

**2019**

# **Analysis of the Labour Economy**

**— Challenges Facing Japan: Work Styles and Labour Shortages —**

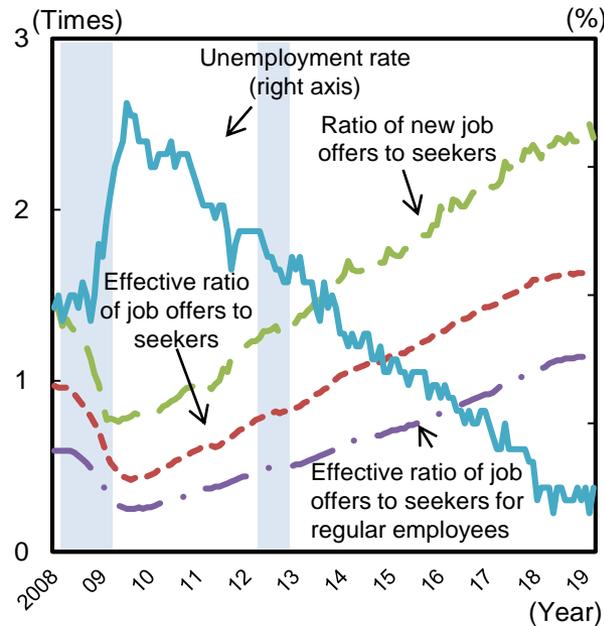
**[Outline]**

# Trends and Features of the Labour Economy [1]

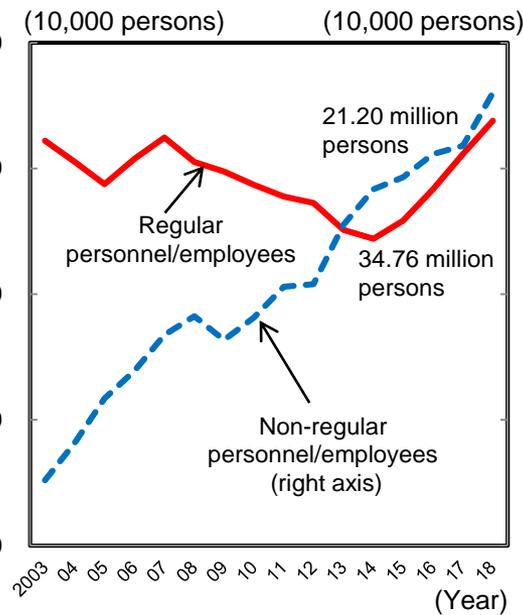
## [General employment situation]

- Japan's unemployment rate hit a 26-year low of 2.4% in FY 2018, and the effective ratio of job offers to seekers marked a 45-year high of 1.62 in the same fiscal year. This suggests that employment conditions have been steadily improving.
- Among employed persons, the number of regular workers increased for the fourth consecutive year in 2018 to 34.76 million.
- The diffusion index (DI) of corporate labor force assessments suggests that a growing number of companies face labor shortages. A survey conducted in March 2019 finds that labor shortages in all industries, and manufacturing and non-manufacturing sectors have reached the second most extreme level since the country's economic bubble years.

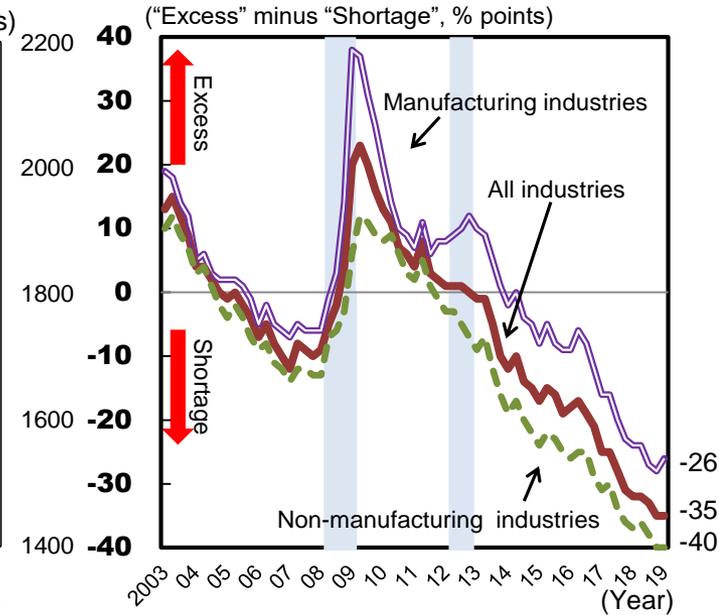
Trends of unemployment rate/effective ratio of job offers to seekers, etc.



Trends of regular/non-regular personnel/employees



Trends of the diffusion index (DI) for employment conditions

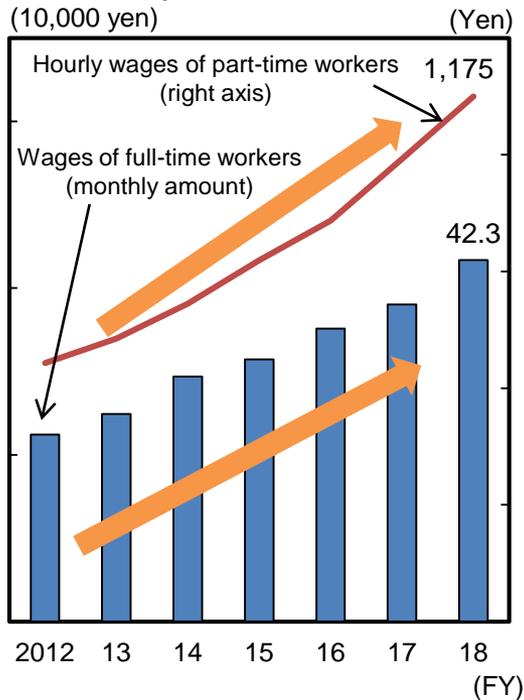


# Trends and Features of the Labour Economy [2]

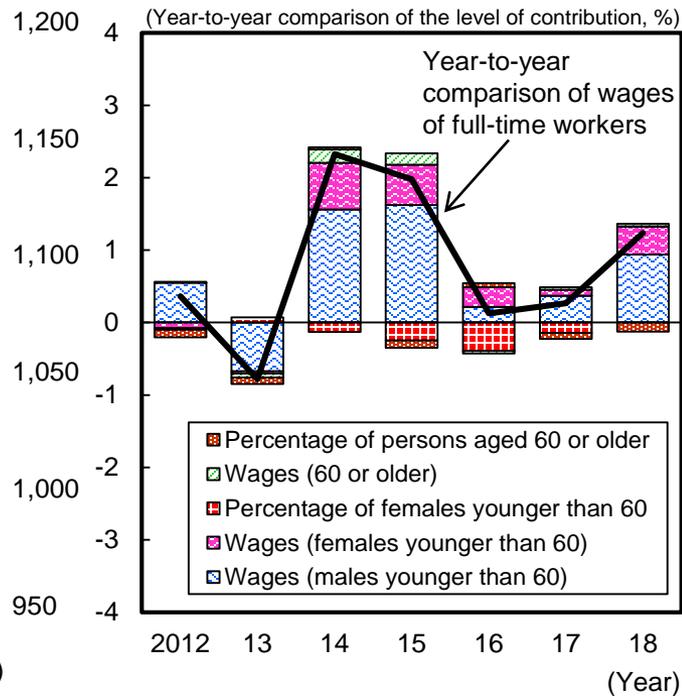
## [Trends of wages]

- The nominal wage of full-time workers and the hourly wage of part-time workers have been increasing.
- Increases in wage levels of workers under the age of 60 – both men and women- have contributed to a rise in earnings among full-time workers.
- An increase in the number of employees and the other factors have had a positive impact on the wage income of employees.

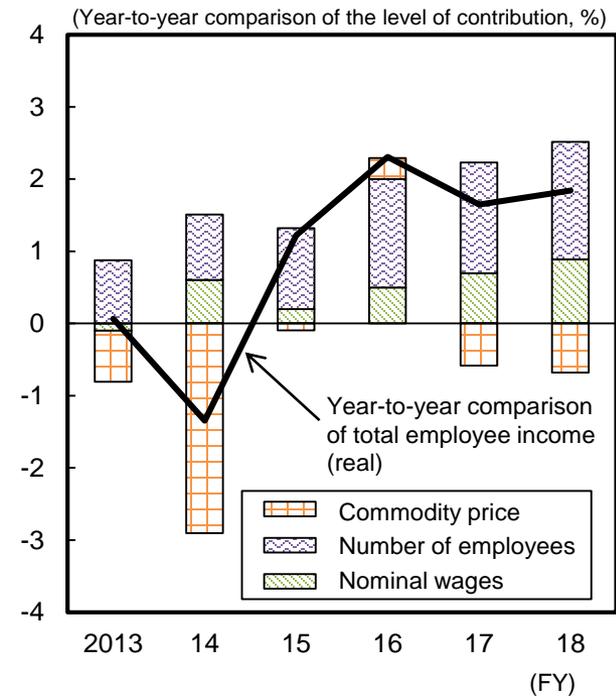
**Trends of wages of full-time workers (monthly amount) and hourly wages of part-time workers**



**Breakdown of the level of contribution to wages of full-time workers (monthly amount)**



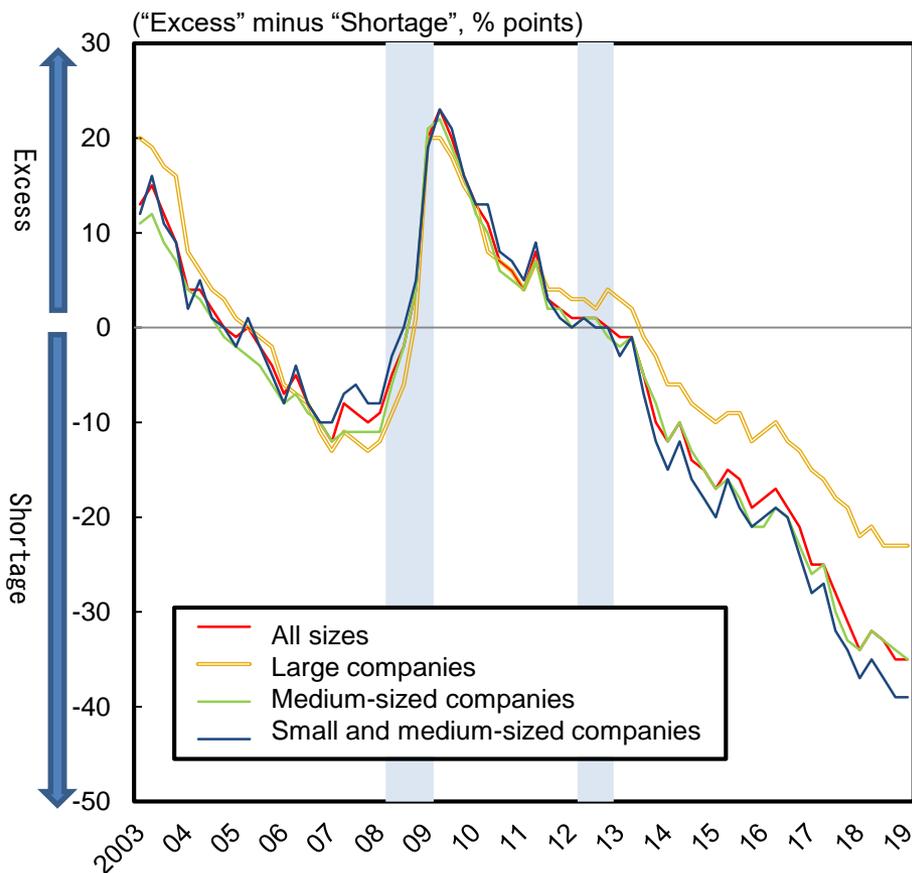
**Breakdown of the level of contribution to total employee income (real)**



