

2018

Analysis of the Labour Economy

**— Ideal Human Resource Development
that Varies According to Diversified Work Styles —**

[Summary]

September 2018

Ministry of Health, Labour and Welfare

2018

Analysis of the Labour Economy

**— Ideal Human Resource Development
that Varies According to Diversified Work Styles —**

[Outline]

Part I: Transition and Features of the Labour Economy up to FY2017

[General employment situation]

- Unemployment rate fell to a 24-year low of 2.7% in FY 2017, and the effective ratio of job offers to seekers marked a 44-year high of 1.54 in the same fiscal year. This suggests that employment conditions have been steadily improving in Japan. (Fig. 1-1)
- Among employed persons aged between 15 and 54, the number of regular workers increased for the third consecutive year in 2017 to 28.41 million (an increase of 0.36 million from the previous year). (Fig. 1-2)
- The diffusion index (DI) for employment conditions suggests that more companies have come to feel they are short on manpower. A survey conducted in March 2018 finds that the corporate perception of labor shortages was the second highest since the 1980s bubble economy in all industries –both manufacturing and non-manufacturing sectors. (Fig. 1-3)

[Trends of wages]

- The nominal wage of full-time workers has increased for five consecutive years since FY2013, and the hourly wage of part-time workers has also increased for seven consecutive years since FY2011. (Fig. 1-4)
- As increasing numbers of women and elderly people join the labor market, they are starting to make up a larger part of the workforce. This has contributed to lowering the average monthly wage of full-time workers, but wages of female and elderly workers have been on the rise. (Fig. 1-5)

In addition, the total employee income, which is regarded as the income of all people, has been growing thanks to the increase in the number of female and elderly employees, etc. (Fig. 1-6)

Fig. 1-1: Trends of unemployment rate/effective ratio of job offers to seekers, etc.

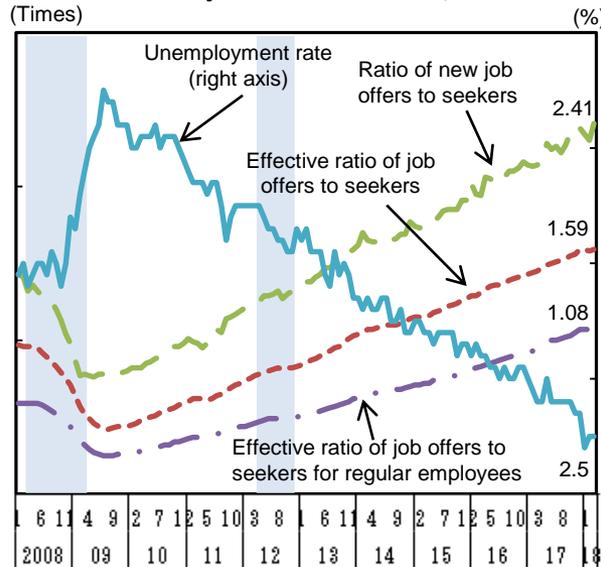


Fig. 1-2: Trends of regular/non-regular personnel/employees

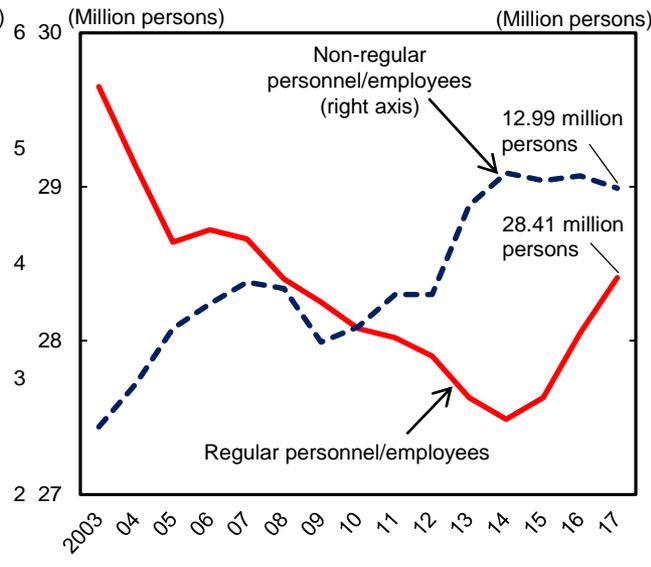


Fig. 1-3: Trends of the diffusion index (DI) for employment conditions

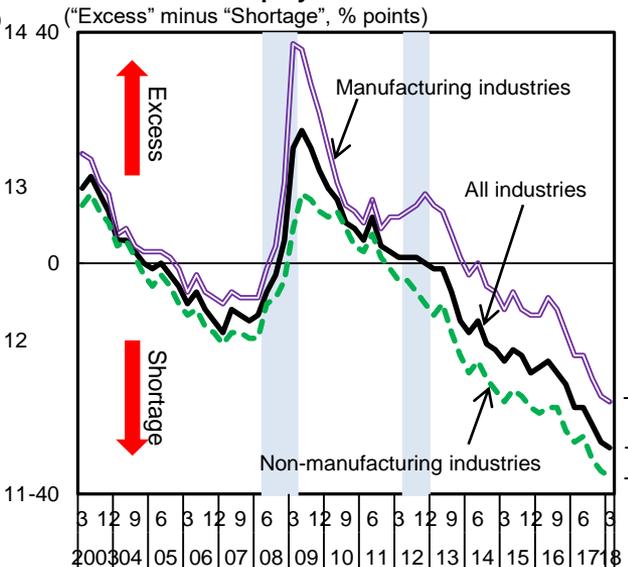


Fig. 1-4: Trends of wages of full-time workers (monthly amount) and hourly wages of part-time workers

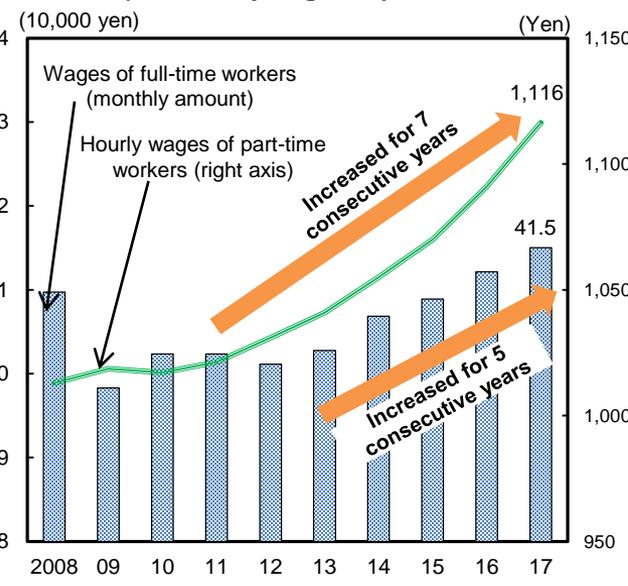


Fig. 1-5: Breakdown of the level of contribution to wages of full-time workers (monthly amount)

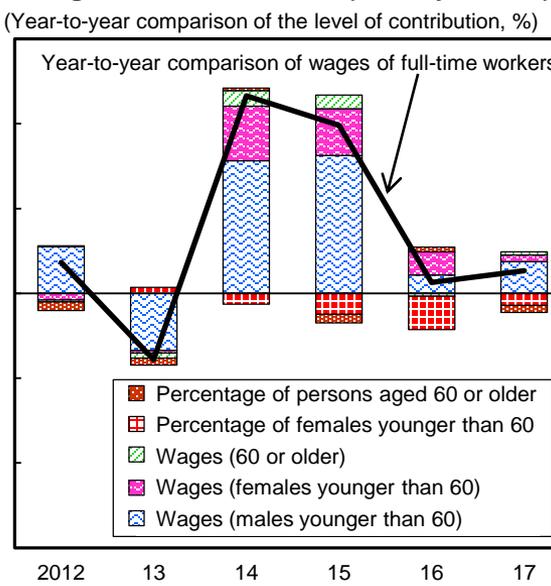
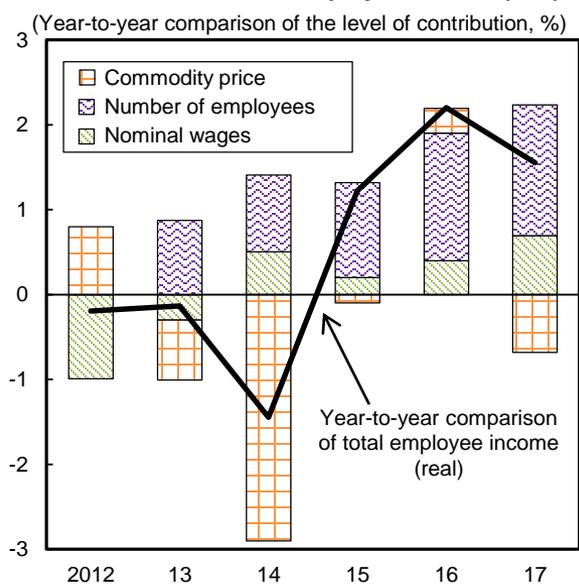


Fig. 1-6: Breakdown of the level of contribution to total employee income (real)



Part II: Chapter 1: Status of Labour Productivity and Vocational Ability Development and Progress in Diversified Work Styles

[Labour productivity trend]

- A slowdown in labor productivity growth has been a common issue among G7 countries. It is necessary for them to promote investment in human resources as well as IT and other types of capital in order to improve labour productivity. (Fig. 2-1)

[Trends in costs of employee vocational ability development]

- As a percentage of GDP, costs of employee vocational ability development by companies (*) are shrinking in Japan, and this may cause concern that human capital of workers will not be sufficiently accumulated. (Fig. 2-2)
- Meanwhile, analysts believe that businesses, mainly companies facing imminent labor shortages, will focus more on human resource development. Therefore, it is vital for the government to discuss ways of nurturing human resources effectively. (Fig. 2-3)

(*) Note that OJT (On-the-Job Training) costs are not included.

[Trends in the diversification of human resources based on sex, age, nationality, employment form, type of occupation and other elements]

- More and more companies, especially firms focusing on innovation and global expansion, are embracing workforce diversity, and workplaces are expected to become increasingly diverse in the future. (Fig. 2-4)
- In Japan, many companies place importance on nurturing generalists or cultivating internal human resources. But, specialists are likely to be more valued in some of those firms, ones focusing on innovation or expanding businesses globally. (Fig. 2-5)
- At present, both large companies and small and medium-sized companies are providing job opportunities for mid-career workers. The aim is to recruit skilled personnel with advanced knowledge in specialized fields and other qualifications. Employment opportunities for mid-career workers are expected to increase. (Fig. 2-6)

Fig. 2-1: Rate of increase/decrease in labour productivity (real)

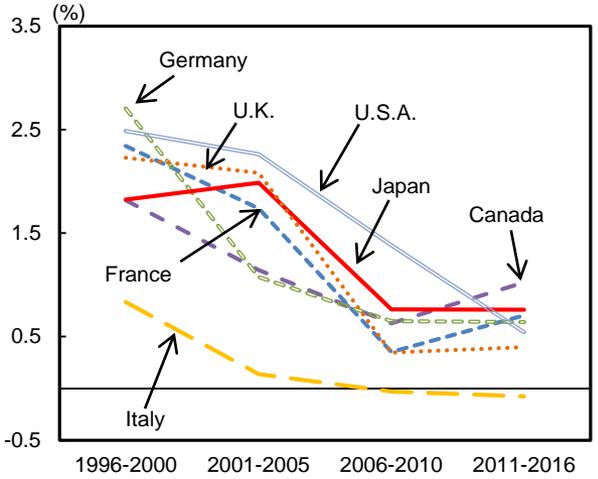


Fig. 2-2: Trends of vocational ability development costs of companies in GDP

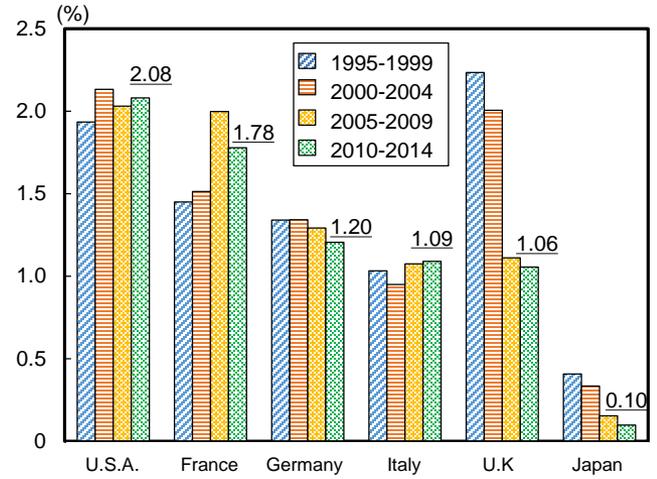


Fig. 2-3: Transition of vocational ability development costs up to recent years (left) and prospect of future human resource development in the future (right)

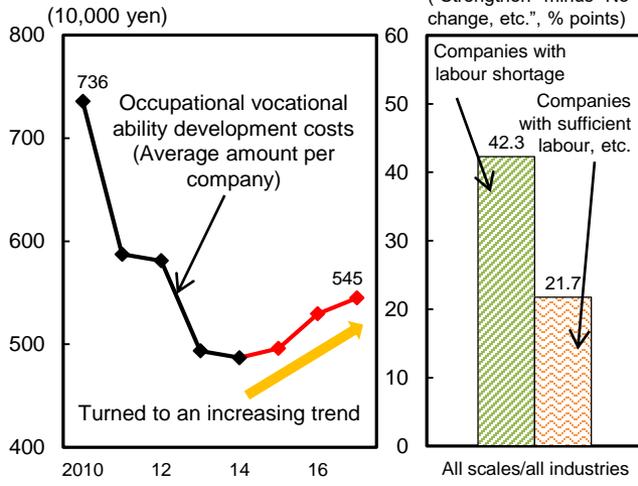


Fig. 2-4: Status of diversification of human resources within the company and future prospects

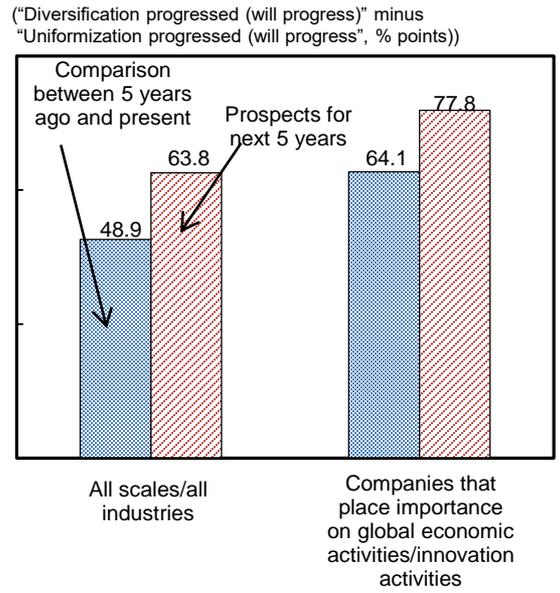


Fig. 2-5: Companies' attitudes toward human resource management (left) and future prospects of "companies placing importance on generalists/internal human resources" (right)

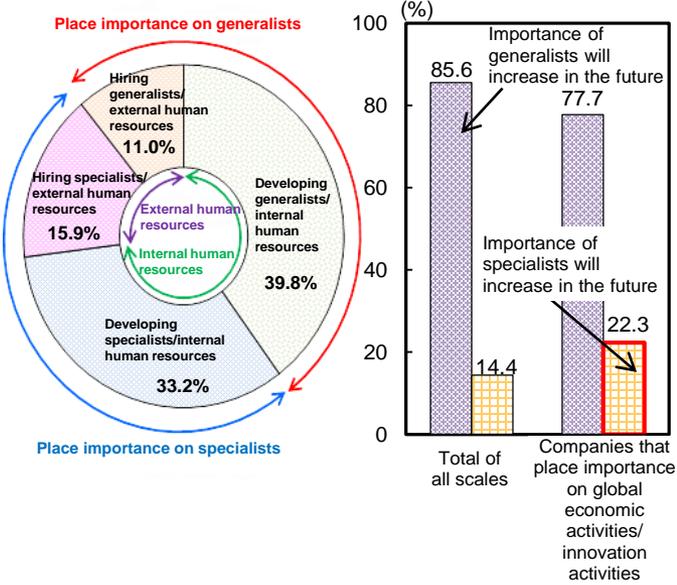
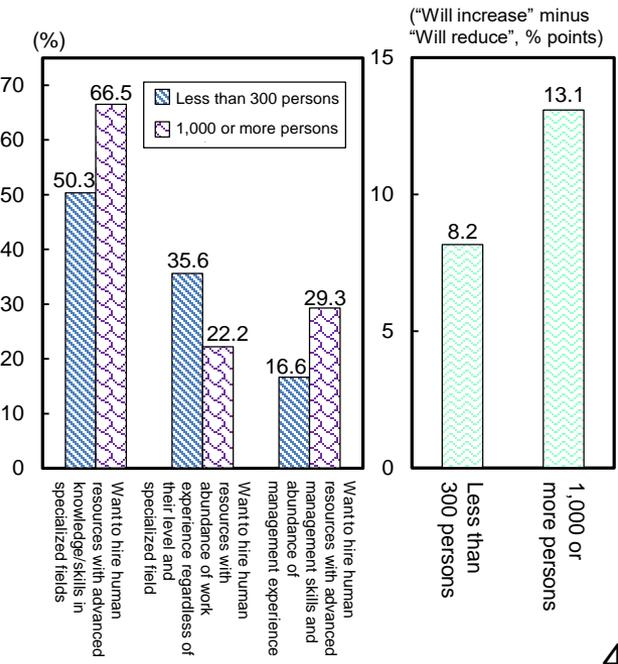


Fig. 2-6: Purpose of recruiting mid-career employee (left) and companies' future prospects for mid-career employment (right)



Part II Chapter 2: Challenges of Nurturing Human Resources while Coping with Employees' Work Styles and Changes in Business Environment

[Challenges companies face when providing vocational ability development opportunities]

- Investing in off-the-job training and support for employees' personal development has proven to boost labor productivity, etc. in the following year. In addition, workers in companies promoting vocational ability development are more likely to feel motivated and engaged.(Fig. 3-1)
- Companies offering more OJT programs than other firms have realized that OJT is effective in boosting productivity at the workplace. In addition, efforts such as assigning more challenging tasks according to workers' ability, providing consultation and advice on work, and expanding their role in the establishment, etc., can lead to improved productivity at the workplace, etc. (Fig. 3-2)
- Companies with a diverse workforce have been expanding efforts for vocational ability development as part of human resource management. Such efforts include placing instructors and trainers on staff and providing financial support for off-the-job training. At those companies, all types of employees can fully demonstrate their abilities. (Fig. 3-3)

[Skills necessary to survive the age of AI]

- As AI is becoming commonplace, it is important for both workers and employers to have qualities necessary to survive the age of AI, such as willingness to take on new or difficult tasks, and communication skills. (Fig. 3-4)

Fig. 3-1: Relationship between vocational ability development and companies' performance/workers' motivation

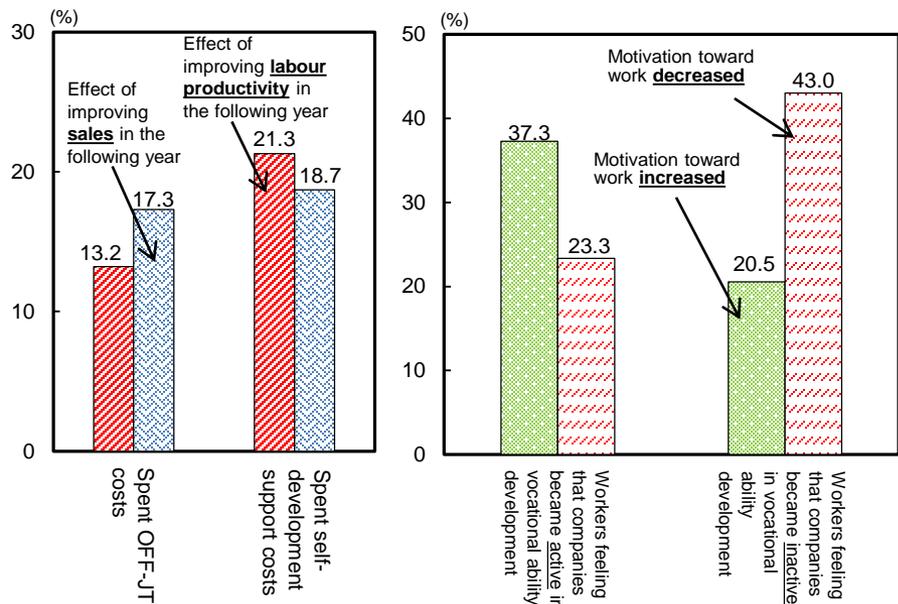


Fig. 3-2: OJT efforts that can lead to improved productivity at the workplace, etc.

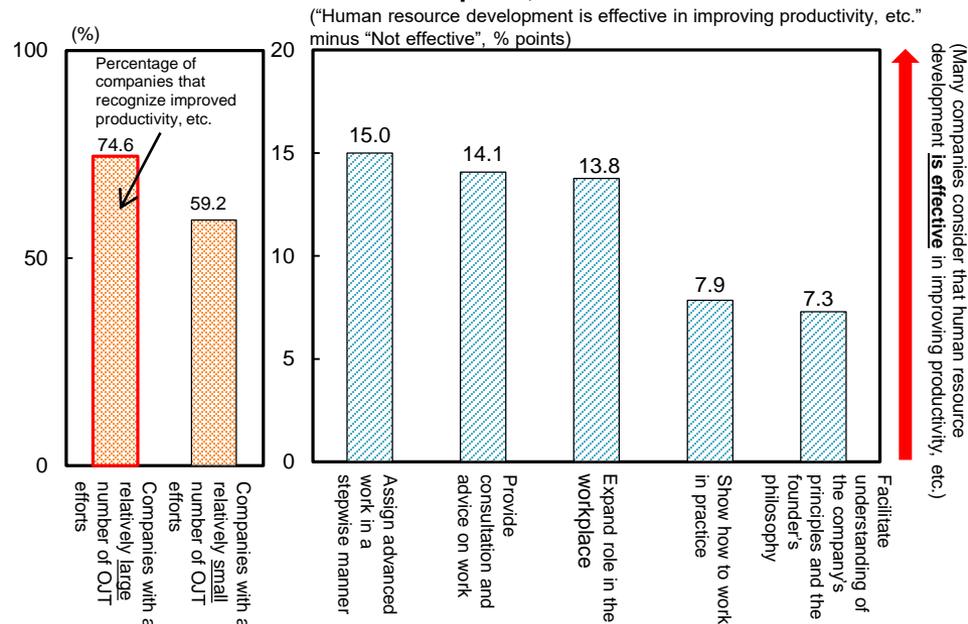


Fig. 3-3: Vocational ability development-related efforts actively made by companies in which abilities of diversified human resources are fully demonstrated

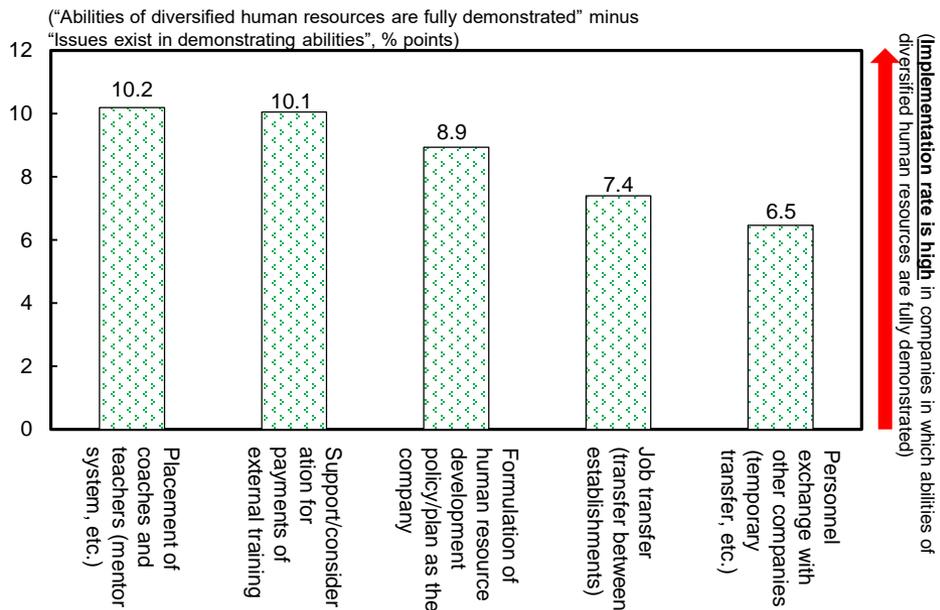
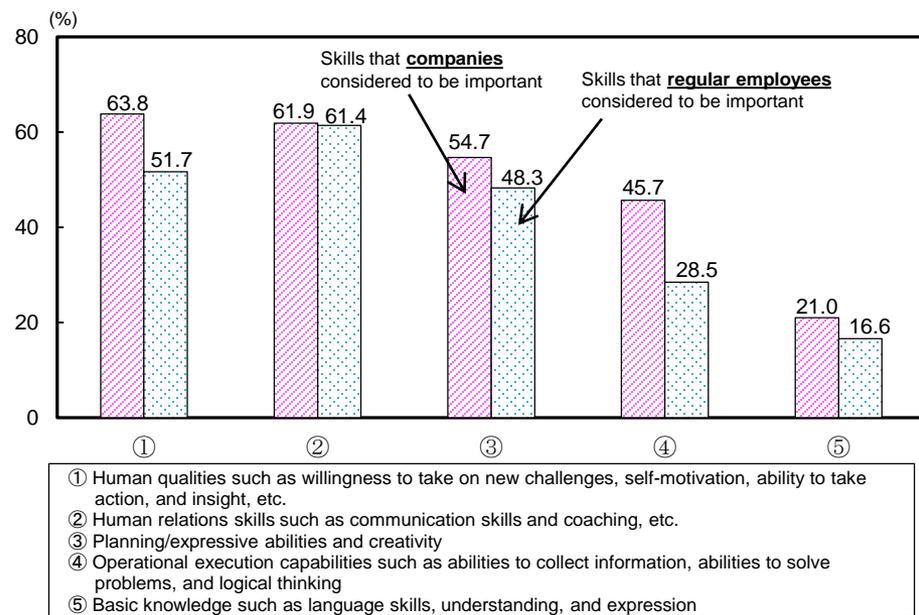


Fig. 3-4: Skills considered important in the age in which AI is commonly utilized



Part II Chapter 3: Promote Better Employment Management that Varies According to Diversified Working Styles

[Employment management at companies in which various employees with different backgrounds can fully demonstrate their abilities]

- Many of the above-mentioned companies have maintained strong corporate earnings including high sales profits and greater labor productivity. They also have seen an increase in the number of both regular and non-regular employees. (Fig. 4-1)
- The above-mentioned companies have taken steps to expand opportunities for vocational ability development and eliminate unreasonable disparities in working condition between employees (between males and females, between regular and non-regular employees, etc.). (Fig. 4-2)

[Status of 'gentei seishain,' employees working under a limited regular employment contract]

- About 50% of female workers in regular positions say they may opt for working on a limited regular employment contract in the future. They cite balancing motherhood with a career as a reason for their response . (Fig. 4-3)

[Agenda: how to train employees to become managers]

- There are a considerable number of employees who do not wish to be promoted to managers, partly due to the following reasons: they may have to work longer hours because of increased work volumes, they are concerned about their management skills, and wage levels are not commensurate with their work responsibilities. Companies should therefore take further steps to review work responsibilities of managers, provide them with opportunities for vocational ability development, and improve their working condition. (Fig. 4-4)

Fig. 4-1: Relationship between demonstration of abilities of diversified human resources and sales/labour productivity, etc.

