing childcare leave, and enhancing parental leave. Notably, the duration of parental leave has been extended in some cases. For example, while parents previously had the right to take parental leave only until their child turns one, it can now be extended until the child turns two years old in cases where their children cannot enter childcare facilities.

According to MHLW's "Basic Survey on Gender Equality in Employment Management," the uptake of parental leave among women has steadily increased, rising from 49.1% in 1996 to over 80% in 2022. In contrast, among men, though improving, the uptake rate of parental leave was 17.1% in 2022. Moreover, there are significant gender disparities regarding the duration of leave taken. In fiscal year 2021, about 95% of women who took parental leave were on leave for six months or longer, whereas 51.5% of men taking parental leave took were on leave for less than two weeks.

The UNICEF Office Research Innocenti ranked Japan first globally in terms of parental leave systems³¹, reflecting considerable progress in their establishment.³² However, challenges persist, particularly in increasing men's participation in these programs.

A survey by the JMA Research Institute Inc highlighted key reasons men refrain from taking parental leave, including concerns such as "not wanting to reduce their income" and "the workplace having an atmosphere that makes it difficult to take parental leave" and a "lack of understanding

³⁰ According to the survey JMA Research Institute Inc. (2021) "Research Project on Understanding the Actual Situation of Balancing Work and Childcare, etc. in FY2020 (Survey of Unemployed)" (in Japanese), about 40% of women who were full-time employees before resigning left their jobs due to the difficulty of balancing work and childcare.

³¹ Gromada, A., & Richardson, D. (2021). "[Where do rich countries stand on childcare?](#)" UNICEF Office of Research–Innocenti.

³² This document evaluates the number of weeks of fully paid equivalent employment protection leave secured for mothers and fathers in the member countries of the Organisation for Economic Co-operation and Development (OECD) and the European Union (EU).

from the company or superiors about parental leave". These findings underscore the importance to not only promote awareness about parental leave but to also create a workplace environment that genuinely supports its use.

Research by the Japan Management Association³³ also identified obstacles faced by companies regarding the use of parental leave by employees who are men. "Handling responsibilities during absence" was a top concern, highlighting issues such as securing personnel while an employee is on leave, as well as managing increased burdens at the workplace.

Furthermore, Miyajima and Yamaguchi (2018)³⁴ demonstrated that while many Japanese people consider parental leave by men to be a favourable practice, they often assume it to be viewed negatively by society-at-large.³⁵ Such perceptions can lead to hesitancy in taking leave, highlighting the need to foster an atmosphere that encourages men to utilize parental leave.³⁶

When examining support measures that extend beyond parental leave, a survey by the JMA Research Institute Inc indicated that many regular employees who are women, express a desire for "shorter working hours" once their children reach the age of one. As children grow older, employees increasingly prefer "working without overtime", "flexibility in shifts or start and end times", and "telecommuting," indicating diverse needs based on family situations.³⁷

However, the actual utilization rates of these measures reveal a different story. Among women in regular employment, 51.2% have "currently utilized" or "previously utilized" the short-time work system for childcare, while only 27.1% used the limitation on overtime work. Utilization rates among men in regular employment are even lower, at 7.6% and 6.5%, respectively, indicating a disconnect between available support and its actual use.

Workplace environments where such systems cannot be effectively utilized raise concerns about potential resignations. A survey by the JMA Research Institute Inc's found that the most common reason given by women gave for leaving their jobs during pregnancy was that they "wanted to continue working, but found it difficult to balance work and childcare." This underscores that, despite the availability of such systems, many felt unable to take advantage of maternity leave or parental leave or utilize options such as short-time work and exemptions from overtime, ultimately

³³ Persol Research and Consulting Co., Ltd. (2023). "[Quantitative Survey Report on Paternity Leave.](#)" (in Japanese)

³⁴ Miyajima, T., & Yamaguchi, H. (2018). "[False Effectiveness as an Impression Management Strategy: The Social Function in the Process of Pluralistic Ignorance.](#)" (in Japanese) *Journal of Experimental Social Psychology*, 58(1), 62-72.

³⁵ For further information on pluralistic ignorance, please refer to the materials from the 5th Employment Policy Research Group meeting of the 2023 fiscal year ([Material 3 submitted by Member Makino](#)), p. 9.

³⁶ Brinton, M. C. (2022).* suggests that to resolve pluralistic ignorance, companies should present data showing that men employees desire to take parental leave.

* Brinton, M. C. (2022). *The Bound Japanese: Can the "Norms" That Lead to Population Decline Be Broken?* (in Japanese) Chuokoron-Shinsha. Inc.

³⁷ JMA Research Institute Inc. (2020). "[Survey research project to understand the reality of balancing work and childcare for fiscal year 2020 \(Employee survey\).](#)"

leading to their decision to resign.³⁸

Given this data, it is essential to create a workplace where employees can comfortably utilize these systems to reduce resignations due to childcare responsibilities. It is particularly important for management to recognize the significance of these support measures, while supervisors should actively work to reduce long working hours and improve work efficiency. Such efforts not only benefit women but also men who seek flexible work styles.³⁹

MHLW provides examples of best practices on its comprehensive site dedicated to promoting women's participation and work-life balance.⁴⁰ Meanwhile, the Ministry of Economy, Trade and Industry (METI) certifies companies that excel in promoting women's participation and are expected to enhance middle to long term value. These brands, coined "Nadeshiko Brands" in financial markets, foster enthusiasm for women's empowerment.⁴¹

When support measures like parental leave or short-time work are utilized, it is necessary for other workers or external substitutes to cover the duties of the employee on leave. Companies are expected to flexibly allocate fluctuating labour costs and other resources to secure substitutes when employees take parental leave. However, for small and medium-sized enterprises that face difficulties in reallocating internal personnel, the hope is that the use of subsidies can help alleviate workplace burdens⁴².

Support for Care-giving Individuals

As society ages, balancing caregiving responsibilities with work has become a significant challenge. According to the MIC' "Employment Status Survey," the number of individuals who left their jobs to provide family caregiving or nursing care rose from 92,000 in 2009 to 99,000 in 2016, reaching 106,000 in 2022. Of those who left their jobs for caregiving reasons in 2022, 26,000 were men while 80,000 were women. This trend can be attributed to the fact that caregiving responsibilities are predominantly borne by women. Data from MHLW's "Comprehensive Survey of Living Conditions" further highlights this trend, showing that in 2022, women accounted for 70% of primary family caregivers.

To reduce job resignations linked to caregiving, it is necessary to promote the utilization of

³⁸ JMA Research Institute Inc. (2023). [Survey research project to understand the reality of balancing work and childcare for fiscal year 2023 \(Employee survey\)](#). (in Japanese)

³⁹ Kurosawa, M. (2019). "[Work-Life Balance Support and Flexible Work Styles: The Relationship with Women's Empowerment](#)" (in Japanese). *Economic Analysis* No.199 (pp. 152-186).

⁴⁰ MHLW. "[Comprehensive website for women's participation and work-life balance support](#)." (in Japanese)

⁴¹ METI. [Selection of listed companies excelling in women's participation: "Nadeshiko Brand"](#) (In Japanese) (Accessed May 16, 2024).

⁴² In the context of the Work-Life Balance Support Subsidy, there is a course for supporting work replacements during childcare leave. This program provides assistance for establishing work systems during periods of childcare leave or reduced working hours due to childcare. Support includes allowances for surrounding workers who take on replacement duties and initiatives such as the new hiring of replacement staff (including temporary workers).⁴³ This is part of a project commissioned by MHLW. (2022) "[Survey Research Project on the Current Situation of Work and Caregiving Compatibility for Fiscal Year 2021" \(Worker Survey\)](#)."

various support systems. According to MHLW's 2021 survey on balancing work and caregiving⁴³ around 50% of respondents believed that they could not continue working while providing care due to issues at their workplace. Among regular employees, the most frequently cited issue was the absence of support systems at their workplace, such as caregiving leave.

Encouraging the use of caregiver leave and other support measures requires deepening public understanding of these systems.⁴⁴ Additionally, it is important for MHLW to provide clear information to new insurance policy holders, such as those turning 40, as well as employers. This should include an overview of the long-term care insurance system and the consultation services that are available.⁴⁵

Since caregiving often arises unexpectedly, workplaces must also foster environments that facilitate flexible working arrangements, in addition to caregiver leave and time off.

Cultivating Awareness to Address Imbalances in Household Responsibilities

While support measures for individuals managing childcare and caregiving have been strengthened, the promotion of their use and the creation of an environment where both genders may pursue their preferred working styles also requires addressing inequalities in household chores.

In examining the time spent on unpaid labour, men in Japan dedicate an average of 40 minutes per day to such tasks, compared to 219 minutes for women, highlighting the disproportionate burden of unpaid labour borne by women. In contrast, men in countries such as the U.S., U.K., Germany, France, and Sweden contribute over 130 minutes of unpaid labour, suggesting that the contribution towards household chores made by Japanese men is relatively low on an international scale. However, Japanese men commit an average of 375 minutes on paid work, which is significantly more than their counterparts in other countries.⁴⁷

Moreover, according to the MIC' "Basic Survey on Social Life," in 2021, husbands spent an average of 65 minutes on childcare per day, while wives spent 234 minutes. There is a growing expectation for a more balanced distribution of household responsibilities, considering the increase in dual-income households,

This disparity in household chores may hinder women's level of commitment to their careers,

⁴³ This is part of a project commissioned by MHLW. (2022) "[Survey Research Project on the Current Situation of Work and Caregiving Compatibility for Fiscal Year 2021](#)" (Worker Survey)."

⁴⁴ Care leave is understood as a system that responds to the need for a certain period of leave to establish a caregiving framework. It is crucial to enhance understanding of the purpose of this system.

⁴⁵ MHLW has created a [leaflet](#) summarizing the long-term care insurance system to promote understanding among individuals who have turned 40 and newly become insured under the insurance scheme. They have requested that this leaflet be distributed to prefectures and medical insurers.

⁴⁶ In the fiscal year 2023, as part of the Elderly Health Promotion and Other Projects, efforts are being made to prevent caregiving-related job resignation. [Publicity materials](#) regarding the long-term care insurance system are being developed for workers and employers, and initiatives are in place to disseminate this information to local governments and labour bureaus.

⁴⁷ For related data, please refer to the OECD "[Gender Data Portal](#)." It is important to note that the years of data used for international comparisons may differ between countries.

potentially leading to their withdrawal from the workforce or their abandonment of career aspirations. Research by Tsutsui (2014)⁴⁸ highlights that for women, balancing work and family life creates a trade-off. Tsuru and Kume (2018)⁴⁹ conducted empirical analysis indicating that a husband's degree of participation in household chores and childcare influences his wife's employment status in a positive manner, increasing the likelihood of her choosing full-time work as well as longer hours. They also found that flexible working arrangements for husbands can effectively support wives' employment.

From this, it is evident that the reconsideration of gender roles would be imperative in helping women commit to their careers in a manner aligned to their aspirations. This would involve a shift in men's working patterns as well as the cultivation of societal awareness aimed towards addressing the unequal distribution of household responsibilities.⁵⁰

iii. Addressing Health Issues in the Workplace

With the growing participation of women in the workforce, support related to childbirth and childcare has been expanding. However, many companies still lack sufficient understanding in health issues unique to women that are not directly related to childbirth or childcare, and most have not implemented support systems to address such concerns. Consequently, many women in the workplace are unable to effectively address their health concerns.⁵¹

According to a survey by the Health and Global Policy Institute, about half of the respondents reported that the perception of their own work performance dips by more than 50% when experiencing symptoms related to menstruation or menopause.⁵² A study by Otsuka Pharmaceutical Co., Ltd. suggests that health issues specific to women can lead to resignations or their refusal of promotions.⁵³ Additionally, a survey by METI indicates that in the current situation where many women do not address their health issues, may cause significant economic losses at a macro level.

⁴⁸ Tsutsui, J. (2014). "[Women's Labour Participation and Gender-Based Division of Labour: The Persistent "Breadwinner"](#)." (in Japanese) *The Japanese Journal of Labour Studies*, 56(7), 70-83.

⁴⁹ Tsuru, K., & Kume, K. (2018). "[Husbands' Participation in Housework and Childcare and Wives' Employment Decisions: An Empirical Analysis Considering Husbands' Work Styles and Role-Sharing Attitudes](#)." (in Japanese) *Economic Analysis*, 198, 50-71.