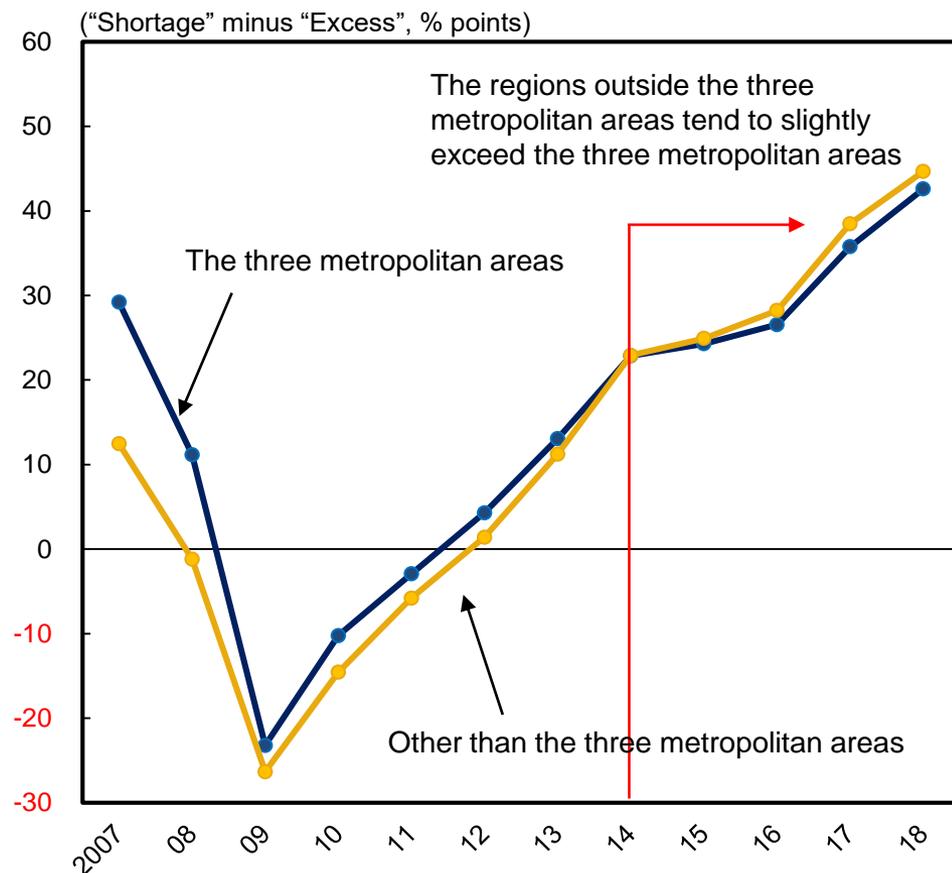
# Current status of labour shortage, etc. in Japan [1]

- A labour shortage is becoming increasingly serious, especially among small and medium-sized companies. More and more companies, both in the three metropolitan areas and the regions other than the areas, also face serious manpower shortages.

## Trends of the diffusion index (D.I.) for employment conditions by company size



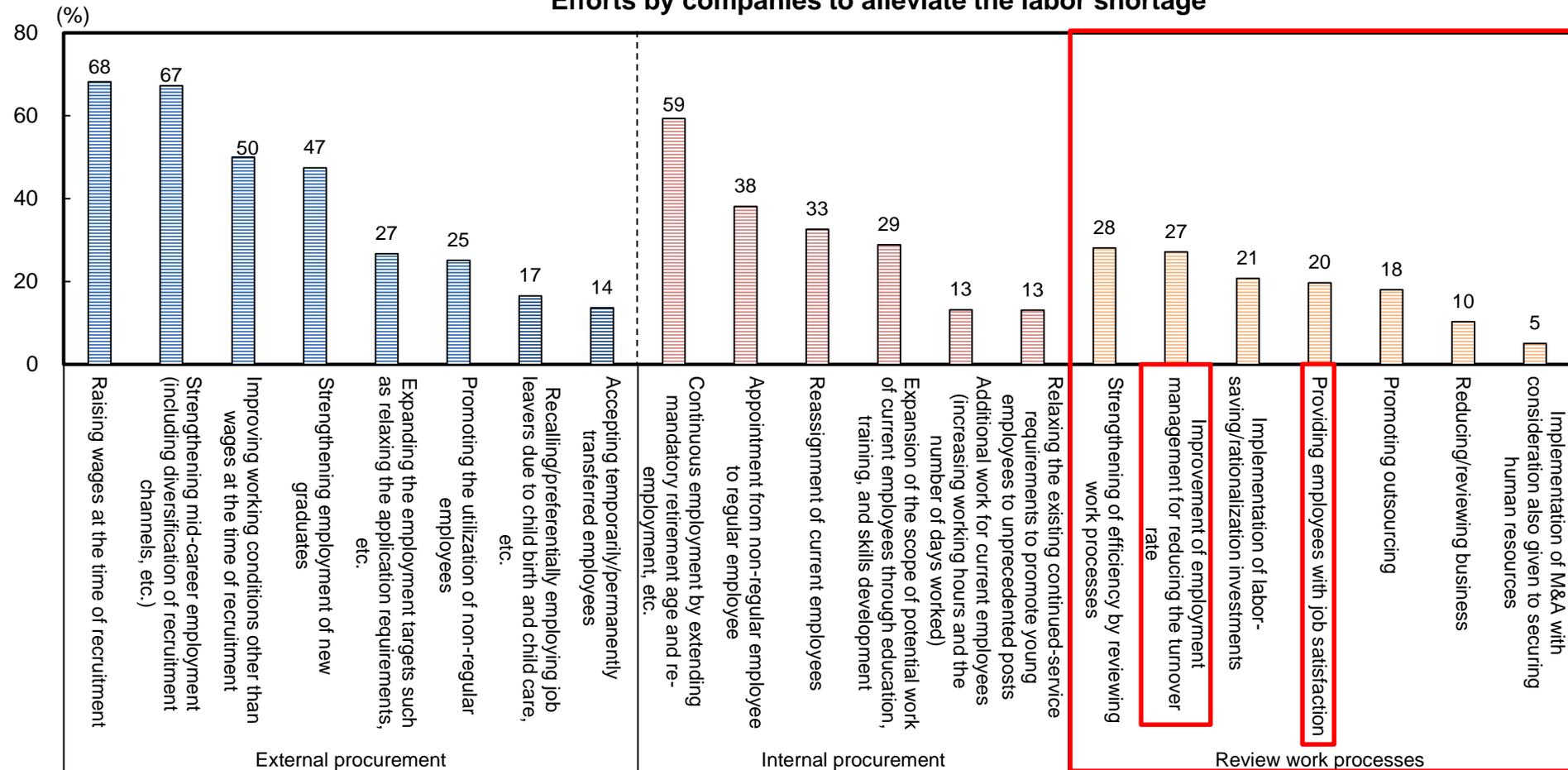
## Trends of the labour shortage by region



# Current status of labour shortage, etc. in Japan [2]

- To alleviate labour shortages, companies are trying to hire more workers by, for instance, offering better employment conditions and boosting their recruitment strategies. But few companies are making efforts to improve their employment management and enhance the levels of workers' fulfillment at work in order to tackle the labor shortage.
- ⇒ Labor shortage issues will not be solved if companies fail to retain employees they have hired and reduce turnover.

Efforts by companies to alleviate the labor shortage

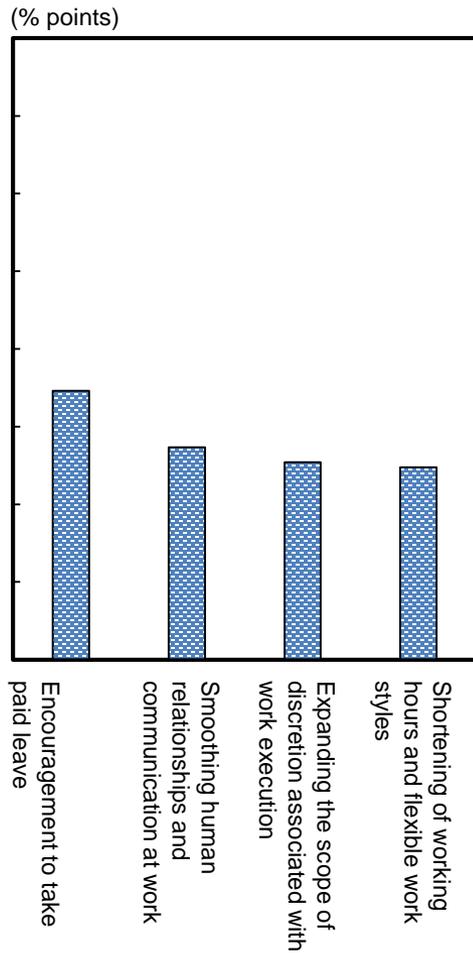


# Create a workplace environment that encourages employee engagement

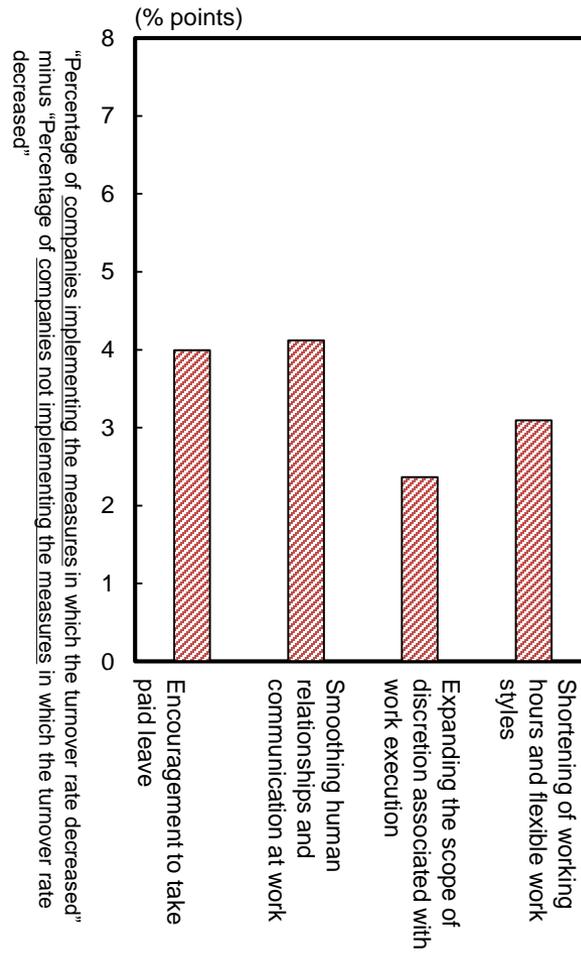
- Providing a positive workplace environment for employees is an essential key to employee fulfillment.
- ⇒ Improving a workplace environment through work-style reform can reduce employee turnover and boost the retention rate.

