

Outline of the Analysis of Labour and Economy 2012 (*The White Paper on Labour and Economy 2012*)

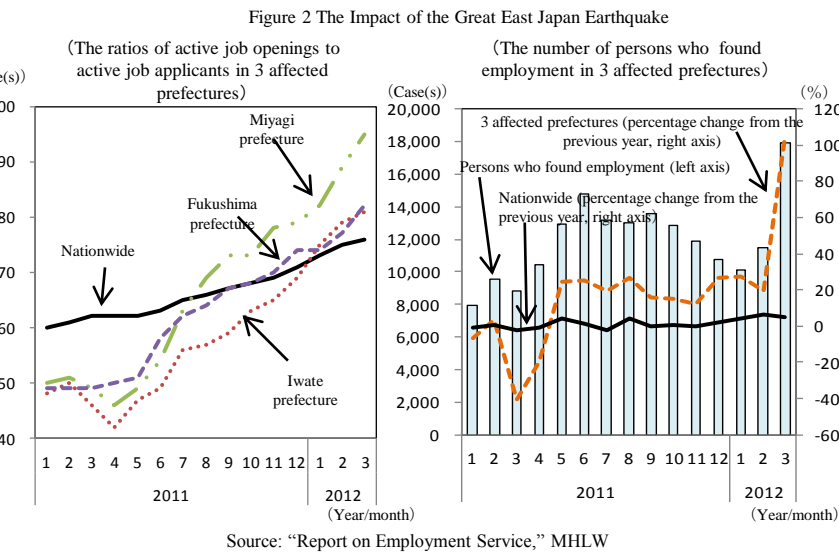
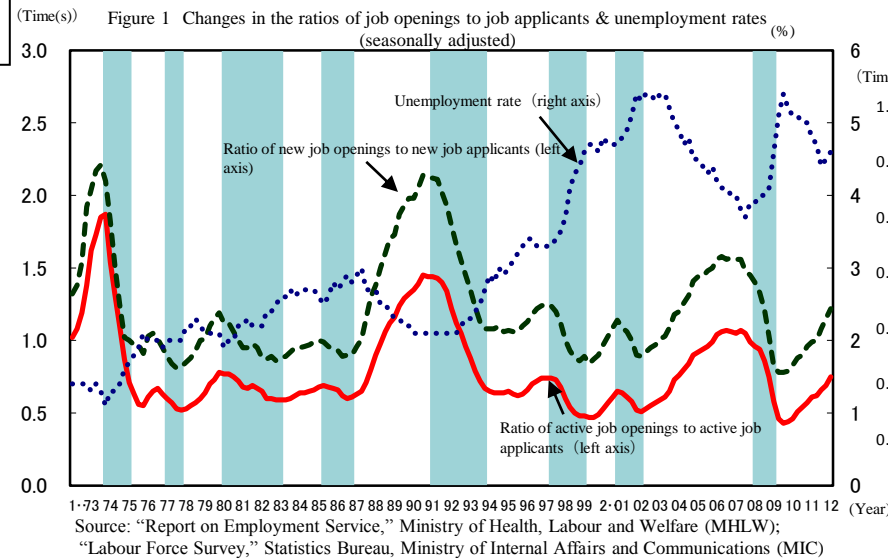
~Issues to be addressed for the revival of the large middle-class~

Japan has been badly affected by a succession of large scale economic and social shocks, namely financial crisis and the Great East Japan Earthquake, aggravating the employment situation, especially among non-regular employees. The problems of non-regular employment, wages of workers, the long-term unemployed, and jobless people in the middle and upper age brackets, have been growing bigger. Furthermore, there is a growing concern that the declining and ageing population in the long run will cause a reduction in economic and social vitality. *The White Paper* presents an analysis on how the revival of a "large middle-class" leads to resolve the drop in demand through an increased consumption, and to a sustained supply based on strengthened economy, society and social security.

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

The impacts of the earthquake disaster and the strong yen on employment and labour