⁵⁰ Hara, H., & Rodríguez-Planas, N. (2023) demonstrate that school education, which does not allow students to recognize differences in social roles based on gender through curricula and activities, can influence future disparities in household burdens and improve the employment rate of women in full-time positions. Therefore, there is hope for progress in addressing the unequal distribution of household burdens from an educational perspective.

* Hara, H., & Rodríguez-Planas, N. (2023). "[Long-term consequences of teaching gender roles: Evidence from desegregating industrial arts and home economics in Japan](#)." *Journal of Labour Economics*.

⁵¹ MHLW. "[7th Employment Policy Research Group \(2023\) Material 1 \(Submitted by Nomura\)](#)" (in Japanese)

⁵² Health and Global Policy Institute (2018) "[2018 Health Promotion Survey for Working Women](#)" (in Japanese) investigated the relationship between health literacy concerning women, women's health behaviors, labour productivity, and access to necessary medical care among 2,000 employed women.

⁵³ According to Otsuka Pharmaceutical Co., Ltd. (2021) "[Health Awareness Survey of Working Women](#)" (in Japanese), among 1,001 regular employees and public servants aged 20-44 who had opportunities for managerial positions, 285 reported experiencing premenstrual syndrome (PMS) that interfered with their daily lives. More than 50% of those who experienced or considered resigning due to PMS symptoms and those who experienced or considered declining promotions also exceeded this percentage.

The results suggest that appropriate treatment and access to information can yield substantial economic benefits.⁵⁴⁵⁵

These health issues specific to women may lead to a decrease in their labour productivity and hinder career development, affecting not only the individual but also the overall management of the companies for which they work. Thus, it is imperative for companies to implement measures that address women's health issues, as this can improve productivity and contribute to attracting and retaining talent. A key necessity is to foster a proactive approach in creating a workplace that accommodates individual health conditions.

MHLW provides information on women's health issues through a dedicated website as part of its Maternal Health Management Support Project⁵⁶, which aims to ensure that the proper implementation of health management within workplaces. The project also conducts training for HR personnel, hosts symposiums to promote understanding of menstrual leave, and publishes informative brochures. Furthermore, the Occupational Health Support Centers conduct training geared towards employers, HR personnel, and occupational health staff regarding women's health issues, while also providing health education and on-site consultations. Going forward, it is recommended for them to conduct surveys to assess the realities of women's health issues in the workplace, while simultaneously encouraging corporate initiatives to address symptoms related to menstruation and menopause.

Women's health issues vary from person to person and such issues often go unrecognized by others unless the affected individuals raise their concerns. Consequently, there is a need for initiatives that enhance health literacy⁵⁷ within the workplace, including raising awareness of the benefits of creating workplace environments that address such health issues, sharing concrete examples, and the promotion of Femtech^{58,59}. Increasing health literacy in the workplace, understanding from those around them as well as an accommodating workplace environment, is essential for women to work in alignment with their life stage.

⁵⁴ METI (2021) "[Survey Report on the Effects and Challenges of Changes in Work and Lifestyle on the Future of Japan](#)" (in Japanese), it is estimated that the total economic benefit from women who were previously not addressing health issues but gain information and access to appropriate treatments could amount to approximately 1.9 to 2.1 trillion yen annually (as of 2025).

⁵⁵ Additionally, for further insights on women's health and work styles, please refer to Ichino, A., & Moretti, E. (2006)*. * Ichino, A., & Moretti, E. (2006). "[Biological gender differences, absenteeism, and the earning gap](#)" NBER Working Paper No. 12369. National Bureau of Economic Research.

⁵⁶ MHLW Commissioned Project: "[Support Site for the Mental and Physical Health of Working Women](#)"

⁵⁷ Tokyo Medical Association defines health literacy as the ability to obtain, understand, and utilize accurate information regarding health and medical care.

⁵⁸ METI Trade and Industry Industrial Economics Commission's report (2021) titled "[Survey Report on the Effects and Challenges of Changes in Work and Lifestyle on the Future of Japan](#)," Femtech refers to products and services that use technology to solve health-related concerns and challenges for women, thereby supporting the individual work and lifestyle of each woman.

⁵⁹ Health and Global Policy Institute (2018) "[Health Promotion Survey for Working Women 2018](#)" has shown that individuals with high health literacy have higher average work performance over a month compared to those with lower health literacy, indicating a correlation between higher health literacy regarding women and better job performance.

Notably, the effect of health issues including menopause are not limited to women⁶⁰, since health challenges that arise from illness or aging may affect anyone.⁶¹ For example, the promotion of the availability of leave systems for health reasons (Sick leave⁶²) is necessary to create a working environment that addresses health issues for all workers, regardless of their gender.

iv. **Creating an Environment Suitable for Career Advancement Regardless of Gender**

While perspectives on career advancement may vary, when focusing on management roles, the percentage of women in leadership roles has risen in recent years. Nevertheless, it remains low compared to international standards, highlighting the need for further enhancement.⁶³

In environments that function under the premise of long-term employment, diverse job experiences gained through job rotation are often deemed crucial for promotion. However, the low retention rates of women at present, may lead to unwillingness on the side of firms from offering diverse job experiences, potentially hindering women's career advancement.⁶⁴ Therefore, it is essential to identify the barriers hindering women's career development in the workplace and implement comprehensive support measures for career advancement.⁶⁵

The key lies in effectively supporting women's career advancement. Saito (2017)⁶⁶, who analyzed data from the electronics industry, examined the impact of work-life balance (WLB)

⁶⁰ According to MHLW. (2022). "[Awareness Survey on Menopausal Symptoms and Disorders](#)" (in Japanese), one indicator of men's menopausal symptoms, the AMS score (Aging MenSymptoms rating scale), shows that the percentage of individuals scoring "severe (50 points or more)" and "moderate (37-49 points)" is 18.1% for ages 40-49 and 20.7% for ages 50-59.

⁶¹ The Cabinet Office (CAO) (2024) "[Survey Report on Gender Health Awareness for FY 2023](#)" (in Japanese) also includes research on work and health issues.

⁶² According to MHLW. (2023). "[General Survey on Working Conditions for FY 2023](#)," (in Japanese) 21.9% of companies have a sick leave system, of which 47.5% fully pay wages, 15.1% partially pay wages, and 35.7% provide unpaid leave.

⁶³ According to JILPT. (2024). "[Databook of International Labour Statistics 2024](#)," (in Japanese) the percentage of women in managerial positions is 41.7% in Sweden and 41.0% in the United States, whereas Japan lags significantly behind at just 12.9%.

⁶⁴ Takeishi and Takasaki (2020)* point out several key issues regarding women's career advancement to managerial roles:

- To attain managerial positions, individuals are generally expected to work for a certain period and gain diverse job experiences.
- Women, however, tend to resign during their career development due to family responsibilities.
- Furthermore, even if women continue working, they often lack opportunities for heavier responsibilities compared to men, which hampers their career progression to managerial positions.

They emphasize that careful attention to training, recruitment, and retention is crucial for the advancement of women into management roles.

* Takeishi, E., & Takasaki, M. (2020) *Diversity Management Series: Supporting Women's Careers*. (in Japanese) Chuokeizai-Sha Holdings, Inc.

⁶⁵ Takeishi (2023)* discusses issues related to dual-income households, particularly how women's resignations due to their spouses' job relocations can disrupt their career development. It is suggested that the practice of job relocation, often considered a human resources policy, should be reevaluated in light of its impact on the spouse's career and should be a topic for discussion between labour and management.

* Takeishi, E. (2023). *Career Development Theory, 2nd Edition: Facing Autonomy and Diversity* (in Japanese) Chuokeizai-Sha Holdings, Inc.

⁶⁶ Saito, T. (2017). "Analysis of Effects of WLB Practices on Women's Empowerment." (in Japanese) *The Bulletin of Institute for Research in Business and Economics Meiji Gakuin University*, 34, 127-136.

initiatives on women's success. The study found that flexible working arrangements are vital for increasing the ratio of women in management roles. Additionally, reduced working hours are particularly beneficial in raising the proportion of women in their 30s, while support for career advancement is critical for boosting the ratio of women in their 40s and 50s. Abe, Kodama, and Saito (2017)⁶⁷ further indicated that initiatives such as reduced working hours, limited locations, and reemployment systems for those who left due to marriage or childbirth are effective in raising the proportion of regular employees and managers who are women, for companies with over 300 employees. These findings underscore the importance of companies in developing a WLB system tailored to workers' needs while actively promoting their use.

While support measures for balancing work and family life is vital in ensuring continued employment for those with children, the reliance on these systems by women alone may inadvertently hinder their career advancement opportunities. To promote gender-neutral career development, it is crucial that men and women utilize support measures. Appropriate communication between companies and workers is essential to adapt these initiatives to individual workplaces.

3-4 Promoting Labour Participation in Consideration of Individual Circumstances

i. Support for Individuals Who Have Left the Workforce

Support for People Who Have Left the Workforce Due to Childcare

To enable the participation of diverse individuals in the workforce in accordance with their preferences, it is necessary to provide support that can help such individuals overcome their unique circumstances. This section begins by examining the aspirations towards employment of those engaged in childcare. According to the MIC' "2022 Basic Survey on Employment Structure," approximately 800,000 individuals or 61% of unemployed women who are engaged in childcare wish to work. Furthermore, only 26% of women who left full-time roles for reasons related to childcare are currently working as full-time employees, while 66% have taken roles in non-regular employment.

Furthermore, out of women who left their roles due to childbirth or childcare and subsequently re-entered the workforce, only 29% had a gap of 1 to 3 years, while those with gaps of 15 to 19 years and 20 years or more constituted 4% each. This suggests that individuals with extended career gaps only represent a small proportion of those who have successfully returned to work. The challenge of career interruptions due to childbirth or childcare is not unique to Japan. This rather underscores the need to establish a labour market that allows individuals to participate according to their preferences, even after prolonged absences.

⁶⁷ Abe, M., Kodama, N., & Saito, T. (2017). "What Boosts the Employment Rate Among Women? :The Assessment of Work-Life-Balance Policies on Retaining Working Mothers." (in Japanese) *The economic review*, 68(4), 303-323.

According to MHLW's report on "Creating a Society Where Women Can Thrive Even After Leaving Employment Due to Childbirth or Childcare," many women expressed anxiety about whether they could balance childcare with work while simultaneously satisfying the demands of a job. However, once they started working, many reported that their concerns were unfounded. The report also noted that 44.9% of companies had not received applications for mid-career full-time positions from women with elementary school-aged children, while 9.2% had experienced instances where women applied but were not hired.

These instances highlight that while women with career gaps hesitate when re-entering the workforce due to various concerns, it does not necessarily signify that companies are uniformly hesitant towards hiring women with childcare responsibilities. It is therefore crucial to boost initiatives related to job matching efforts. As there are industries⁶⁸ actively recruiting women who have left due to family circumstances as well as private companies that have built systems that support career resumption and workplace reintegration, the hope is for such trends to spread throughout various industries and markets.

Additionally, individuals may also struggle to re-enter the workforce due to the anxiety they have acquired during past work experiences. In order to address these concerns, initiatives that help to update one's skill, acquire skills in areas with labour shortages, and assist in understanding one's own skills and strengths are required. It is also vital to provide practical opportunities, such as internships and support for job-seeking activities.⁶⁹ This necessitates the advancement of public vocational training programs that include childcare services and e-learning courses. Bolstering support provided by public organizations such as Mother's Hello Work through their career development and reskilling consultation corners, along with enhanced collaboration between NPOs, private companies, public institutions, and local governments, would be essential.

Building a Workplace Environment and Labour Market that Allows for Self-Actualization Through Temporary Absences

As career spans become longer, it is increasingly important for workers to take temporary absences from the workplace at various milestones to secure time for self-actualization, which would contribute towards achieving a fulfilling professional life both mentally and physically.

For individuals who take time off to pursue new insights and experiences through activities such as volunteering, language study abroad, working holidays, or recurrent education at universities, the

⁶⁸ In the banking industry, "the Association of Regional Bank Presidents for Accelerating the Advancement of Women" was established, and since April 2015, the "Regional Bank Human Resources Bank" has been in operation. This initiative aims to support women who are compelled to resign due to relocation for reasons such as marriage, spouse's job transfer, or family caregiving. As part of this effort, the program facilitates introductions to member banks in the new location.