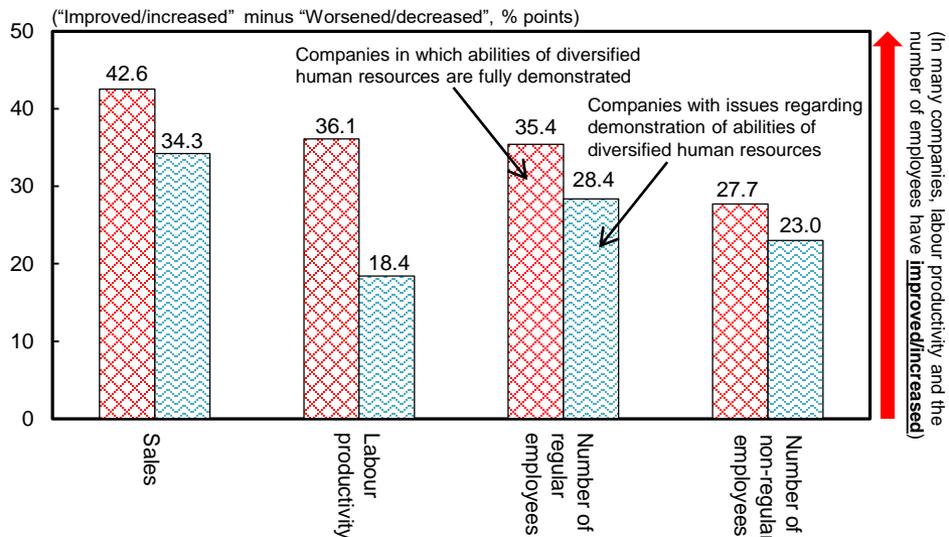


Fig. 4-2: Employment management actively implemented by companies in which abilities of diversified human resources are fully demonstrated

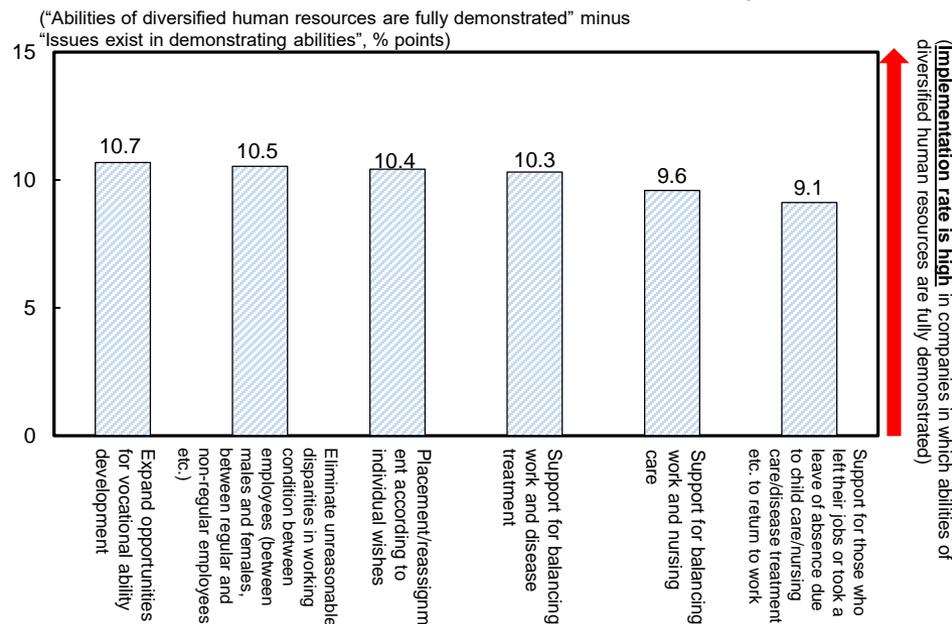


Fig. 4-3: Intentions of so-called regular employees for the work style of limited regular employee (left) and reasons for their wishes (right)

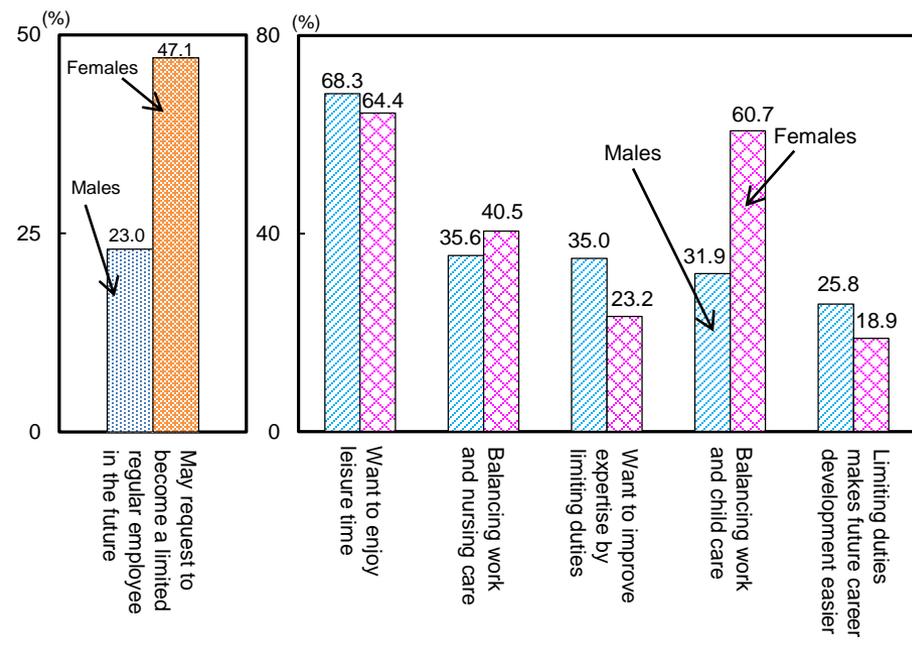
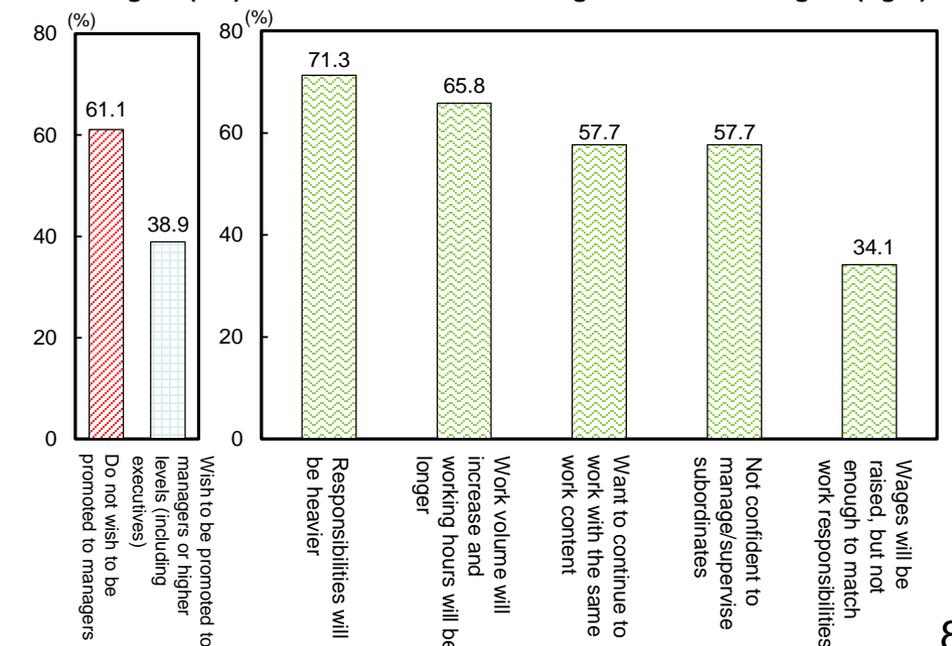


Fig. 4-4: Desires of employees not in managerial positions, etc. to be promoted to managers (left) and reasons for not wishing to become managers (right)



Part II Chapter 4: Make It Easier for Everyone To Pursue Their Career on Their Own Initiative

[Career change and the labor market situation]

- In an era of 100-year life, life expectancy in Japan has risen, and people are expected to lead longer working lives. This means they are increasingly likely to change jobs a number of times. Trends in the market of workers seeking career changes show that an increasing number of people, mainly full-time workers, have changed their jobs. (Fig. 5-1)
- Under such circumstances, it is important to offer each of those who have changed jobs opportunities for vocational ability development in order to improve their working life satisfaction. (Fig. 5-2)

[Employee self-development and support measures]

- As the country is entering an era in which many people will live to 100 years old, it is vital to make it easier for everyone to be able to develop their career on their own initiative regardless of age. Though the figure 5-3 shows that people are less likely to spend time to enhance themselves as they get older, more individuals, mainly those aged 50 or older, currently focus on developing their skills than before. (Fig. 5-3)
- Beside financial support, successful ways for companies to motivate their employees to develop their skills include providing information on education/training institutions as well as offering career consultations. (Fig. 5-4)

Fig. 5-1: Trends of persons who have changed their careers

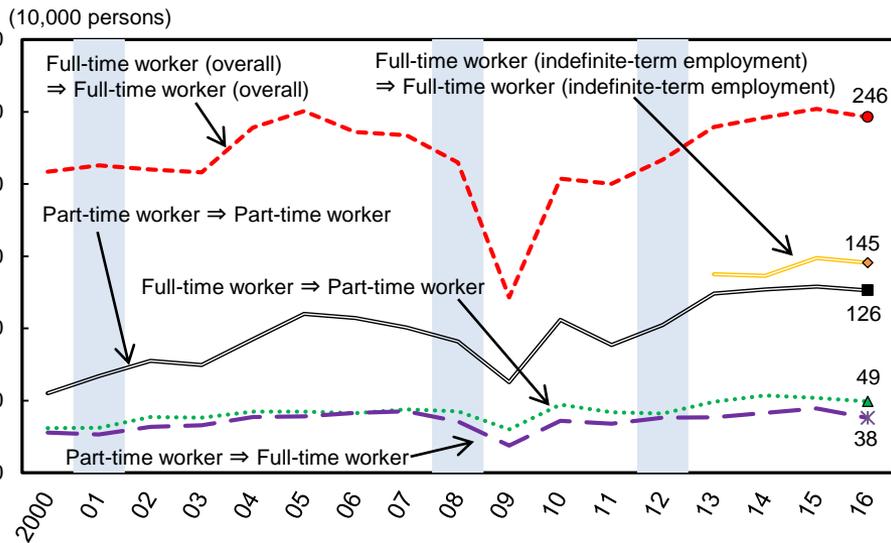


Fig. 5-2: Implementation of education/training after the career change and career changers' satisfaction with overall work-life

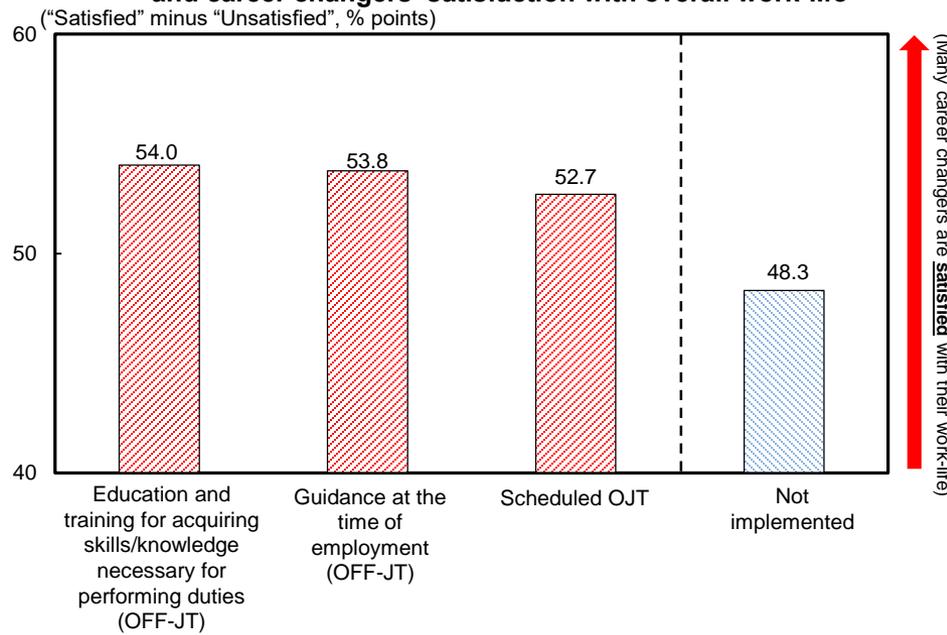


Fig. 5-3: Implementation status of self-development by regular employees

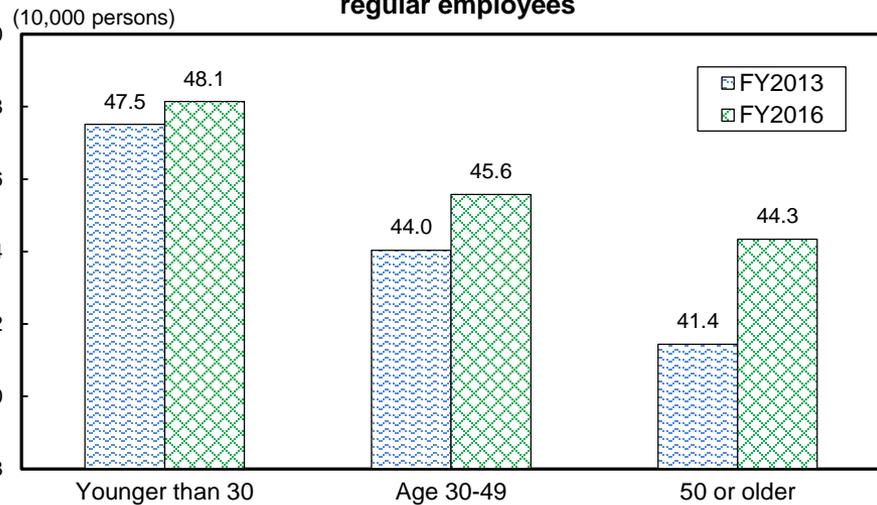


Fig. 5-4: Support for vocational ability development that leads to the implementation of self-development by regular employees



2018

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[Overview]

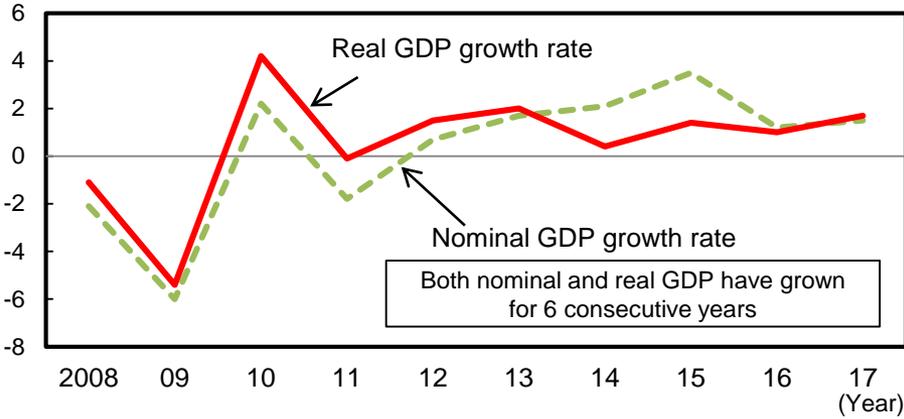
Part I: Transition and Features of the Labour Economy

— Employment Trends [1] —

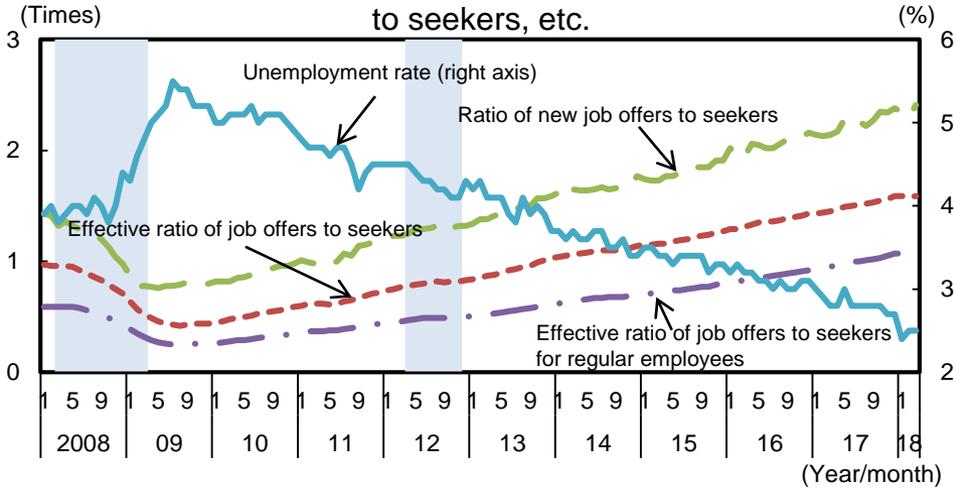
- With the Japanese economy recovering gradually, the employment situation has been steadily improving: in FY 2017, the average unemployment rate was 2.7%, the lowest in 24 years since FY1993, and the effective ratio of job offers to seekers was 1.54, the highest in 44 years since FY1973.
- The unemployment rate has been declining in all areas in Japan and remained low compared to other countries.

(Year-to-year comparison. %)

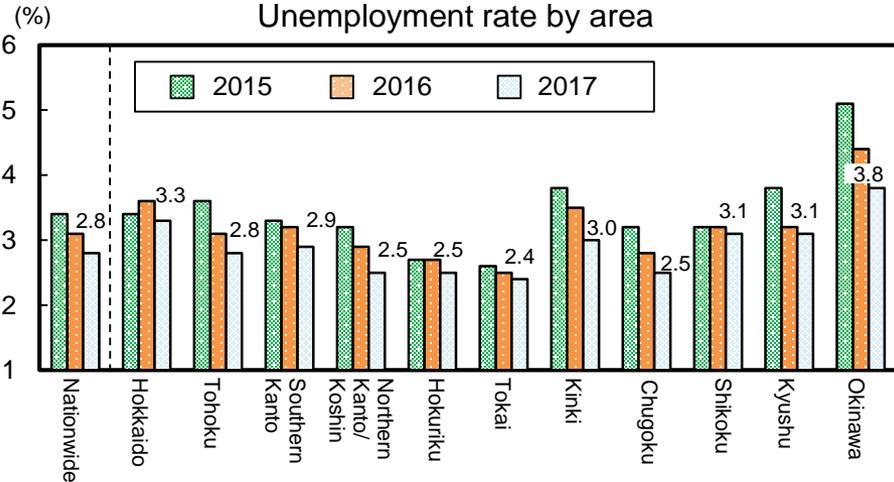
Transition of nominal/real GDP growth rate



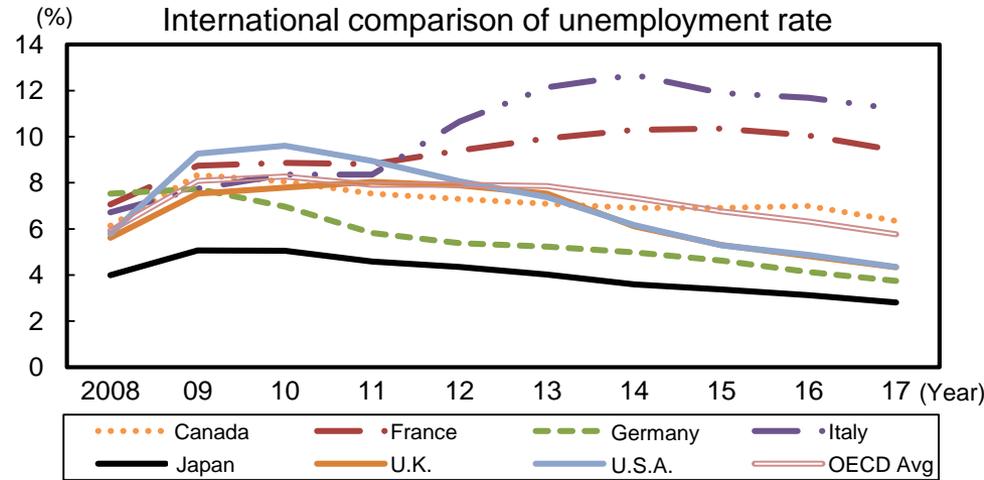
Transition of unemployment rate/ ratio of job offers to seekers, etc.



Unemployment rate by area



International comparison of unemployment rate

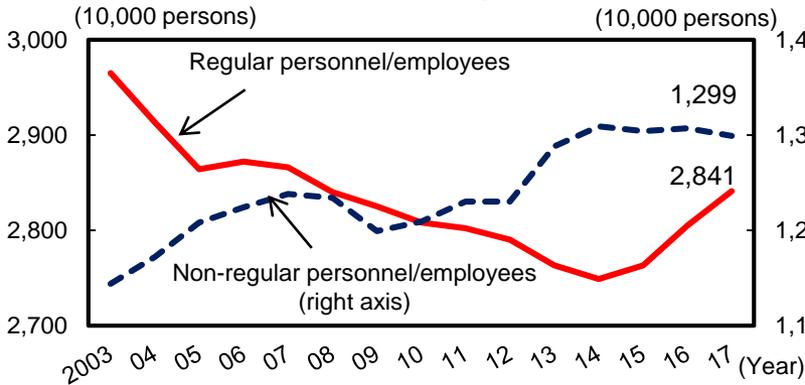


Source: Prepared based on "System of National Accounts", Cabinet Office (upper left figure); "Employment Security Statistics", MHLW (upper right figure); "Labour Force Survey (Basic Tabulation)" and "Labour Force Survey (Detailed Tabulation)", Statistics Bureau of MIC (upper right figure and lower left figure); and OECD.stat (lower right figure)

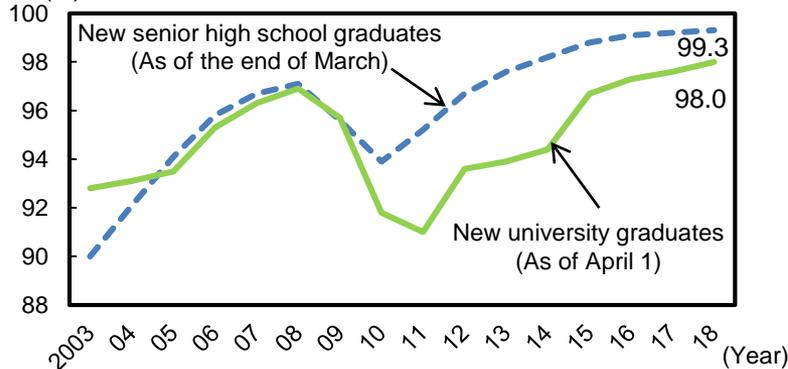
— Employment Trends [2] —

- The number of regular workers among employed persons aged 15-54 increased for the third consecutive year in 2017 to reach 28.41 million. In addition, the employment rate of new university/senior high school graduates marked the highest level since the survey began.
- The diffusion index (DI) for employment conditions suggests that a greater number of companies have come to feel they are short on manpower. A survey conducted in March 2018 finds that the corporate perception of labor shortages was the second highest since the 1980s bubble economy in all industries –both manufacturing and non-manufacturing sectors.
- The diffusion index on corporate perception of worker shortages by types of employment shows that the DI for regular employees is higher than that for part-time workers.

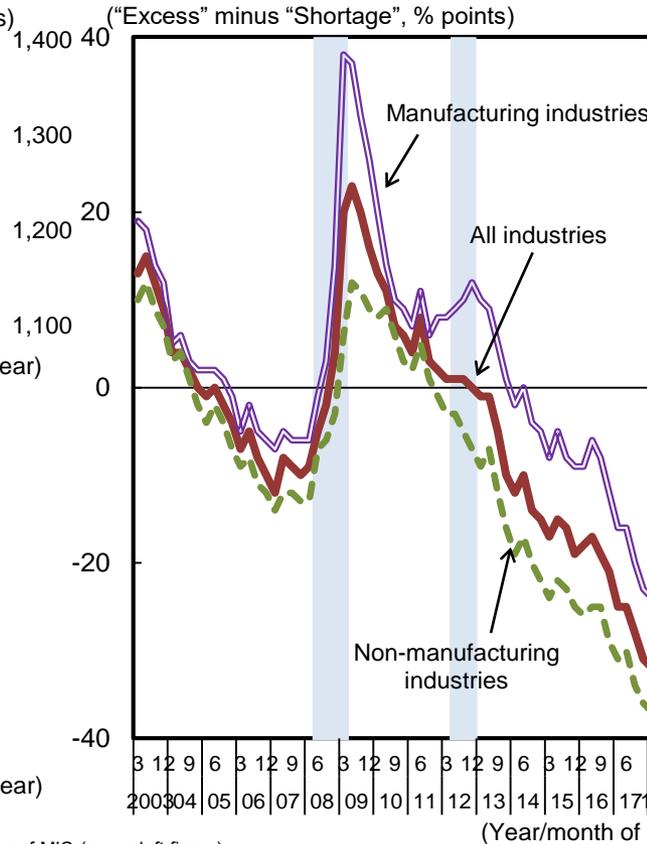
Transition of the number of employees by employment form (Age 15-54)



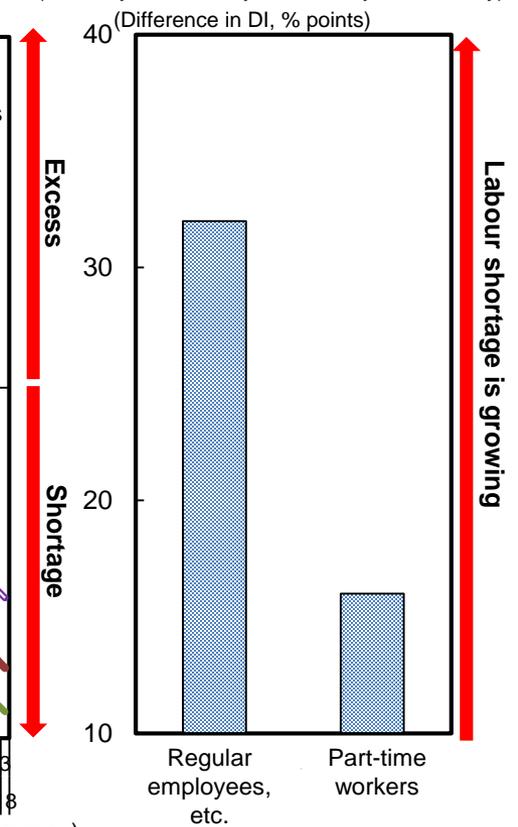
Transition of employment (informal job offer) rate (%)



Transition of the diffusion index (DI) for employment conditions



Changes in the insufficiency of labour shortage by employment form (February 2013 survey → February 2018 survey)



Source: Prepared based on “Labour Force Survey (Detailed Tabulation)”, Statistics Bureau of MIC (upper left figure);

“Survey on Informally Promised Employment Situation of Senior/Junior High School Graduates, etc.”, MHLW (lower left figure); “Survey on Employment Situation of University Graduates”, MHLW/MEXT (lower left figure);

“Short-term Economic Survey of Principal Enterprise in Japan”, Bank of Japan (middle figure); and “Survey on Labour Economy Trend”, MHLW (right figure)

(Notes) 1) Shaded areas in the middle figure represent the recession periods.