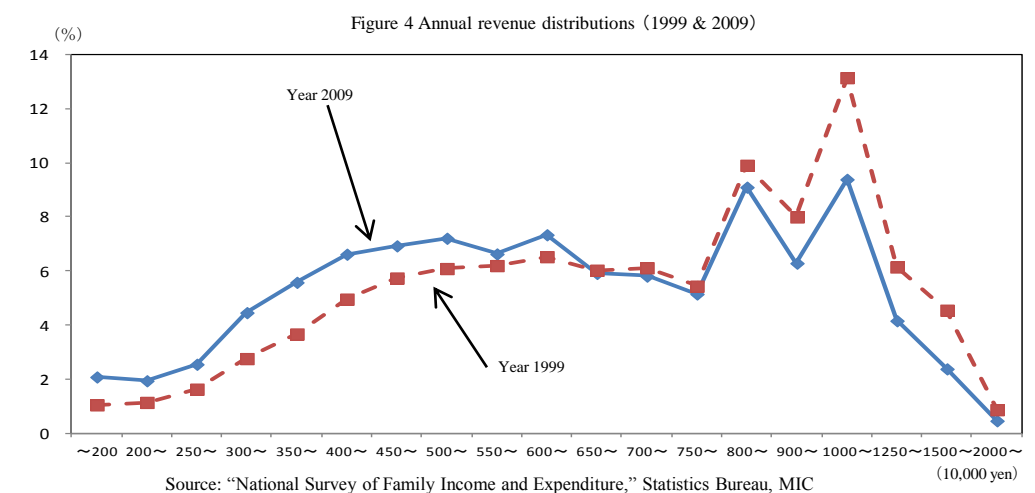
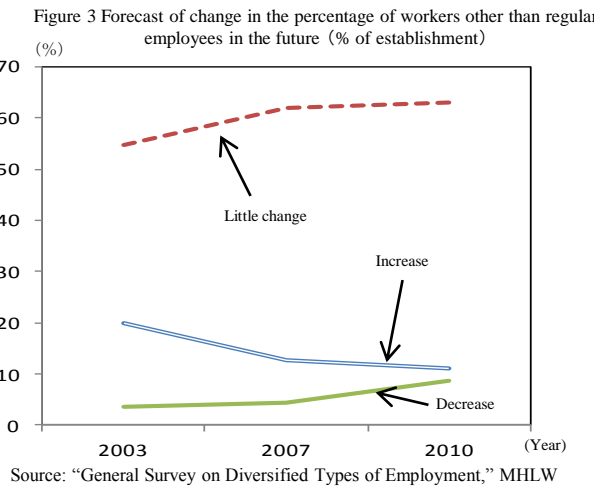
- The ratio of active job openings to active job applicants was 0.65, and the unemployment rate was 4.6% in 2011. The employment situation has thus picked up, although it still remains severe due to the Great East Japan Earthquake, etc. (Figure 1)
- In disaster-hit areas, the employment situation has been improving due to emergency measures taken by the government, although it remains severe (Figure 2). Regional disparities in the improvement in the situation, occupational mismatches, etc. have been observed. A concerted effort needs to be made for full-fledged recovery and improved employment in the affected areas.
- The recent strong yen has been affecting employment in the manufacturing industry, including electrical machinery, equipment and supplies. If the yen continues to appreciate in the future, 20% of companies in manufacturing may have to carry out wage and/or employment adjustments. It is thus necessary to pay attention to a rapid appreciation of the yen.
- The total sum of cash earnings in 2011 decreased for the first time in 2 years. Despite the condition of mild deflation, macro consumption is on a recovery trend. However, finances remain difficult at the household level.



Chapter 2. Current situation of poverty and inequalities, issues to be addressed for the revival of the large middle-class

The impact of an increasing number of non-regular employees on demand, including consumption

- The number of non-regular employees continued to increase in 2011, and its percentage among total employees was 35.1%. However, the number of companies that promote non-regular employees to their regular employees has been increasing. The rising trend in the total number of the non-regular employees shows a sign of change (Figure 3).
- A weakened rate of increase in income has been the biggest factor in the slow growth of consumption since the burst of the economic bubble. The distribution of annual household earnings has shifted towards a lower range. So it is important to expand the middle-class, who are most likely to contribute to the increase in consumption, and actualise potential demand (figure 4).
- At present, for about half of non-regular employees, their main source of income is their salaries. We should, therefore, aim to build a society which ensures a decent standard of living for these workers.



Chapter 3. Issues of the labour market for the promotion of employment: demand for labour, supply of labor and its quality

Improvement of the employment rate, human resources development, working environment, etc.

- Although the population is decreasing and ageing, if we look at whether one has a job or not, regardless of age, the number of employed persons per others is forecasted to drastically increase in 2030 compared to the present, assuming steady economic growth and the labour force participation of youths, elderly people, women, persons with disabilities, etc. (figure 5). So it is important to realise increased willingness to work for all people, including youths, women, elderly people, and persons with disabilities.
- As the percentage of non-regular employees among total employment increases, a rising trend is observed in the number of companies considering that flexible labour cost adjustment is more difficult compared with recent past (figure 6).
- It is necessary to reactivate the virtuous circle of the Japanese macroeconomics, in which the rise of workers' income which leads to an increased consumption and stimulating the Japanese economy. For this, the revival of a "large middle-class" is needed, and the realisation of society in which all who wish to work could participate, accumulation of human capital, and decent work is indispensable.