⁶⁹ MHLW. (2023) "[Materials from the 5th Meeting of the Employment Policy Study Group for Fiscal Year 2023 \(Materials Submitted by Member Fujimi\).](#)"

implementation of systems that offer special leave can be advantageous for companies⁷⁰. This approach is also useful in attracting valuable talent. Furthermore, in the labour market, it is expected that individuals who have taken leave from their jobs for self-actualization will be assessed positively for their experiences during their absence, which would facilitate smoother re-employment.

ii. **Support for Individuals Who Require Continued Assistance**

For individuals who require substantial support, it is necessary to provide assistance that is tailored to their individual circumstances. For instance, it is necessary for those experiencing financial difficulties to develop a support system that assists them in their journey toward employment by establishing local consultation points where they can seek advice for their issues and concerns. The Support System for the Self-reliance of Persons in Need provides employment support through consultation support and employment preparation programs, and it is important to continue encouraging the utilization of these services.

Regarding young people, even amidst labour shortage, it is important to recognize that there are cases where individuals cannot secure their desired jobs due to a lack of skills and work experience.⁷¹ Therefore, it is necessary to provide support that aligns with their individual needs through Hello Work for Youth and local youth support stations.

In the current employment environment, individuals from the "Employment Ice Age Generation⁷²," are facing various challenges, such as being unable to secure their desired jobs, "unwillingly working in unstable jobs", "being unemployed", or "requiring assistance for social participation". Addressing these issues requires targeted measures that align with individual circumstances. Encouragingly, since 2020, despite severe difficulties in the employment situation posed by the COVID-19 pandemic, the core group of the Employment Ice Age Generation⁷³, (aged 39 to 48 as of 2022) has seen an increase of 80,000 regular employees over the past three years, while the number of involuntary non-regular employees has decreased by 70,000, reflecting improvement.

Support for the Employment Ice Age Generation has included employment assistance through Hello Work, where over the past three years, 320,000 individuals have achieved regular employment. Additionally, 100,000 individuals transitioned to regular employment through career

⁷⁰ MHLW. [Improvement Portal Site for Work Style and Time Off \(What is a Special Leave System\)](#). (in Japanese)

⁷¹ According to the Japan Student Services Organization (2022) "[FY 2022 Student Life Survey](#)," the proportion of undergraduate students (daytime students) engaged in part-time work exceeds 80% in fiscal year 2022. Future research is anticipated to explore the impact of such part-time employment on the formation of human capital after graduation.

⁷² Information about the Employment Ice Age Generation and the support available for them can be found on the MHLW website under [Support for the Employment Ice Age Generation](#). (in Japanese)

⁷³ CAS (2023) "[Document 1-1 on Employment Trends of the Ice Age Generation for the 5th National Platform for Promoting Support for the Ice Age Generation](#)."

advancement subsidies (Regular Employment Course), showing tangible results. It remains essential for Hello Work to provide seamless support from consultation and training till employment and retention, and to actively support businesses that convert non-regular employees towards regular status. Moreover, for individuals experiencing long-term unemployment or social withdrawal, it is essential to provide bespoke assistance that encourages social participation based on their circumstances. This requires close collaboration with local governments to provide comprehensive support for their social participation.

Furthermore, it is imperative to sustain appropriate support for the employment of individuals with disabilities. According to MHLW's "Employment Status of Persons with Disabilities," as of June 1, 2023, approximately 728,000 individuals with disabilities were employed in public institutions or in companies with 43.5 or more employees, exhibiting year-on-year increase. A key factor in this progress has been the legal obligation for companies to employ individuals with disabilities at rates above the mandatory proportion of disabled workers, which is reviewed every five years. This proportion is set to increase gradually from 2.3% in 2023 to 2.5% in 2024 and 2.7% in 2026. Additionally, many companies are also incorporating disability employment into their management strategy to enhance capabilities, improve work efficiency, and foster workplace diversity, which is anticipated to increase workforce participation among individuals with disabilities.⁷⁴

To promote employment opportunities for individuals with disabilities, it is essential to strive for a society where people with and without disabilities collaborate in the workplace. Achieving this goal requires the collective effort of all stakeholders, including individuals with disabilities, businesses, and local employment support organizations, to ensure meaningful employment and improve job quality in alignment with the needs of individuals with disabilities.

While the number of individuals with disabilities employed in private companies has continuously reached record highs over the past 20 years, there are also efforts primarily focused on meeting the mandatory proportion of disabled workers. Going forward, greater emphasis must be placed on enabling individuals with disabilities to leverage their unique abilities and maintain stable employment.

To promote the participation of individuals with disabilities, Hello Work provides team-based support in collaboration with local employment support organizations and utilizes employment assessment methods to help individuals make informed decisions about their employment and working conditions. Efforts are being made to encourage greater use of these services. Additionally, subsidies are implemented to facilitate employment-related consultations, helping businesses address workplace needs effectively.

⁷⁴ JEED. (2022). "[Workplace Retention and Utilization of Persons with Disabilities: Employment Cases in Industries with Low Levels of Disability Employment.](#)" (in Japanese)

Support systems must also allow temporarily access employment-related disability welfare services by individuals, even while they are employed. This can be of particular importance when gradually increasing working hours or when transitioning back to work after a leave of absence.

In Fuji-shi, Shizuoka Prefecture, initiatives are underway to promote universal employment, based on the fundamental principle that for individuals who, for various reasons, are unable to work—including those with disabilities—it is important to create diverse working styles tailored to their unique characteristics and motivations, which may then empower them to participate in socio-economic activities as active members of society.⁷⁵

Addressing the needs of individuals facing various challenges, including disabilities and health issues, requires a bespoke approach. Moving forward, it will become increasingly important to consider ways to create and match employment opportunities within communities, ensuring that these individuals can take on meaningful roles as community supporters.

3-5 Response to Regional Labour Shortages

i. Intensifying Regional Labour Shortages

Securing regional labour force is an important issue. According to the MIC' " Report on Internal Migration in Japan," from 2010 to 2023, while the Tokyo metropolitan area (Tokyo, Kanagawa, Saitama, Chiba) has seen a net inflow of residents, both the Nagoya area (Aichi, Gifu, Mie) and the Osaka area (Osaka, Hyogo, Kyoto, Nara) have had more outflows than inflows, except for 2011. In other prefectures, outflows significantly exceed inflows. It is anticipated that regional areas outside of the Tokyo metropolitan area will continue to face issues related to securing personnel.

The situation regarding labour participation varies by region. According to the results of the "Population Census" conducted by MIC, labour participation rates for women aged 15 to 64 are often above the national average in regions such as Tohoku, Chubu, San'in, and Kyushu. Additionally, labour participation rates for individuals aged 65 and over are notably high in Chubu and San'in. These regional differences can be attributed to various factors, including the local industrial structure as well as population density.

Regarding the employment rates of women, observations suggest that higher employment rates are associated with lower proportions of long working hours among men in the region, while urban areas experiencing nuclear familiarization tend to have lower employment rates⁷⁶. For those aged 65 and older, the employment rate tends to be higher when the burden of family caregiving is lighter.⁷⁷ As some regions continue to experience low labour participation rates for women and seniors, the

⁷⁵ [Shizuoka Prefecture Fuji City Universal Employment Support Center](#). (Accessed August 5, 2024)

⁷⁶ Tamura, K., Sakamoto, H., & Dai, E. (2021). "Women's Employment Rate by Age Group and Region in Japan: Characteristics and Underlying Factors." (in Japanese) *AGI Working Paper Series*, 1-21.

⁷⁷ CAO. (2016). "[Regional Economy 2016: Overcoming the Population Decline Issue](#)." (in Japanese)

promotion of labour participation and the enhancement overall well-being are prominent objectives that must be addressed when tailoring initiatives to local circumstances.

ii. Implementation of Employment Measures that are Tailored to Regional Characteristics

Effectively addressing labour shortages in a region require solutions that align with local conditions. As labour shortages become more acute, there is an increasing call for improvements in labour productivity in companies through initiatives such as Work Style Reform and DX. Additionally, the development of jobs that accommodate diverse lifestyles, improved and bespoke job matching, and regional workforce development are critical. In areas with untapped workforce potential among women and seniors, fostering flexible working arrangements will be necessary to enable them to work according to their individual lifestyle. To this end, it is important to leverage various support measures, such as subsidies for promoting Work Style Reform and securing human resources, in improving working conditions and creating a conducive workplace, particularly for small and medium-sized enterprises.⁷⁸

Maintaining the regional economy also depends on sustaining local businesses. A survey by the Japan Finance Corporation, "Survey on the current state of the local economy and efforts to promote the economy," highlights that over half of local chambers of commerce and industry cite a decline in the number of businesses as a significant issue for the regional economy. Furthermore, the steady increase in the number of businesses planning to close presents a challenge to maintaining companies that underpin the regional economy. Addressing this issue requires reducing barriers to starting and transferring businesses through targeted measures such as subsidies for business support and relocation, loans for new start-ups, free consultations from business succession support centers, and business succession matching support from the Japan Finance Corporation. These initiatives can encourage more individuals who are interested to consider starting or transferring businesses within the local economy.

To secure and expand attractive employment opportunities that align with regional needs, it is crucial to provide subsidies for employers who establish workplaces and hire job seekers (Subsidy for Regional Employment Development). Furthermore, promoting the Employment Creation Projects for Regional Vitalization, which support local governments in securing attractive employment opportunities and developing human resources tailored to corporate needs, plays a crucial role. These efforts should include tapping into potential labour resources, workforce development, job fairs for improved matching and strengthening collaboration with relevant organizations. By addressing such needs, regions can foster sustainable economic growth while enhancing the resilience of their labour markets.

⁷⁸ For information on regional revitalization, please refer to page 9 of the document titled "Cases of companies that cooperated in hearing sessions to prepare the report"

Efforts to encourage UIJ-turn migration (relocations from urban to rural areas) have shown promising trends, with approximately half of the users of Certified Non-profit Organization Nation-Wide Relocation Support Center ("Furusato Kaiki Shien Center") being those in their 20s and 30s⁷⁹. This indicates a strong interest among young people in relocating to rural areas. Thus, promoting UIJ-turn initiatives that focus on young people can be particularly effective. Key strategies include identifying potential job seekers for rural employment, motivating them to pursue jobs in rural areas, and matching them with local job openings. Leveraging subsidies for early re-employment support for businesses that hire UIJ-turn workers from the Tokyo metropolitan area may further support these efforts. Encouraging workers in the Tokyo metropolitan area to explore employment opportunities in other regions may also address regional disparities in workforce skills.

Furthermore, in addition to traditional regional employment, it is crucial to foster a flexible work environment. For instance, creating opportunities for telework enables individuals in rural areas to participate in urban jobs, while establishing systems for urban residents to engage in regional work through side jobs or concurrent employment could further expand opportunities. By embracing such diverse approaches to job creation, local communities can be revitalized, benefiting from both regional and urban economies.

3-6 Response to Foreign Workers

i. The Appeal of Employment in Japan Amongst Asian Countries

As labour shortages intensify, foreign workers are playing an increasingly prominent role across a wide range of fields, with demand for employment in Japan remaining high within Asia's international labour market.⁸⁰ Despite the trend toward a weaker yen, since 2022, the number of mid to long-term residents in Japan has reached record highs.

In the context of growing international competition for talent, it is essential to create an employment environment that meets global standards, marking Japan as an attractive destination for foreign professionals. Some industries, supported by relevant ministries and industry associations, have already taken steps to develop systems for career advancement and share best practices for employing foreign workers. These initiatives are expected to gain further momentum and drive positive change.

For the stable acceptance of foreign workers, it is crucial to consider not only economic and wage disparities between sending and receiving countries but to also ensure the smooth operation of international matching mechanisms. Establishing a well-coordinated international labour market

⁷⁹ In examining the age distribution of users at the center located in Yurakucho, Tokyo, it is observed that individuals in their 20s and 30s together account for approximately 44.7% of the total (March 2024).

⁸⁰ [The materials from the 7th Meeting of the Employment Policy Study Group for FY 2023](#) (Materials Submitted by Member Korekawa) note that "Japan is the largest receiving country for international migration from Asia to advanced countries."

requires the alignment of Japan's acceptance systems with those of sending countries. This necessitates strategic initiatives that appropriately account for the needs, realities, and policy directions of partner countries, which would foster a mutually beneficial framework for talent mobility.

ii. Career Advancement in Japan

Creating an environment that allows foreign workers to gradually enhance their skills and advance their careers is essential for building a society of harmonious coexistence.

This requires addressing specific challenges, particularly in local areas where small and medium-sized enterprises lack sufficient knowledge and expertise regarding the acceptance system, employment management, and the unique needs of foreign workers. To promote the acceptance of foreign workers into local communities, it is essential to share good practices from industries and sectors that have successfully accepted foreign workers. Furthermore, collaboration between prefectures and local governments plays a key role. Leveraging regional characteristics to create comfortable living environments for foreign workers will further facilitate their transition and inclusion into local communities.