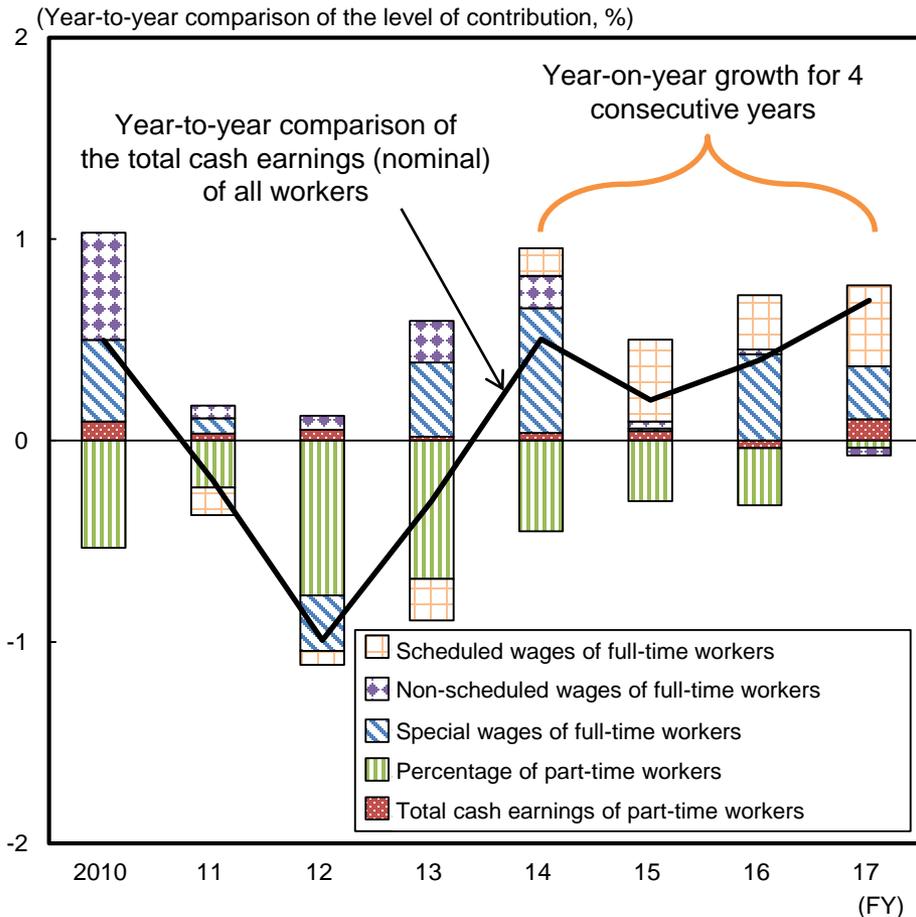
2) “Regular employee, etc.” refers to those employed without a definite period or those employed by concluding employment contracts for the period of at least one year, excluding “part-time workers”.

3) “Part-time workers” refers to those with the number of prescribed daily working hours or the number of prescribed weekly working days being shorter than that of regular employees at the establishment concerned.

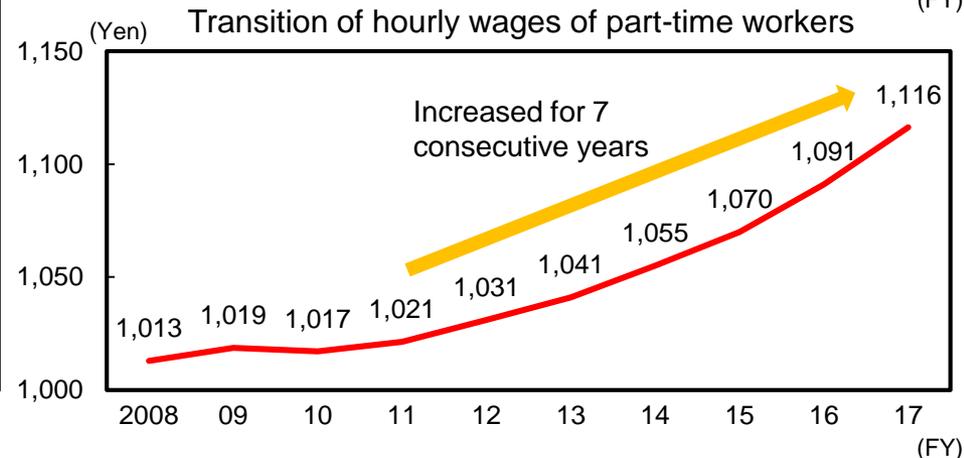
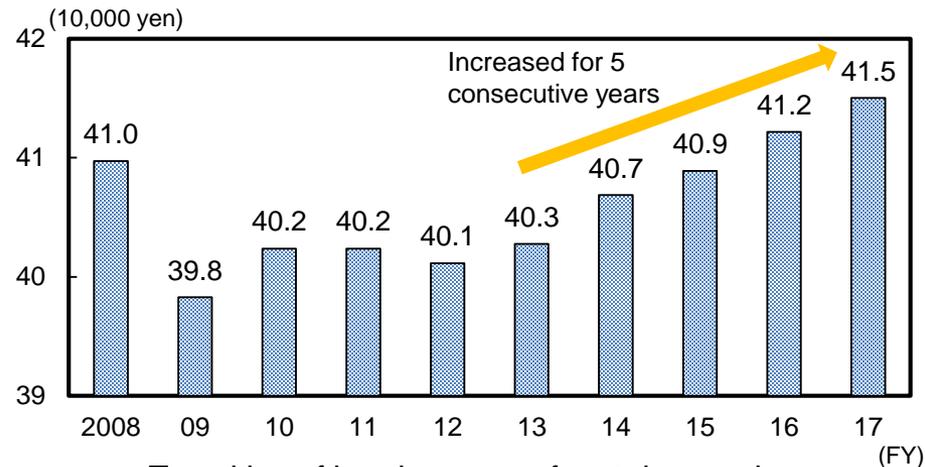
— Wage Trends [1] —

- The total cash earnings (monthly amount) increased for the fourth consecutive year in FY2017 thanks to rises in scheduled wages and special payments of full-time workers as well as the fact that the proportion of part-time workers had had less negative impacts on the cash earnings.
- The nominal wages of full-time workers have increased for five consecutive years since FY2013, and the hourly wages of part-time workers have also increased for seven consecutive years since FY2011.

Transition of the variation factor of the total cash earnings (monthly amount)



Transition of wages of full-time workers (monthly amount)



Source: Prepared based on "Monthly Labour Survey", MHLW

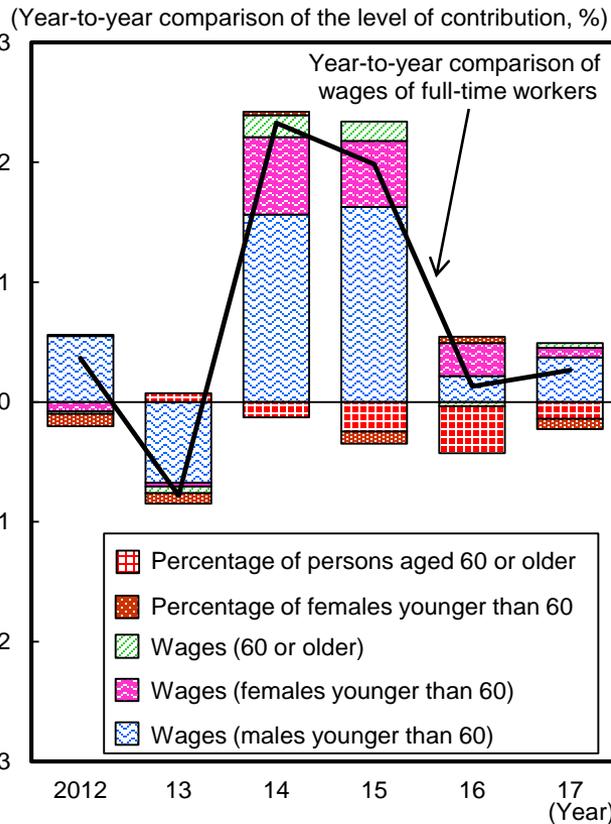
(Notes) 1) The figures indicate nominal values for establishments with 5 or more employees in all industries surveyed.

2) The wages of full-time workers indicate corrected real numbers calculated by multiplying the index of the total cash earnings by the reference number (2015) and then dividing it by 100.

— Wage Trends [2] —

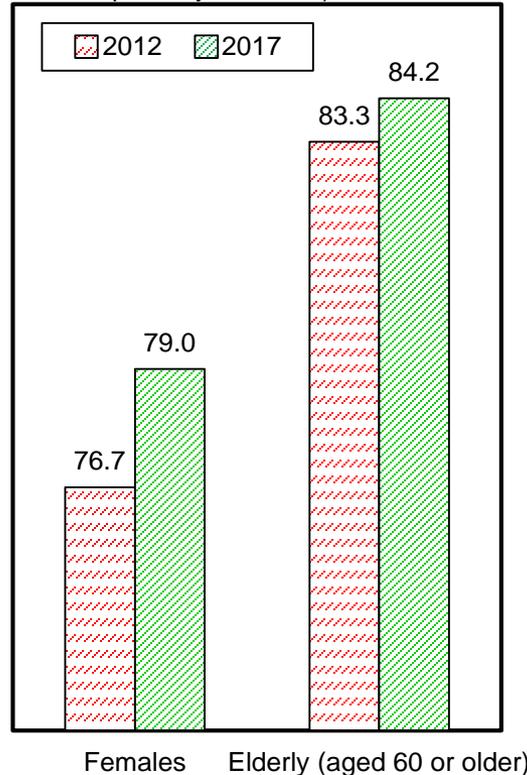
- An increase in the proportion of female and elderly workers has had a negative impact on wage levels of full-time workers. But gaps in wage levels between female/elderly workers and the entire labor force have been narrowing.
- The growing labor participation of women and elderly people has had positive effects on the number of workers as well as trends in the total employee income.

Breakdown of the level of contribution to the total cash earnings of full-time workers (monthly amount)



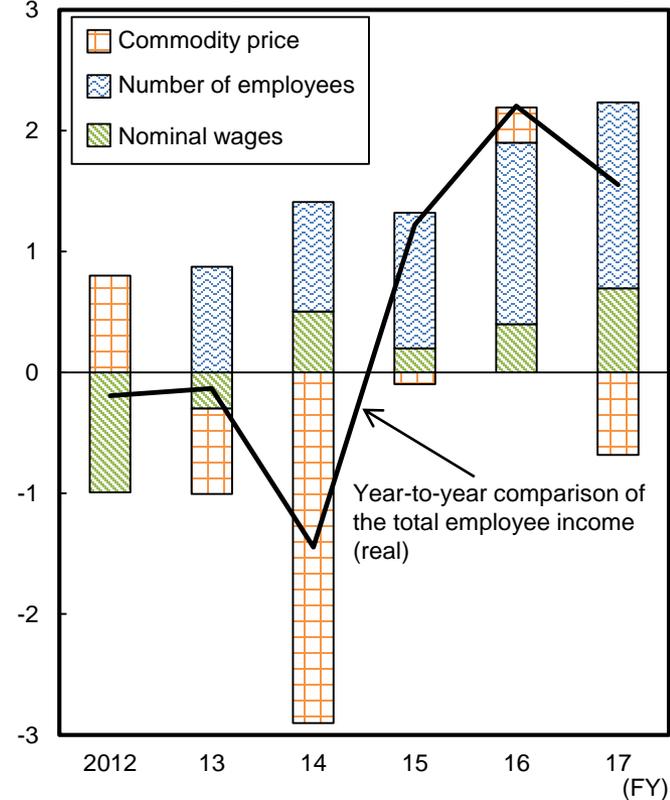
Changes in relative wages of female/elderly workers (aged 60 or older)

(Total of males and females/total of all ages in the respective years = 100)



Breakdown of the level of contribution to the total employee income (real)

(Year-to-year comparison of the level of contribution, %)



Part II: Ideal Human Resource Development that Varies According to Diversified Work Styles

Challenges facing Japan

- As Japan's labor supply is limited due to the declining birthrate and aging population, it is vital for the country to maintain sustainable economic growth and ensure that every citizen can have a vision for the better future.
- As the country is entering an era in which many people will live to 100 years old, it is necessary for Japan to create a society in which everyone can develop their careers on their own initiative

Measures to take on challenges facing Japan

Improving labour productivity of every worker through vocational ability development, etc.

Promoting human resource management/work styles that allow everyone to play an active role in society

Making it easier for people to acquire necessary skills and abilities throughout their lives so that they can pursue multiple careers

Viewpoint

- Analyze how to develop workers' vocational abilities effectively and study corporate efforts on vocational ability development in other countries, in order to boost labor productivity
- Analyze how to maintain a pool of highly skilled professionals, including foreign nationals, who can play the key role in dealing with global economic activities while responding to demand from the growing overseas market as well as how to foster such workers
- Study changes the increased use of ICT at work has brought about and analyze what skills and abilities people need to acquire as innovative technologies such as AI becomes more widely adopted. This is because it's important for companies to embrace innovation of the fourth industrial revolution in order to sustain their competitive edge.

Viewpoint

- Analyze how to manage human resources according to circumstances each worker faces as the workforce within the company becomes more diverse and how to create an environment in which everyone willing to work can continue working
- Analyze human resource management to help workplace reforms including promoting flexible working hours since management of human resources is the key to developing employee vocational abilities and encouraging workers to take self-development opportunities
- Analyze human resource management and work arrangements that enable all types of employees to fully demonstrate their abilities and play an active role at work
- Analyze how to train employees to become managers who can play the key role in implementing the above-mentioned human resource management system

Viewpoint

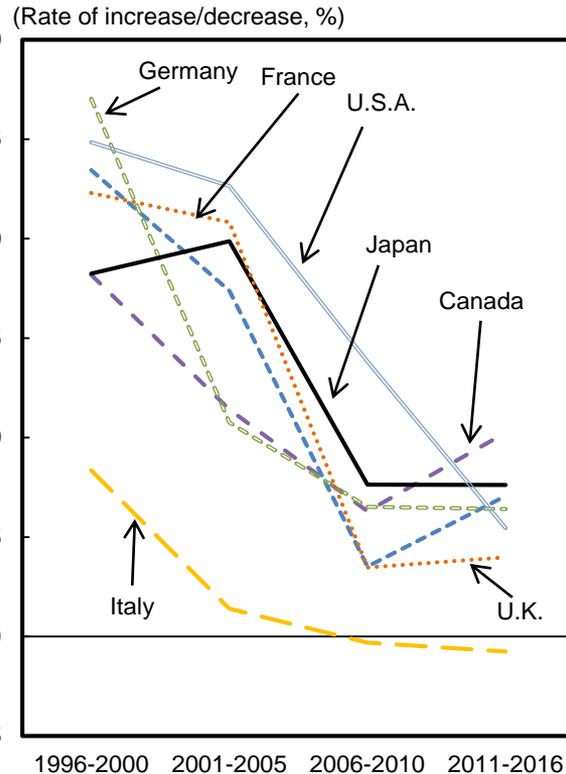
- Analyze career change and job satisfaction—how to make work more rewarding after job switch—in order to create an environment that allows everyone to choose the work style that suits them best though career change, regardless of their age, in an era of 100-year life
- Analyze ways to encourage employees to take more opportunities for self-development voluntarily since personal development is the key to enabling people with diverse backgrounds, including those opting for working styles not bound by traditional employment relationships, to develop their career on their own initiative
- Challenges: providing employees with opportunities for recurrent education, or lifelong learning, to acquire skills and knowledge needed for their jobs and promoting the use of such opportunities

This year's White Paper on the Labour Economy examines "Ideal Human Resource Development that Varies According to Diversified Work Styles".

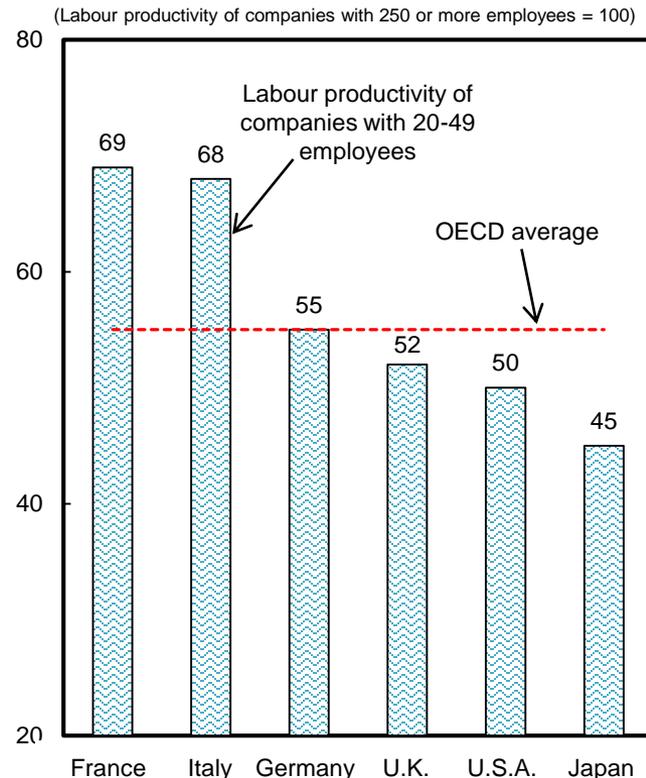
Part II: Chapter 1: Labor Productivity, Vocational Ability Development and Progress Toward Diversified Work Styles — Trends in Labour Productivity in Japan —

- Japan, just like other G7 countries, has experienced slow labor productivity growth (real) in recent years.
- Compared with other countries, there is a large gap in labour productivity (real) between companies in different sizes in Japan. By industry, while labour productivity is higher at large companies in the manufacturing industry, it is greater at small and medium-sized companies in the hotel and restaurant industries.

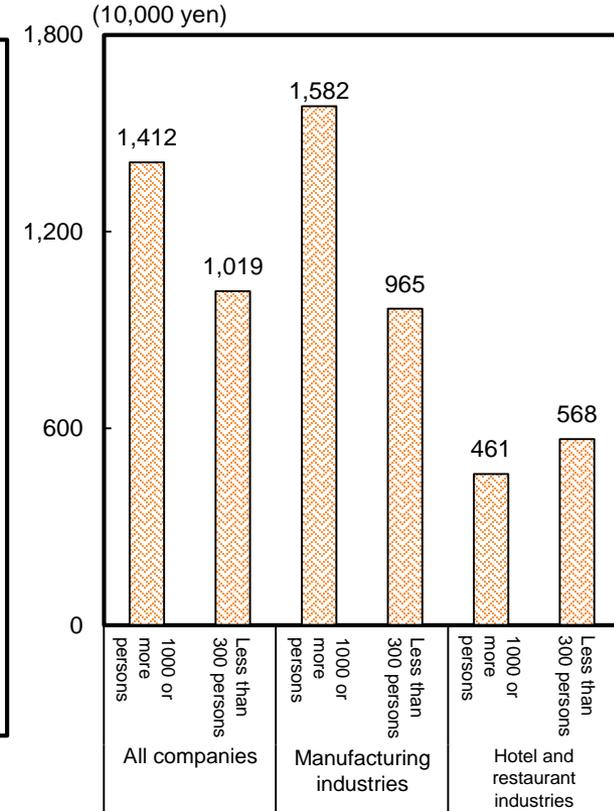
Rate of increase/decrease in labour productivity (real)



Labor productivity gap between large and small companies (International comparison)



Labor productivity gap between large and small companies (By industry)

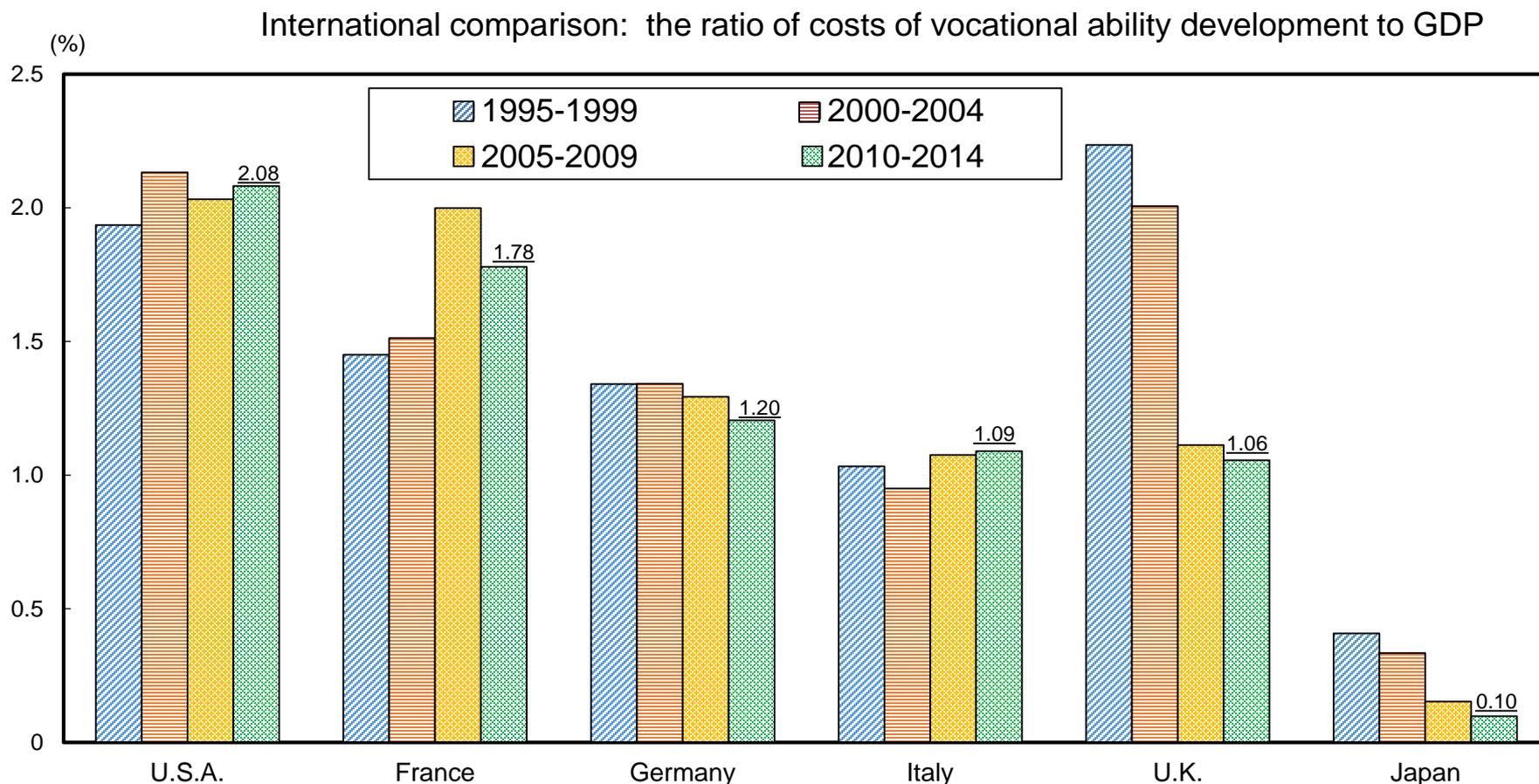


Source: Prepared based on OECD.stat (left figure); "Economic Survey Japan 2017", OECD (middle figure); and "Ministry of Economy, Trade and Industry Basic Survey of Japanese Business Structure and Activities", METI (right figure)

- (Notes) 1) For the labour input, which is the denominator of labour productivity (real), the number of man-hours (calculated by multiplying working hours by the number of workers) based on the number of workers calculated by converting to regular employees is used for the left figure, the number of workers for the middle figure, and the number of workers calculated by converting to regular employees for the right figure.
- 2) In the left figure, the rate of increase/decrease in labour productivity (real) calculated by converting to purchasing power parity indicates the average value of the values in single years for the respective periods in each country.
- 3) In the middle figure, labour productivity of companies with 20-49 employees indicates the value calculated by setting that of companies with 250 or more employees to 100. The figures indicate the values of 2013.
- 4) In the right figure, labour productivity is calculated by dividing the "amount of value added" by the "number of employees calculated by converting to regular employees", and the amount of value added is the total of "operating profit", "depreciation cost", "total amount of salaries", "welfare cost", "rent on movables and real estate", and "taxes and dues". In addition, the figures indicate the values of 2016.

— International Comparison : the Ratio of Costs of Vocational Ability Development Provided by Companies to GDP —

- As a percentage of GDP, costs of employee vocational ability development provided by companies are shrinking in Japan.



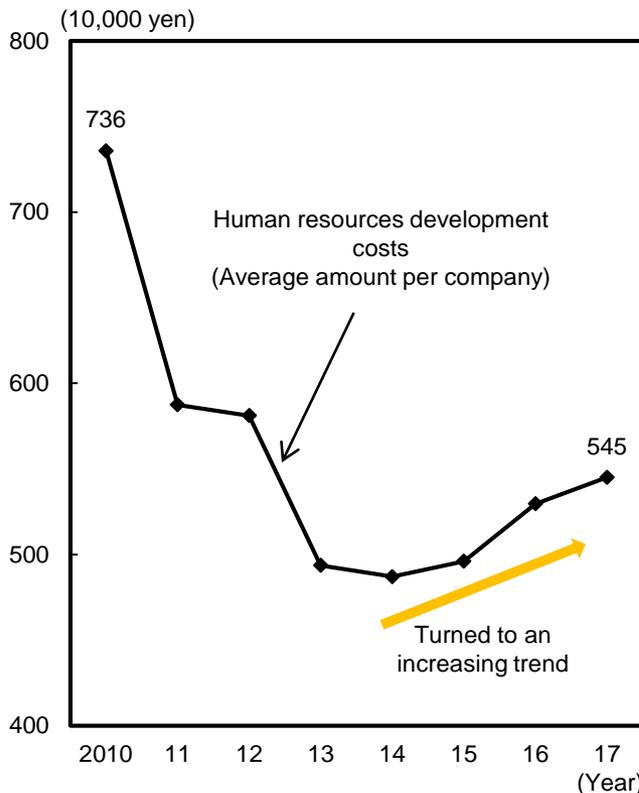
Source: Prepared based on "System of National Accounts", Cabinet Office; "JIP Database", Research Institutes of Economy, Trade and Industry; and INTAN-Invest database

(Note) The figure shows 5-year average transition of the percentage of vocational ability development costs in real GDP. Vocational ability development costs here refer to the estimated values of the amounts of OFF-JT indicating internal and external training costs, etc., and do not include costs required for OJT.