## Employment management that contributes to the improvement of the comfortability of working, turnover rate, and retention rate

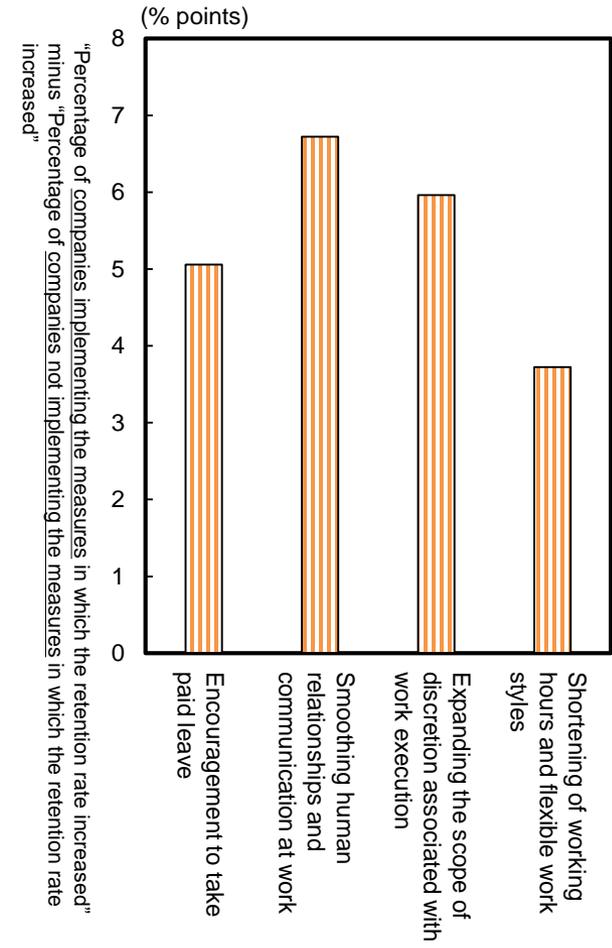
[Comfortability of working]



[Improvement of turnover rate]



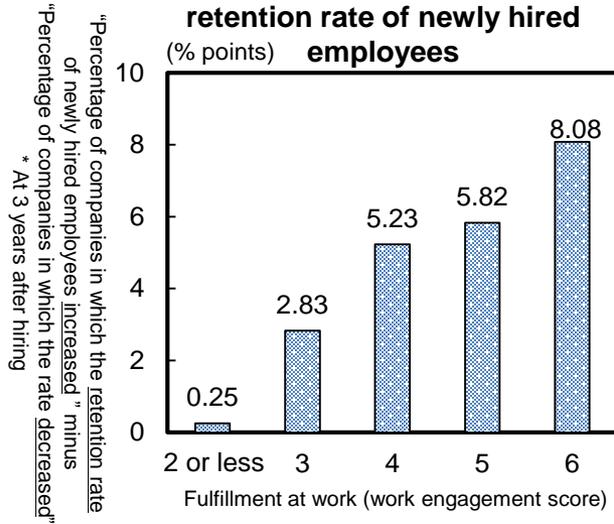
[Improvement of retention rate (at 3 years after hiring)]



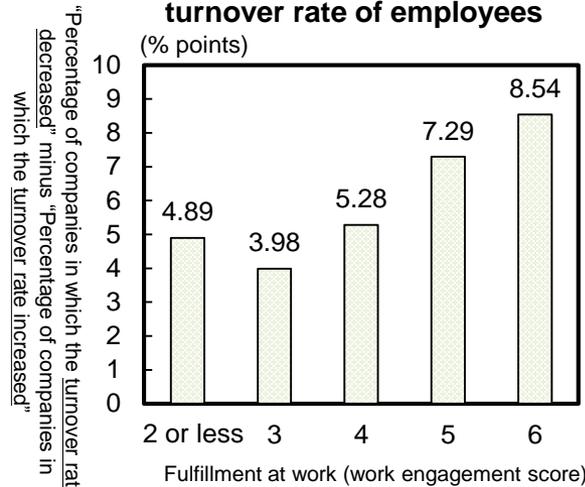
# Create a workplace environment that helps employees feel more fulfilled [1]

○ Creating a workplace environment that helps employees feel more fulfilled will not just help reduce turnover rates and improve worker retention, but also help employees relieve stress and fatigue, enhance labor productivity and boost customer satisfaction.

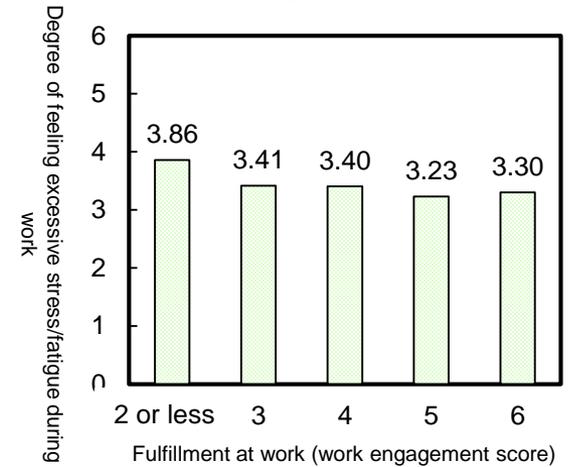
**Fulfillment at work and retention rate of newly hired employees**  
(% points)



**Fulfillment at work and turnover rate of employees**  
(% points)

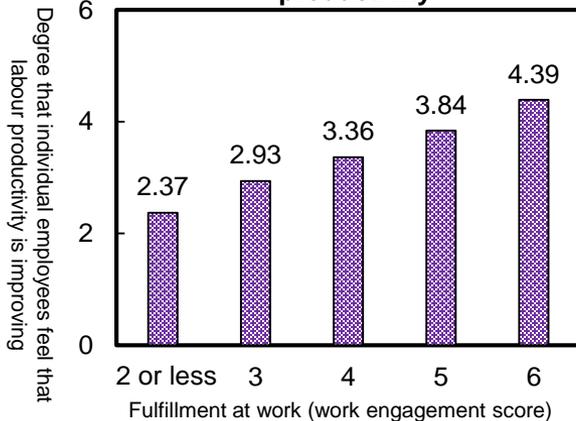


**Fulfillment at work and stress/fatigue of employees**

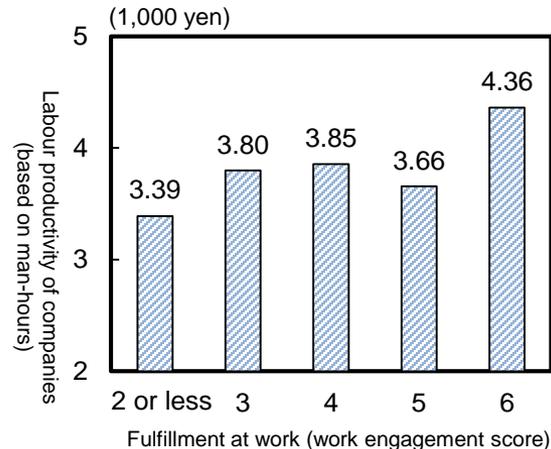


**Fulfillment at work and labour productivity**

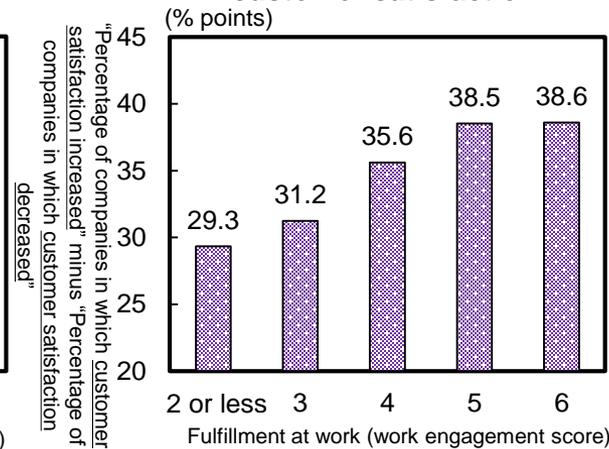
**Individual awareness about labour productivity**



**Labour productivity of companies**



**Fulfillment at work and Companies' awareness about customer satisfaction**



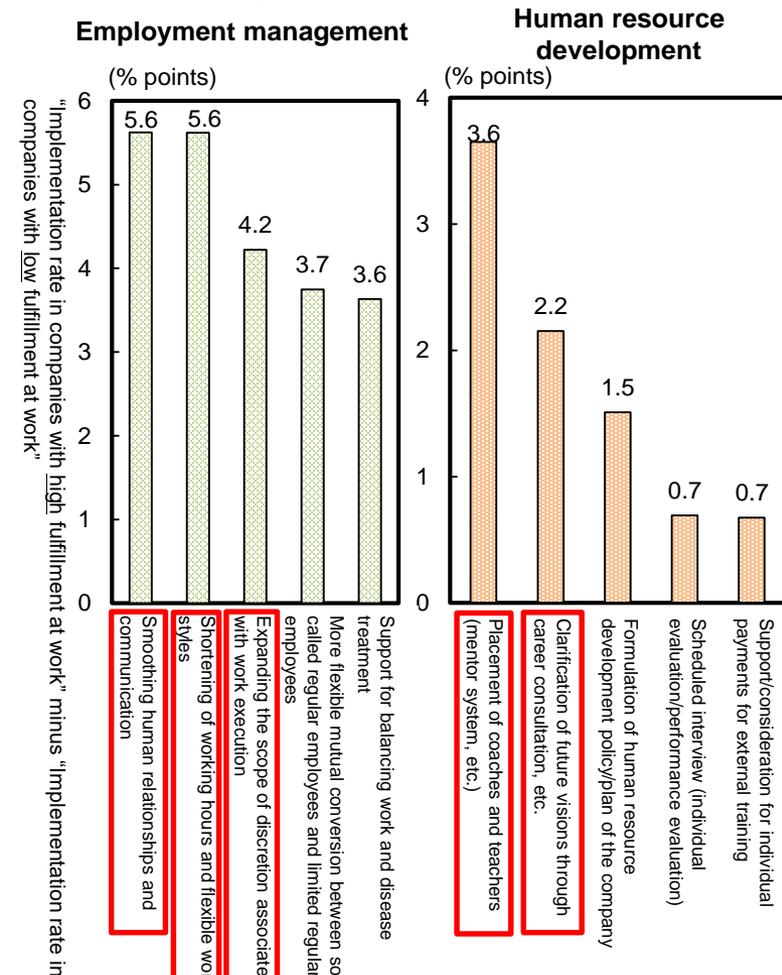
# Create a workplace environment that helps employees feel more fulfilled [2]

○ Young regular full-time employees and lower-level managers tend to feel less fulfilled at work.  
 ⇒ To help employees feel more fulfilled, companies can take effective steps such as : fostering smooth communication in the workplace, reducing working hours, offering more flexible work-style options, allowing more discretion to employees, helping employees have a clear vision of their career path and promoting other efforts.