It is equally important for accepting companies to reform their mindset. Addressing concerns regarding the acceptance of foreign workers requires raising awareness among management and the facilitation of smooth communication among employees working alongside foreign workers. By creating a more favourable workplace and improving working conditions, companies can make their organizations more attractive, thereby improving their retention of foreign workers. Additionally, encouraging their participation in internal labour markets and facilitating their career advancement will also contribute to long-term retention.

For international students, ongoing efforts focus on collaboration with employment services for foreigners and universities to support job-hunting activities in Japan. Tailored employment assistance, such as international student sections in Hello Work, can significantly enhance the job matching process between international students and companies. Strengthening such efforts by enhancing collaboration with universities and employers can encourage more international students to stay in Japan. Providing support for future career advancement will not only enrich the domestic labour market but will also enable foreign talent to make active contributions in Japanese society.

4. Boosting Labour Productivity through the Utilization of New Technologies

4-1 Leveraging New Technologies to Enhance Labour Productivity

The integration of new technologies holds significant potential to enhance societal prosperity through the improvement of labour productivity and the creation of new labour demand, ultimately leading to economic growth.⁸¹⁸² However, during the transitional period when new technologies are introduced, concerns about job displacement and lost employment may arise.

Currently, the use of generative AI has become increasingly prevalent, and its application in daily life and workplaces are expected to expand rapidly in the future. Rather than viewing these new technologies with apprehension, it is essential to utilize them proactively, confront the challenges that arise from these experiences, and develop appropriate strategies in response.

In the context of a declining population, improving labour productivity is also critical in maintaining Japan's international economic competitiveness. Achieving this goal require not only leveraging emerging technologies but also sustaining traditional investments in labour-saving measures and operational improvements across both hardware and software.

This chapter will first outline the ongoing efforts necessary to boost labour productivity before exploring measures to effectively utilize new technologies.

4-2 Initiatives to Improve Labour Productivity

An analysis of Japan's labour productivity trends using data from the Japan Productivity Center reveals persistent stagnation in nominal and real productivity growth. Real labour productivity growth rate (per hour worked) was 0.7% from 2010 to 2014, 0.1% from 2015 to 2019, and 0.7% from 2020 to 2022, marking a lack of significant growth.

International comparison using the EU KLEMS database further highlights Japan's declining contribution to labour productivity from ICT investments compared to the United States. This includes reduced contributions from both tangible ICT asset investments and non-ICT investments, as well as lower improvements in the quality of employment. These findings suggest that a multifaced approach is required to enhance Japan's labour productivity. Notably, it is essential to invest not only in labour-saving measures and business improvements but also in human capital to elevate employment quality.

⁸¹ This chapter focuses on new technologies, including AI (which encompasses large language models, or LLMs), generative AI, and automation. Whenever possible, relevant technologies will be explicitly mentioned in the text. Specifically, when discussing generative AI, it will be clearly identified as "generative AI."

⁸² For example, in Japan, since the 1980s, there has been an active introduction of robots, particularly in manufacturing settings. The automotive and electronics industries, which are the primary consumers of these technologies, have experienced significant growth, coinciding with the full-scale adoption of robots and driven by substantial increases in labour productivity.

4-3 The Impact of New Technologies on Employment

i. Trends in Generative AI

The release of ChatGPT by Open AI in November 2022 marked a significant milestone in the evolution of generative AI. Since then, various other generative AI models⁸³ have emerged, sparking widespread interest in generative AI within society.⁸⁴ Compared to traditional large language models (LLMs), generative AI enables more advanced capabilities for "understanding meaning" and "engaging in conversation", enabling humans to brainstorm ideas while conversing with AI or even receive idea proposals directly from the AI.

In addition to text creation based on LLMs, advancements in generative AI for image creation have progressing rapidly, broadening potential applications of generative AI.⁸⁵ While it remains a challenge to predict specific use cases, a study by Sonya Huang, Pat Grady, and GPT-3 (2022)⁸⁶ provides a timeline that suggests full-scale utilization for text and code generation beginning in 2023, image generation in 2025, and video/3D/games in 2030. It is anticipated that these advancements will continue to make a growing influence on daily life and work.

ii. Leveraging Generative AI to address Labour Supply Constraints

As Japan faces an ongoing population decline, addressing the labour supply constraints resulting from a shrinking workforce is an urgent priority. The adoption of new technologies that enhance labour efficiency and labour productivity is critical in addressing such challenges. Generative AI holds significant potential to transform work methods, enable high-specialization tasks, and enhance overall labour productivity.

Regarding the impact of generative AI on labour productivity, a report⁸⁷ by Goldman Sachs mentions that the widespread adoption of generative AI could increase the annual growth rate of labour productivity in the United States by nearly 1.5 percentage points over the next decade. Empirical research further reinforces this potential. Brynjolfsson, E., Li, D., & Raymond, L. R. (2023)⁸⁸ studied customer support centers and found that the introduction of generative AI tools improved productivity by an average of 14%, with the greatest effect observed among beginners and

⁸³ The Council for Promoting Integrated Innovation Strategies (2023) "Preliminary Discussion Points on AI" (in Japanese) defines "generative AI" as referring to technologies such as diffusion models that generate images and large language models (LLMs) that handle natural language. This classification highlights the generative aspect in contrast to traditional discriminative models.

⁸⁴ In 2023, international discussions related to generative AI were held in light of the outcomes of the G7 Hiroshima Summit. Reference materials, including the outcomes of the G7 Digital and Technology Ministers' Meeting, may provide additional context.

⁸⁵ For trends regarding generative AI, please refer to MIC (2023) "[2023 White Paper on Information and Communications in Japan.](#)"

⁸⁶ Huang, S., Grady, P., & GPT-3. (2022). "[Generative AI: A creative new world.](#)" Sequoia Capital.

⁸⁷ Goldman Sachs. (2023). "[The potentially large effects of artificial intelligence on economic growth](#)" (Briggs/Kodnani).

⁸⁸ Brynjolfsson, E., Li, D., & Raymond, L. R. (2023). "[Generative AI at work.](#)" *NBER Working Paper* No. 31161.

low-skilled workers. Furthermore, research by Noy, S., & Zhang, W. (2023)⁸⁹ involving participants in document-intensive occupations such as writers, consultants, and managers who were randomly assigned to groups with and without Generative AI, confirmed that its use led to reductions in the duration of work as well as improvements in quality, particularly benefiting those with lower initial productivity scores. These prior research findings suggest that generative AI will be adopted in areas that face labour shortages, which would then contribute to alleviating these shortages and enhancing labour productivity.

On the other hand, responses generated by AI in natural language are not always accurate. To effectively integrate Generative AI into workflows, it will be important to remain aware of this issue, gain a foundational understanding of Generative AI technology, and to develop skills for its use. Additionally, it will become essential to gain skills as to use the results produced by Generative AI judiciously, based on experience and other information.

It is crucial to recognize that generative AI remains a tool, and not a replacement for human decision making. Final decision-making and evaluation should always rest with human users, informed by rigorous verification of the information and data obtained.

4-4 The Impact of AI and Automation on Employment

i. The Impact of New Technologies such as AI on Jobs

A study conducted by OpenAI, OpenResearch, and the University of Pennsylvania examines the impact of new technologies such as AI on tasks⁹⁰. The study reveals the significant potential of LLMs on altering job responsibilities. Notably, the introduction of large language models (LLMs) could result in approximately 80% of workers in the U.S. experiencing a transformation in at least 10% of their tasks, while about 19% of workers may see at least 50% of their tasks being transformed.

As the utilization of generative AI progresses, it is expected that the use of existing tools will change significantly (e.g. the replacement of traditional web searches). Additionally, many tools capable of performing specialized tasks - previously thought to be impossible - will emerge. This technological shift is likely to accelerate changes in job responsibilities across various roles, reshaping how workers engage with their tasks.

However, Acemoglu, D. (2021)⁹¹ warns that if the use of AI continues at its current pace, it may lead to excessive automation, increased inequality, inefficient wage declines, and failure to improve

⁸⁹ Noy, S., & Zhang, W. (2023). "[Experimental evidence on the productivity effects of generative artificial intelligence](#)" [SSRN Scholarly Paper]. SSRN.

⁹⁰ Eloundou, T., Manning, S., Mishkin, P., & Rock, D. (2023). "[GPTs are GPTs: An early look at the labour market impact potential of large language models.](#)" arXiv.

⁹¹ Acemoglu, D. (2021). "[Harms of AI.](#)" *NBER Working Paper* No. w29247, SSRN

productivity. Felten, E. W., Raj, M., & Seamans, R. (2019)⁹² developed indicators to measure the impact of AI and studied its relationship with wages, employment, and labour market polarization. Their findings indicate that while AI affected occupations may experience slightly higher wages on average, the overall volume of employment remains stable. The study also highlights that the benefits of AI tend to be disproportionately concentrated in higher-income occupations, potentially deepening income inequality.

As noted above, while further advancements in technologies such as AI are poised to significantly affect tasks at a macro level, there are currently no definitive conclusions pointing to a serious loss of employment. Going forward, it will be essential to monitor these trends with a balanced perspective.

ii. **Improving Labour Productivity and Worker Well-Being through AI and Emerging Technologies**

New technologies such as AI contribute to improvements in labour productivity and worker well-being. A study by Kanazawa, K., Kawaguchi, D., Shigeoka, H., & Watanabe, Y. (2022)⁹³ found that lower-skilled taxi drivers using demand forecasting AI tools experienced a productivity increase of about 7%, which suggests that the use of AI could help reduce skill disparities.

Additionally, Yamamoto and Kuroda (2019)⁹⁴ analysed the impact of new information technologies on workers' health and job engagement. They concluded that while such new technologies may potentially increase the level of stress experienced at work, the overall benefits such as support for workers, outweigh these challenges. This results in improved well-being indicators such as mental health and work engagement.

These studies underline the dual benefits of AI and related technologies: improvements in labour productivity and positive effects on workers' well-being, including reductions in psychological stress. As such, organizations are encouraged to adoption of these technologies to realize its benefits.

iii. **Adapting to New Labour Demand through the Utilization of New Technologies**

The utilization of new technologies such as AI is expected to generate new labour demand. A historical example is the proliferation of bank ATMs in the United States. According to Bessen, J. (2015)⁹⁵, while ATMs were initially predicted to rapidly replace the role of bank tellers as it became

⁹² Felten, E. W., Raj, M., & Seamans, R. (2019). "[The occupational impact of artificial intelligence: Labour, skills, and polarization](#)" [SSRN Scholarly Paper].

⁹³ Kanazawa, K., Kawaguchi, D., Shigeoka, H., & Watanabe, Y. (2022). "[AI, skill, and productivity: The case of taxi drivers.](#)" NBER Working Paper 306121, forthcoming in Management Science.

⁹⁴ Yamamoto, I., & Kuroda, S. (2019). "[The Use of New Information Technologies, Such as AI, and Workers' Well-Being: An Analysis Using Panel Data](#)" *RIETI Discussion Paper Series*, 19-J-012. Research Institute of Economy, Trade and Industry, Japan.

⁹⁵ Bessen, J. (2015). "[Toil and technology.](#)" *Finance and Development*, 52(1), 16-19.

widespread in the mid-1990s in the United States, the number of tellers increased. As explained in the study, labour-saving measures enabled banks to open of more branches to meet rising demand, while the role of tellers transitioned to higher value tasks that ATMs could not perform, particularly interacting with customers.

Similarly, the adoption of AI is expected to generate new labour demand. Acemoglu, D., & Restrepo, P. (2018)⁹⁶ referencing an Accenture PLC report, highlights emerging jobs such as teaching users how to navigate AI systems, interpreting AI outputs for customers, and monitoring the performance of AI systems. The World Economic Forum (2023)⁹⁷ also mentions that generative AI will drive demand for jobs⁹⁸ related to AI development, roles that optimise AI usability, and experts in ethics and governance.

To capitalize on this opportunity, it is essential to appropriately monitor labour demand driven by new technologies like AI. Organizations should utilize this information to facilitate job placement and ensure that necessary vocational training is conducted.

iv. Fostering Coexistence between New Technologies and Employment

Although various studies have been conducted on the impact of AI and other technologies on employment, much remains uncertain. To navigate this evolving landscape, it is necessary to integrate new technologies into the workplace seamlessly, adapt their usage flexibly and strive to expand quality employment.