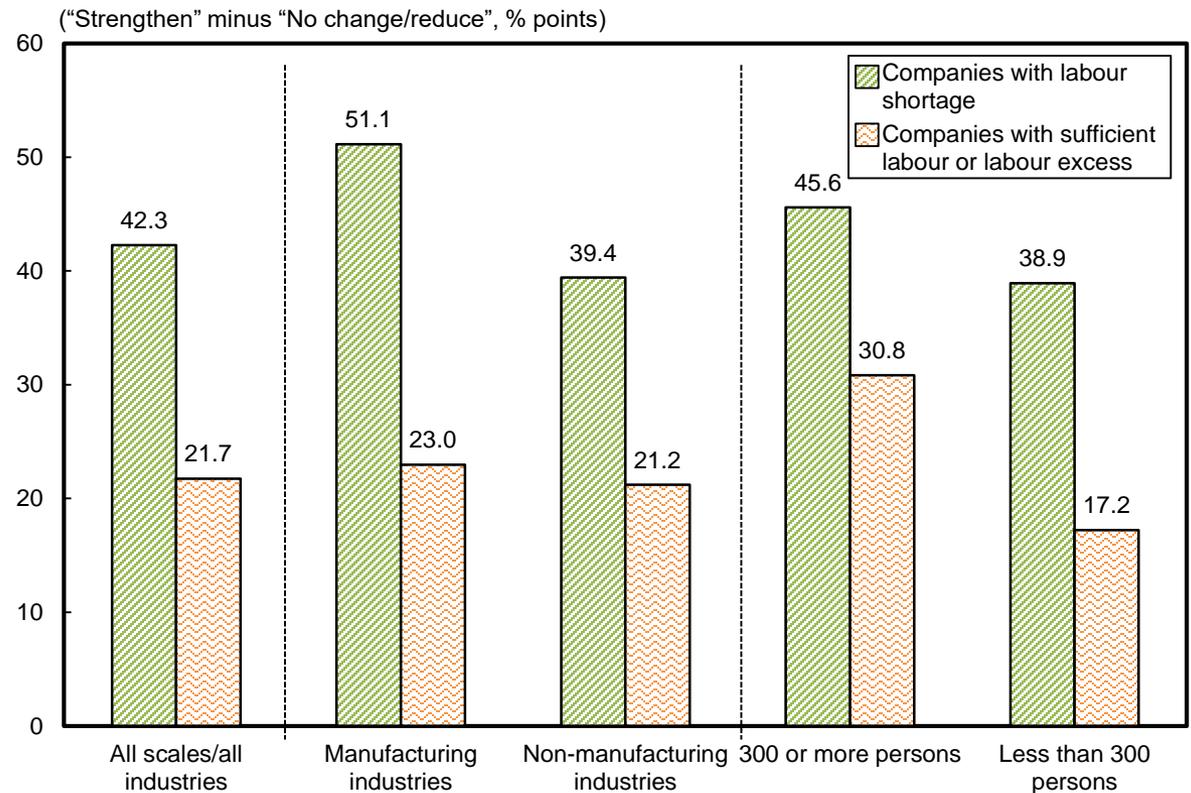
— Costs of Vocational Ability Development and Outlook for Human Resource Development —

- Corporate investment in vocational ability development kept falling between 2010 and 2014, but started rising in 2015.
- Many companies, especially those facing serious labor shortages, are likely to start stepping up efforts on human resource development.

Corporate investment in vocational ability development (3-year backward moving average)



Outlook for human resource development in 5 years at companies facing labor shortages and firms having sufficient manpower



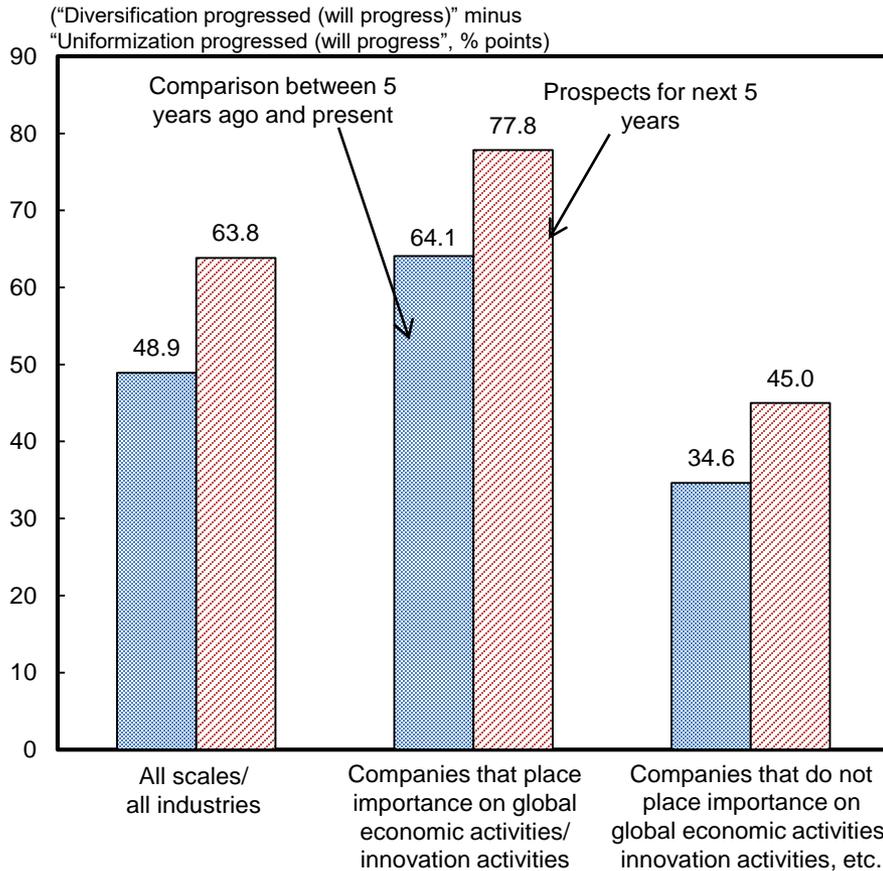
Source: Prepared based on “Basic Survey of Human Resources Development”, MHLW (left figure); and “Survey on Progress in Diversified Work Styles and Ideal Human Resource Management” (2018), The Japan Institute for Labour Policy and Training (right figure)

- (Notes) 1) The left figure shows, as vocational ability development costs borne by each company, the 3-year backward moving average of transitions of the total amount of OFF-JT costs and costs for supporting self-development.
- 2) The right figure shows the percentage of companies intending to strengthen human resource development in the next 5 years and the percentage of companies intending to make no change or reduce, covering companies with an insufficiency of labour shortage for both regular employees and non-regular employees at present and companies with sufficient labour or labour excess for both regular employees and non-regular employees.

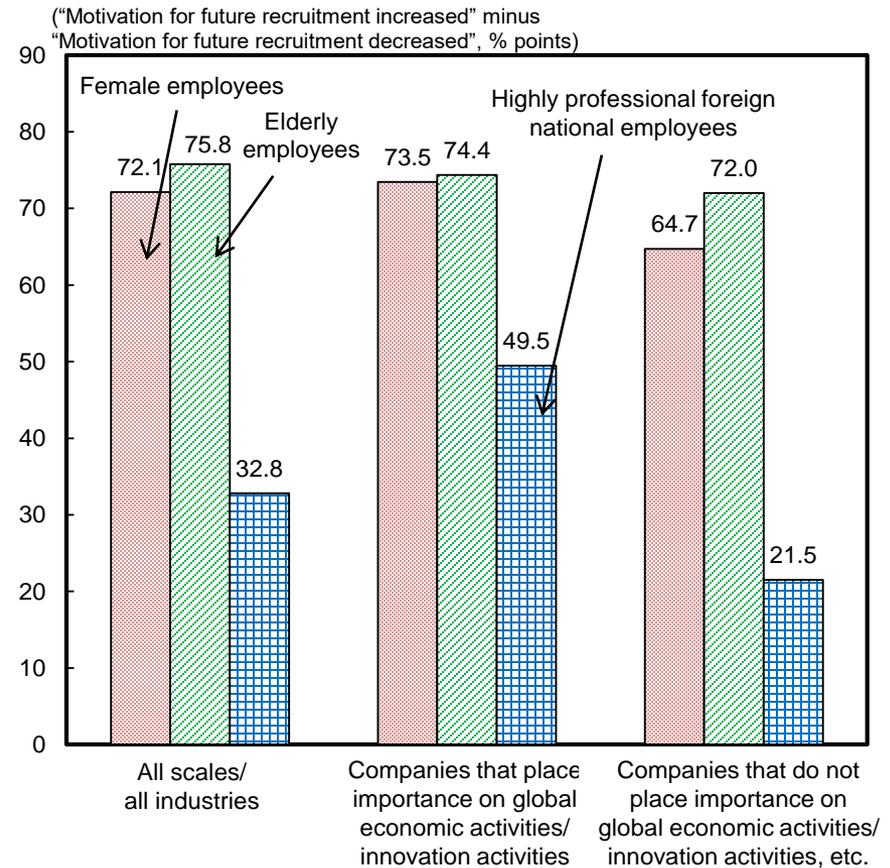
— Diversity in Workforce Within the Company and Future Prospects —

- The workforce is more diverse today than five years ago, or in 2013, at companies placing importance on global economic activities and innovation. And the workplace is expected to become even more diverse as companies hire more women and highly-skilled foreign professionals.

Diversity in workforce within the company and future prospects



Prospects for manpower in 5 years at companies having an increasingly diverse workforce

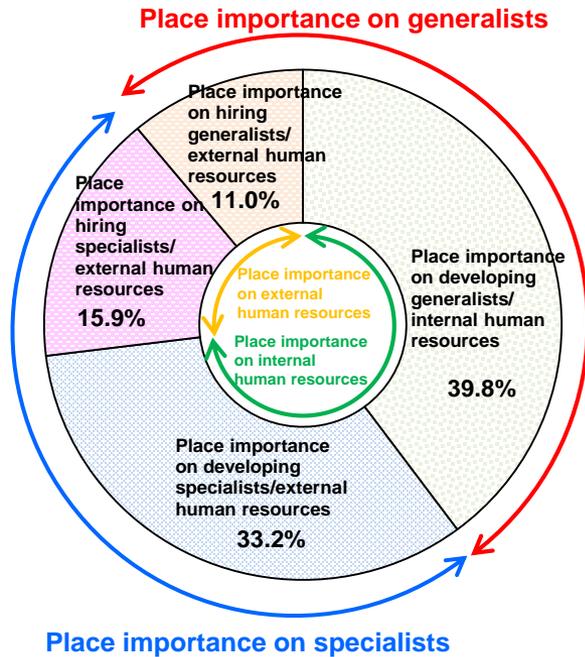


Source: Prepared based on “Survey on Progress in Diversified Work Styles and Ideal Human Resource Management” (2018), The Japan Institute for Labour Policy and Training
 (Notes) 1) The bar chart in the left figure shows the difference in percentages between companies considering that diversification, including sex, age, nationality, employment form, and type of occupation, etc., of internal human resources progressed (will progress) and companies considering that uniformization progressed (will progress).
 2) The bar chart in the right figure shows, of companies with progressed diversification of internal human resources, the difference in percentages between companies with increased motivation to hire diversified human resources in the next 5 years and companies with decreased motivation.

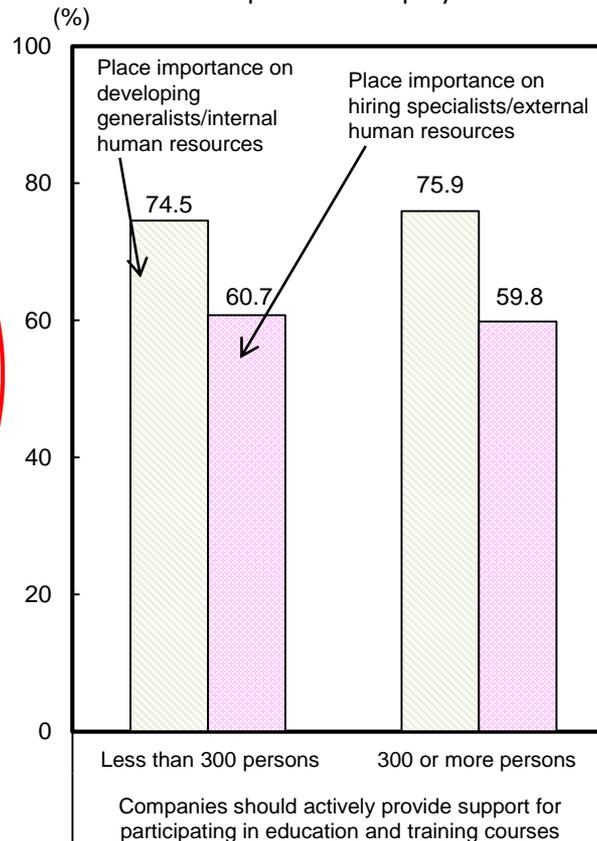
— Companies' Views on Human Resource Management and Vocational Ability Development of Employees —

- The majority of companies place importance on developing generalists/internal human resources, but their views on human resource management vary from company to company
- Companies that place importance on developing generalists/internal human resources believe that they need to step up efforts to help their employees develop vocational abilities.
- Among such companies, those emphasizing global economic activities and innovation think that having specialists on staff will become increasingly important in the future.

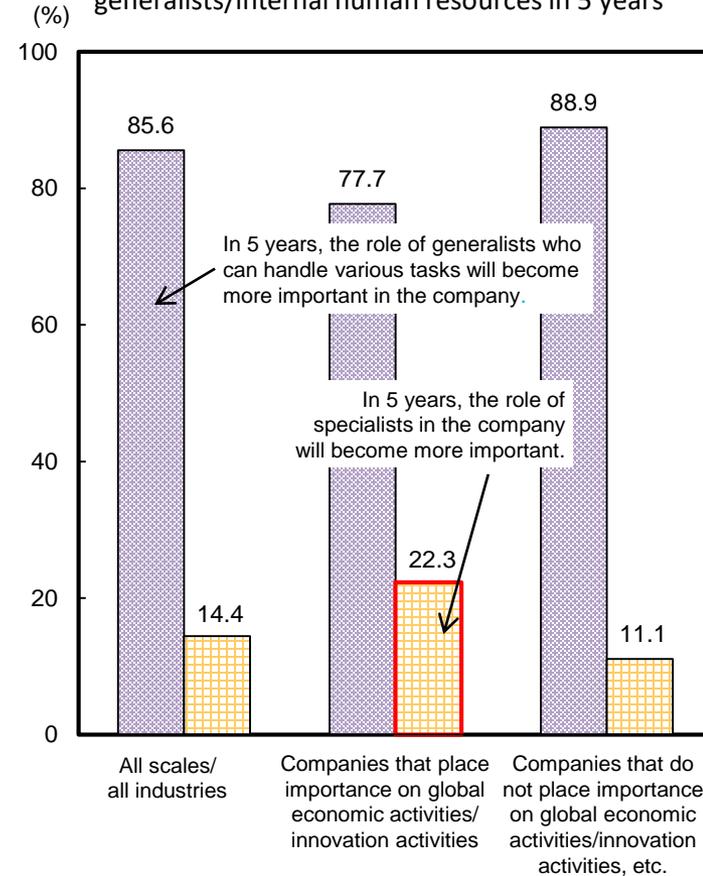
Companies' views on human resource management



Companies' views on vocational ability development of employees



Companies placing importance on developing generalists/internal human resources in 5 years



Source: Prepared based on "Survey on Progress in Diversified Work Styles and Ideal Human Resource Management" (2018), The Japan Institute for Labour Policy and Training

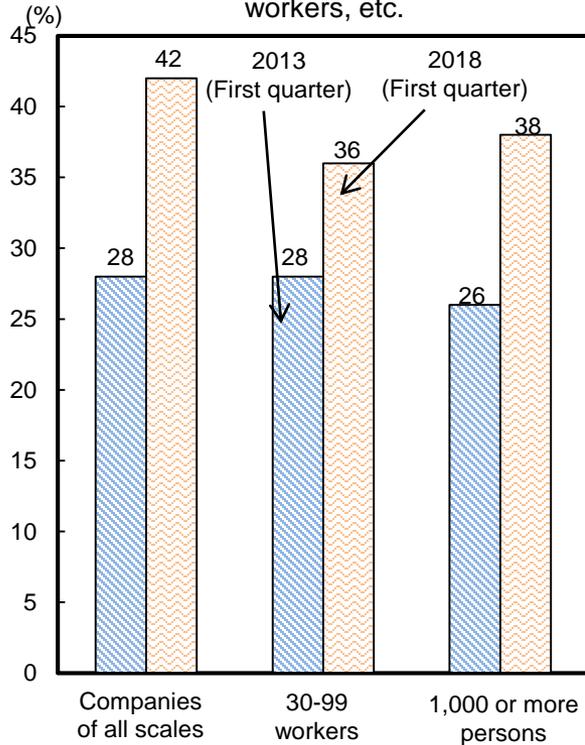
(Notes) 1) The middle figure summarizes companies' attitudes toward education/training by current human resource management policy.

2) The right figure shows, of companies that place importance on developing generalists/internal human resources, the percentage of those considering that the importance of generalists/specialists will increase in the next 5 years.

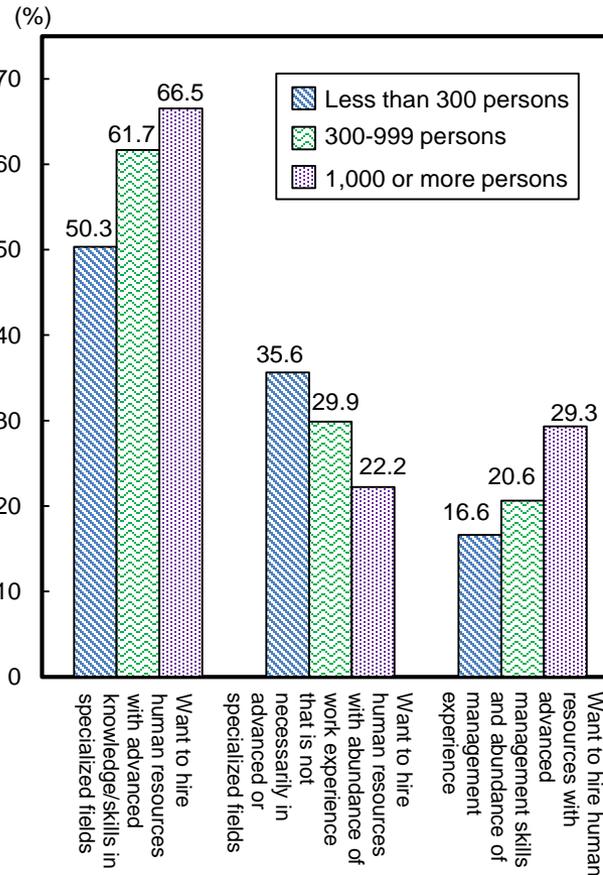
— Mid-career Recruiting and Future Prospects —

- More business establishments, especially large companies, hire mid-career workers than five years ago.
- Large companies are seeking to hire mid-career workers with great management and other skills on full-time contracts, while small and medium-sized companies are hiring full-time permanent mid-career staff who have considerable work experience. Both large and smaller companies are expected to recruit more workers in mid-career.

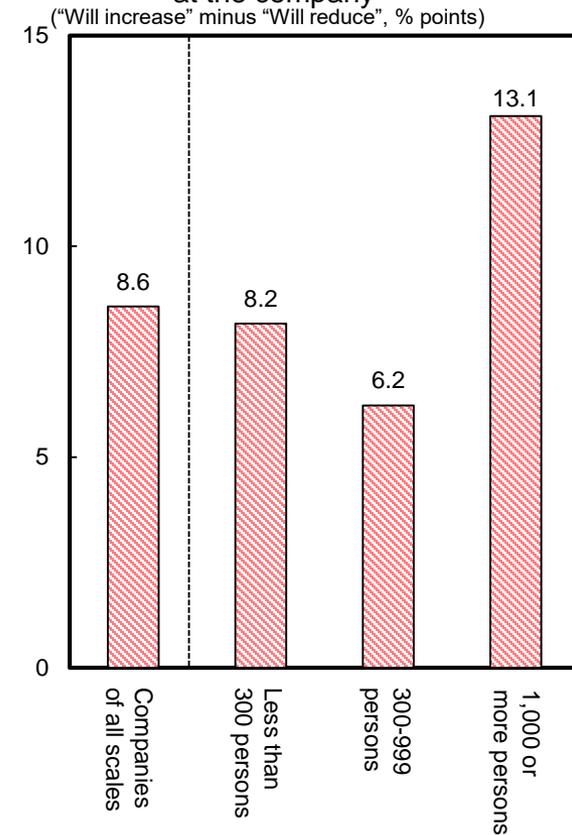
Percentage of establishments that have hired mid-career full-time permanent workers, etc.



Companies' purpose of recruiting mid-career employees



Future plan: share of midcareer full-time workers in the total full-time permanent workers at the company



Source: Prepared based on "Survey on Labour Economy Trend", MHLW (left figure); and "Survey on Diversified Recruitment by Companies" (2017), The Japan Institute for Labour Policy and Training (middle figure and right figure)

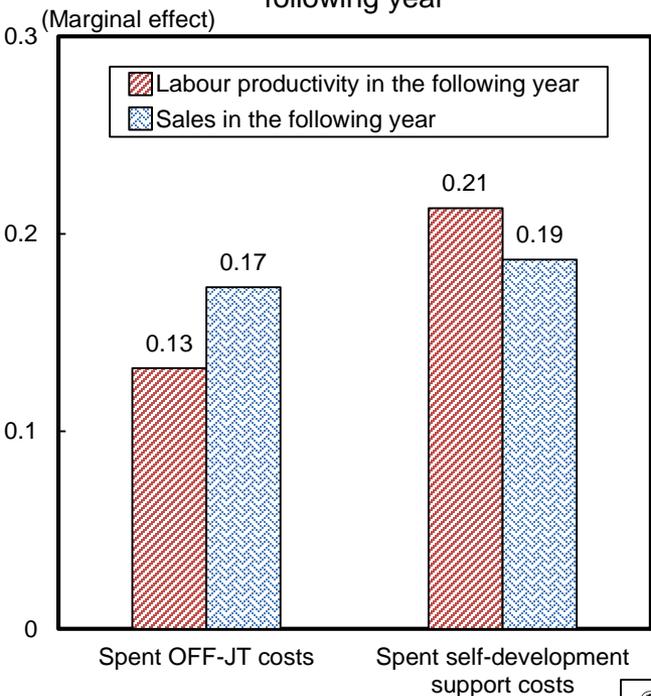
(Note) "Regular employee, etc." in the left figure refers to those employed without a definite period or those employed by concluding employment contracts for the period of at least one year, excluding part-time workers.

Part II Chapter 2: Challenges: Human Resource Development that Varies According to Diversified Work Styles and the Changing Business Environment

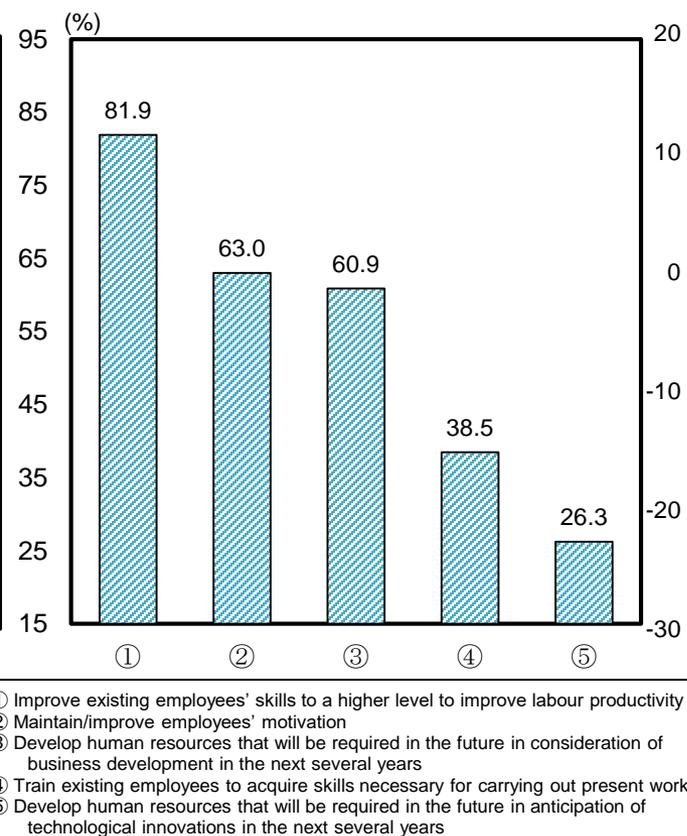
— Relationship between Vocational Ability Development and Companies' Performance/Workers' Motivation —

- Labor productivity tends to rise in the following year at companies that have invested in off-the-job training and employees self-development.
- Many companies cite maintaining/improving labour productivity and employee motivation, etc. as the purpose of human resource development.
- In companies actively working on human resource development, workers tend to get much motivated than those in other firms.