## Fulfillment at work (regular employees)



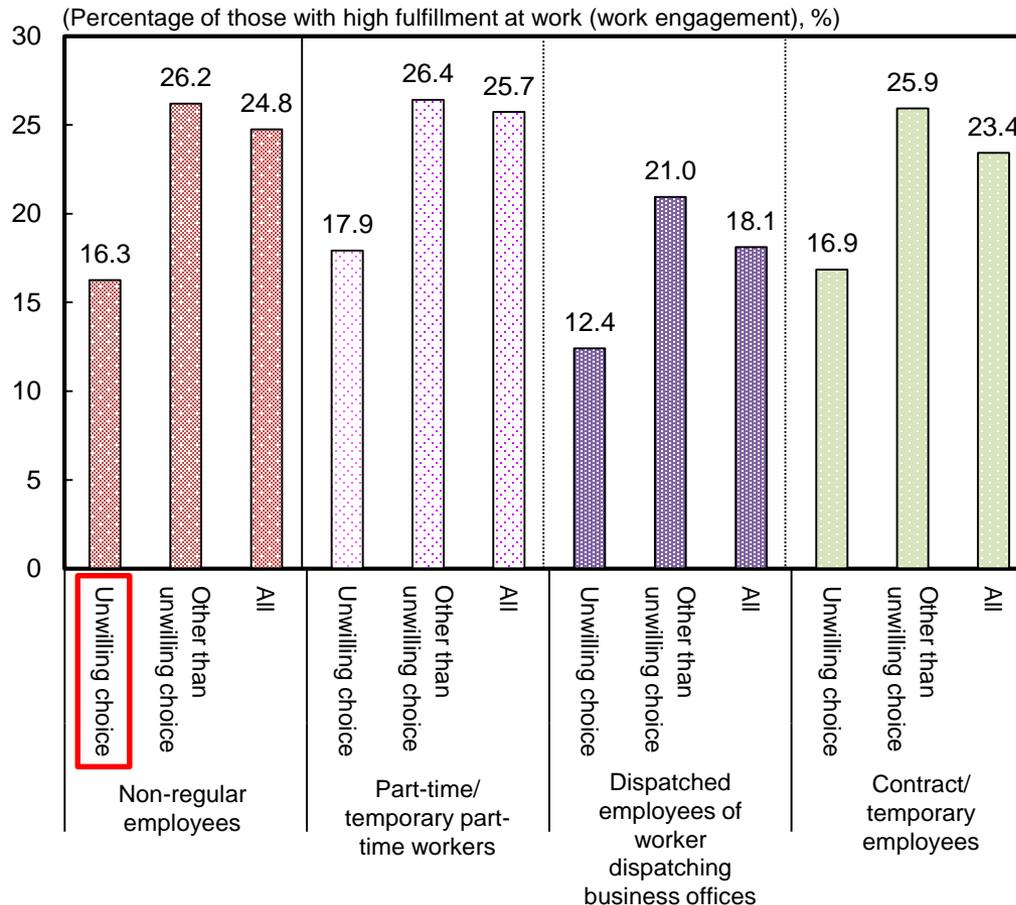
## Efforts by companies whose employees feel fulfilled at work



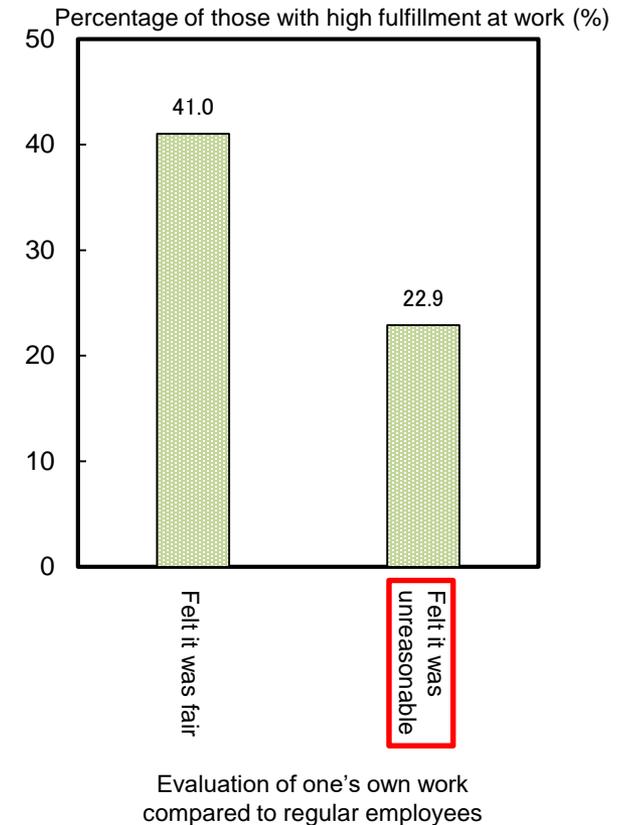
# Create a workplace environment that helps employees feel more fulfilled [3]

○ Among non-regular workers, involuntary ones and those feeling that they are unfairly evaluated in terms of job performance compared with regular employees tend to feel less fulfilled at work.  
 ⇒ It is suggested that improving the treatment of non-regular workers may increase their fulfillment. Such improvements include converting more involuntary non-regular workers to regular employees and the introduction of an equal pay for equal work system, etc.

**Fulfillment at work (non-regular employees)**



**Non-regular employees' perception of performance evaluation and fulfillment at work**



**2019**

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**— Challenges Facing Japan: Work Styles and Labour Shortages —**

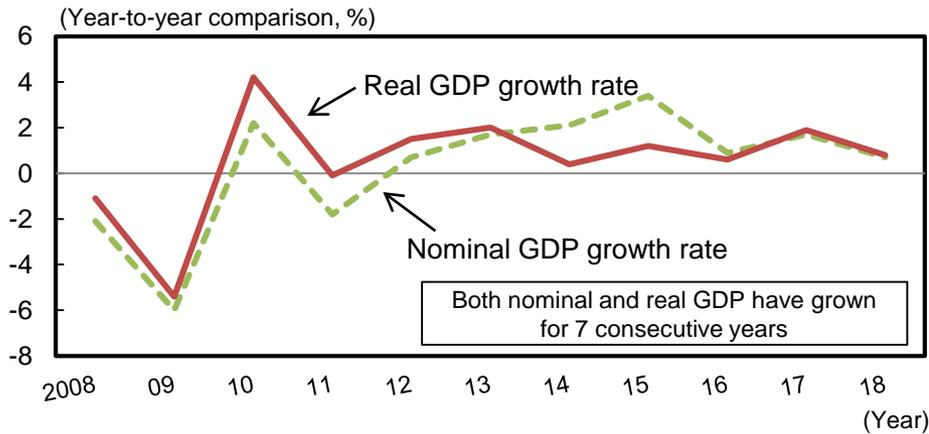
**[Overview]**

# Part I: Trends and Features of the Labour Economy

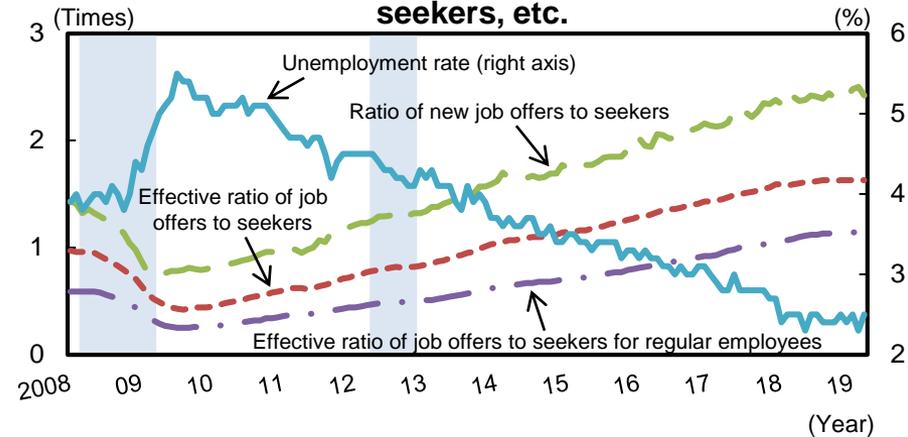
## — Employment trends [1] —

- Japan's unemployment rate hit a 26-year low of 2.4% in FY 2018 since FY1992, and the effective ratio of job offers to seekers marked a 45-year high of 1.62 in the same fiscal year since FY 1973. This suggests that employment conditions have been steadily improving.
- The unemployment rate has been declining in all areas in Japan and remained low compared to other countries.

