

# Outline of The Employment Policy Study Group Report

~ Building an Inclusive Labour Market for All Backgrounds ~

## What Does EPSG Do?

- ❑ **The Employment Policy Study Group (EPSG)** is a group of academic experts, hosted by the Director-General of the Employment Security Bureau of the Ministry of Health, Labour and Welfare, that discusses the future direction of labour policies.
- ❑ According to the **Labour Supply and Demand Estimates** from the Japan Institute for Labour Policy and Training (JILPT), which are based on population estimations released every five years, Japan is facing a tightening labour supply. In response to these projections, EPSG held discussions in 2023 and 2024, focusing on key issues such as:
  - ✓ Flexible work styles
  - ✓ Initiatives aimed at developing diverse career paths
  - ✓ Improving workers' well-being
  - ✓ The state of ideal labour markets that can support these initiatives
- ❑ **Labour shortage**, which became apparent following the resumption of economic activities post-pandemic, was a central topic of discussion. The group emphasized the need for policies that support labour mobility alongside wage growth, to encourage greater participation in the labour market. Additionally, shifts in workers' mindsets and changes in industrial structure were thoroughly examined, underlining the importance of making adaptations to the labour market that would allow workers to choose from diverse work styles and build stable careers according to their preferences.

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## List of Members of the EPSG

- **ABE Masahiro** : Professor, Faculty of Economics, Chuo University
- **ARAKI Takashi** : Professor, Graduate Schools for Law and Politics, The University of Tokyo
- **OHTAKE Fumio** : Specially Appointed Professor, Center for Infectious Disease Education and Research, Osaka University
- **KANKI Chikako** : Professor, Graduate Schools for Law and Politics, The University of Tokyo
- **KURODA Sachiko** : Professor, Faculty of Education and Integrated Arts and Sciences, Waseda University
- **GENDA Yuji** : Professor, Institute of Social Science, The University of Tokyo
- **SAITO Takashi** : Professor, Faculty of Economics, Meiji Gakuin University
- **SATO Hiroki** : Emeritus Professor, The University of Tokyo
- **SEIKE Atsushi** : President, Japanese Red Cross Society
- **TSURU Kotaro** : Professor, Graduate School of Business and Commerce, Keio University
- **HIGUCHI Yoshio** : Emeritus Professor, Keio University (Chairperson)
- **HORI Yukie** : Research Director, JILPT
- **MIYAMOTO Taro** : Professor, Faculty of Law, Chuo University
- **YAMAMOTO Isamu** : Professor, Faculty of Business and Commerce, Keio University

## Meeting Progress

|              |  |
|--------------|--|
| Jun 1, 2023  | Overview of Japan's Economic and Employment Situation and Issues (Presentation of Discussion Points)   |
| Jun 27, 2023 | Estimates of Labour Supply and Demand (A Review of previous estimates)   |
| Jul 26, 2023 | The Impact of New Technologies on Employment   |
| Oct 11, 2023 | Diverse Career Development and Work Styles   |
| Nov 30, 2023 | Career Development and Work Styles for Women   |
| Dec 21, 2023 | Human Capital Investment and Labour Market Development   |
| Feb 5, 2024  | <ol style="list-style-type: none"><li>1. Diverse Career Development and Work Styles for Women (Health Issues Unique to Women in the Workplace)</li><li>2. Regional Employment and Foreign Workers</li></ol>              |
| Feb 22, 2024 | <ol style="list-style-type: none"><li>1. Regional Employment</li><li>2. Preparations towards the Consolidation of the Report</li><li>3. Progress on Labour Supply and Demand Projections</li></ol>                       |
| Mar 11, 2024 | <ol style="list-style-type: none"><li>1. Diverse Career Development and Work Styles for Women (Health Issues Unique to Women in the Workplace)</li><li>2. Preparations towards the Consolidation of the Report</li></ol> |
| May 17, 2024 | Report of the Employment Policy Research Group (Preliminary Draft 1)   |
| Jun 24, 2024 | Report of the Employment Policy Research Group (Preliminary Draft 2)   |
| Jul 23, 2024 | Report of the Employment Policy Research Group (Final Draft)   |

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## The Future of Japan's Labour Market under a labour Supply Shortage

- ❑ **The total population of Japan** is estimated to decrease by 10% by 2040, while the ratio of people aged 65 or over will increase to approximately 35%.

### Estimated Labour force population in 2040:

- ✓ 60.02 million, assuming constant per capita real economic growth and labour force participation.
- ✓ 67.91 million, under the circumstances of desirable economic and labour force growth.