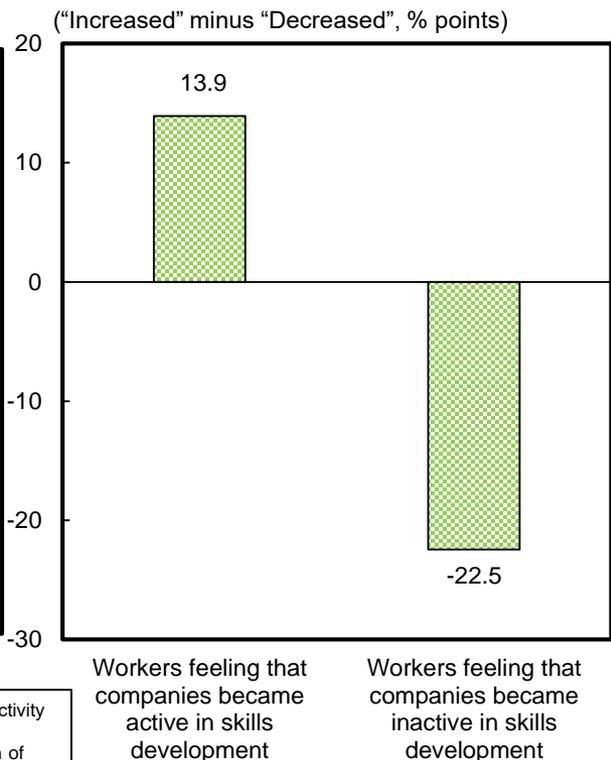
Effects of corporate investment in vocational ability development on business performance in the following year



Companies' purpose of human resource development



Diffusion index (DI) of employee motivation to work by companies' view on vocational ability



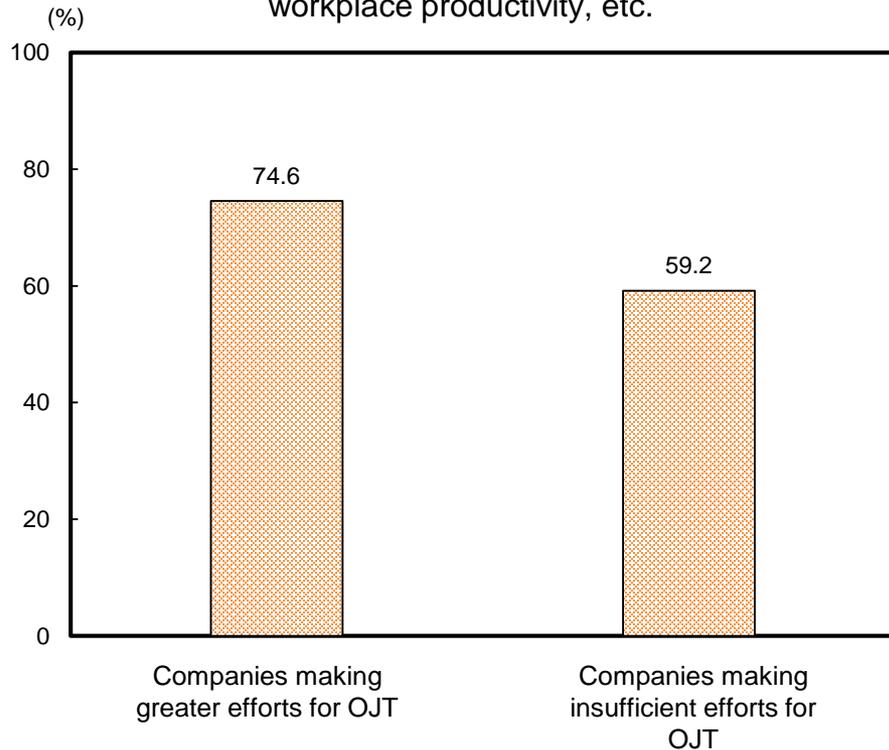
Source: Prepared based on "Basic Survey of Human Resources Development", MHLW (left figure); "Ministry of Economy, Trade and Industry Basic Survey of Japanese Business Structure and Activities", METI (left figure); and "Survey on Progress in Diversified Work Styles and Ideal Human Resource Management" (2018), The Japan Institute for Labour Policy and Training (middle figure and right figure)

(Note) "Marginal effect" in the left figure indicates the degree of effect of the given explanatory variable on the explained variable. For example, it is shown that companies that "spent OFF-JT costs" have the effect of improving, when compared to other companies, labour productivity by 0.13 (=13%) and sales by 0.17 (=17%) in the following year. In addition, the effects of implementing vocational ability development on labour productivity and sales amount in the following year were estimated using panel data created by linking individual data of the "Basic Survey of Human Resources Development" and the "Ministry of Economy, Trade and Industry Basic Survey of Japanese Business Structure and Activities".

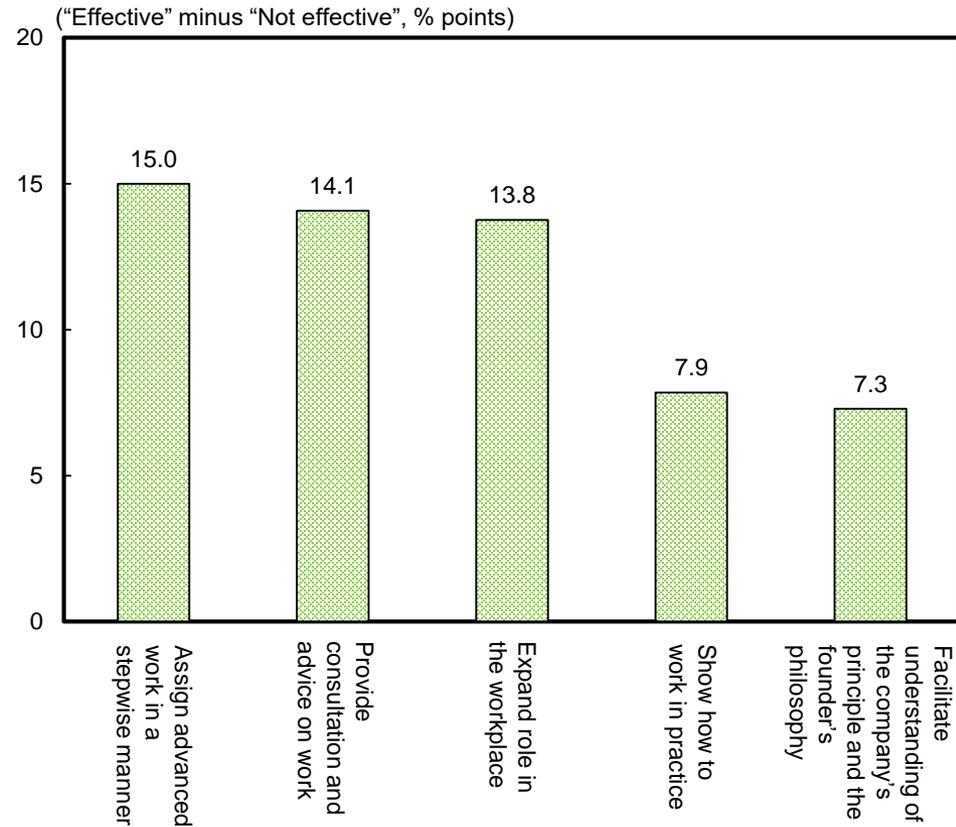
— Efforts for OJT to Lead to Higher Workplace Productivity, etc. —

- Many companies making greater efforts for OJT recognize that OJT is effective and efficient, contributing to improvement in workplace productivity .
- Efforts for OJT such as assigning employees more challenging tasks according to their ability may lead to higher workplace productivity, etc.

Percentage of companies recognizing that human resource development leads to improvement in workplace productivity, etc.



Efforts for OJT and corporate perception of effectiveness of OJT in improvement in workplace productivity, etc.



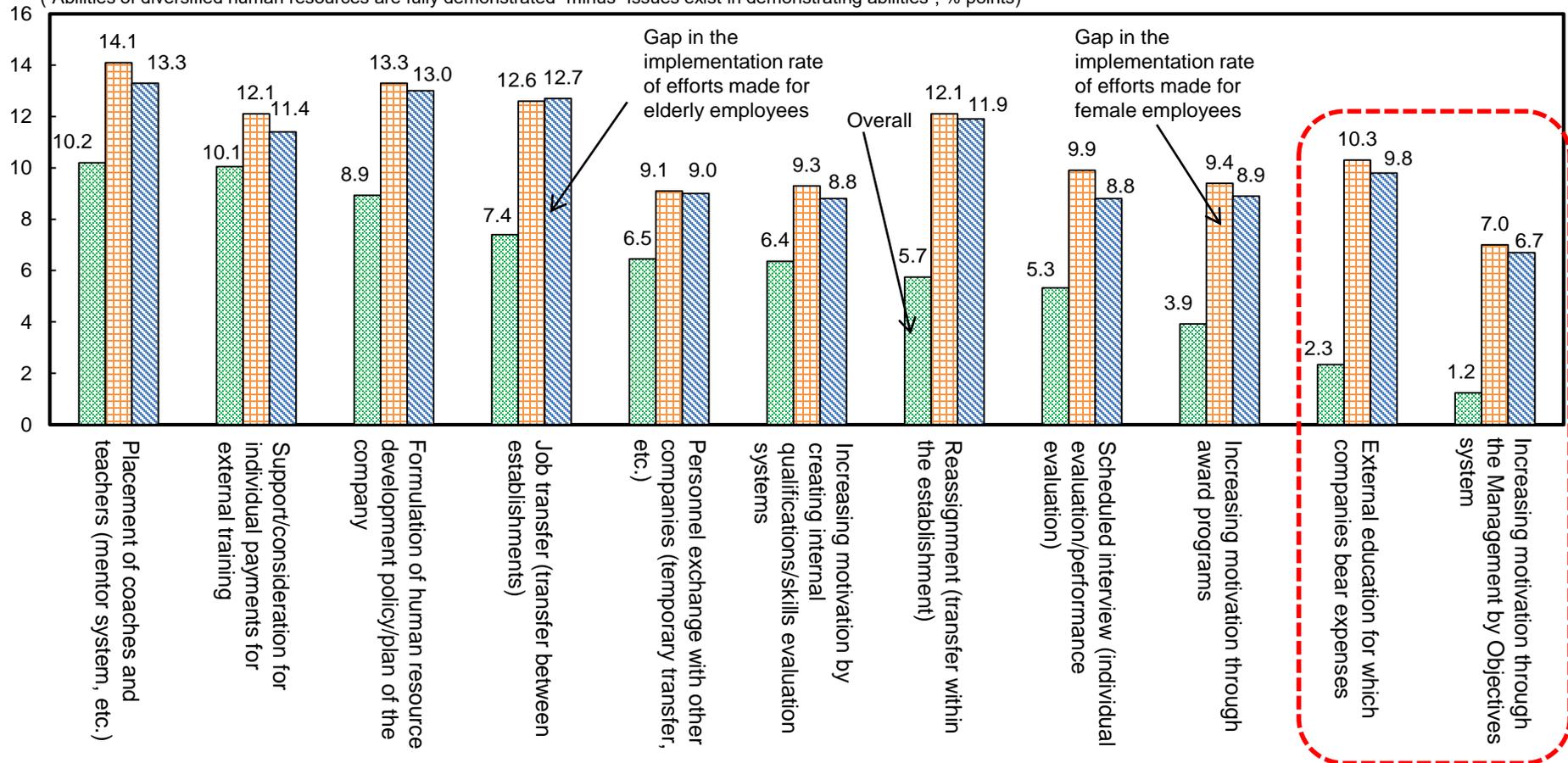
Source: Prepared based on "Survey on Current Status and Issues of Human Resource Development and Vocational Ability Development" (2017), The Japan Institute for Labour Policy and Training
 (Notes) 1) "Companies with a relatively large number" in the left figure refers to companies that implement at least six of 16 OJT related efforts, such as "Assign advanced work in a stepwise manner" and "Provide consultation and advice on work", etc., and "Companies with a relatively small number" refers to companies that implement less than six efforts.
 2) The right figure shows the top five OJT related efforts with the largest gap in the implementation rate between companies recognizing that human resource development is effective in improving productivity at the workplace and OJT is going well and companies recognizing that human resource development is not effective in improving productivity at the workplace and OJT is not going well.

— Human Resource Management to Allow All Types of Employees to Demonstrate Their Abilities —

- There are gaps in vocational ability development opportunities for female and elderly workers. Those gaps are found in between companies in which all types of employees can fully demonstrate their abilities and those facing challenges to overcome. The disparities are larger in each development opportunity for female and elderly employees than one for the entire workforce.
- Japanese companies are lagging behind on efforts to invest in educational programs provided outside the company and enhance employees motivation through goal settings for female and elderly workers. Thus, those companies need to step up such efforts.

Gap in the implementation rate of human resource management related to vocational ability development by status of demonstration of abilities of diversified human resources

(“Abilities of diversified human resources are fully demonstrated” minus “Issues exist in demonstrating abilities”, % points)

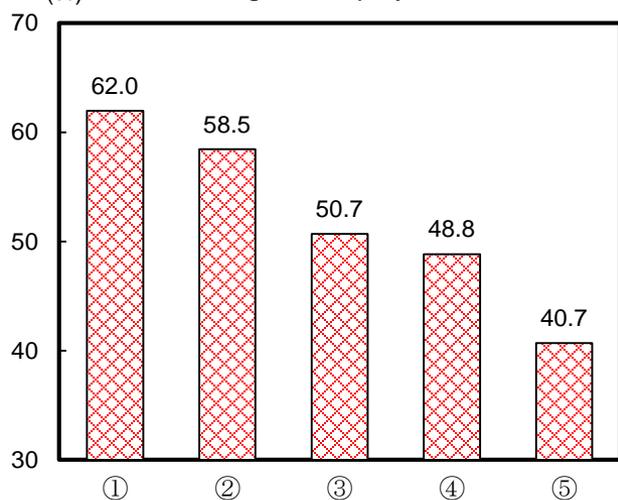


— Human Resource Development to Meet Diversified Work Styles, and Future Efforts to Achieve the Goal —

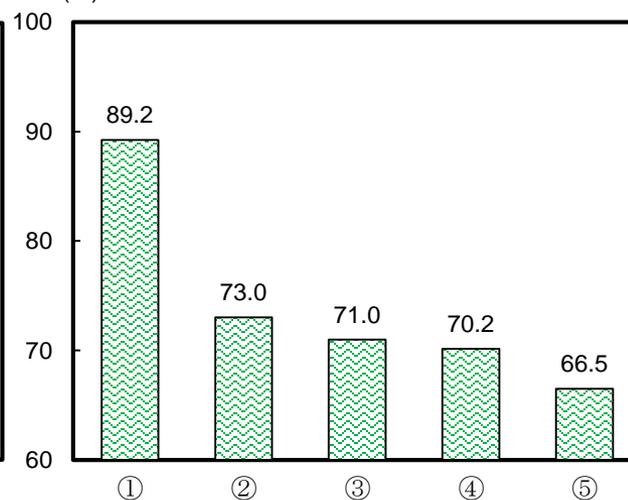
- Some companies struggle with creating a workplace where different types of employees can demonstrate their abilities. But they recognize that they need to spend more time to cultivate human resources and that they have to deal with employees in leadership positions who lack the ability to nurture human resources.
- In such companies, both labour and management focus on helping those in leadership positions improve their ability to nurture human resources and results of their efforts to develop employees' vocational abilities. The aim is to promote better human resource development practice.

Issues concerning human resource development and efforts planned for implementation in the future, etc. of companies with issues in demonstration of abilities of diversified human resources

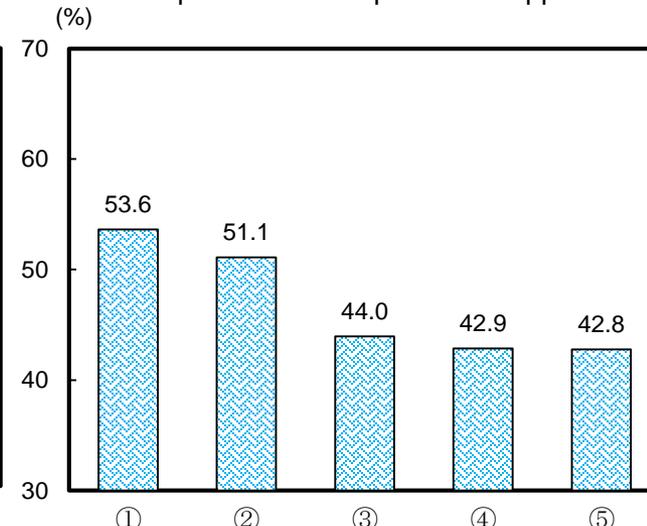
Issues that companies have in human resource development concerning so-called regular employees (%)



Matters planned for implementation in the future by companies planning to strengthen human resource development (%)



Items that regular employees consider important for Companies to support (%)



- ① Employees are busy in their operations and cannot allocate time for human resource development
- ② Ability to develop human resources and awareness for guidance is lacking in superiors, etc.
- ③ Employees' motivation to receive human resource development is low
- ④ A system that enables, when employees are absent to engage in vocational ability development, others to take on their operations during their absence has not been established
- ⑤ Atmosphere to actively implement human resource development is lacking within the company

- ① Improve abilities of superiors, etc. to develop human resources and awareness for guidance
- ② Highly rate superiors who are active in developing their subordinates in the performance evaluation (including wage raise, promotion, etc.)
- ③ Increase employees' motivation toward vocational ability development by encouragement from top management, etc.
- ④ Highly rate the status of employees' vocational ability development efforts in the performance evaluation (including wage raise, promotion, etc.)
- ⑤ Expand budget for human resource development

- ① Highly rate the status of employees' vocational ability development efforts in the performance evaluation (including wage raise, promotion, etc.)
- ② Improve ability of superiors, etc. to develop human resources and awareness for guidance
- ③ Increase employees' motivation toward vocational ability development by encouragement from top management, etc.
- ④ Establish a system that enables, when persons in charge are absent, to engage in vocational ability development, others to take on their operations during their absence
- ⑤ Give consideration to working hours

Source: Prepared based on "Survey on Progress in Diversified Work Styles and Ideal Human Resource Management" (2018), The Japan Institute for Labour Policy and Training

(Notes) 1) The left figure shows issues that companies with issues in demonstration of abilities of diversified human resources have in human resource development concerning so-called regular employees. Multiple answers allowed.

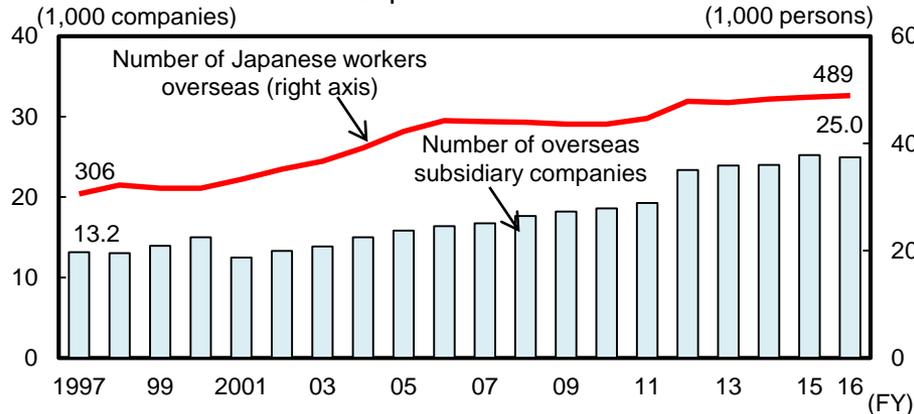
2) The middle figure shows efforts planned for implementation by companies with issues in demonstration of abilities of diversified human resources planning to strengthen human resource development. Multiple answers allowed.

3) The right figure shows companies' support that regular employees working for companies with issues in demonstration of abilities of diversified human resources consider important for actively promoting vocational ability development. Answered by selecting top 5 out of 13 items.

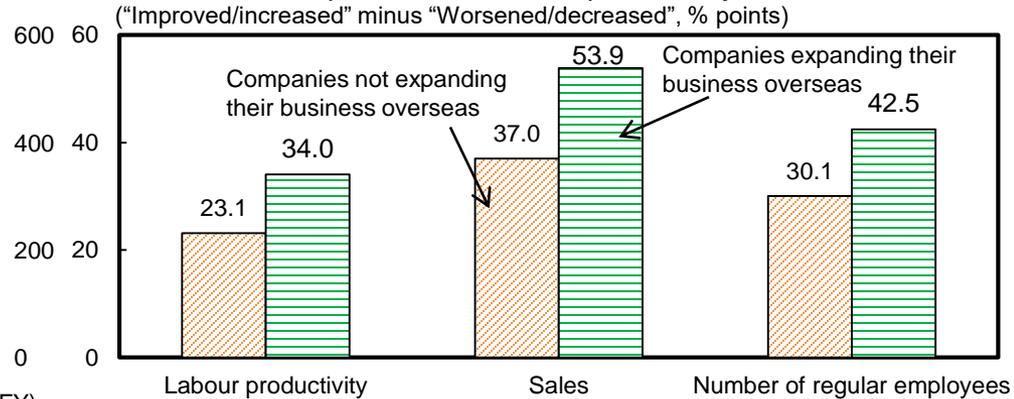
— Status of Global Expansion of Japanese Companies and Its Relationship with Labour Productivity Growth and Vocational Abilities, etc. —

- Overseas expansion of Japanese companies is steadily increasing, and companies expanding their business overseas are thereby improving labour productivity, etc. while increasing the number of regular employees in Japan.
- From the point of view of improved vocational abilities and satisfaction with job transfer experience, overseas job transfer is more highly valued than domestic job transfer.

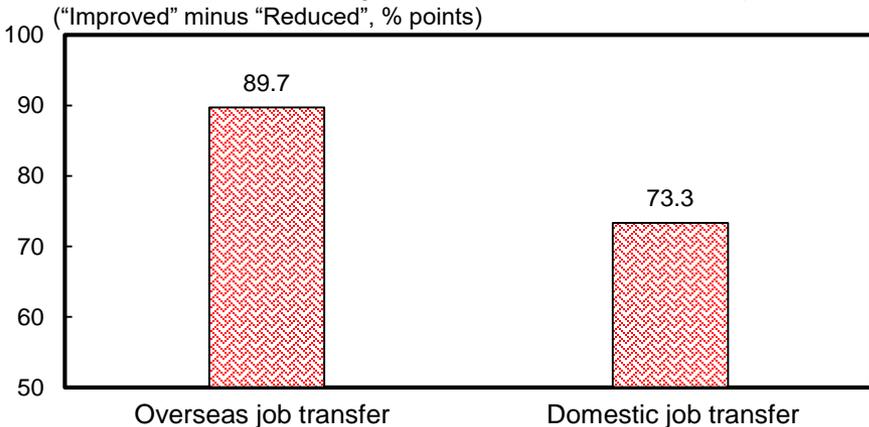
Number of overseas subsidiary companies and number of Japanese workers overseas



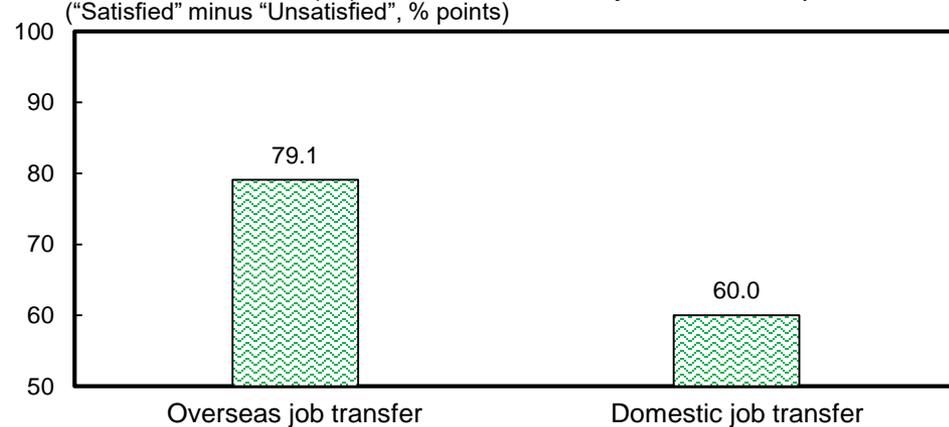
Relationship between overseas business expansion and labour productivity, etc.



Diffusion index (DI) of change in vocational abilities after job transfer



Diffusion index (DI) of satisfaction with job transfer experience



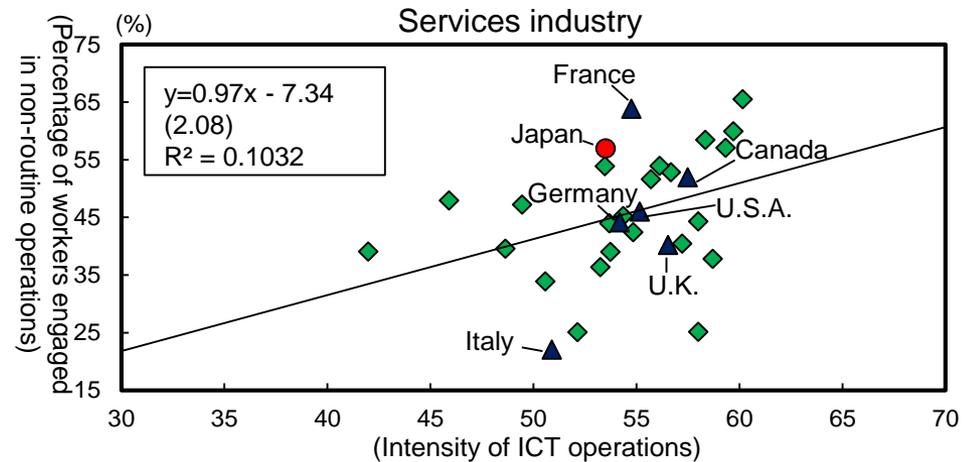
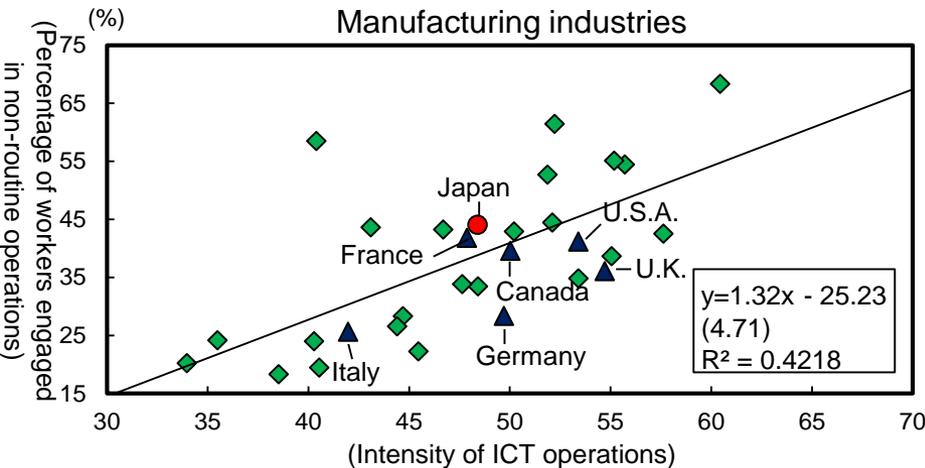
Source: Prepared based on "Basic Survey of Overseas Business Activities", METI (upper left figure); "Survey on the Japanese Nationals Overseas", MFA (upper left figure); "Survey on Progress in Diversified Work Styles and Ideal Human Resource Management" (2018), The Japan Institute for Labour Policy and Training (upper right figure); and "Survey on Actual Situation of Job Transfers in Companies" (2017), same (lower left figure and lower right figure)

(Note) The upper right figure shows the diffusion index (DI) of change in labour productivity, etc. from 5 years ago to present.