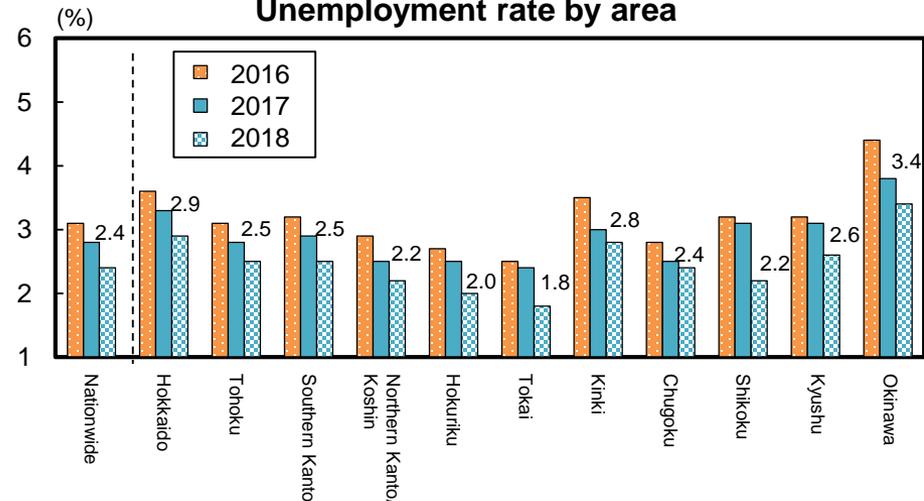
### Nominal/real GDP growth rate



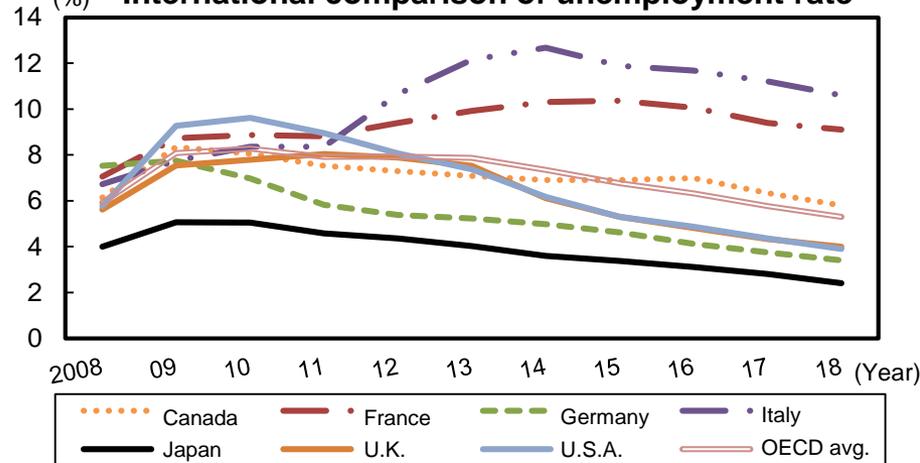
### Unemployment rate/ ratio of job offers to seekers, etc.



### Unemployment rate by area



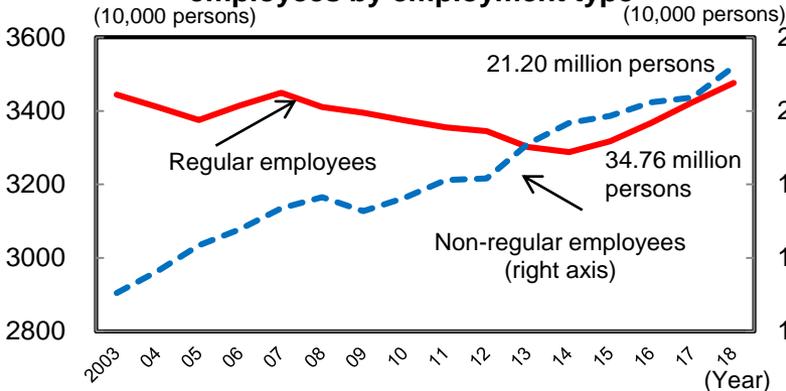
### International comparison of unemployment rate



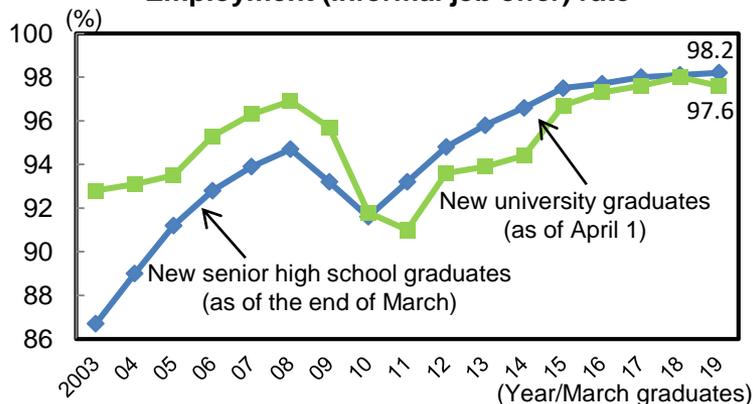
# — Employment trends [2] —

- The number of regular employees in the workforce increased for the fourth consecutive year in 2018 to reach 34.76 million. In addition, the employment (informal job offer) rates for new university/senior high school graduates have remained extremely high.
- The diffusion index (DI) of corporate labor force assessments suggests that a growing number of companies face labor shortages. A survey conducted in March 2019 finds that labor shortages in all industries, and manufacturing and non-manufacturing sectors reached the second most extreme level since the country's economic bubble years.
- The diffusion index on worker shortages by type of employment shows that the labor shortage in regular employees is more severe than that in part-time workers.

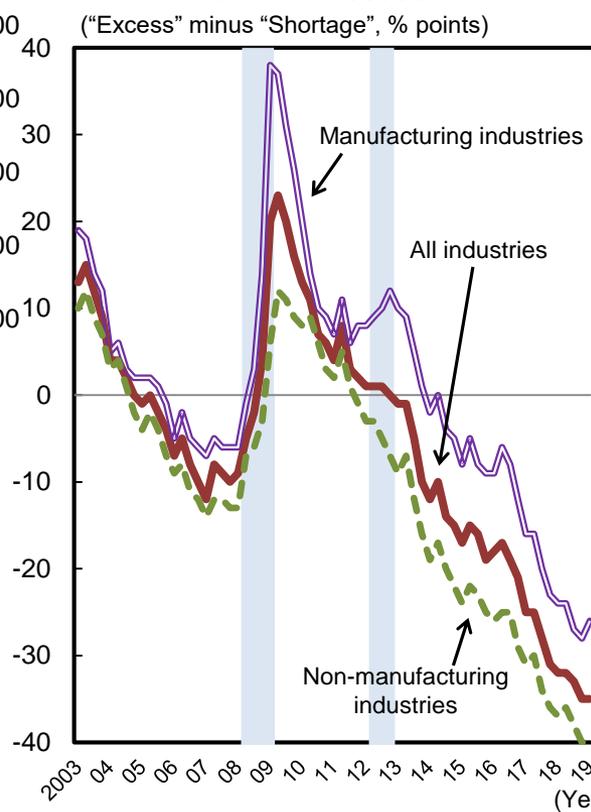
### Changes in the number of employees by employment type



### Employment (informal job offer) rate

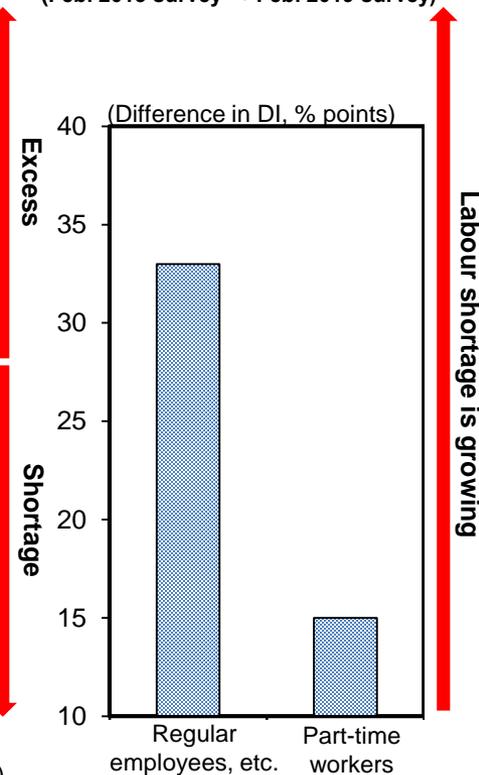


### Diffusion index (DI) of corporate labor force assessment



### Labour shortage by type of employment

(Feb. 2013 survey → Feb. 2019 survey)



Source: Prepared based on “Labour Force Survey (Detailed Tabulation)”, Statistics Bureau of MIC (upper left figure); “Survey on (Informally Promised) Employment Situation of (Potential) Senior High School Graduates, etc.”, MEXT (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) The shaded areas in the middle figure represent the recession periods.

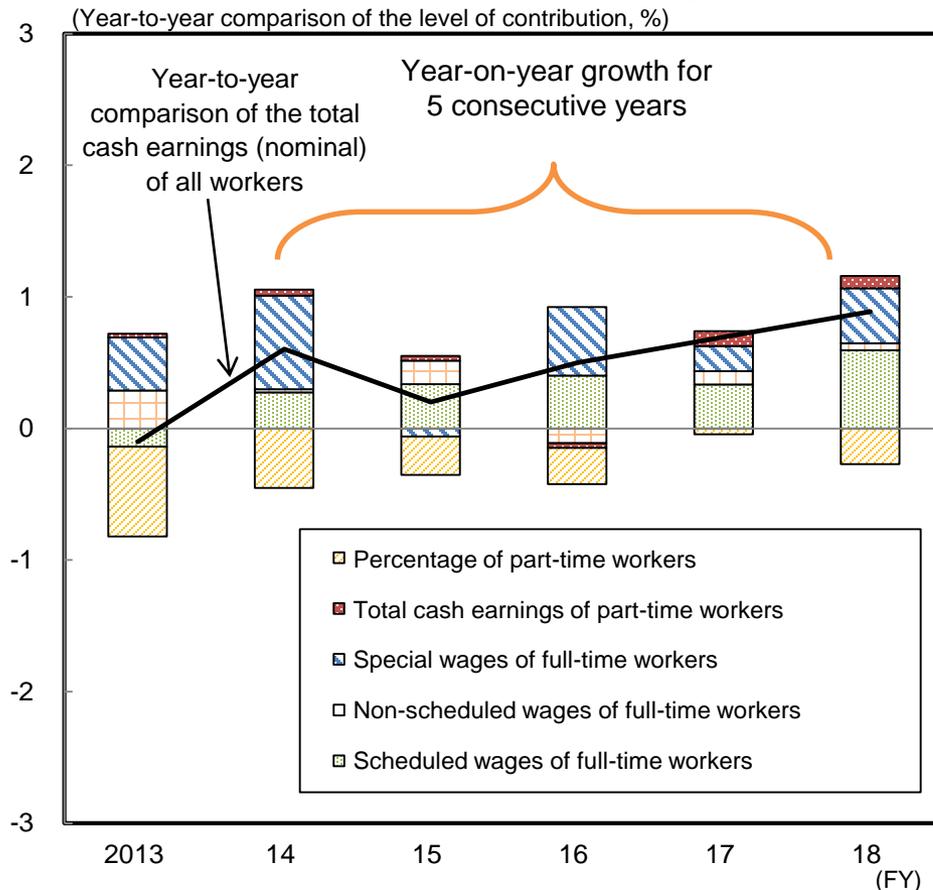
2) “Regular employees, etc.” refers to those employed without a definite period or those employed by concluding employment contracts for the period of at least one year, excluding “part-time workers”.

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 business office concerned.