Japan offers a notable example in successfully incorporating new technologies into the workplace. Adachi, D., Kawaguchi, D., & Saito, Y. U. (2022)⁹⁹ analysed Japan's manufacturing sector from 1978 to 2017, revealing that the number of robots, which were new technologies at the time, coincided with increased employment. Factors such as the practice of lifetime employment played a critical role. These practices allowed workers to be transferred to areas that are not subject to automation, thereby reducing unemployment risks and fostering the formation of labour-management consensus regarding the introduction of new technologies.

While the introduction of new technologies may lead to employment substitution and a reduction in jobs, it also presents opportunities for employment growth by increasing productivity and expanding production. It is therefore crucial not to focus solely on the short-term negative impact of new technologies but to leverage them in expectation of long-term productivity improvements,

⁹⁶ Acemoglu, D., & Restrepo, P. (2018). "[Artificial intelligence, automation, and work](#)" Working Paper. *National Bureau of Economic Research*.

⁹⁷ World Economic Forum. (2023). "[Jobs of tomorrow: Large language models and jobs](#)." White Paper, September 2023.

⁹⁸ Specific job titles mentioned include AI model and prompt engineer, interface and interaction designer, AI content creator, data curator and trainer, and ethics and governance specialists.

⁹⁹ Adachi, D., Kawaguchi, D., & Saito, Y. U. (2022). "[Robots and employment: Evidence from Japan, 1978-2017](#)." *Journal of Labour Economics*, 723205.

including the enhancement of job quality, and the promotion of harmonious coexistence between new technologies and employment. Effective labour-management communication is essential in this process, ensuring smooth implementation of new technologies into the workplace and equipping the workforce with skills needed to meet new labour demands created by AI and similar technologies throughout society.

4-5 Current Developments Regarding New Technologies

In March 2024, the European Parliament passed the "Artificial Intelligence Act", which prohibits AI applications that threaten citizens' rights and AI that manipulates human behaviour. Additionally, the Act mandates transparency by requiring that AI generated images and videos clearly indicate its origin.¹⁰⁰

In Japan, the AI Strategy Council¹⁰¹ has been engaged in broad discussions regarding new technologies such as AI. In April 2024, MIC and METI compiled the "AI Business Operator Guidelines (Version 1.0)",¹⁰². The guideline, which emphasizes the importance of a "human-centered approach", sets an expectation for various stakeholders—including "AI developers," "AI providers," and "AI users"—to engage in active collaboration with society, including government, local authorities, and communities, to further enhance the benefits of new technologies like AI while ensuring judicious use.

4-6 Policy Directions

i. Deepening Labour-Management Communication for the Utilization of New Technologies

The introduction of new technologies is expected to redefine job tasks and alter the roles of workers within companies. To ensure smooth implementation, it is crucial to revitalize labour-management communication, considering the diverse needs of various workers, including non-regular employees, while fostering mutual understanding between both parties.

To achieve mutual understanding when introducing new technologies, it is important not only to expect labour unions to gather opinions from a broad range of workers but to also establish more

¹⁰⁰ European Parliament. (2024). [Artificial Intelligence Act: MEPs adopt landmark law.](#) (Access: 5th August 2024)

¹⁰¹ Regarding the handling of new technologies such as AI, discussions have been summarized in the "[AI Strategy Council](#)" by CAO, which should also be referenced.

¹⁰² MIC & METI. (2024). "[AI Business Guidelines \(Version 1.0\).](#)"

consistent communication mechanisms¹⁰³¹⁰⁴. Effective measures include:

- Establishing specialized departments for the introduction of generative AI and AI: These units will take the lead in implementing new technologies while maintaining continuous engagement with the workplace.
- Utilizing internal portals: Such platforms can facilitate direct dissemination of information, information sharing, and the collection of feedback regarding the use of generative AI and AI from both companies and workers.

Additionally, to support companies and workers who cannot adapt to technological innovations, it will be beneficial to establish regional or industry-specific discussion groups involving local stakeholders such as industry, government agencies, universities, and financial institutions in addressing challenges that cannot be resolved by individual labour-management negotiations.¹⁰⁵

Furthermore, under the premise that tasks will change due to the introduction of new technologies, labour-management communication should explicitly define the tasks that should be handed by generative AI and AI, clarifying the tasks allocated to technology and those designated to human workers. It is also important to consider tasks that workers can perform to create new added value.

ii. **Enhancing Monitoring of Task and Skill Changes, Information Provision, and Matching Functions**

The advancement of new technologies is reshaping the skills required of workers and altering the nature of job tasks within existing occupations. In some cases, there is a possibility that some jobs may disappear, while tasks associated with the same occupation may change significantly. Workers are required to understand these changes appropriately while considering their career development autonomously, acquire necessary skills, and choose their desired occupations.

To support appropriate occupational choices for workers, it is desirable for the government and other entities to continuously monitor changes in job tasks that have occurred due to new technologies and disseminate this information broadly. For example, job tag (occupational information website) provides details about various occupations, including their content, working methods, as well as required knowledge and skills. However, it is important to regularly update its

¹⁰³ Tsuru (2002)* points out that, by organizing prior research, in companies without labour unions, management meetings and middle management play a certain role in collecting workers' demands alongside systems like labour-management consultation and employee organizations.

*Tsuru, T. (2002). *The Non-Unionization of Labour-Management Relations: A Micro and Institutional Analysis*. (in Japanese) Toyo Keizai Inc.

¹⁰⁴ For discussions on labour-management communication, please refer to the report by MHLW (2021). on the "[Study Group on Labour-Management Communication in the Context of Technological Innovation \(including AI\)](#)." (in Japanese) This report includes a collection of case studies that should be consulted as necessary.

¹⁰⁵ MHLW (2021). "[Collection of case studies from the study group on labour-management communication in the context of technological innovation \(including AI\)](#)." (in Japanese)

content in light of technological changes and ensure that this information is broadly available to workers.

As the industrial structure changes and other generative AI and AI technologies redefine skill requirements, there is also a need to enhance matching functions in the external labour market. For example, employment support at Hello Work should align their offerings based on the specific needs of job seekers and job postings, in consideration of regional industrial structures. Additionally, in the private employment sector, matching functions are expected to improve by the use of HR technology. The collaboration between public and private sectors is crucial to improve overall matching functions in the labour market.

*Looking ahead, the use of AI and other technology is anticipated to further enhance matching functions in the labour market. While the use of AI is expected to promote diversity, there is also a risk that AI may reinforce discrimination if it utilizes biased data. Therefore, careful consideration of its implementation is necessary¹⁰⁶.

iii. **Enhancing Human Resource Development in Light of Technological Changes**

Enhancing Human Resource Development within Companies

As labour shortages become increasingly severe, companies need to leverage generative AI and other AI technologies to streamline tasks that can be automated and ease the burden on workers. This will allow employees to focus on tasks that require skills and abilities that are unique to humans, ultimately improving labour productivity.

To achieve this, companies should implement targeted training to equip employees with skills to utilize generative AI and AI technologies in ways that enhance worker well-being and productivity. It is also desirable to create opportunities for practical knowledge sharing between workers in utilizing these technologies. Notably, for training related to generative AI and AI, there are subsidies for human resources development that can be utilized to develop new business and DX Initiatives. Additionally, for small and medium-sized enterprises (SMEs), the Productivity Improvement Human Resource Development Support Center offers consistent support, which spans from consultations on human resource development to proposals pertaining to development plans and customized vocational training that is tailored to the company's needs.

Furthermore, in anticipation of changes in technology, it can be beneficial to provide cross-border learning opportunities for workers. To facilitate such initiatives, companies can implement in-house transfers using programs like the Industrial Employment Stabilization Subsidy (Skill Up Support Course).

¹⁰⁶ For claims made in the text, please refer to the following papers:

- OECD. (2023). "[OECD Employment Outlook 2023: Artificial intelligence and the labour market.](#)"
- Fleck, L., Rounding, N., & Özgül, P. (2022). "[Artificial intelligence in hiring: Friend or foe?](#)" *ROA External Reports* ai:economics policy brief May 2022

This approach to human resource development will contribute to raising the overall skill level across the company. It is therefore essential to provide opportunities for all employees, regardless of employment type.

Autonomous Career Development and Skill Acquisition by Workers

Workers are encouraged to take a proactive role in their career growth with by building their skills within their companies. As digitalization advances across various industries, it is essential for workers to not only enhance their existing experiences and skills but also to integrate digital skills (such as digital literacy) into their career development.

Beyond skill acquisition in their own companies, workers should seek opportunities such as side jobs, concurrent employment, and in-house transfers, undertaken with the understanding and cooperation of their employers. This approach promotes cross-sectoral career development that transcends companies and industries.

Voluntary efforts to develop one's capacity outside of the company should align with skill acquisition that reflects technological changes, while noting the importance of autonomous career development. It is also crucial to provide equal opportunities for skill acquisition regardless of employment type, especially for non-regular workers who have fewer opportunities for skill development. In addressing this gap, it is necessary to support their skill acquisition through initiatives like vocational training programs that facilitate learning while working.

To ensure sustained career development, it is important to enhance the role of the career consulting division at Hello Work, which provides continuous support from the early stages of employment.

Facilitating Learning and Re-skilling in Response to Environmental Changes and Government Efforts in Developing Digital Talent Including AI

As technological changes accelerate, it is essential for the government to create an environment where workers can access re-skilling opportunities that align with their desired careers. It is particularly important to support the aforementioned talent development and re-skilling efforts in conjunction with companies and workers. To emphasize the importance of learning and re-skilling from perspectives of labour and management, the government should actively promote the "Guidelines for Promoting Learning and Re-skilling in the Workplace,"¹⁰⁷ which were developed following discussions in the Labour Policy Council. The guideline includes strategies involved in deepening understanding and fostering a culture that encourages learning and re-skilling.

Additionally, it is crucial to implement strategies that cultivate digital talent, including the use of

¹⁰⁷ MHLW (2022). "[Guidelines for promoting learning and re-learning in the workplace.](#)" (in Japanese)

AI, in response to the anticipated growth in demand. These include:

- Enhancing public vocational training based on industry needs.
- Promoting model projects for the development of “practical environments” that provide practical experience, which often are lacking in OFF-JT (off-the-job training) opportunities.
- Expanding courses under the Vocational Education and Training Benefit, which are related to digital skills, including AI, and contribute to vocational skill enhancement.
- Promoting the use of subsidies for human resource development.
- Promptly updating skill standards, such as the Digital Skill Standards (DSS), to reflect emerging technologies and evolving industry demands.

iv. **Promoting the Use of Generative AI and AI to Achieve Well-being.**

The utilization of Generative AI and AI is expected to contribute not only to productivity improvements but also to the reduction of tedious tasks and working hours. Companies are encouraged to not focus solely on productivity gains, but to also consider their workers’ well-being by ensuring that workers are not burdened with excessive responsibilities and workloads when implementing mandates set in Work Style Reform.

Furthermore, the development of user-friendly interfaces is expected to enable workers with limited knowledge or skills in Generative AI and AI to utilize these technologies effectively.

In Japan, where labour shortages are prevalent, effective use of generative AI and AI is essential to enhance individual potential, driving labour-saving efforts and implementing Work Style Reform, particularly in sectors that face significant shortages, such as construction and healthcare. It would be beneficial for the government to collect and share successful use cases of generative AI and AI, while ensuring that support measures are accessible to small and medium-sized enterprises.¹⁰⁸

v. **Deepening Skills That Cannot Be Replaced by Technology**

As new technologies make tools more cost-effective and versatile, the replacement of tasks traditionally performed by workers will become widespread across workplaces. While section 4-6③ highlighted the importance of supporting career development considering technological changes, it is not always realistic for all workers affected by technology to continuously keep pace.

Currently, technology struggles with tasks requiring social skills and skills related to goal setting and task management¹⁰⁹, though advancements may enable a certain degree of replacement in these

¹⁰⁸ For the utilization of new technologies, please refer to the Employment Policy Study Group's "Cases of companies that cooperated in hearing sessions to prepare the report " (pp. 15-21).

¹⁰⁹ Tsuru, K. (2021)* discusses important abilities that AI cannot possess, including "social skills (social cognitive abilities)," "intuitive judgment and common sense," and "the ability to set goals and tasks."

* Tsuru, K. (2021). *The Economics of AI: How to Utilize Its "Prediction Function."* (in Japanese) Nippon Hyoron Sha Co.,Ltd.

areas. Considering this, it is crucial for workers to regularly assess their skills and experiences. Through ongoing communication with management, they should continually evaluate which tasks add the most value when performed by humans and which tasks can be delegated to technology for greater efficiency. This ongoing discussion will help refine and strengthen high-value skills and tasks that humans should prioritize.