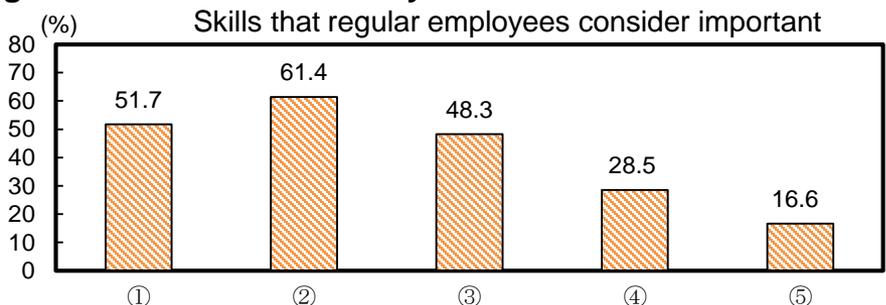
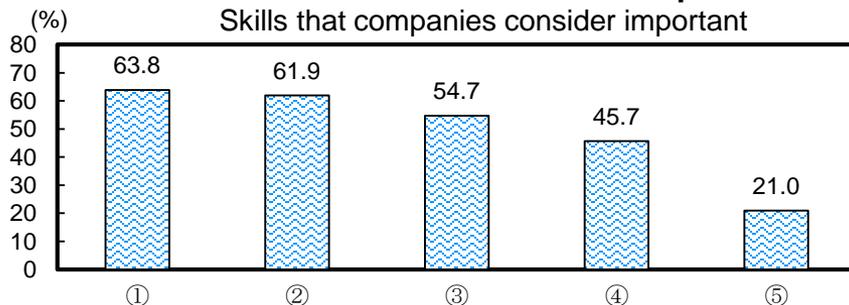
— Impacts, etc. of Advancement in ICT on Work Styles —

- Both in the manufacturing and services industries, the more companies are ICT intensive, the higher the share of workers engaged in non-routine tasks.
- As the use of AI becomes common, both labour and management value qualities such as willingness to take on new challenges, etc. and communication skills.

Relationship between the intensity of ICT use and the share of workers engaged in non-routine tasks



Skills considered important in the age in which AI is commonly utilized



- ① Human qualities such as willingness to take on new challenges, self-motivation, ability to take action, and insight, etc.
 ② Human relations skills such as communication skills and coaching, etc.
 ③ Planning/expressive abilities and creativity
 ④ Operational execution capabilities such as ability to collect information, ability to solve problems, and logical thinking
 ⑤ Basic knowledge such as language skills, understanding, and expression

Source: Prepared based on “Science, Technology and Industry Scoreboard 2017”, OECD (upper left figure and upper right figure); “Survey on Status of Responding to Innovations” (2017), The Japan Institute for Labour Policy and Training (lower left figure); and “Survey on How to Work for Responding to Innovations” (2017), same (lower right figure)

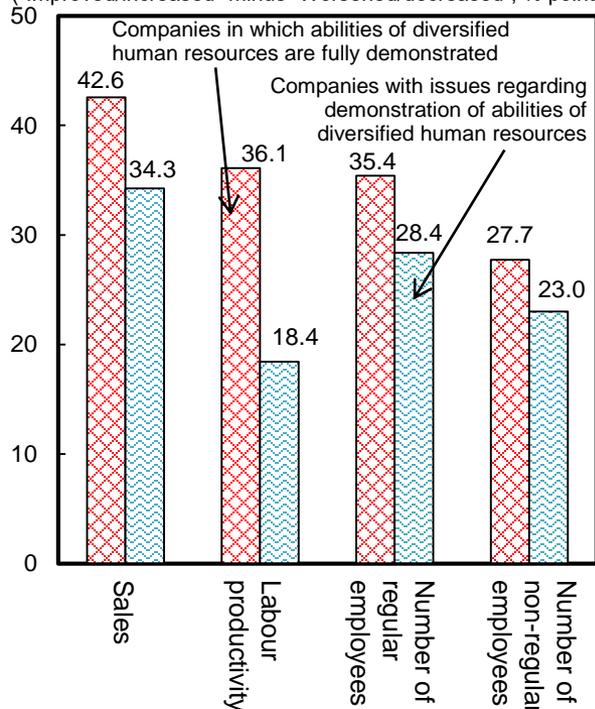
(Notes) 1) “Intensity of ICT operations” indicates the value calculated by OECD based on the index of the use of the Internet, etc. using PIAAC, and “percentage of workers engaged in non-routine operations” indicates the value calculated by OECD that is the percentage of workers engaged in occupations for which the intensity of routine operations is lower than the median obtained by listing occupations in order according to the intensity of routine operations.

Part II Chapter 3: Promote Better Employment Management that Varies According to Diversified Working Styles — How Job Performance of Various Employees with Different Backgrounds Affects Labor Productivity and Human Resource Management, etc. —

- Businesses need to provide more opportunities for vocational ability development to employees and work on eliminating unreasonable disparities in working condition between employees (between men and women, between regular and non-regular workers, etc.), etc. in order to create a workplace where employees from diverse backgrounds can demonstrate their abilities and improve labor productivity.
- Companies should improve vocational ability development programs and help workers balance work and caregiving. They also need to take steps to help employees return to work, or assign and reassign them, especially female and elderly workers, to meet their wishes.

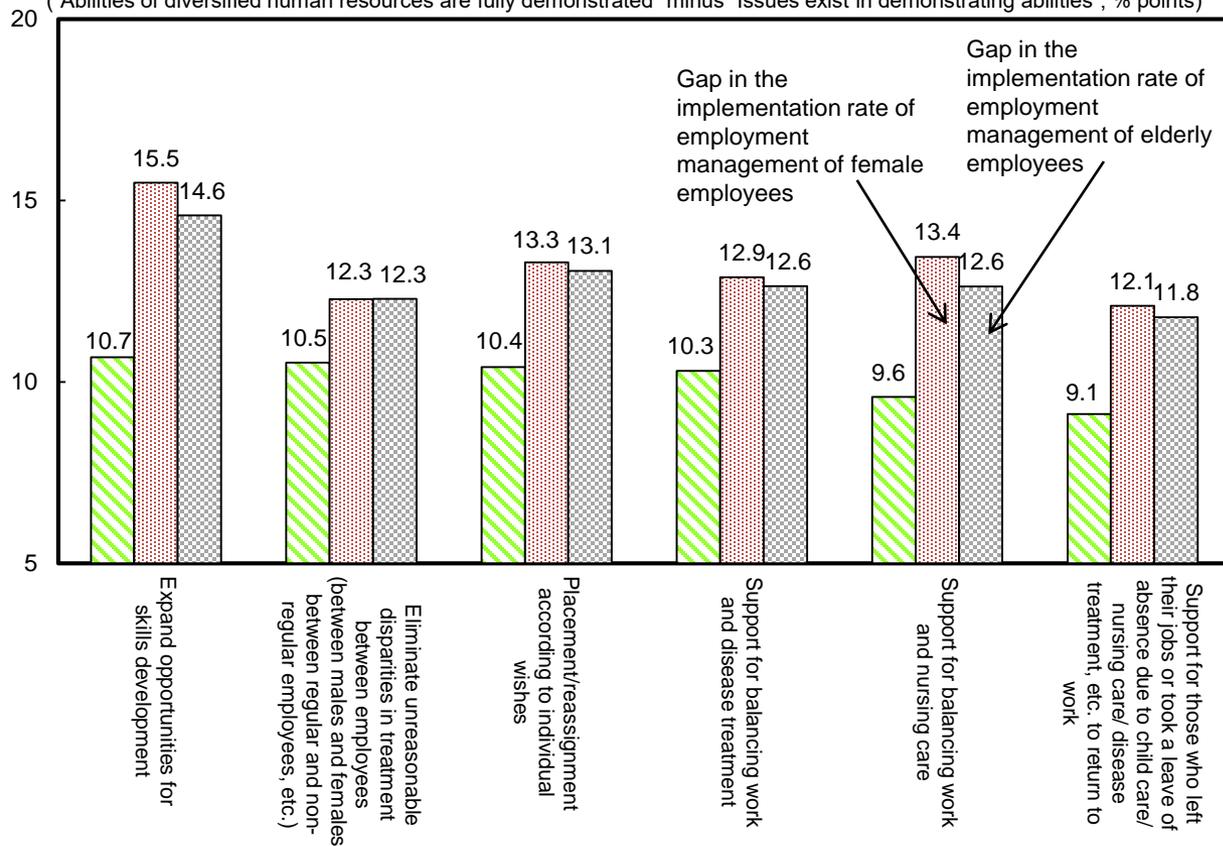
How job performance of various employees with different backgrounds affects sales and labor productivity, etc.

(“Improved/increased” minus “Worsened/decreased”, % points)



Gap in employment management of regular employees between “companies in which abilities of diversified human resources are fully demonstrated” and “companies with issues in demonstration of abilities”

(“Abilities of diversified human resources are fully demonstrated” minus “Issues exist in demonstrating abilities”, % points)

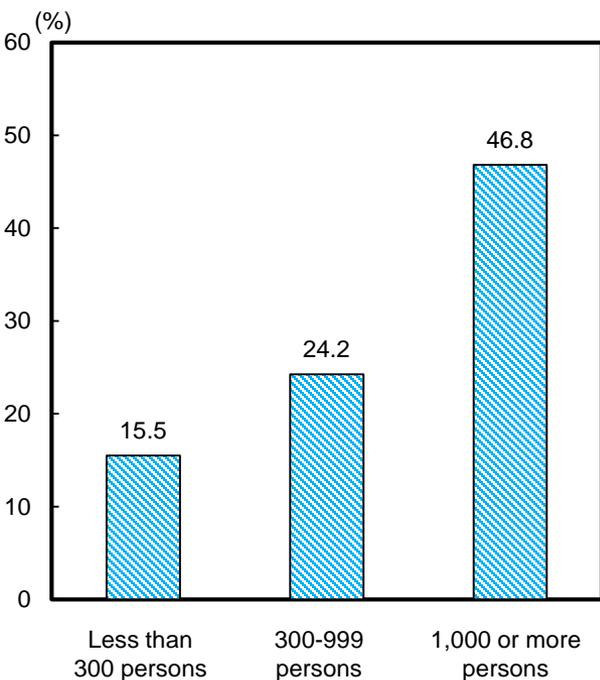


Source: Prepared based on “Survey on Progress in Diversified Work Styles and Ideal Human Resource Management” (2018), The Japan Institute for Labour Policy and Training
 (Note) The left figure shows the diffusion index (DI) of changes in sales, labour productivity, number of regular employees, and number of non-regular employees from 5 years ago to present.

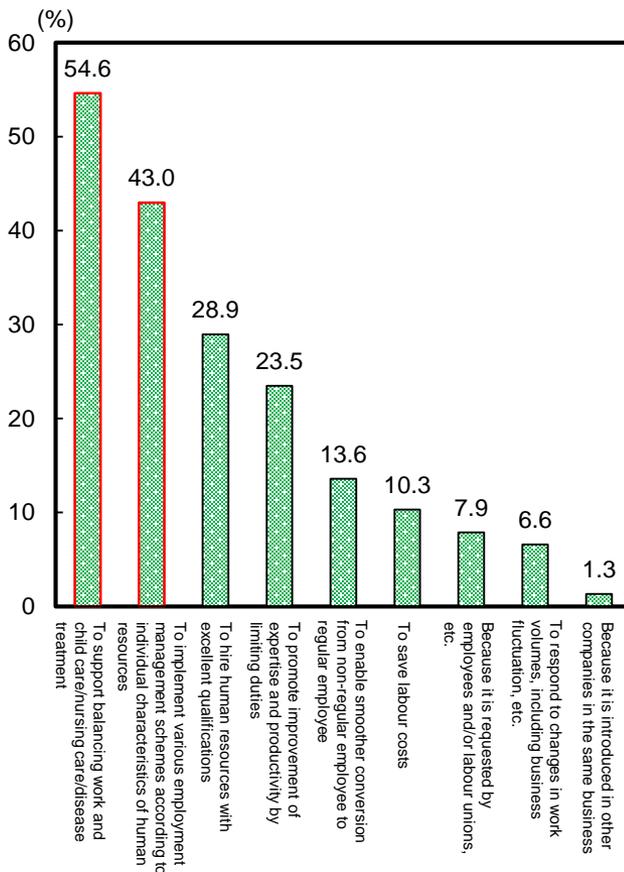
— Status of Companies Embracing a Limited Regular Employee System and Intentions of Companies/Workers —

- Nearly 50% of major companies have introduced the limited regular employee system, or a *gentei shain* labor contract.
- Companies making use of the limited regular employee contracts say they have embraced such an employment style in order to help employees balance work and child-rearing/caregiving/disease treatment and promote a diverse human resource management. In fact, approximately 50% of female workers say they want to work as a limited regular employee.

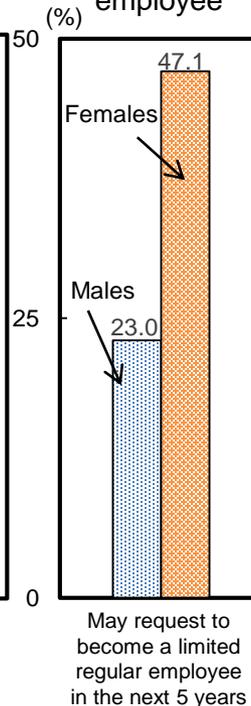
Percentage of companies with limited regular employees



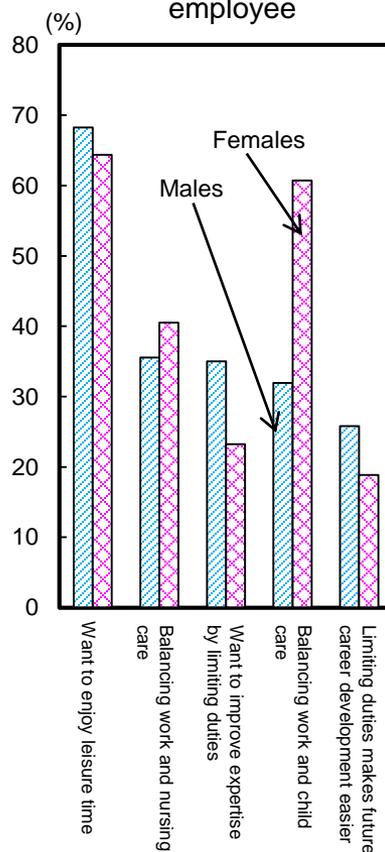
Reasons that companies introduced the work style of limited regular employee



Intention for the work style of limited regular employee



Reasons for wishing to work as a limited regular employee



Source: Prepared based on "Survey on Progress in Diversified Work Styles and Ideal Human Resource Management" (2018), The Japan Institute for Labour Policy and Training

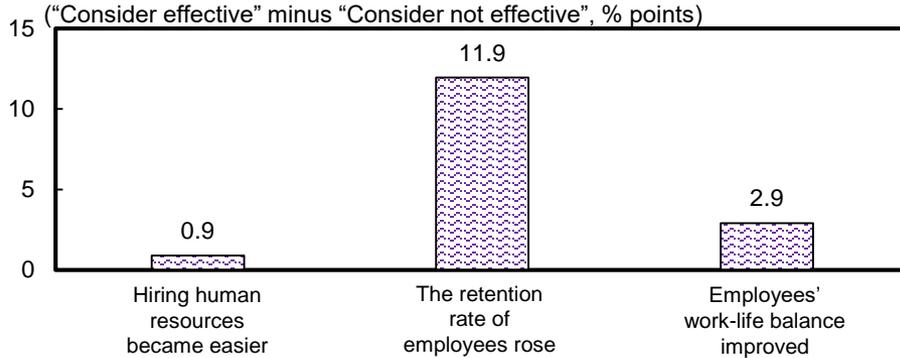
(Notes) 1) The right figure shows the answers to the question asking so-called regular employees who may wish to work as limited regular employees about the reason for wishing to do so.

2) "Limited regular employee" refers to many types of regular employee who have concluded indefinite-term labour contracts, just like regular personnel/employees, but whose work location, duties, working hours, etc. are limited.

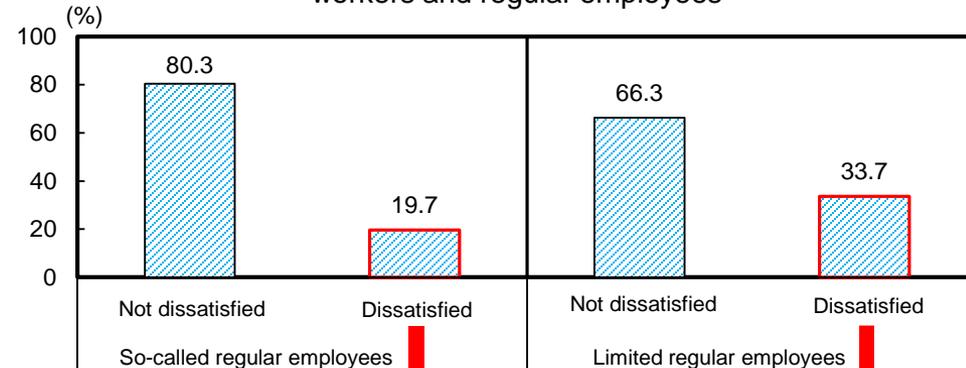
— Effects of Introducing the Limited Regular Employee System and Employee Dissatisfaction about the Difference between Limited Regular Workers and so-called Regular Employees—

- Introduction of the limited regular employee system can boost the retention rate of the employees. But both regular and limited regular employees are dissatisfied with work styles of others : many of them complain about a wage system.
- For this reason, when introducing the limited regular employee system, labour and management should review the way employees perform their job duties and discuss differences in working condition, including wages, etc. so that employees on both types of employment contracts can accept the differences.

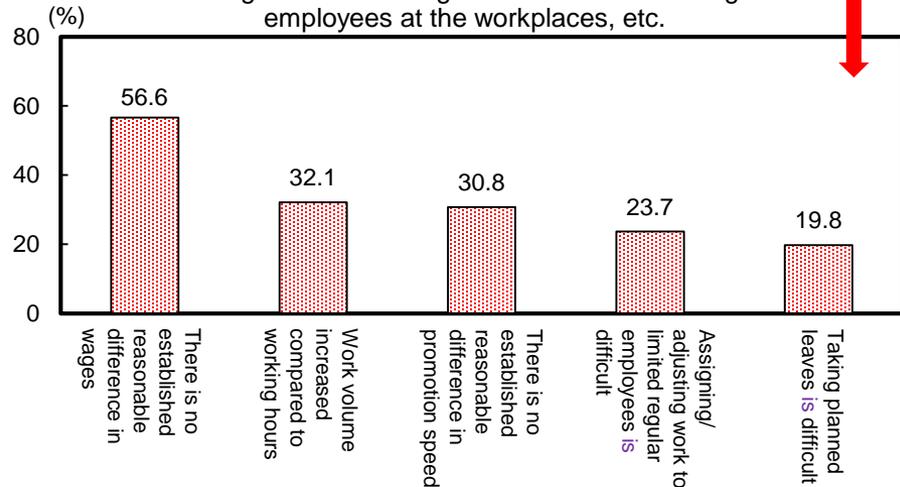
Impacts of the introduction of the limited regular employee system on the company



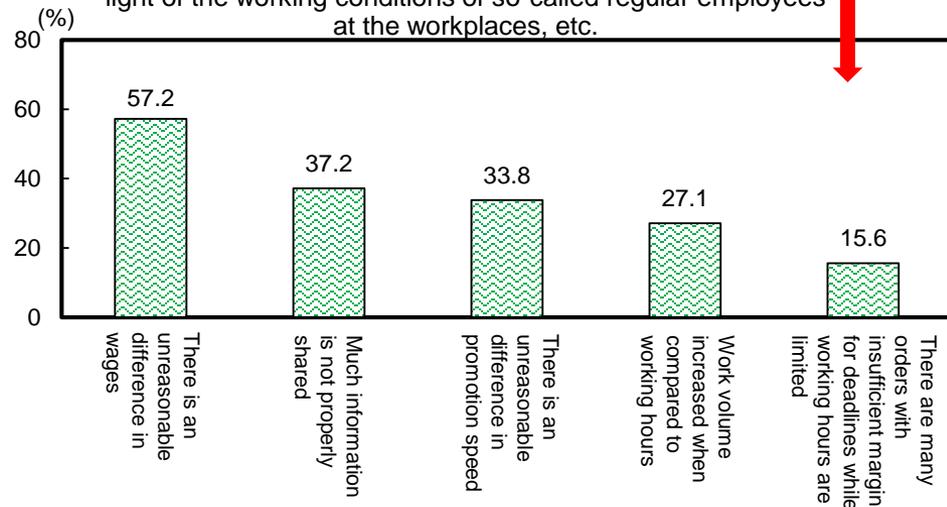
State of dissatisfaction about the difference between limited regular workers and regular employees



Matters that so-called regular employees are dissatisfied with in light of the working conditions of limited regular employees at the workplaces, etc.



Matters that limited regular employees are dissatisfied with in light of the working conditions of so-called regular employees at the workplaces, etc.

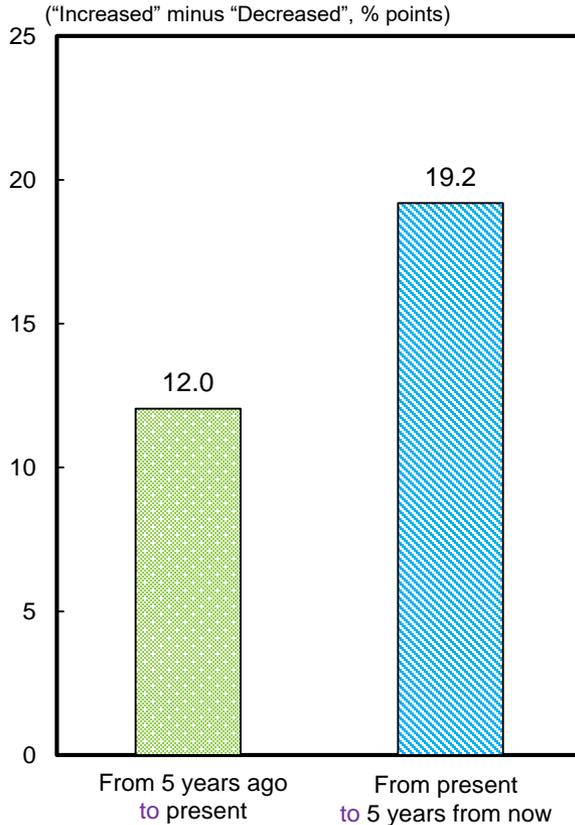


Source: Prepared based on “Survey on Progress in Diversified Work Styles and Ideal Human Resource Management” (2018), The Japan Institute for Labour Policy and Training
 (Note) The lower left figure and the lower right figure show the matters that those who answered “dissatisfied” when so-called regular employees and limited regular employees compared work styles of each other are dissatisfied with. Multiple answers allowed.

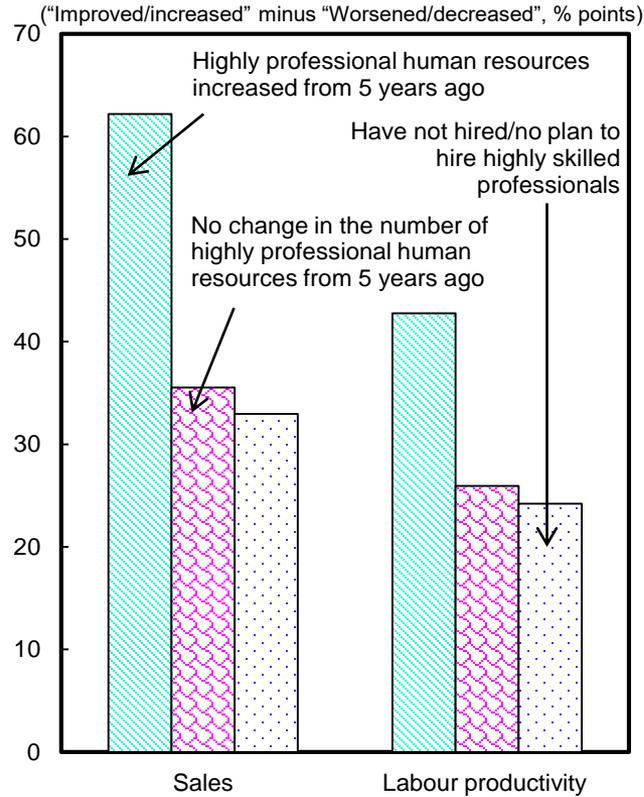
— The Impact of Highly Skilled Professionals on Labor Productivity —

➤ It is crucial for companies to take in highly skilled professionals in order to improve corporate performance, including labour productivity, etc.. To achieve that aim, it is also effective for them to take a special approach to employment management based on characteristics of highly skills professionals.

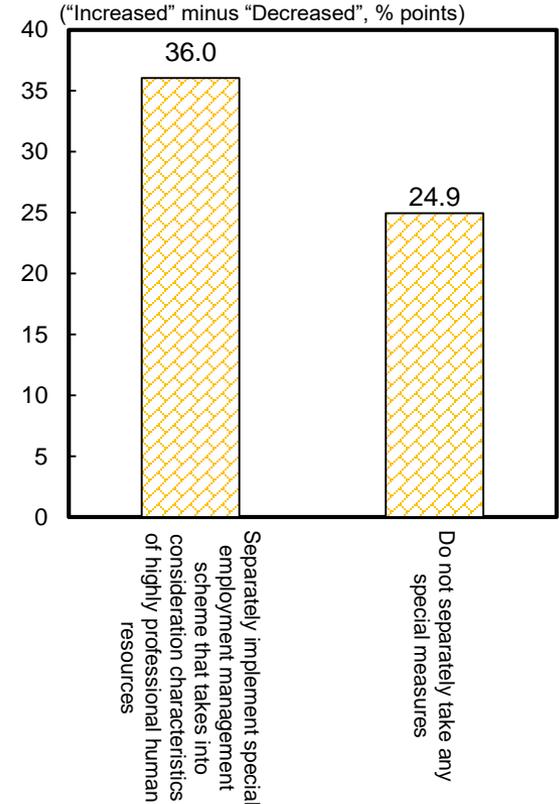
DI of change in employment of highly skilled professionals up to the present and prospects in the next 5 years



Relationship between change in employment of highly skilled professionals and sales/labour productivity



DI of change in the number of highly skilled professionals by employment management policy



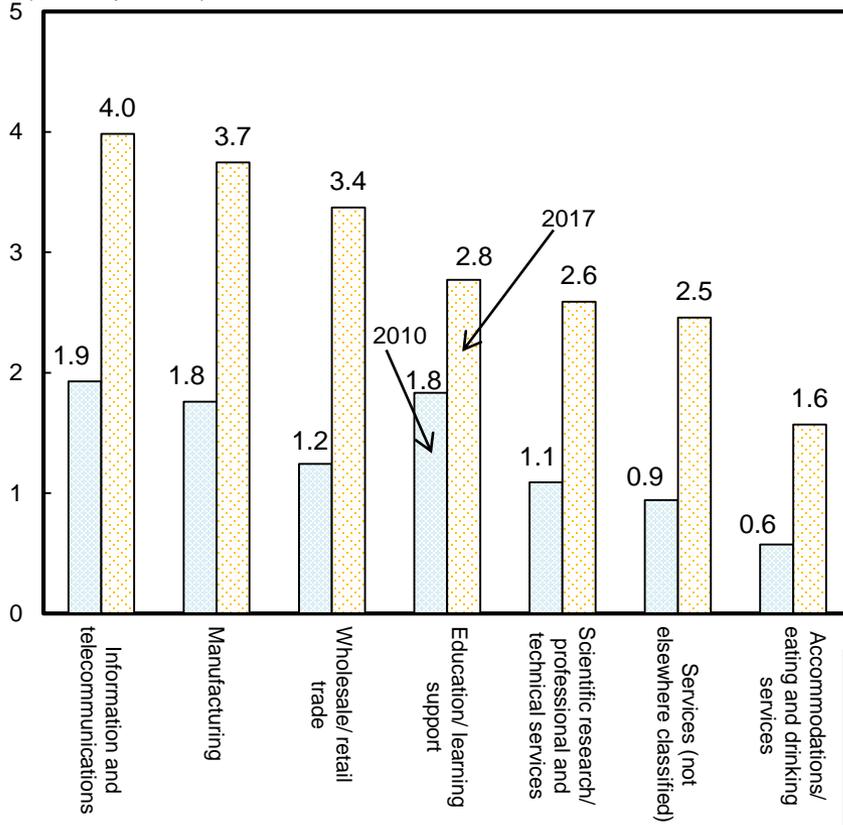
Source: Prepared based on "Survey on Progress in Diversified Work Styles and Ideal Human Resource Management" (2018), The Japan Institute for Labour Policy and Training
 (Notes) 1) "Highly professional human resources" refers to human resources who have completed master's/doctoral degree programs, etc. and have advanced and specialized technologies, skills, knowledge, practical experience, and teaching experience, etc. in certain specific fields.
 2) In the right figure, "special employment management that takes into consideration characteristics of highly professional human resources" refers to employment management schemes such as "limiting the content of duties to specific fields", "proposing wage levels appropriate for capacities/achievements", and "clarifying the content of duties in writing at the time of recruitment", etc.