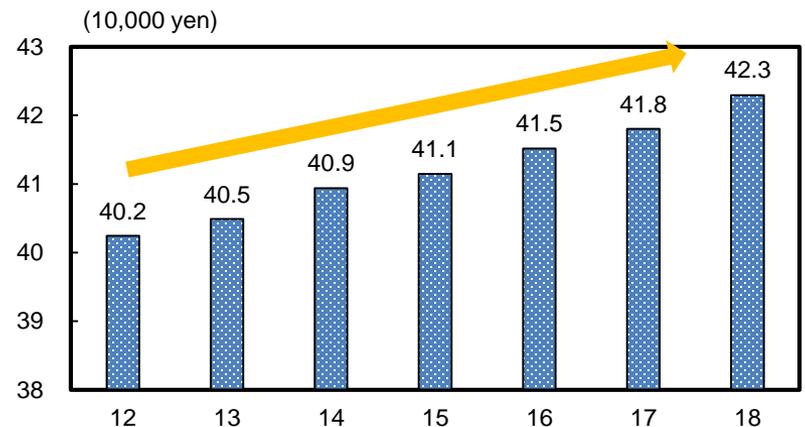
# — Wage trends [1] —

- The total monthly cash earnings increased for the fifth consecutive year in FY2018 thanks to hikes in scheduled wages and special payments for full-time workers etc.
- The nominal wages of full-time workers and the hourly wages of part-time workers have been on the rise.

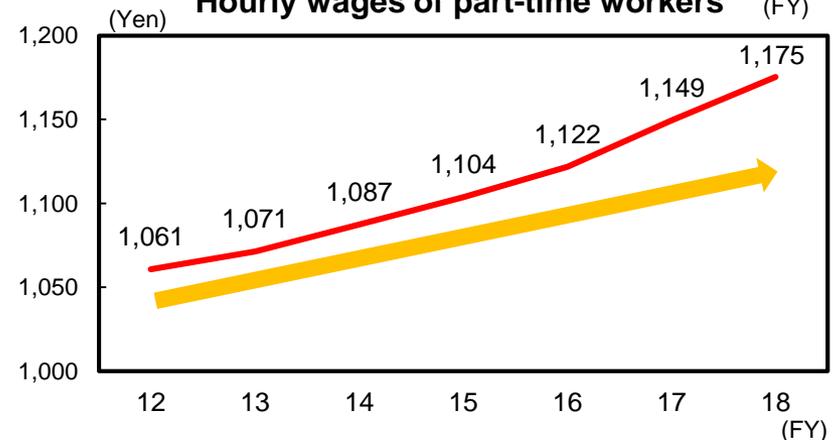
## Trend in factors that influence fluctuation in total monthly cash earnings



## Monthly earnings of full-time workers



## Hourly wages of part-time workers



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

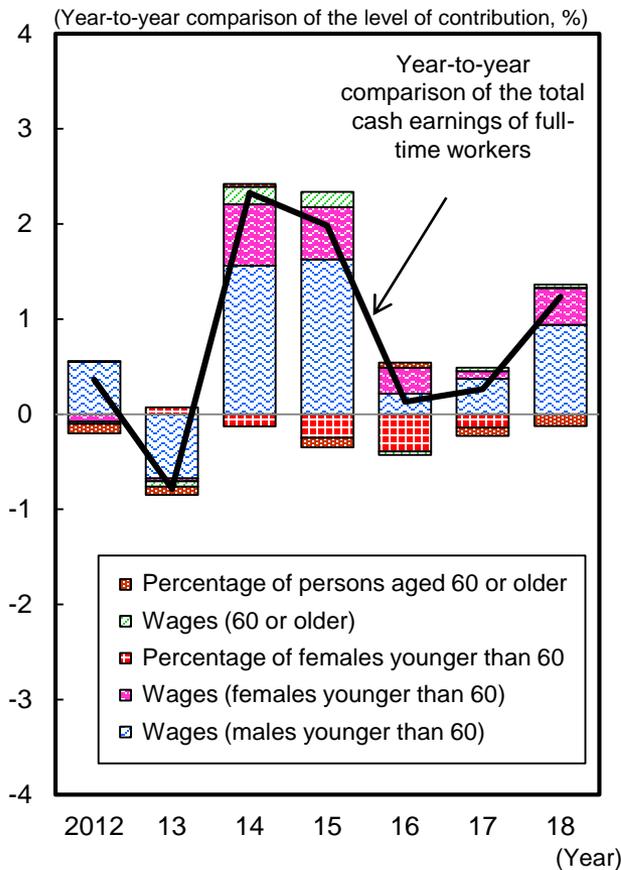
(Notes) 1) The figures indicate nominal values for business offices with 5 or more employees in all industries surveyed.

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

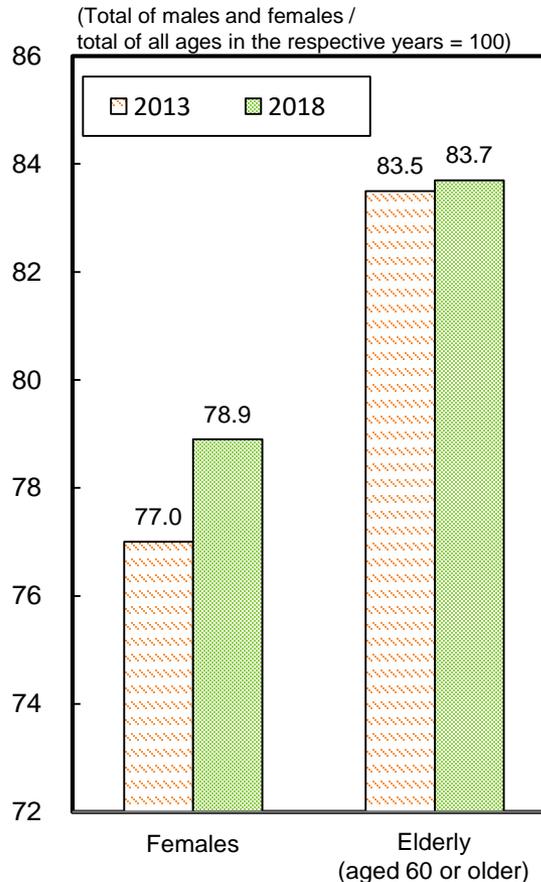
# — Wage trends [2] —

- While the share of the elderly workers in the total full-time workers has had a negative impact on full-time workers' total cash earnings, the wage gap between elderly and average workers has been narrowing.
- An increase in the labor force participation of women and the elderly ( a rise in the number of workers) has had a positive effect on the wage income of employees.

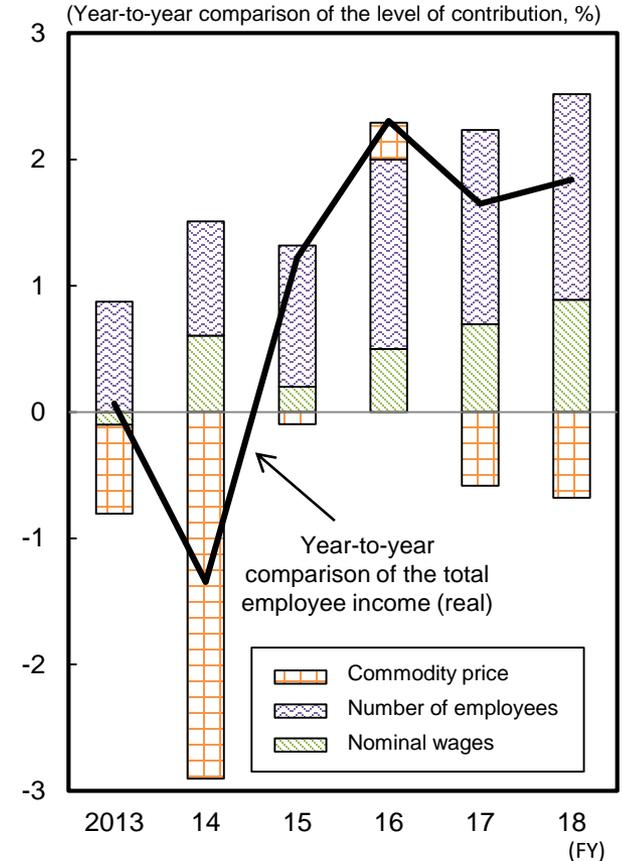
### Contribution of each factor to full-time workers' total monthly cash earnings



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



### Contribution of each factor to the wage income of employees (in real terms)



# Part II: Challenges: How Labour Shortages Affect Work Styles

## Challenges facing Japan

- Many workers and employers are feeling the impact of labour shortages on the workplace environment ; for instance, workers may endure harsh working conditions or feel less fulfilled at work.
- When workers feel less fulfilled at work, they may suffer from extreme fatigue and stress, and perform poorly at work. In addition, lower levels of employee fulfillment may also hamper business operations.
- Creating a positive workplace environment is the key to helping employees feel more fulfilled at work. Therefore, companies need to focus on the both elements (a positive workplace environment and employee fulfillment) and promote “work-style reforms” further to alleviate labor shortages.

## Measures to take on challenges facing Japan

Promote best practices of human resource management introduced at companies providing a positive workplace environment for employees

### Viewpoint

- Learn what employees think about their workplace environment by focusing on working hours, the ratio of paid holidays taken and more flexible work styles, etc. and analyze the impact of labour shortages on the environment
- Promote work-style reforms and a better work-life balance, and analyze (a) how corporate efforts to improve employment management affect the workplace environment and help reduce employee turnover and (b) the impact of labor-management communication on turnover rates
- Analyze labor force characteristics by corporate size and examine how to improve the workplace environment and promote employment management efforts such as reducing employee turnover rates at small and medium-sized companies, which typically have a higher percentage of female and elderly workers

Promote best practices of human resource management introduced at companies whose employees feel fulfilled at work

### Viewpoint

- Use the concept of work engagement to analyze employee fulfillment
- Analyze the relationship between fulfillment at work and outcomes: those outcomes include improved workers' health, higher retention rates and increased productivity, etc.
- Analyze effective employment management and human resource development methods that help employees feel more fulfilled at work: a more detailed analysis is needed to look at if there are workers serving as role models for young employees and examine whether employees are given feedback and have opportunities to talk with the management about their future career visions

Establish a virtuous work-rest cycle to increase employee fulfillment and improve their performance

### Viewpoint

- Analyze how individuals unwind and refresh themselves by using the concepts of four recovery experiences: psychological detachment, relaxation, control, and mastery
- Analyze how recovery experiences can help improve work engagement and increase labor productivity
- Analyze good examples of workers who are good at setting boundaries between work and leisure time in order to promote a better work-life balance among employees

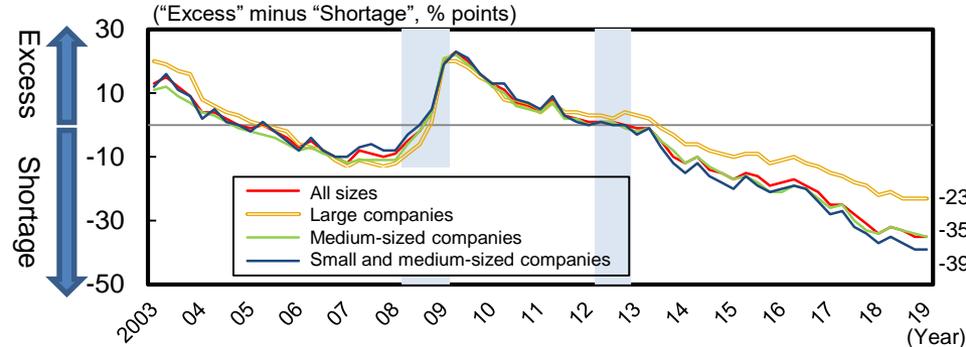
This year's White Paper on the Labour Economy examines the “Challenges Facing Japan: Work Styles and Labour Shortages.”