4-7 Expectations Brought by New Technologies and Issues for Ongoing Consideration

New technologies such as generative AI and AI are expected to transform the nature of work (tasks) and the roles of workers. While these innovations can reduce workload and boost labour productivity, they also raise concerns about potential unemployment and widening inequalities.

To address these concerns, it is essential for labour and management to engage in thorough communication and discussions, including:

- The forms of technology implementation are desirable for the company.
- The roles workers should assume after technology is introduced, to focus on high-value tasks.

Additionally, workers are expected to actively leverage opportunities for human capital investment offered by companies and the government to autonomously shape their careers in response to technological changes. Companies, meanwhile, should move beyond merely focusing on labour-saving and cost-reduction measures. They must rather assess how workers can transition into high-value roles in fields that are emerging due to the introduction of new technologies and provide services and products that align with societal needs.

The government, meanwhile, has a vital role in supporting workers through reskilling initiatives and raising awareness of career consulting services, ensuring that workers receive the support necessary for their desired career development. Furthermore, given that the demand for digital talent, including AI specialists, is expected to grow, the government should prioritize efforts to support the development of this talent pool.

5. ***Infrastructure Development in the Labour Market***

5-1 Towards the Development of Labour Market Infrastructure That Expands Opportunities for Diverse Individuals

As technological advancements accelerate and socio-economic conditions evolve rapidly, there is a growing need to create a labour market that enables diverse individuals to pursue their desired career paths and participate actively.

Traditionally, career development was often achieved through regular employment within a single company. However, recent years have seen increased diversification in work styles.¹¹⁰ Moreover, individuals in non-regular employment are also seeking better working conditions and environments. To support this shift, it is essential to improve infrastructure that enables individuals to thrive across a variety of options, both within and outside their current companies, regardless of their employment type. As detailed in Chapter 3, supporting this requires creating corporate environments that allow diverse and flexible working styles that are aligned with workers' lifestyles and values. Additionally, it will be critical to strengthen the matching functions of the labour market. Strategies include:

- Support for human resource development (career formation support, skill acquisition)
- "Visualization of the labour market"

Comprehensive labour market infrastructure development is necessary to address these needs.

This development within the labour market is expected not only to aid individual career formation but also enhance companies' abilities to acquire and retain talent, thereby boosting overall economic productivity. Specifically, individuals can acquire skills to achieve their career aspirations, while companies can secure necessary talent by resolving mismatches and ensuring proper evaluation and treatment, which would lead to enhanced talent development and retention. These measures are anticipated to drive individual success and labour market revitalization, leading to improved societal productivity.

The following sections will discuss the construction of a labour market that allows for diverse career choices.

¹¹⁰ According to the Ministry of Health, Labour and Welfare's "Basic Survey on Wage Structure," when examining long-term employment within the same company using [average years of service](#), a significant decline has been observed among men aged 50 to 54, who are less affected by changes in the retirement system. The average years of service peaked at 22.6 years in 1996, but has been decreasing, reaching 20.0 years in 2022. A similar downward trend in average years of service is also noted for men under 50.

5-2 Infrastructure Development to Promote the Active Participation of Diverse Individuals in Companies

i. The Need to Cultivate Autonomous and Proactive Talent for Career Choices and Skill Acquisition

In light of recent structural changes such as DX and GX, it is essential for companies to adapt appropriately and secure individuals who can contribute to society and support people's lives. To achieve this, organizations should focus on cultivating talent that is capable of making career choices autonomously and proactively and acquiring skills while responding flexibly to ongoing change.¹¹¹

Historically, talent development for regular employees within companies has focused on long-term employment, with an emphasis on career development that differentiates the organization from its competitors.¹¹² This centralized HR approach has involved job rotation as a means to foster talent, which in turn contributed to improved competitiveness and the retention of highly skilled personnel. While providing diverse experiences within a company has been beneficial for developing company-specific skills; supporting the high competitiveness of Japanese firms over the years, the rapid changes in socio-economic conditions in recent years have outpaced the speed of OJT (on-the-job training) based talent development. Consequently, it has become increasingly important for individuals to take a more autonomous approach to their own career development.

To foster individuals who can make career choices autonomously and proactively, acquire skills and adapt flexibly to change, it is crucial for both workers and companies to communicate effectively. Both parties should reach a shared understanding of the significance and direction of talent development, and establish a framework within the company that facilitates autonomous career formation.

ii. Towards Strategic Talent Development Based on Purpose

Talent that can be capable of autonomously and proactively making career choices and acquire skills may eventually choose to leave after find opportunities outside the company. To retain such individuals and ensure they thrive within the organization, it is crucial for the company's goals and mission to be shared with workers, thereby fostering engagement through purpose-driven management.¹¹³¹¹⁴

¹¹¹ Tsuru, K.(2023)³ defines individuals who can make their own career choices and self-regulate rigorously as "self-innovative growth-oriented human resources."

¹¹² Takeishi, E. (2023). *Career Development Theory, 2nd Edition: Facing Autonomy and Diversity* (in Japanese) Chuokeizai-Sha Holdings, Inc.

¹¹³According to Tsuru (2023)³, purpose-driven management is expected to play a crucial role in organizationally uniting individuals with diverse perspectives through the penetration and sharing of a company's purpose, goals, and mission. Moreover, purpose-driven management is essential for securing talent capable of autonomous growth.

¹¹⁴ MHLW (2022) "2022 Employment Policy Study Group Report" emphasizes that "excessive immersion in work can lead to burnout through long working hours; thus, it is necessary to take measures to prevent long working hours." It is also essential to ensure that improvements in engagement do not contribute to longer working hours.

To effectively develop talent in alignment with the company's purpose and manage employment to enhance worker engagement, it is crucial to align employees' desired careers with the company's management strategy.¹¹⁵ Additionally, it is important to consider that some workers may choose options other than continued employment within the same company to achieve their career aspirations, such as transferring to other companies or engaging in project based work. Therefore, building a labour market where these individuals can thrive is also critical, as further details will be discussed in the next section (5-3).

iii. **Mechanisms to Support Corporate Talent Development**

The Vocational Ability Development Promotion Act requires business owners to promote voluntary development and enhancement of workers' skills in a way that aligns with their career formation. Measures include ensuring opportunities for career consulting at regular intervals or upon workers' requests at various career stages, along with other forms of support.

The government recognizes the important role of in-house career consulting for both employees and employers¹¹⁶, which is the reason behind the active promotion of the Self-Career Dock, which was recently introduced¹¹⁷. This comprehensive career formation support system includes initiatives such as: clarifying talent development policies, formulating implementation plans, securing in-house career consultants, and conducting career training. The following outcomes are expected through the implementation of Self-Career Dock¹¹⁸:

- **Addressing New Graduate Turnover:**

This measure aims to enhance workplace retention and motivation, which is done by supporting career planning through the clarification of potential career paths.

- **Facilitating Return to Work for Those Taking Childcare and Caregiving Leave:**

The creation of workplace return plans encourages employees on leave to return to their former positions.

- **Maintaining and Enhancing Motivation:**

This measure aims to sustain and improve workers' motivation through the assistance of mid-career and senior employees in developing long-term career plans by means of career

¹¹⁵ For examples of promoting autonomous career development through sharing a corporate vision, please refer to [the 4th Meeting Document 4 \(submitted by Member Hayashi\)](#) and [the 6th Meeting Document 5 \(submitted by Member Amano\)](#) from the Employment Policy Research Group.

¹¹⁶ According to JILPT(2015) "[In-house Career Consulting and Its Japanese Characteristics: Results from Open-ended and Interview Surveys](#)" (in Japanese), three distinctive features of in-house career consulting in Japan are identified: the "retention function," the "relationship adjustment and dialogue facilitation function," and the "meaning attribution and value provision function."

¹¹⁷ The Self-Career Dock refers to a comprehensive initiative where companies systematically and regularly support employees based on their talent development vision and policies by combining career consulting interviews with various career training programs, thereby promoting and assisting employees in their proactive career development. This initiative includes the internal "framework" established for these purposes.

¹¹⁸ For further details, please refer to the MHLW (2017) "[The Basic Policies and Implementation of the 'Self-Career Dock'](#)" (in Japanese), which outlines the policies and implementation of the "Self-Career Dock".

consultation.

The Self-Career Dock initiative offers free implementation support to companies through Career Formation and Reskilling Support Centers as it is crucial to support employee career development through such initiatives.

iv. **Promoting Talent Development Within Companies in Response to Rapid Changes in Economic Structures**

The Growing Importance of Skill Development Amidst Structural Changes

In the context of a structural labour shortage, companies must not only acquire ready-to-work talent from the external labour market, but also clarify their future management strategies. Companies should present directions pertaining to talent development in alignment with these strategies and facilitate mutual understanding between the company and workers regarding necessary skill development for employees.

According to the 2023 Basic Survey of Human Resources Development, about 80% of companies prioritize on-the-job training (OJT), while approximately 20% focus on off-the-job training (OFF-JT). This indicates that Japanese companies place a higher emphasis on OJT.¹¹⁹ However, the percentage of workplaces implementing planned OJT has remained relatively flat since 2008 for both regular and non-regular employees, suggesting a lack of skill development¹²⁰ Additionally, training expenditures per company have stagnated compared to 2010, and the ongoing impact of the COVID-19 pandemic continue to require close monitoring.¹²¹

Due to differences in survey items and definitions, data comparisons should be made judiciously. Notwithstanding, according to OECD (2017), international comparisons on skill development reveal that the proportion of Japanese workers receiving OJT or training, including OJT, is lower than that of workers in Germany or the United States.¹²² Furthermore, research by Owan (2023) suggests that the ratio of skill development expenses to total salary in Japan may be lower than that in major Western countries. Such findings indicate that the level of investment in human capital in Japan is insufficient in comparison to international standards.¹²³ Proactive initiatives would be desirable,

¹¹⁹ “The Basic Survey of Human Resources Development for FY 2023” indicates that the implementation rate of planned on-the-job training (OJT) is approximately 60%, while the implementation rate of off-the-job training (OFF-JT) is about 70%. This could suggest a relatively low level of OJT; however, Atsushi Sato (2024) "[Characteristics and Challenges of Human Resource Development and Career Formation in Japan: From the Perspective of International Comparisons](#)" *The Japanese Journal of Labour Studies* (in Japanese) highlights that the proportion of informal OJT—such as "learning by observing the work of supervisors and colleagues" and "gaining job-related information through internal meetings" is significantly substantial.

¹²⁰ MHJW. (2008-2023). "Basic Survey of Human Resources Development."

¹²¹ MHLW (2018). "[Analysis of Labour Economics: Approaches to Talent Development in Response to Work Style Diversification](#)" (in Japanese)

¹²² OECD. (2017). "[OECD Science, Technology and Industry Scoreboard 2017: The Digital Transformation.](#)"

¹²³ Owan, H. (2023). "[Human Capital Theory and the Mechanism of Corporate Productivity Determination: Insights from Economic Research.](#)" (in Japanese) *Organizational science* 57(1), 28-38.

considering that attracting investments in human capital is expected to help boost the appeal of Japan as a labour market, leading to an inflow of outstanding international talent¹²⁴.

Skill development should be undertaken deliberately, in ways that align corporate management strategies with workers' aspirations during the stages of career formation. In this context, it is necessary for leaders in the field, such as management personnel to maintain approachability, to support workers' learning and retraining. Simultaneously, management is tasked in creating an environment that facilitates autonomous skill development by workers and the cultivation of a culture of learning within the company through proactive communication.¹²⁵

Support for Companies Actively Engaging in Talent Development

In activating skill development within companies in ways that lead to corporate growth, it is essential for workers to engage in diverse skill development within the organization in an autonomous manner. While on-the-job training (OJT), which offers practical learning aligned with actual work, continues to be important, an emphasis on not only OJT but also off-the-job training (OFF-JT) and self-directed learning support will be crucial in assisting workers adapt to the rapid changes in the socio-economic environment. For example, OFF-JT has included foundational business knowledge training and hierarchical training for managers. Nonetheless, it is crucial for workers to have access to opportunities from a diverse range of options that facilitate the acquisition of necessary skills that are conducive to their career development, rather than untailed programs.¹²⁶

Companies should establish talent development policies that are aligned with their corporate purpose and enhance their internal training programs. Concurrently, the government is expected to provide necessary support to companies that engage in diverse skill development.