To realize sustained economic growth, **it is essential to promote the participation of diverse individuals and improve labour productivity.**

- ❑ There are different types of labour shortages, each requiring its own solutions. These include:
  - ✓ **Labour shortage due to excessive labour demand**, where the labour supply does not satisfy labour demand.
  - ✓ **Frictional labour shortage**, where job offers do not match the conditions set by job seekers.
  - ✓ **Structural labour shortage**, where the work environment does not align with the constraints of individual workers, and there is a lack of human resources with skills that are in demand.

To address these challenges, it is essential to promote labour force participation by **improving working conditions, developing an infrastructure for labour markets and enhancing work environments while investing in human resources development.**

- ❑ Conventional employment policies have primarily focused on enhancing measures to help workers find jobs. However, in the context of serious labour shortages, **it is increasingly important to create an environment where companies are proactively chosen by workers.** This can be achieved through appropriate **labour-management communication**, ensuring that both parties are better aligned and are able to meet each other's needs.

Three Key Directions for the Future

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## Three Key Directions for the Future

### ~ Labour Force Participation of Diverse Individuals ~

#### ❑ Improving the participation of diverse individuals in the labour force:

**It is necessary to address long working hours and shift towards employment management systems that offer various flexible working options**, which would facilitate the participation of a broader range of individuals in the workforce.

#### ❑ Broader Inclusion of Middle and Senior Generations in the Workforce:

**Strengthening initiatives to maintain work engagement is crucial**. Additionally, the creation of synergic systems that contribute to local communities will help leverage the valuable skills of middle and senior generations.

#### ❑ Realizing one's desirable style of work regardless of family circumstances:

**It is important to raise social awareness about the division of roles at work and at home, enabling individuals to choose their ideal work style**. Moreover, developing a work environment that prioritizes workers' health is imperative.

#### ❑ Responding to local labour shortages:

**Ensuring the availability of local human resources is necessary**, which can be achieved by promoting job matching within local communities. This will help meet the labour demands of specific regions.

#### ❑ Addressing the needs of foreign workers:

**Strategic measures must be taken to develop an employment environment where foreign workers can build their careers**. Additionally, harmonizing systems to meet the needs of the workers' home countries will help Japan remain an attractive destination for foreign workers.

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## Three Key Directions for the Future

~Improvement of Labour Productivity Utilizing New Technologies~

### ❑ Utilizing New Technologies and Investing in Human Capital:

In addition to conventional labour-saving investments and business improvements, **it is crucial not only to adopt new technologies but to also invest in human capital in a way that enhances the quality of employment.** This approach aims to improve labour productivity.

### ❑ Evaluating Generative AI Results:

**It is important to develop workers' capacity to appropriately evaluate the results generated by generative AI,** using experience and other relevant information.

### ❑ Labour-Management Communication and Task Evaluation:

During the implementation of new technologies, **it is vital to engage in deeper labour-management communication.** This includes evaluating workers' tasks and understanding the changes in that occur in tasks and skills due to technological advancements.

### ❑ Supporting Career Development and Vocational Training:

In response to technological changes, **it is essential to support career development and enhance vocational training.** Workers should be provided with opportunities to deepen skills that are irreplaceable by technology.

### ❑ Promoting Well-Being Alongside Technological Advancements:

To facilitate the use of generative AI and AI, **it is necessary to focus more on well-being in its various forms, including advancing Work Style Reform simultaneously.**

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## Three Key Directions for the Future

### ~Development of Infrastructure for Labour Market~

#### □ Supporting Human Resource Development and Career Growth:

Amid the advancement of technologies and the diversification of individual employment needs, **it is essential to support the development of human resources**. This includes providing career development support and skill acquisition opportunities, as well as building infrastructure to increase visibility within the labour market.

#### □ Creating a Fair System for Career Development:

**It is important to establish a system where workers can autonomously and proactively manage their careers**. Workers who acquire skills should be treated fairly and rewarded appropriately for their effort.

#### □ Developing a Labour Market that Offers Career Autonomy:

To build a labour market where individuals can play an active role in shaping their careers, it is crucial to create an environment where workers can:

- ✓ **Receive career counseling and acquire necessary skills for autonomous career development.**
- ✓ **Access a labour market that visualizes career ladders, leading to an improved workers' career.**

#### □ Strengthening the Functionality of Labour Markets:

**Strengthening the functions of labour markets is key to achieving a virtuous cycle** where skills acquired both inside and outside of companies are valued and reflected in wages and other benefits. This cycle will lead to further career advancement and improved job satisfaction.