# Part II: Chapter 1 – Japan’s labour shortage

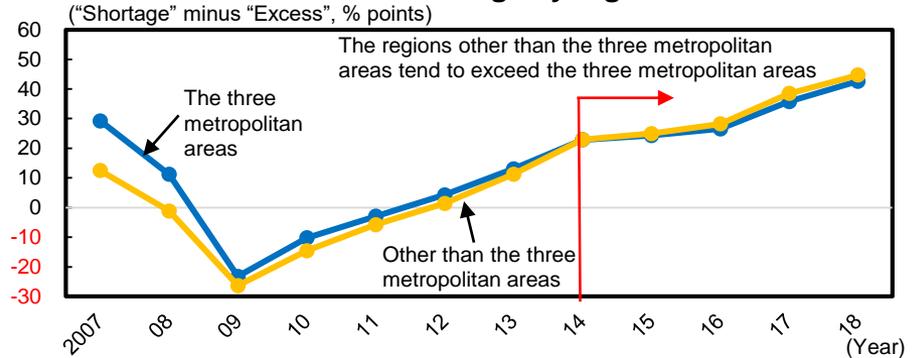
## — Labour shortage in recent years—

➤ A labour shortage is becoming increasingly acute, in particular among small and medium-sized companies. A similar trend is also seen at companies in regions other than the three metropolitan areas, not just at firms in the three metropolitan areas. By industry, the manufacturing and construction industries face a particularly serious labor shortage of regular employees while the housework assistance service and other sectors face a similar manpower shortage of part-time workers.

### D.I. for employment conditions by company size

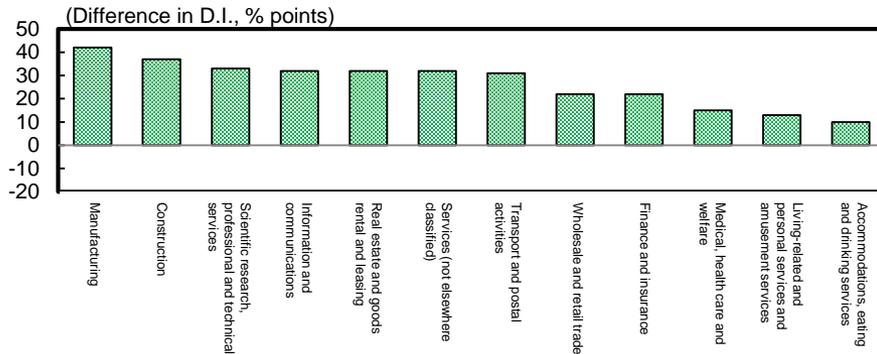


### labour shortage by region

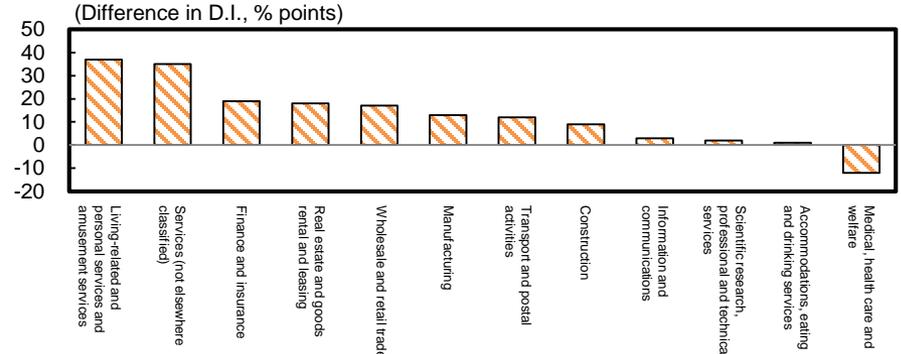


### Diffusion index (D.I.) on worker shortages by employment status and industry

Changes in the sense of excess/shortage of regular employees, etc.  
(February 2013 survey → February 2019 survey)



Changes in the sense of excess/shortage of part-time workers  
(February 2013 survey → February 2019 survey)



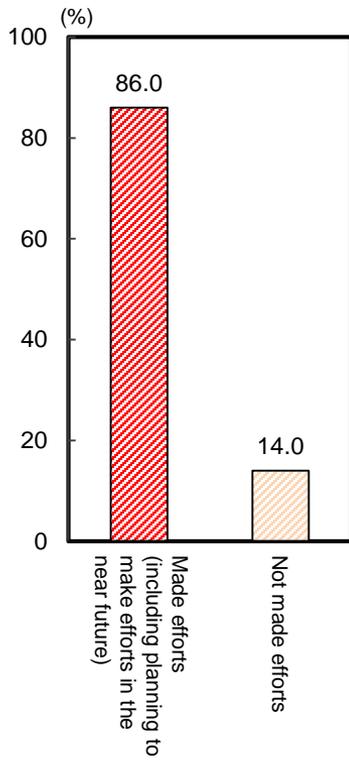
Source: Prepared based on “Short-term Economic Survey of Principal Enterprise in Japan”, Bank of Japan (upper left figure); “Survey on Trends of Businesses with Labor Shortage”, Teikoku Databank (upper right figure); and “Survey on Labour Economy Trend”, MHLW (lower figure)

(Notes) 1) “The three metropolitan areas” refers to “Saitama”, “Chiba”, “Tokyo”, “Kanagawa”, “Gifu”, “Aichi”, “Mie”, “Kyoto”, “Osaka”, “Hyogo”, and “Nara”. The location of each company indicates the location of its head office.  
2) “Regular employees, 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”. “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 business office concerned.

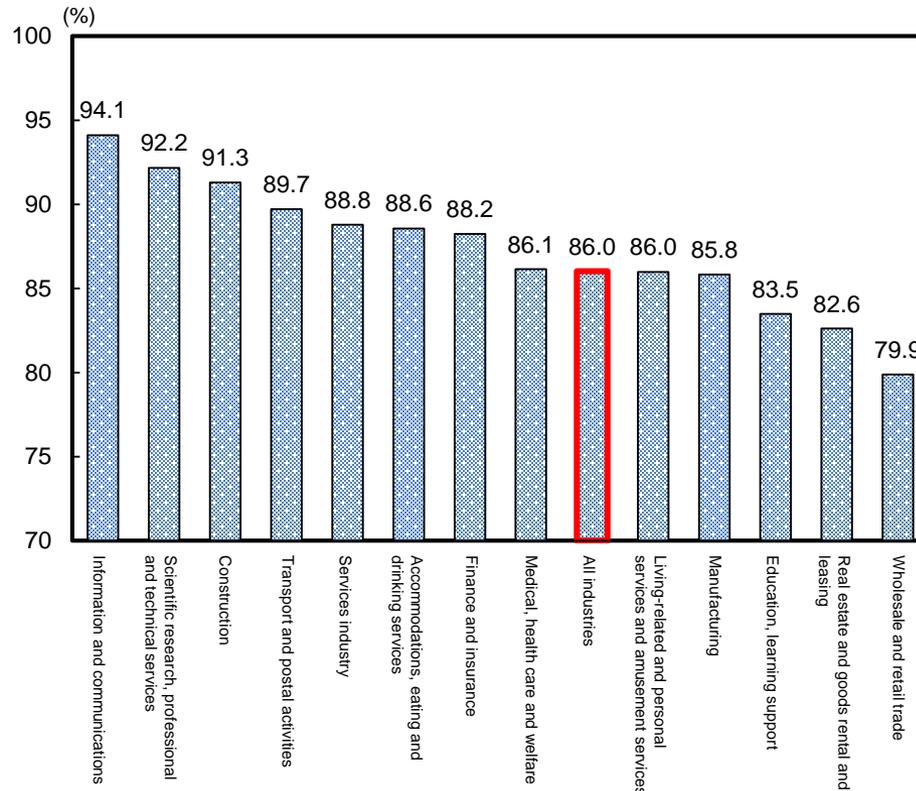
# — Efforts to alleviate labour shortage —

- According to the chart below, 86% of companies have taken steps to alleviate a labour shortage over the past three years (including companies planning to take steps). In the manufacturing, education and learning support, and retail and wholesale industries, the share of the companies that have taken action to address the manpower shortage is below the average of all industries.
- By company size, fewer small companies have taken steps to alleviate the labor shortage compared with larger firms. However, more than 80% of companies with 300 or fewer workers and those with 50 or fewer employees, respectively, have worked to address their labor shortage.

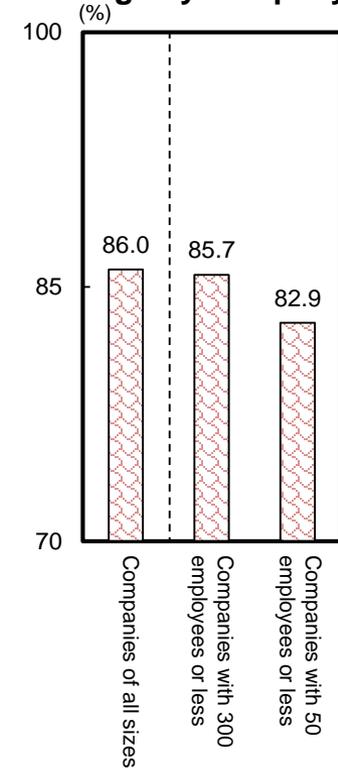
### Companies taking steps to alleviate the labour shortage