For small and medium-sized enterprises (SMEs) that may lack adequate know-how, the Productivity Improvement Human Resource Development Support Centers have established polytechnic centers nationwide that offer comprehensive support that range from consultations on talent development to customised vocational training programs that are tailored to individual company needs. It is desirable to promote the utilization of these centers in assisting companies as they organize their challenges and conduct necessary talent development.

¹²⁴ According to Persol Research And Consulting Co., Ltd.(2022) "[Survey on Human Capital Information Disclosure \[2nd Edition\] -What Human Capital Information Are Job Seekers Interested In? -](#)" (in Japanese), approximately 70% of regular employees considering a job change within the next year place importance on whether the prospective employer is proactive in talent development.

¹²⁵ To adapt to changes, it is crucial to possess intellectual curiosity, establish learning habits, and maintain a willingness to take on challenges. For more information, please refer to the JEED (2019) "Elder" April 2019, 7-9.

¹²⁶ According to JILPT(2021) "[a survey regarding the current status and challenges of talent development and skill enhancement \(Worker Survey\)](#)" (in Japanese), the training that focuses on acquiring fundamental attitudes for work and basic business knowledge received the highest percentage of respondents. Following this, training aimed at imparting the knowledge and skills required at various hierarchical levels, such as for new hires, team leaders, section managers, and department heads, ranked second.

The inability to secure a sufficient amount of time for training has been raised as another factor that hinders effective talent development in companies.¹²⁷ As e-learning becomes more prominent, it has become possible to perform skill development in a flexible form that is not limited by time or place, consequently reducing the time required to travel. Currently, training costs are subsidized by the Human Resource Development Support Subsidy, which now includes e-learning during working hours among programs eligible for funding. Companies are encouraged to utilize these subsidies in promoting flexible skill development internally.

Going forward, it will become increasingly critical to cultivate digital talent within companies, which would necessitate greater commitment from businesses. The Productivity Improvement Human Resource Development Support Centers currently offer vocational training courses that are aligned with DX. Additionally, the Human Resource Development Support Subsidy provides courses that promote investment in people (advanced digital talent training) and support for reskilling geared towards business expansion. These support mechanisms are key strategies in fostering digital talent within companies.

Furthermore, considering the changes that are occurring in the socio-economic environment, it has become increasingly important to utilize cross-border learning to acquire skills and experiences that cannot be gained from an internal resource. During the COVID-19 pandemic, many secondments were facilitated through the Industrial Employment Stabilization Subsidy (Employment Retention Support Course), leading to learning and the acquisition of new experiences¹²⁸ In the future, companies that cannot develop digital talent internally despite their intention to engage in DX, might want to consider skill development secondments to IT companies. The Industrial Employment Stabilization Subsidy (Skill Up Support Course) provides support for employers who aim to enhance workers' skills through on-the-job secondments. It is crucial to promote new talent development initiatives that include cross-border learning through leveraging these measures.

Creating a Positive Cycle of Autonomous Skill Development and Corporate Growth

To enable companies to provide diverse experiences and skill development opportunities that enables workers to enhance their skills and contribute to corporate activities, it is crucial to create a workplace where individuals who engage in skill acquisition can effectively apply their skills and are fairly evaluated and rewarded. This fosters a positive cycle that promotes continued skill development.

When positions are determined solely by employer-driven management, without reflecting the individual aspirations of workers, the skills they acquire may not align with the requirements of their

¹²⁷ MHLW's "Basic Survey of Human Resources Development for FY 2023" (in Japanese) indicates that 47.6% of establishments perceive a lack of time for talent development as a significant challenge.

¹²⁸ MHLW "[Document 3 of the 2nd National Support Conference Secondment While Retaining Employment](#)" (in Japanese)

future roles, leading to disengagement in proactive, autonomous skill development. To address this, companies should implement measures such as offering career consulting that provides advice on necessary skill development for future career progression, clearly defining the skills and experiences that are required for each position and creating incentives for workers to acquire those skills in order to secure their desired roles. In doing so, workers who actively invest in autonomous skill development will be recognized and rewarded appropriately.¹²⁹

Furthermore, to enhance employee engagement and revitalize the organization, it is also essential to make management positions more appealing by allowing managers greater control over their workload and responsibilities. As the burden of managerial roles increase, improving the compensation and overall treatment of managers will encourage more individuals to pursue managerial roles and contribute to the revitalization of the organization.

5-3 Towards Building a Labour Market Where Diverse Individuals Can Thrive Amid Various Choices

i. Creating a System Where Diverse Individuals Can Thrive Amid Various Choices

As lifestyles diversify and individuals' healthy life span increase across society, it is essential to establish a labour market where individuals can thrive according to their preferences amidst a variety of options. To achieve this, it is necessary that:

- Individuals can receive consultations about diverse career paths and acquire necessary skills, as well as
- The existence of a visible career ladder that leads to improved overall treatment.¹³⁰

ii. Towards the Establishment of Support Functions for Individual Career Development

To enable diverse individuals to thrive in the labour market, it is crucial to provide expert support and help them establish a career outlook from a mid- to long-term perspective. According to MHLW's "2022 Analysis of Labour Economy - Challenges in Promoting Labour Mobility through Support for Workers' Proactive Career Development," individuals who receive career consulting from external organizations or public institutions not only improve their career outlook but also achieve a higher likelihood of securing employment or transitions to new roles.¹³¹ This underscores the importance of fostering career development within a wider array of options.

For information on employee talent development and career support, please refer to the "Cases of companies that cooperated in hearing sessions to prepare the report" p. 11.

¹³⁰ Regarding career ladders, as detailed in section 5-4 ii, this refers to a system that clarifies what skills should be acquired and what experiences should be gained to understand the level of treatment or compensation one can expect.

¹³¹ MHLW. (2022) "[Analysis of Labour Economics: Issues for Promoting Labour Mobility through Support for Workers' Autonomous Career Development.](#)" (in Japanese)

Career development and reskilling support centers, along with consultation corners provide free career consulting sessions that allow individuals to regularly evaluate their career trajectories, akin to routine health check-ups. Continuous support is critical to sustaining long-term career development.

On the other hand, there has been increased diversification in the ways by which individuals develop their careers. In recent years, individuals have augmented their online presence, notably sharing their skills and experiences through social networking services (SNS) for business purposes, in order to facilitate matching with companies. Some business SNS platforms allow users to utilize digital badges that are obtained through e-learning and other means that serve as proof of skill acquisition, thereby creating an environment where workers' efforts towards career development can be applied to matching opportunities in a direct manner.

According to the "Job-Seeking Trend Survey 2017" conducted by BCG and Recruit Works Institute, the proportion of job placements via SNS remains small in Japan. Meanwhile, a significant increase in the percentage of SNS as a recruitment pathway can be observed in many countries, indicating the occurrence of a potential transition in matching dynamics in the future. Particularly, research suggests that matching via business SNS may lead to higher employment rates, necessitating close attention to this trend.¹³²¹³³¹³⁴

For many years, MHLW has been promoting the use of Job Cards as a means of supporting autonomous career development from a mid- to long-term perspective. Job Cards can be utilized during career consulting services and provide an effective tool for career self-assessment. The provisional release of a web site named "My Job Cards", on which Job Cards can be registered online, also took place in 2022.

The improvement of Job Cards are necessitates more in-depth consideration as new movements in career development utilizing business SNS and other platforms accelerate. In this context, it is important not only to encourage their use in career consulting but to also explore the manner by which it is set apart from other services through close collaboration with private employment support services.

iii. **Creating an Environment that Supports Diverse Development of Individual Abilities**

Alongside career development support outside of companies, it is essential to create an environment where individuals can acquire the skills necessary to realize their desired careers. According to the 2023 Basic Survey on Ability Development, 34.4% of workers engage in self-development, with participation peaking in the 20s and 30s before declining. Barriers to self-

¹³² BCG & Recruit Works Institute. (2017). "Job-Seeking Trend Survey 2017."

¹³³ Wheeler, L., Garlick, R., Johnson, E., Shaw, P., & Gargano, M. (2019). "[Linkedin\(to\) Job Opportunities: Experimental Evidence from Job Readiness Training](#)." *Economic Research Initiatives at Duke (ERID) Working Paper No. 289*.

¹³⁴ For information on talent matching, please refer to the "Cases of companies that cooperated in hearing sessions to prepare the report" p. 13.

development are significant, with 80.0% of individuals citing challenges in pursuing self-development, according to the aforementioned survey. The primary barriers in pursuing self-development include: "work" (52.4%), "household chores and childcare" (29.5%), and "financial constraints" (28.0%). This shows that both time constraints and financial burdens are significant hindrances to self-development.

To address these issues, it is necessary to implement the Work Style Reform measure discussed in Chapter 3, creating an environment that ensures adequate time for skill development, while also reducing financial burdens. Furthermore, as mentioned in section 5-2, it is crucial to recognize that a system in which skill enhancement leads to better employment conditions and job satisfaction is foundational in revitalizing efforts to develop individual ability.

The Educational Training Benefits System One offers financial support for individuals pursuing skills acquisition through a range of courses across different fields. With the advancement of digitalization, the system should continue expanding its inclusion of designated digital courses to enhance labour market value by integrating individual expertise with digital competencies.

Further support for skill development is embedded in recent legislative changes, including the amendment to the Employment Insurance Act, passed during the 213th Ordinary Diet Session (Law No. 26 of 2024), which introduced measures to expand support for education and training. Individuals may now receive benefits even while taking educational training leave during employment, further promoting opportunities for individual reskilling.

However, the Education and Training Benefits System is only available to individuals enrolled in employment insurance, excluding those without coverage. During the COVID-19 pandemic, the job seeker support system played a significant role as a second safety net as many non-regular employees lost their jobs. Enhancing the job seeker support system will be critical in addressing unforeseen circumstances and in ensuring that a broader segment of the workforce may engage in ability development opportunities.

5-4 "Visualizing the Labour Market" to Promote Individual Success Amid Diverse Choices

i. Enhancing Labour Market Matching Through "Visualization"

Analysing the current labour market situation by decomposing the unemployment rate into demand-deficient unemployment and equilibrium unemployment reveals that the demand-deficient unemployment has consistently been negative. Amidst persistent labour shortages, it is critical to addressing equilibrium unemployment and implement policies to mitigate mismatches. Since 2013, mismatch indicators have remained elevated, suggesting the need to strengthen the supply-demand adjustment mechanisms within the labour market.¹³⁵

¹³⁵ JILPT. (2023), "[Useful Labour Statistics 2023: Collection of Processed Labour Statistics.](#)" (in Japanese)

In consideration of these macro-level trends in the labour market, adopting a worker-centric perspective is essential. Enhancing labour market infrastructure, particularly through “visualization”, which entails enriching and improving accessibility to information related to jobs and occupations, will help individuals identify jobs and workplaces that are in better career alignment, reducing mismatches.

ii. **Support for Finding Suitable Occupations and Career Ladders Development**

Effective career development within the labour market begins with identifying a suitable occupation and subsequent finding an appropriate workplace.¹³⁶ As socio-economic dynamics evolve and career paths increase in length, the importance of securing suitable occupations and appropriate workplaces will grow, particularly in the face of technological advancements that are likely to reshape the tasks, skill sets required, as well as wage structures. This highlights the need to analyse one’s skills and experiences appropriately, understand the situation of the labour market, and provide individual support as needed in finding suitable occupations and making career transitions.

To aid in this process, resources such as the Job Tag (an occupational information platform) offer valuable tools including self-assessment tools for job searching and various information regarding tasks and skills.¹³⁷ Encouraging the use of Job Tag, both in career consulting and as a tool for personal job market analysis, will be instrumental.

Furthermore, introducing Job Tag into educational settings can also benefit students in exploring one’s desired occupation and career. MHLW has created a leaflet to support its use in career education, encouraging use by students to consider potential career paths.

While self-assessment tools help individuals find suitable occupations, it is equally crucial to be informed about potential career paths that are available within those occupations. In other words, it is vital for individuals to visualize a "career ladder," which outlines the skills and experiences that will become necessary to gain certain levels of treatment and compensation within the organization.

The current lack of fully developed career ladders across various occupations may deter individuals from changing jobs due to uncertainty about future career prospects.¹³⁸¹³⁹ It is therefore essential to build career ladders that facilitate diverse career development, including transitions

¹³⁶ These behaviors are referred to as 'two-stage job searching.' This phenomenon has been empirically validated in the United States and has also been observed in Japan, as confirmed by Akagi, K., & Yugami, K. (2021). "[Job Matching Behavior through Career Changes: An Empirical Analysis of the Matching Process from First Jobs to Suitable Positions.](#)" *Journal of Economic Policy Studies*, 18(1), 1-16.