— Trends in the Number of Highly Skilled Foreign Professionals and Challenges Employing Such Workers —

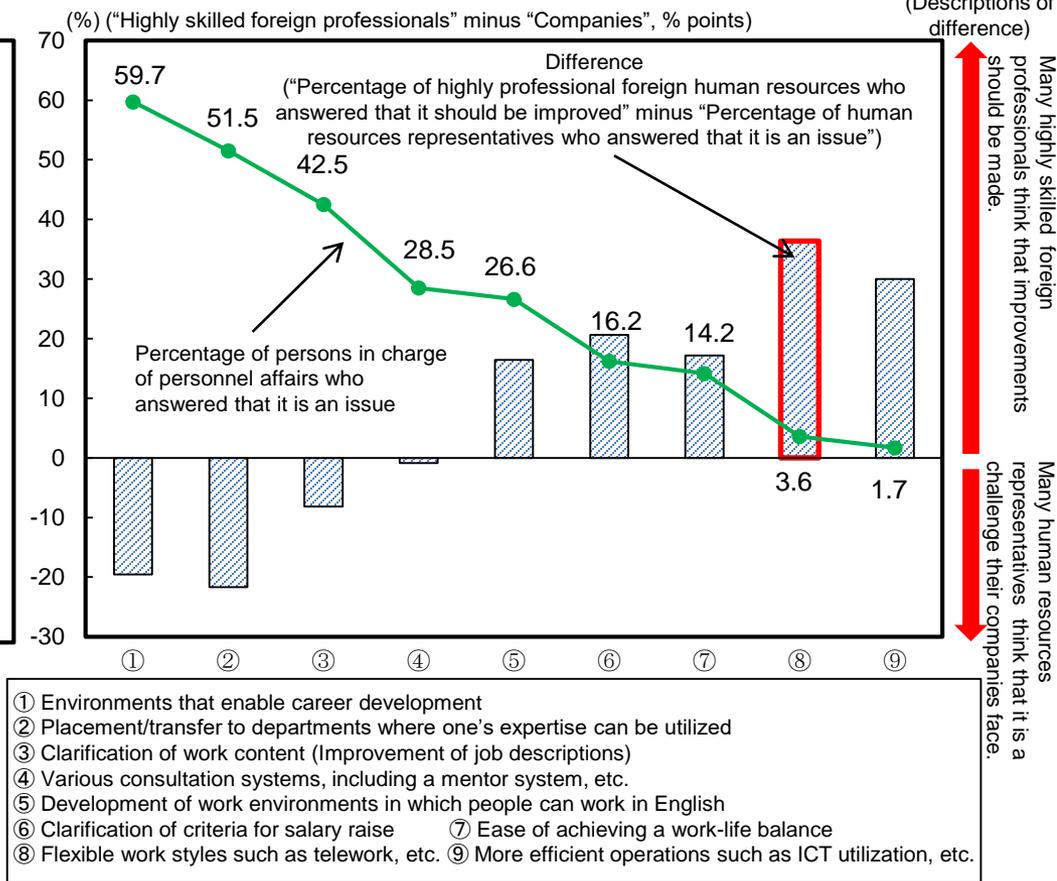
- The number of foreign workers in specialized/technical fields is increasing mainly in the following sectors: the information and communications, manufacturing, and wholesale/retail trade industries.
- Highly skilled foreign professionals think that their employers should offer them flexible work arrangements such as teleworking, but human resources representatives have yet to realize that they need to allow for flexible work styles.

Number of foreign workers in specialized/technical fields

(10,000 persons)



Challenges employing or trying to retain highly skilled foreign professionals



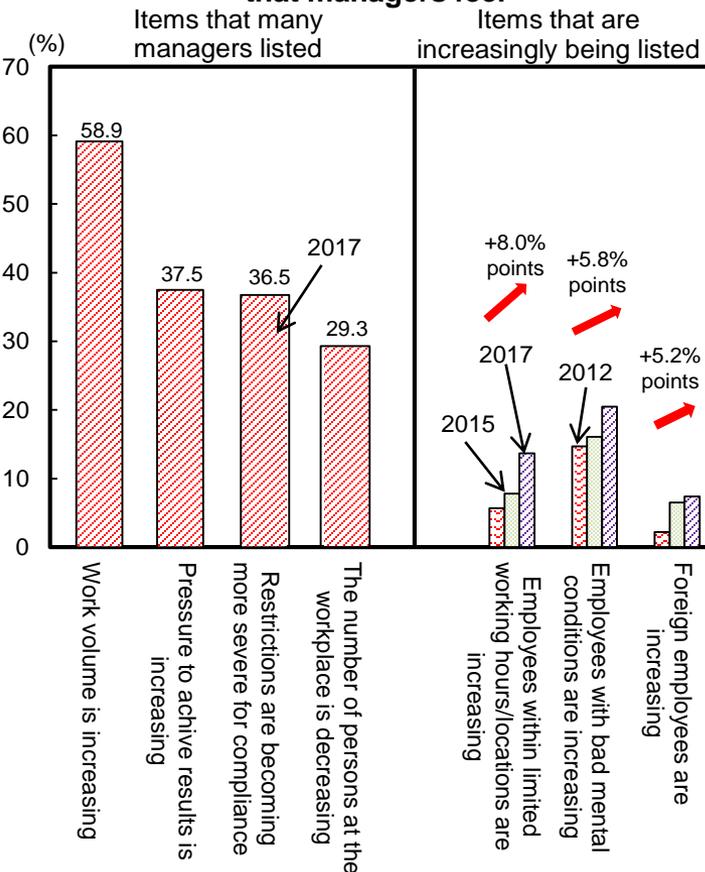
Source: Prepared based on "Situation of Notified Foreign National Employment Status", MHLW (left figure); and "Questionnaire Survey on Matters that Highly Professional Foreign Human Resources Wish to be Improved" (FY2017 MHLW-commissioned program), Chuugai (right figure)

(Note) The bar chart in the right figure shows, in companies employing highly professional foreign human resources, the difference calculated by subtracting the percentage of personnel managers of companies who answered that it is an issue from the percentage of highly professional foreign human resources who answered that it should be improved in utilizing/retaining highly professional foreign human resources.

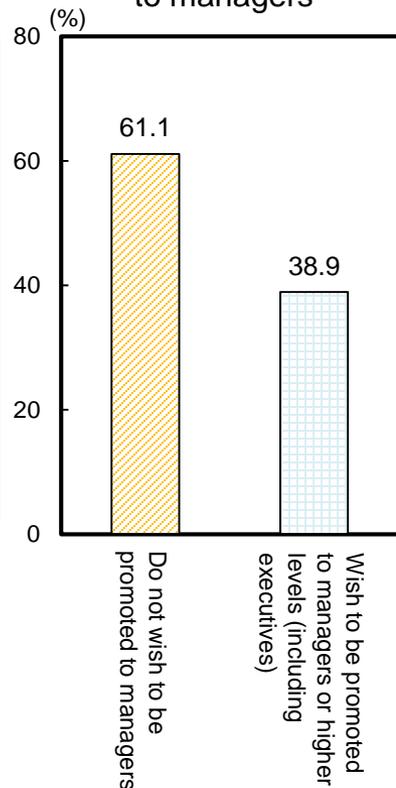
— Changes in Workplace Environments that Managers Realize and Challenges Concerning Promotion of Employees and Management Skills Development —

- Many managers have realized that their work volume has increased and have been feeling an increasing pressure to achieve results since they were promoted to the position. And a growing number of those managers also find that more and more employees work within limited working hours at fixed locations. Therefore, there are a considerable number of employees who do not want to be promoted to managers.
- Those who want to be promoted to managers think that companies should place priority on subsidizing employee self-development when they try to nurture managers. But few companies recognize the importance of financial assistance.

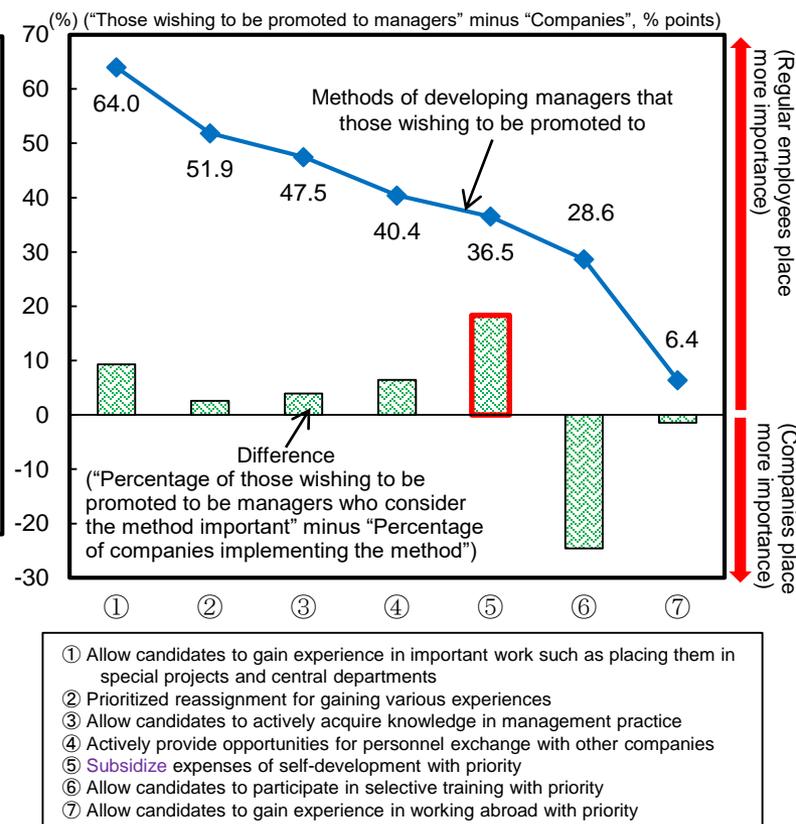
Changes in workplace environments that managers feel



Wish to be promoted to managers



Recognition gap between those wishing to be promoted to managers and companies: which method they think important



Source: Prepared based on "Survey on Actual Conditions of Section Managers, etc. of Listed Companies" (2017), SANNO University (left figure); "Survey on Progress in Diversified Work Styles and Ideal Human Resource Management" (2018), The Japan Institute for Labour Policy and Training (middle figure and right figure)

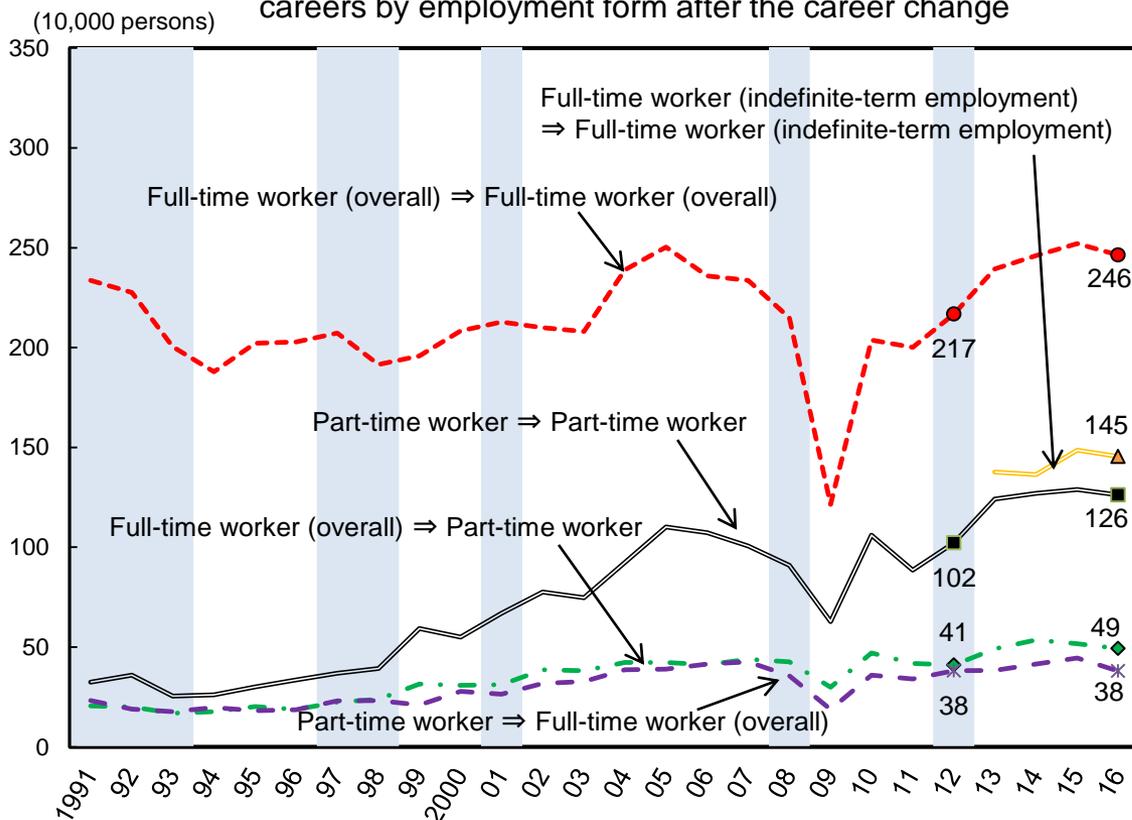
(Notes) 1) The values on arrows in "Items that are increasingly being listed" of the left figure indicate the difference in the percentage of managers who listed the item concerned as a change in workplace environments between 2017 and 2012.

2) The bar chart in the right figure shows the difference calculated by subtracting the percentage of those wishing to be promoted to managers who consider the method important from the percentage of companies implementing the method.

Part II Chapter 4: Make It Easier for Everyone to Pursue Their Career on Their Own Initiative — Career Change and the Labor Market Situation in Japan —

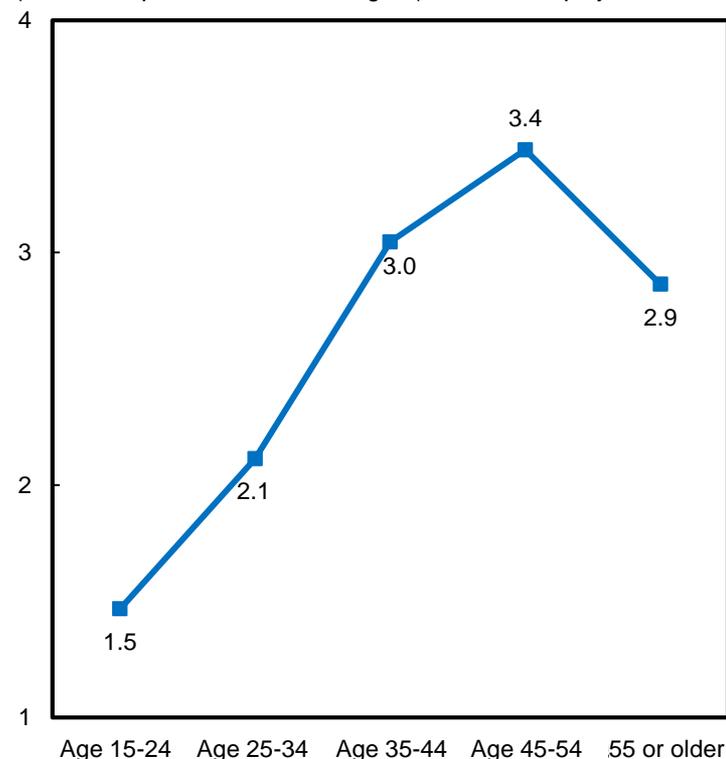
➤ More and more people in Japan change careers. And as those who have changed jobs get older, the number of times they had switched careers is rising. Given the fact, people are increasingly likely to consider changing jobs a number of times as the country is entering an era in which many people will live to 100 years old.

Transition of the number of persons who have changed their careers by employment form after the career change



Number of times career changers switched jobs in the past

(Number of previous career changes (total of all employment forms))



Source: Prepared based on “Survey on Employment Trends”, MHLW (left figure); and “2015 Survey on Workers Who Changed Jobs”, MHLW (right figure)

(Notes) 1) Shaded areas in the left figure represent the recession periods.

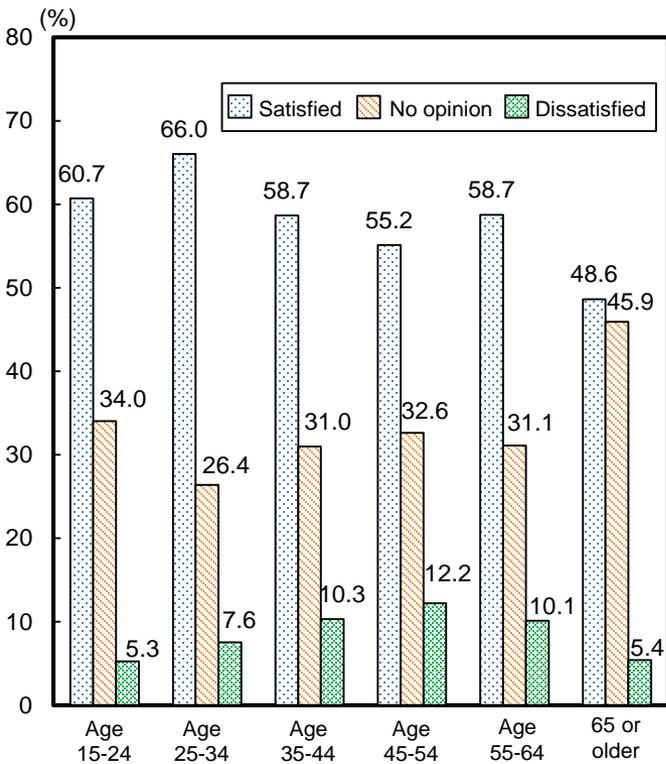
2) The data of “Full-time worker (indefinite-term employment)” in the left figure is only for 2013 and later years because “Survey on Employment Trends” by MHLW was commenced in 2013.

3) The number of previous career changes includes the career change to the current company.

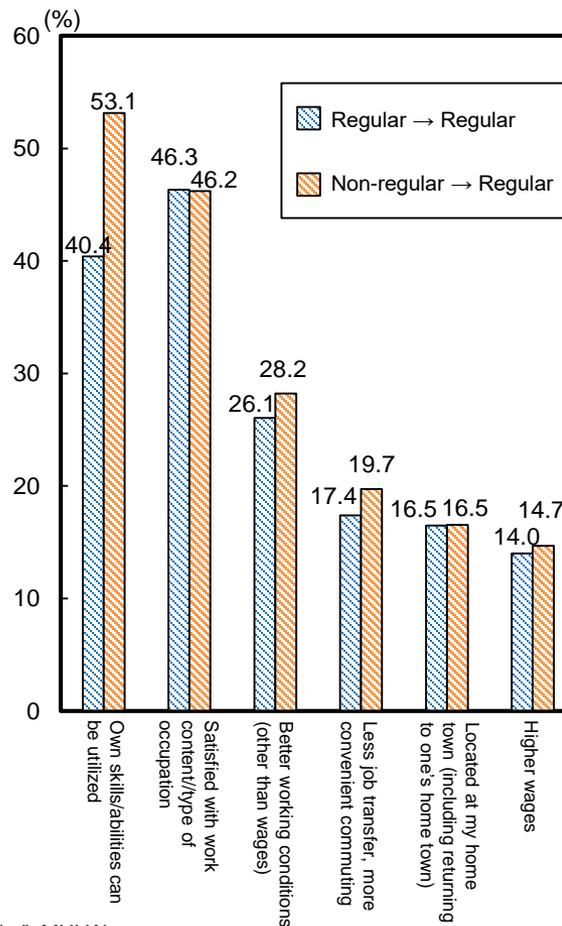
— Overall Career Satisfaction among People Who Have Changed Jobs—

- Overall career satisfaction is high among people who have changed jobs, mainly those in younger generations.
- People exploring new career options tend to look for a new job based on: skills and vocational abilities they gained in the past, job description, occupational satisfaction and better working conditions. If their new employers provide them with education and training programs, that may lead to greater career satisfaction among employees.

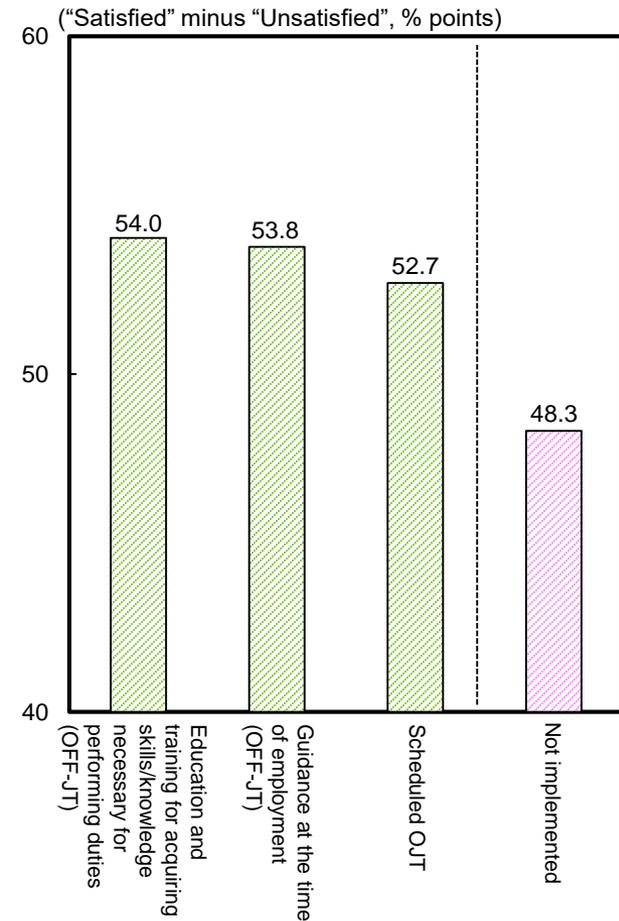
Career changers' overall career satisfaction (regular employees)



Reasons to choose the company to work for by changes in the employment status



Impact of education and training programs for career changers on their overall satisfaction with career



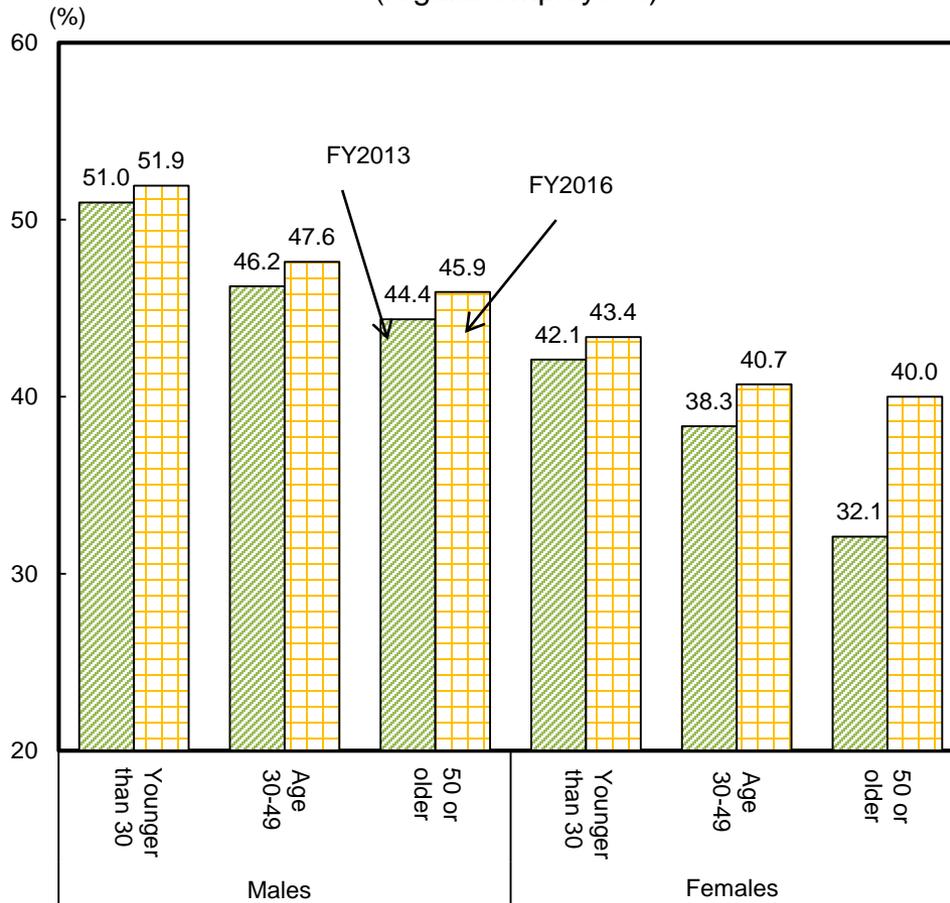
Source: Prepared based on "2015 Survey on Workers Who Changed Jobs", MHLW

(Note) The middle figure summarized the results of up to 3 answers given as reasons for selecting the current company.