¹³⁷ MHLW. [Job Information Portal Site, job tag.](#)

¹³⁸ The MIC reports in the "Labour Force Survey for FY 2023 (Detailed Compilation)" that the ratio of individuals wishing to change jobs is 14.9%, while the actual ratio of job changers remains at 4.9%, indicating a discrepancy between aspirations for job change and actual outcomes.

¹³⁹ Ota, E. (2023). "[The choice between leaving and remaining in the mid-career of those in their 30s—With a focus on the transformation process of career prospects—](#)" (in Japanese) *Journal of Career Design Studies*, 19, 33-45. discusses that those who left the workforce found desired careers outside the organization, while those who remained identified their desired careers within the company.

across different occupations. Various industries have already undertaken initiatives to address this need. For instance, the Japan Nursing Association has compiled guidelines¹⁴⁰ outlining careers and wages for nursing professionals. The Silver Service Promotion Association has implemented a career grading system for caregiving professionals. The construction of these career ladders is expected to yield several benefits such as:

- Clearly defining qualifications required for entry, which will encourage participation from individual with limited prior experience, and
- Clarifying the relationship between skills and compensation, which can drive overall labour productivity within the industry.

Occupational competency assessment systems, including as industry-standard skills tests, internal assessments, and occupational competency evaluation criteria, also play an important role. For workers, these systems promote autonomous career development, while for companies, they enable effective human resource development. Together, these systems contribute to sustainable economic growth by improving labour productivity and individual compensation. In industries and occupations where mechanisms for certifying skills remain underdeveloped and career ladders are unclear, the organization certification system framework created in March 2024 can play a key role. Under the cooperation of relevant ministries and industry associations, this framework can advance skill standardization within industries and provide the means for the creation of career ladders in each sector.

Job Tag platform already provides valuable information regarding the relationship between skill levels and compensation in the IT industry, and the publication of career ladders for various industries is currently underway. Furthermore, there is a need to develop a centralized labour market infrastructure that publicly shares information about these career ladders, along with skill acquisition and suitable occupations¹⁴¹ that will assist individuals in aligning their skill development efforts with long-term career goals.

iii. **Support for Finding a Suitable Workplace**

Enhancing Workplace Information

Finding a suitable workplace that aligns with one's desired way of working is just as critical as searching for suitable occupations. To facilitate this process, it is crucial to develop infrastructure for sharing workplace information. Several laws and regulations already promote the disclosure of workplace information. For example, the Child Care and Family Care Leave Act mandates reporting

¹⁴⁰ The Japan Nursing Association (2019) "[Proposal by the Japan Nursing Association on the Appropriate Compensation for Nursing Professionals Working in Hospitals.](#)" (in Japanese)

¹⁴¹ An international example includes Singapore's [SkillsFuture](#) initiative, which allows for career consulting and job matching service.

on men's uptake of childcare and parental leave, while the Act on Promotion of Women's Participation and Advancement in the Workplace requires disclosure of gender wage disparities. Recent guidelines on visualizing human capital recommend disclosing information related to employee development and engagement.

Given the utility of disclosed workplace information in helping individuals choose the workplace that is right for them, companies must adhere to legal disclosure requirements while creating an environment where job seekers can easily access and compare this data.

Currently, the workplace information site called "Shokuba Labo" consolidates workplace information from three platforms: the "Comprehensive Site for Employment Promotion of Youth", the "Database of Companies Promoting Women's Participation", and the "Support for Balancing Work and Family" platform. This consolidated resource provides key metrics such as average monthly overtime hours per worker and the percentage of workers who are women¹⁴². Additionally, the site highlights government certifications and awards, enabling job seekers to compare workplace information cross-sectionally across companies. To enhance its value, this database should expand to include more details about the company, covering areas beyond just youth employment, women's participation, and work-life balance. Furthermore, career consultants should integrate workplace information into their guidance to provide workers with accurate and actionable advice.

Providing appropriate workplace information can significantly improve talent acquisition by helping to align employer offerings with job seeker expectations. In March 2024, a "Guideline for Providing Workplace Information to Job Seekers" was introduced to assist companies in effectively disclosing information. This guideline notably organizes disclosure items that are required under current labour laws and regulations, offers examples of information sought by job seekers, and highlights common challenges companies when providing workplace information and suggests countermeasures. By referring to this guideline, companies can reduce mismatches between job seekers and employers through the appropriate provision of workplace information. For small and medium-sized enterprises, Hello Work is expected to play a vital role in explaining the guidelines and encouraging appropriate disclosures of workplace information.

Strengthening the Function of Hello Work as a Local Labour Market Hub

Hello Work operates a network of 544 locations across the country, offering integrated services in job placement, employment insurance, and employment measures, including corporate guidance and support. As a cornerstone of Japan's labour market infrastructure, Hello Work plays a significant role in facilitating employment matching.

In recent years, Hello Work has adapted to technological advancements by enhancing its online

¹⁴² MHLW. [Shokuba Labo](#)

services through Hello Work Internet Service, which enables job seekers and employers to apply for jobs and receive job placement services online. It is essential to continue developing these online functions to meet the needs of job seekers and employers.

On the other hand, private job placement services have leveraged advanced technologies to strengthen their matching capabilities through functions such as using past browsing data to recommend jobs. By studying such innovations, Hello Work can refine its online offerings while maintaining its unique value.

While expanding its digital presence, Hello Work should capitalize on its traditional strengths to improve its services. For instance, Hello Work can offer face-to-face job placement and career counselling using its extensive nationwide presence. Furthermore, collaborations with local governments can enhance outreach efforts to those who need employment support. These strengths differentiate its services from online-centric offerings in providing tailored, supportive assistance to job seekers. Particularly, it will be important to capitalize on Hello Work's ability to offer vocational training services, in offering support to those with career breaks or lacking work experience.

As a public institution, Hello Work is expected to provide consulting services to employers, helping them navigate labour shortages and secure necessary talent.

By functioning as a local labour market hub, Hello Work can bridge gaps between various services from other organizations, fostering coordination within the local labour market and ensuring that optimal services are collectively available in the region.

It is crucial that these initiatives fulfil the following objectives, namely, providing job opportunities to all individuals, including those requiring extensive support for employment, facilitating job matching in regions and industries where private job services may not have extensive reach, and improving communication between employers and job seekers to enhance the quality of employment. As a safety net for employment, Hello Work must support individuals from their preparatory phases prior to job placement and address concerns related to employment and enhance consultations about acquiring necessary job skills. Ongoing discussions about the evolving role of public employment support are vital to ensure that Hello Work continues to be responsive to labour market challenges.

iv. Other Initiatives for Strengthening Labour Market Functions

Understanding Employment Conditions

Beyond "visualizing the labour market", strengthening its adjustment functions requires adopting an Evidence-Based Policy Making (EBPM) approach. Traditionally, employment conditions have been assessed primarily using data from Hello Work, which provides a robust repository of job listing and job seeker information. However, in recent years, new trends have emerged, such as hiring through private job services and social media, consequently leading to the diversification of

entry routes.¹⁴³ To accurately understand employment conditions, it is essential to explore the types of information, in addition to data provided by Hello Work, that will ensure a more comprehensive analysis of the labour market.

Appropriate Service Provision by Private Sector Providers

The growing reliance on job-seeking activities with private staffing businesses underscores diversification in job searching. However, there have been instances of inappropriate job condition listings. Considering this reality, the 2022 revision of the Employment Security Act mandates that providers of employment placement services and persons offering the service of providing recruitment/candidate information must maintain accurate and current information and must not make false or misleading representations. It is important to continue stringent enforcement of this regulation to ensure appropriate business operations.

Understanding New Matching Methods

There has been recent emphasis on the use of new technologies, such as AI, to improve matching functions through new technologies. Integrating AI into public employment support services, including Hello Work, offers significant potential to enhance efficiency and accuracy in job-matching processes Hello Work's matching capabilities. However, the risks associated with AI, particularly its the potential to perpetuate discrimination must be carefully evaluated. It is there essential to analyse the use of AI in public employment support services from various perspectives.¹⁴⁴

As new trends emerge, such as the diversification of job-seeking methods and the use of AI for matching, it is essential for the government to collecting and analyse necessary data in an ongoing manner to engage in EBPM approaches.

Continuous Examination and Discussion on the Nature of the Labour Market and Safety Nets

As work styles diversify, the labour market and its supporting safety nets must evolve in tandem. The 213th National Diet session saw the passage of amendments to the Employment Insurance Act, which includes the expansion of employment insurance coverage. Moving forward, it is essential to continue verifying and discussing the nature of safety nets to ensure inclusivity and responsiveness. This includes addressing gaps to ensure that no individuals fall through the cracks, while also

¹⁴³ According to the "Survey on Employment Trends" by MHLW, the entry ratio through private employment agencies has gradually increased from 0.9% in 2000 to 6.1% in 2022. Additionally, a report by Mynavi Corporation (2024), titled "[2024 Edition of the Mid-Career Recruitment Status Survey \(Results from 2023\)](#)" (in Japanese), indicates that the use of hiring methods such as headhunting and social networking services has increased in recent years.

¹⁴⁴ IFOW. (2020). "[Artificial intelligence in hiring: Assessing impacts on equality.](#)"

comprehensively examining the principles of a system to ensure neutrality regarding employment.

v. **Strengthening the Functions of the Labour Market To Improve Worker Treatment**

As economic activities normalize following the downgrading of COVID-19 to Category 5 under the Infectious Disease Control Law, labour shortages, which had temporarily eased during the pandemic, resurfaced with more severity. Concurrently, rising prices driven by worsening international conditions and the depreciation of the yen has heightened demands for wage increases across the labour market.

The "2024 Spring Labour Offensive 7th (Final) Response Compilation," published by the Japanese Trade Union Confederation (Rengo) on July 3, 2024, highlights a significant rise in wage adjustments. The overall wage increase rate reached 5.10%, significantly exceeding the figure of 3.58% recorded during the same period last year. Furthermore, base wage increases among unions providing clear data were reported at 3.56% (5.20% including regular raises), surpassing the figure of 2.12% (3.69% including regular raises) recorded last year. The Central Labour Relations Commission's "Comprehensive Survey on Wage Conditions," reveals that base wage increases, which were approximately 0% to 0.5% from 2000 onward during the spring wage negotiations, have shown marked growth since 2023s. Sustained base wage increases are critical to foster macro wage growth and address evolving demands.

Moreover, to ensure stable living amid rising prices, it is necessary to achieve continuous wage growth alongside the base wage movements that are initiated during the spring wage negotiations. While triggered by labour shortages, it is essential that improvements in workers' treatment, such as wages, are carried out across the entire labour market. Companies are also expected to enhance productivity through operational improvements and labour-saving investments, in addition to strengthening the functions of the labour market.

The Japanese labour market has traditionally focused on long-term employment within the same company, leveraging on-the-job training (OJT) and company-led skill development through job rotation. However, this traditional framework has not necessarily translated into improvements in treatment that reflect the skills and experiences acquired autonomously by workers.

To achieve improvements in treatment such as wage standards across the entire labour market, it is necessary to foster dialogue between labour and management and to create an environment that is conducive to skill development. To improve treatment, it is crucial to establish an environment that allows workers to develop their skills both inside and outside of their companies. On the other hand, when the extent of wage increases associated to acquired skills is unclear, it becomes challenging to enhance incentives for skill acquisition. It is desirable to increase incentives for individual skill development by clarifying the relationship between wages and career paths through a platform that provides centralized labour market information.

Skill development occurring both within and outside companies should foster a virtuous cycle where acquired skills are properly recognized and reflected in wages, moving away from traditional employment practices such as seniority-based wage systems, thereby leading to further progress.

Additionally, as the labour market visibility improves, workplace information and treatment, which were previously difficult to compare, will become clearer. This renewed visibility is expected to spur competition for talent amid labour shortages, leading to overall improvements in treatment across the labour market. It is expected that this will encourage labour mobility between companies, necessitating societal discussions addressing the advantages and disadvantages of talent poaching from the perspectives of both workers and the employers.

Furthermore, with an aging population and rising labour participation, securing talent for essential public services such as caregiving and childcare, which is in high demand across society, has emerged as a critical issue. Ongoing discussions about enhancing treatment, including wages, will be vital to attract and retain these essential workers.

By promoting skill development at the individual level and revitalizing the labour market, it is crucial to ensure that that improvements in treatment, including wages, are realized across the entire labour market.

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