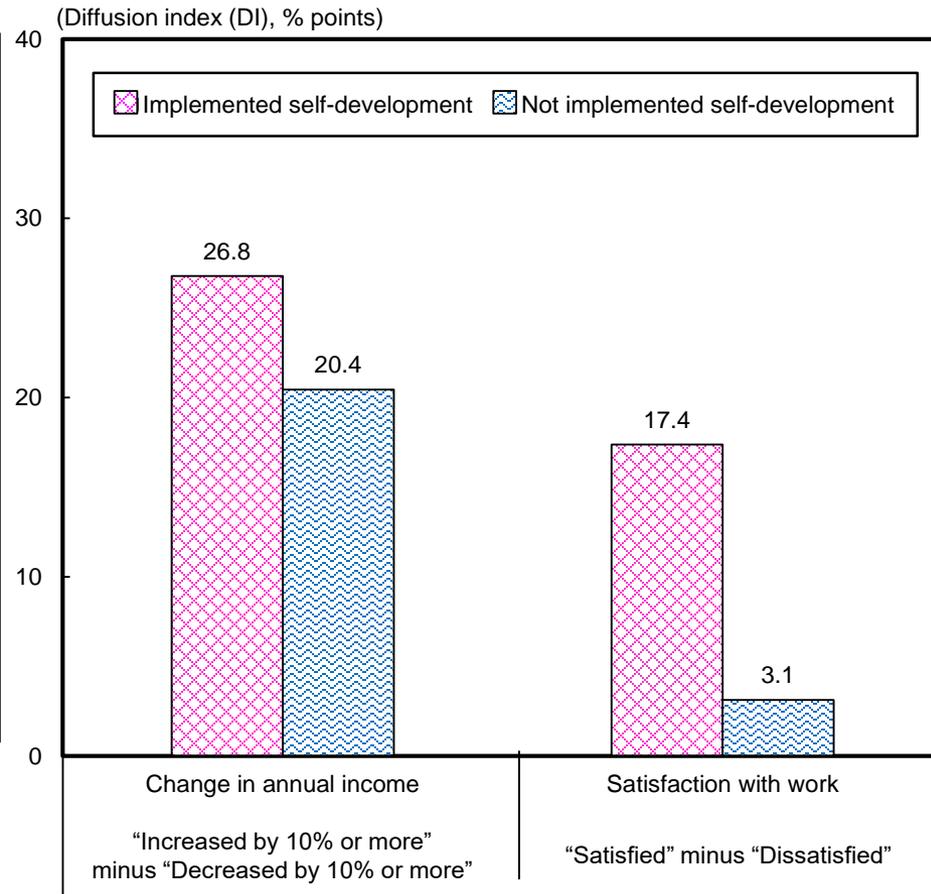
— Self-development at Work and Its Effect —

- Employees, both men and women, are less likely to engage in personal development as they become older.
- If employees put their efforts into self-development, that could boost their job satisfaction and have other positive impacts on them after a certain period of time.

Implementation status of self-development
(regular employees)



Effects of self-development on employees after 2 years
(regular employees)



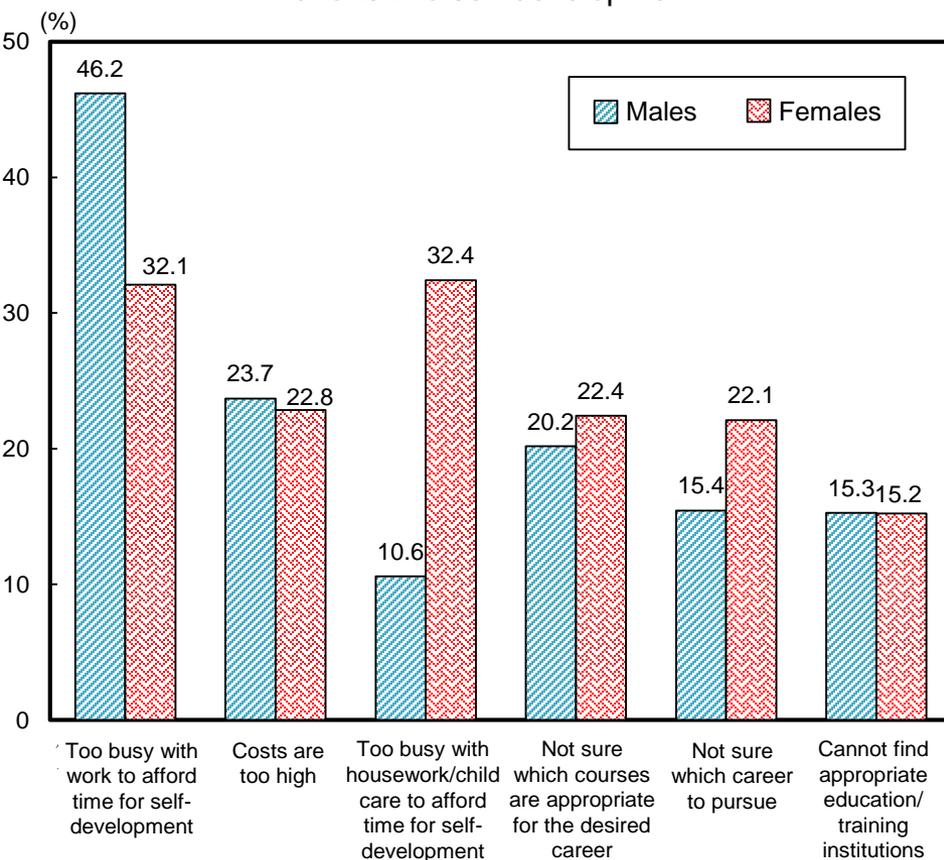
Source: Prepared based on "Basic Survey of Human Resources Development", MHLW (left figure); and "National Employment Situation Panel Survey 2018", Recruit Works Institute, Recruit Holdings (right figure)

(Note) The right figure shows various effects in 2017 by the implementation status of self-development in 2015.

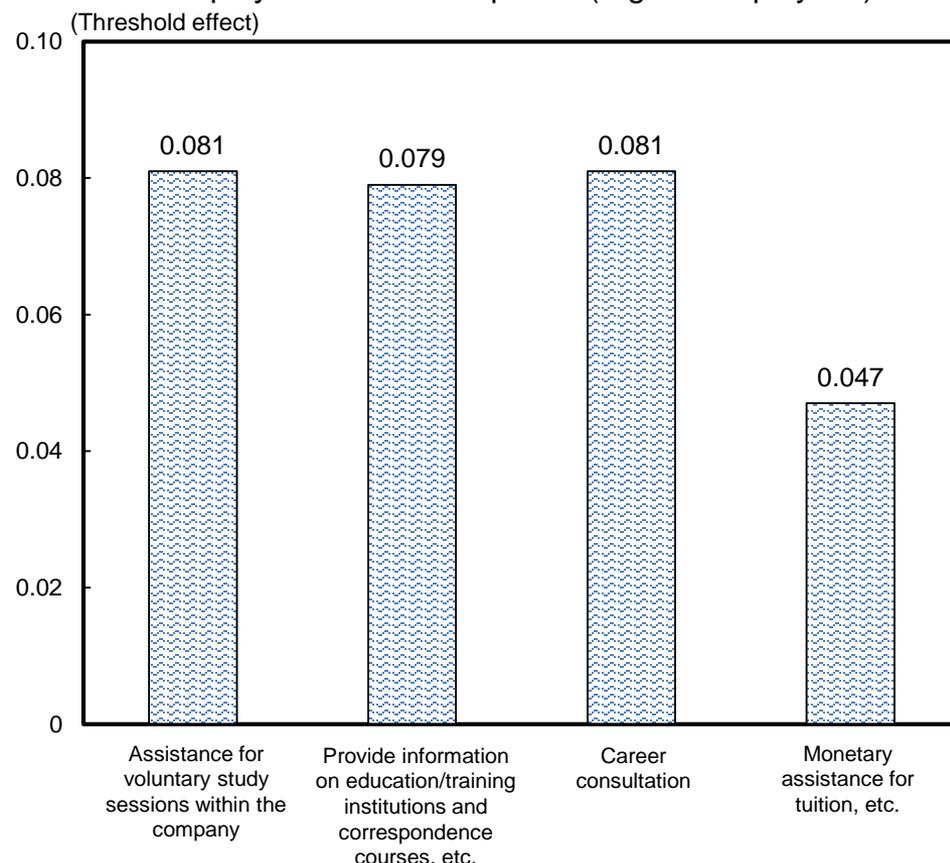
— Self-development: Challenges Faced by Employees and Efforts to Be Made by Companies —

- Employees face challenges when they try self-development such as : scheduling, high costs and balancing with household chores and childrearing (among female workers).
- It is suggested that providing information on education/training institutions, etc. and career consultation services can be an effective way to promote employees' self-development.

Problems faced by employees failing to put their efforts into self-development



Support for vocational ability development that can promote employees' self-development (regular employees)



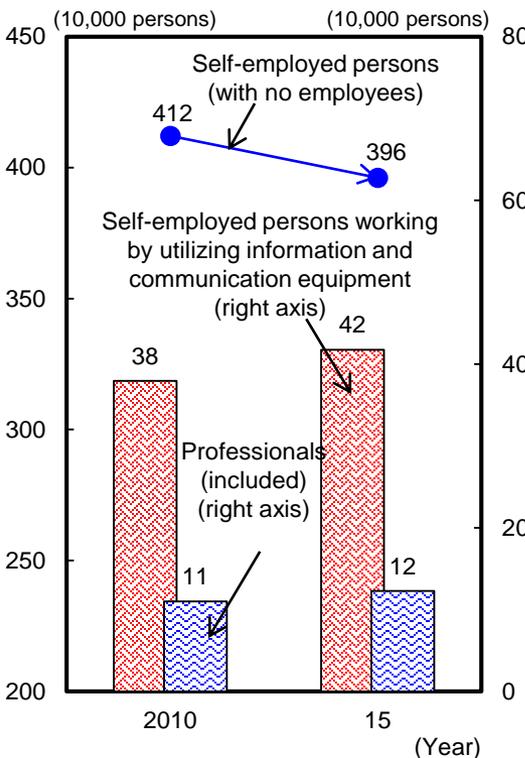
Source: Prepared based on "FY2016 Basic Survey of Human Resources Development", MHLW

(Note) The right figure shows the threshold effect of a Probit model estimation using the implementation status of self-development by workers as the explained variable. It is statistically significant at the 5% level for all items. The threshold effect here indicates the degree of effect of the given explanatory variable on the explained variable. For example, establishments implementing "career consultation" have the effect of improving, when compared to companies not implementing, the implementation status of self-development by 0.081 (=8.1%).

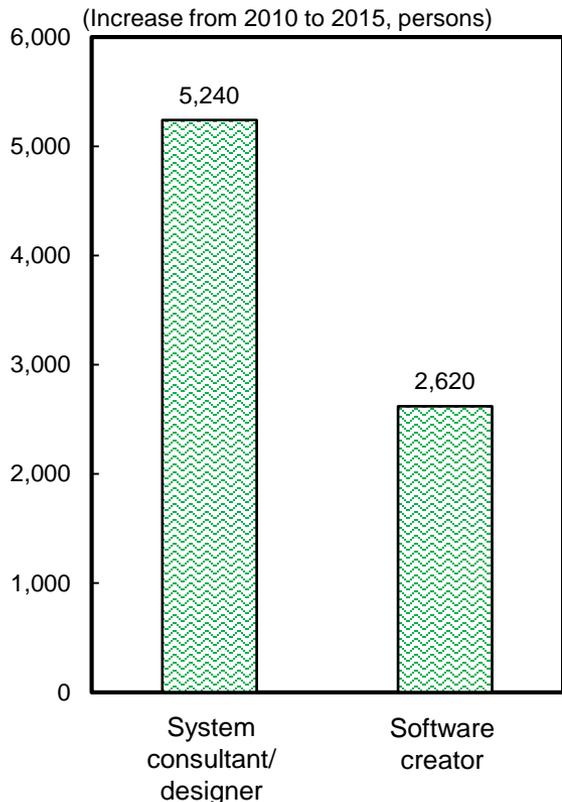
— Career Development Challenges for People Opting for Working Styles Not Bound by Traditional Employment Relationships [1] —

- The number of self-employed individuals who use telecommunication technologies is rising while the total number of self-employed persons (with no employees) is declining. Incomes of the both self-employed workers vary.

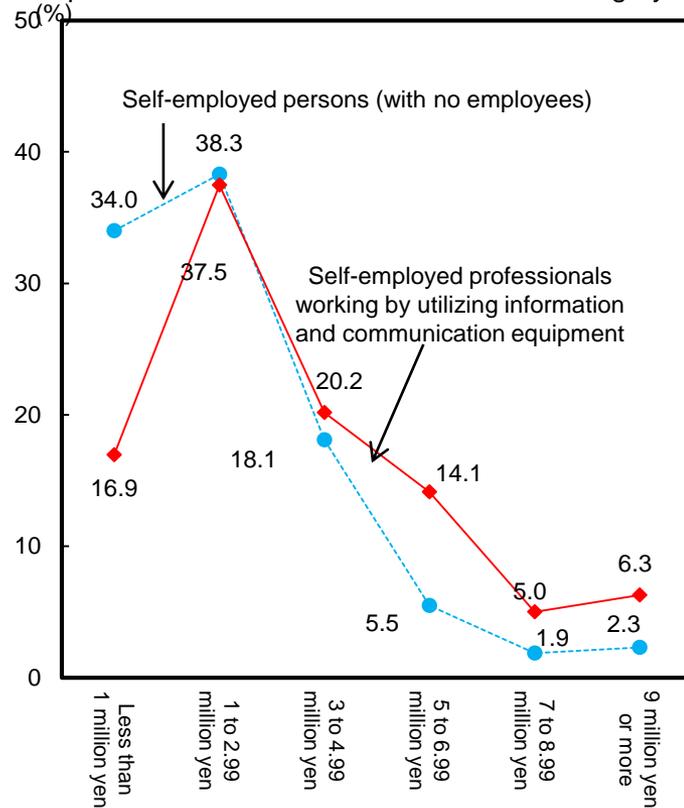
The number of self-employed persons by business operation



Increased major occupations of professionals working by utilizing information and communication equipment



Comparison between self-employed persons (without employees) and self-employed professionals based on annual income category



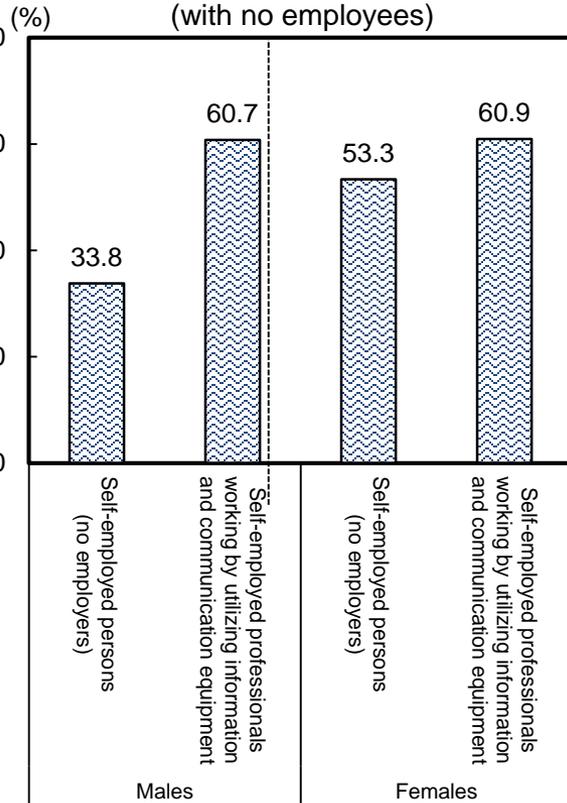
Source: Prepared based on "Population Census", MIC (left figure and middle figure); and "2016 Survey on Time Use and Leisure Activities", MIC (right figure)

(Notes) 1) For "professionals working by utilizing information and communication equipment", self-employed persons (no employers) deemed to be engaged in occupations of creating deliverables or providing services by utilizing information and communication equipment were selected using the work content that workers engage in described in the MHLW's "3rd Discussion Meeting on Flexible Work Styles document" ("Survey on Ways of Working without being Employed (Web-based Survey)", JILPT) as a reference, and of which professionals engaged in creating software and providing consultations, etc. by utilizing information and communication equipment were selected as "professionals working by utilizing information and communication equipment".

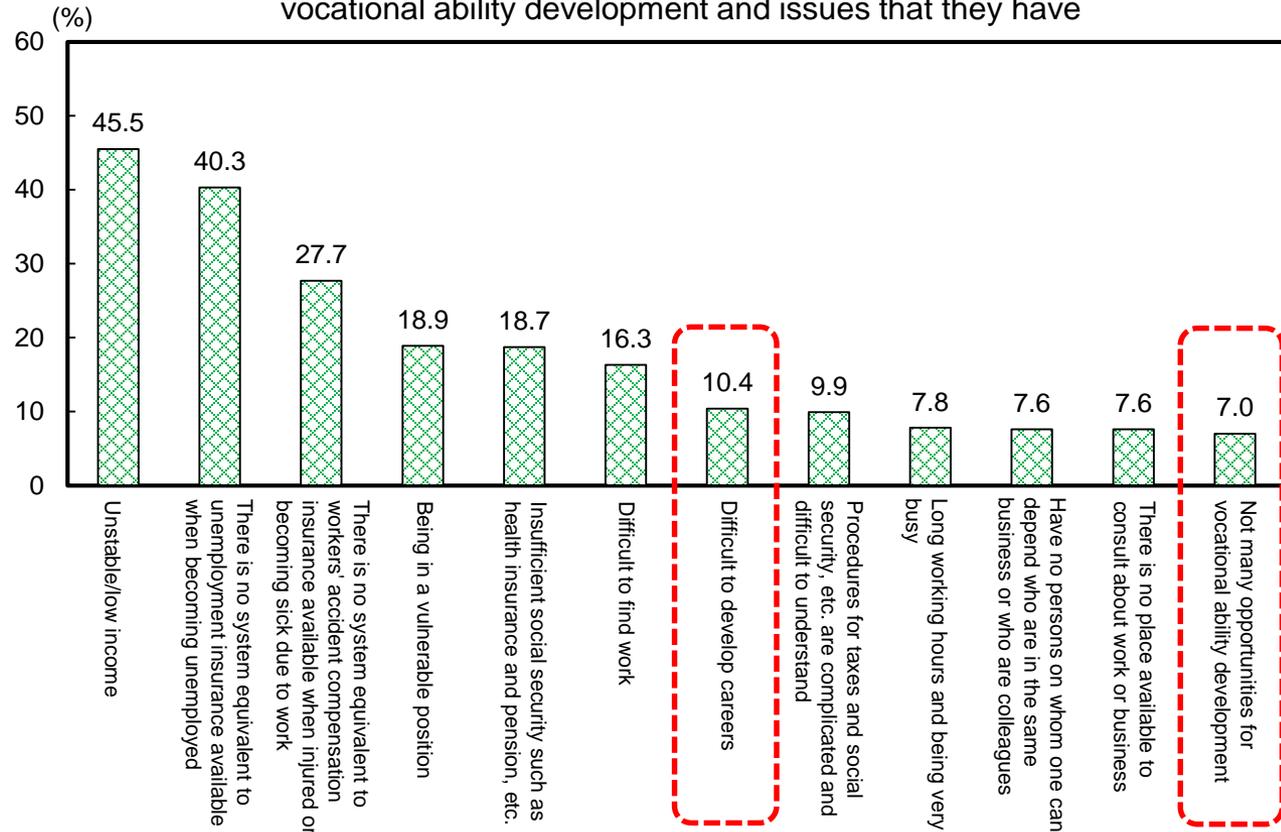
— Career Development Challenges for People Opting for Working Styles Not Bound by Traditional Employment Relationships [2] —

- Compared with self-employed individuals (with no employees) as a whole, self-employed professionals whose work involves using telecommunications equipment tend to put more efforts on personal development.
- While many independent self-employed persons are feeling insecure about their income prospects, a certain number of them say they face challenges in career development. The government should discuss measures to assist independent self-employed individuals to hone their skills if the number of such self-employed persons increases.

Implementation rate of self-development by self-employed persons (with no employees)



Methods that independent self-employed persons consider necessary for vocational ability development and issues that they have



Source: Prepared based on “2016 Survey on Time Use and Leisure Activities”, MIC (left figure); and “Survey on Employment Situation and Attitudes of Independent Self-Employed Persons (Web-based Survey)” (2018), The Japan Institute for Labour Policy and Training (right figure)

(Notes) 1) “Independent self-employed persons” refers to self-employed persons working without an employer excluding owners of private shops and those engaged in agriculture, forestry, and fisheries (generic term for self-employed, freelancers, sole proprietors, and cloud workers).

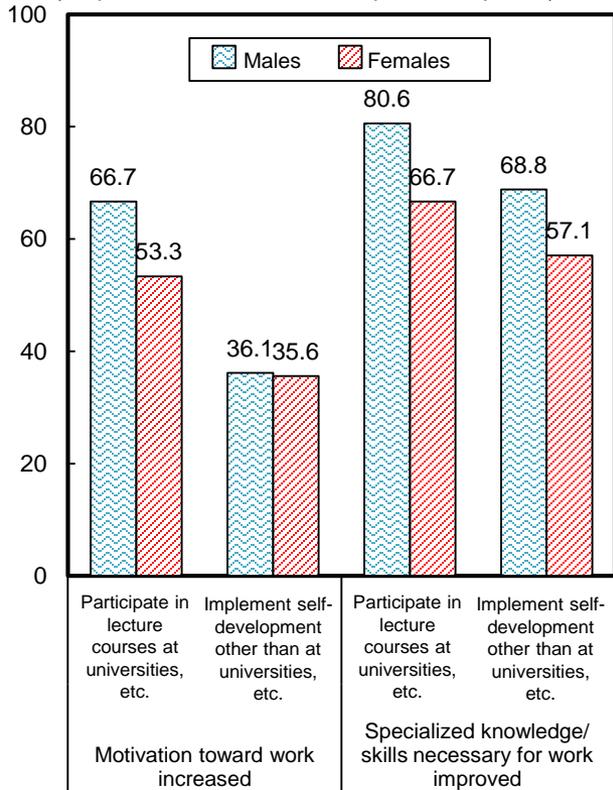
2) The right figure shows the answers to the question asking independent self-employed person about the issues in continuing work. Multiple answers allowed.

— Status of Adult Learners Returning to School for Education and Difficulties They Encounter —

- Returning to universities, etc. for education can help workers develop skills needed for their jobs and increase their motivation at work.
- Adult learners encounter difficulties, such as long working hours, when they try to return to school for education. To address such problems, educational institutions need to be more flexible and consider providing courses in the evening hours or on holidays.

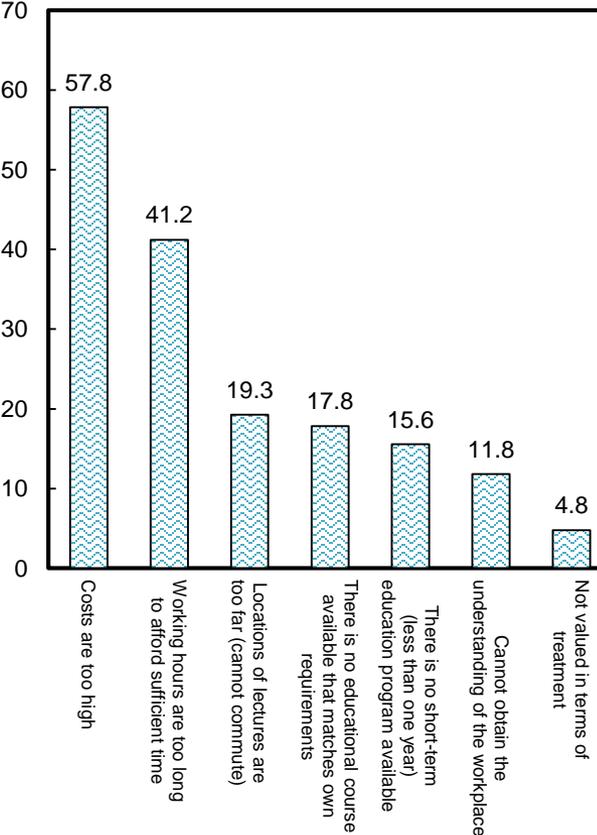
Benefits of participation in continuing education courses at universities, etc. (regular employees)

(“Improved” minus “Did not improve”, % points)



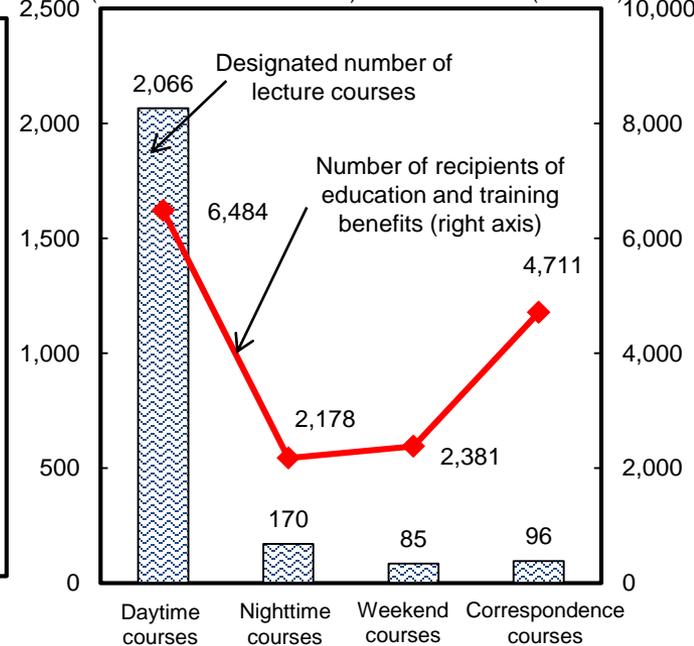
Obstacles that prevent people who have never taken continuing education courses from starting to learn again at universities, etc.

(%)



Number of practical and professional education/training courses and the number of recipients of education and training benefits

(Number of lecture courses) (Persons)



Source: Prepared based on “Survey on Progress in Diversified Work Styles and Ideal Human Resource Management” (2018), The Japan Institute for Labour Policy and Training (left figure); “Survey Study on Identifying Actual Situation of Re-education for Working Adults at Universities, etc.” (FY2015), Innovation Design & Technologies (middle figure); and “education and training benefits system / search system for education and training designated by the Minister of Health, Labour and Welfare” and “employment insurance business data”, MHLW (right figure)

(Notes) 1) The left figure shows the effects of self-development compared to 5 years ago by the status of participating in lecture courses at universities/graduate schools.
 2) The right figure shows the figures of 2017, and “specialized practical education and training” refers to education and training designated by the Minister of Health, Labour and Welfare as specialized practical education and training that contribute to medium- to long-term career development.