### Companies taking steps to alleviate the labour shortage by industry



### Businesses taking steps to alleviate the labour shortage by company size

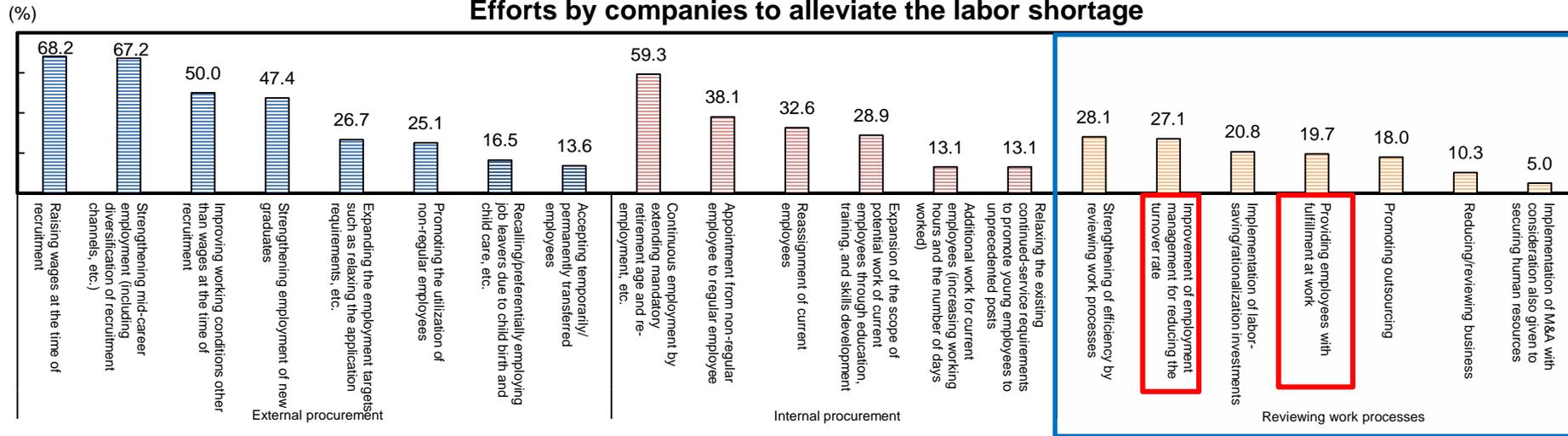


Source: Prepared based on individual questionnaires of "Survey on Current Status of Labour Shortage and Work styles, etc. (Company Questionnaire)" (2019), The Japan Institute for Labour Policy and Training (Notes) The results of answers given to the question on the status within 3 years from the time of the survey are summarized.

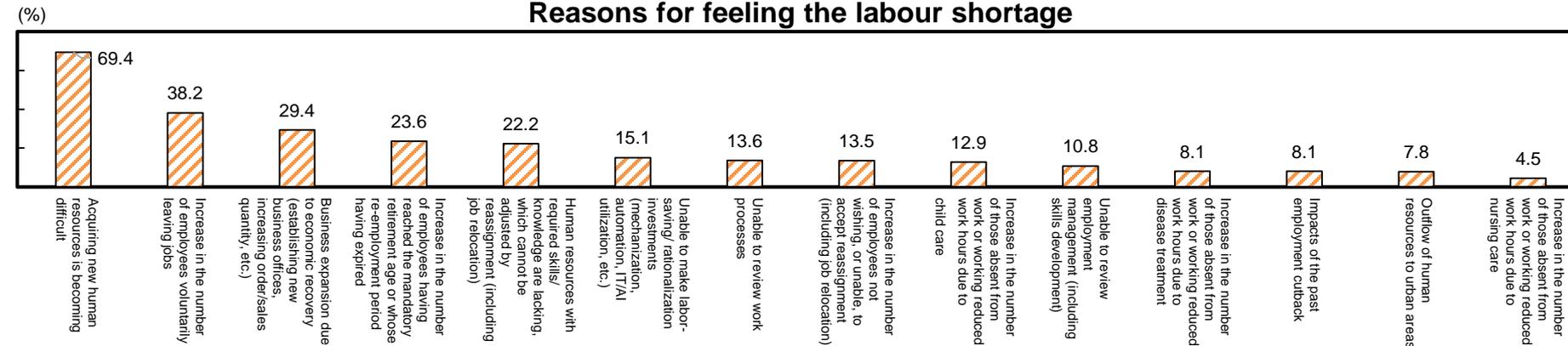
# — Company efforts to alleviate labour shortages and signs of manpower shortages —

- Many companies rely on outside sources or internal sources to alleviate a labor shortage: efforts through outside resources include seeking new workers in the labor market while internal resource approaches include converting non-regular workers to regular employees and providing continuous employment. However, company efforts focusing on the improvement in the workplace environment are not widely accepted yet: making improvements in an employment management system and helping employees feel more fulfilled at work can be part of such efforts.
- Many companies say they recognize that they are suffering from labor shortages when they have the increasing difficulty in hiring new workers or observe more and more employees quitting voluntarily.

### Efforts by companies to alleviate the labor shortage



### Reasons for feeling the labour shortage

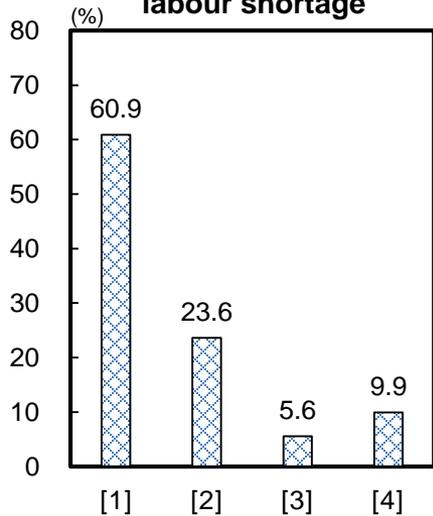


Source: Prepared based on individual questionnaires of "Survey on Current Status of Labour Shortage and Work styles, etc. (Company Questionnaire)" (2019), The Japan Institute for Labour Policy and Training  
 (Notes) The results of answers to the question asking the companies that answered "Significant shortage" or "Slight shortage" for all employees to give the reasons for the shortage of employees with multiple answers allowed are summarized.

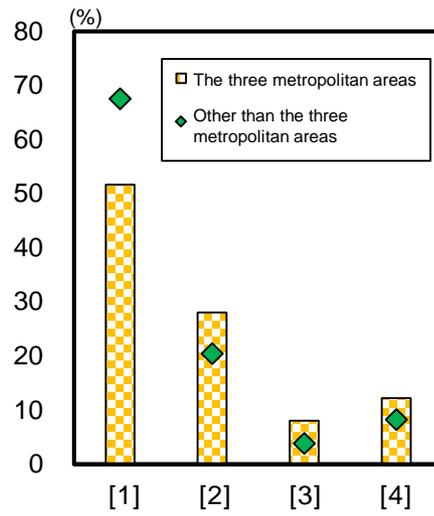
# — Recruitment at companies having difficulties in hiring new workers —

- Most companies facing labor shortages say that they have difficulty in hiring new workers because they receive no application for the job they have offered. Such a trend is significant in regions other than the three metropolitan areas.
- By industry, many companies in the accommodation and food service, construction, and medical and welfare service sectors say they receive no application for the job they have offered.

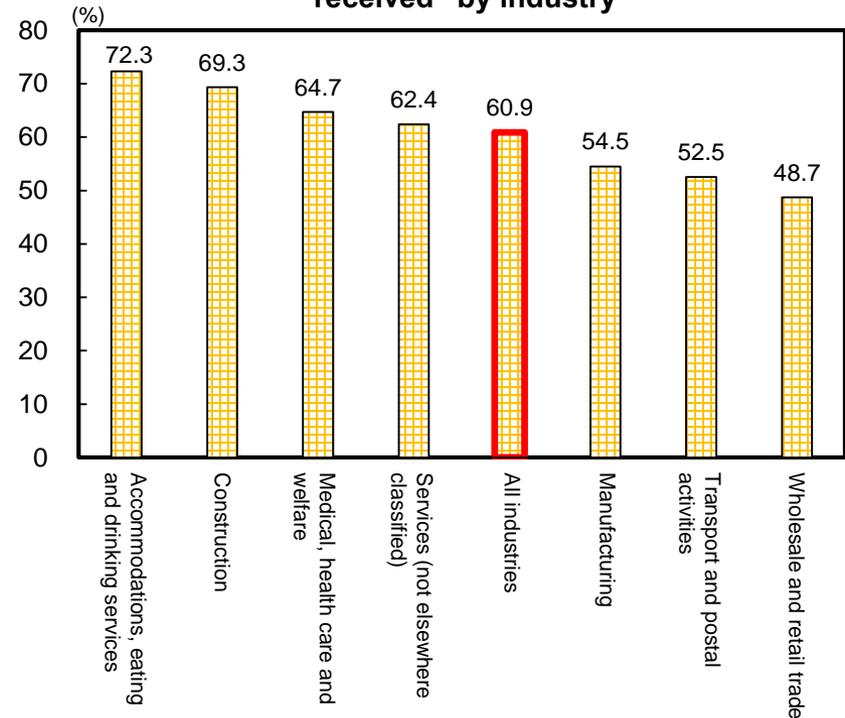
**Status when making recruitment because of labour shortage**



**Status when making recruitment by region**



**Percentage of companies that answered “Even when recruitment is made, no applications are received” by industry**



- [1] Even when recruitment is made, no applications are received  
 [2] Applications are received, but qualities of the applicants were not at the level required by the company  
 [3] Applications are received and qualities of the applicants were at the level required by the company, but labour/working conditions, etc. that they requested did not match what the company offered  
 [4] The applicants gained employment, but they left the company early on and could not be retained.

Source: Prepared based on individual questionnaires of “Survey on Current Status of Labour Shortage and Work styles, etc. (Company Questionnaire)” (2019), The Japan Institute for Labour Policy and Training

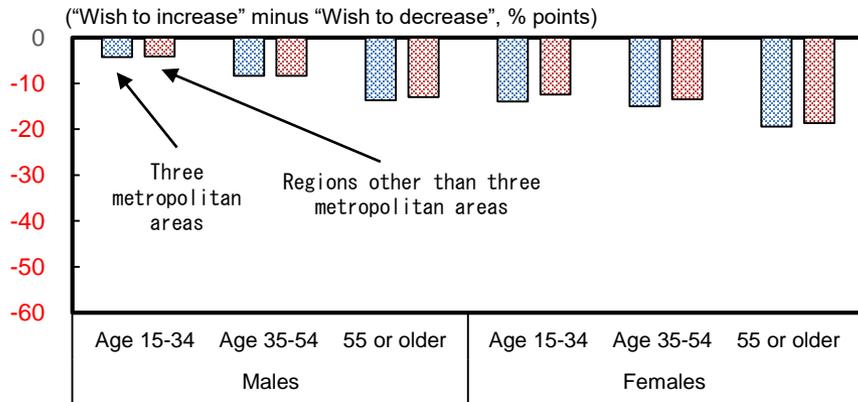
(Notes) 1) The companies that are counted are the ones that gave the following answers as the reasons for the labour shortage: “Significant shortage” or “Slight shortage” for all employees and “Acquiring new human resources is becoming difficult”.

2) “The three metropolitan areas” refers to “Saitama”, “Chiba”, “Tokyo”, “Kanagawa”, “Gifu”, “Aichi”, “Mie”, “Kyoto”, “Osaka”, “Hyogo”, and “Nara”.

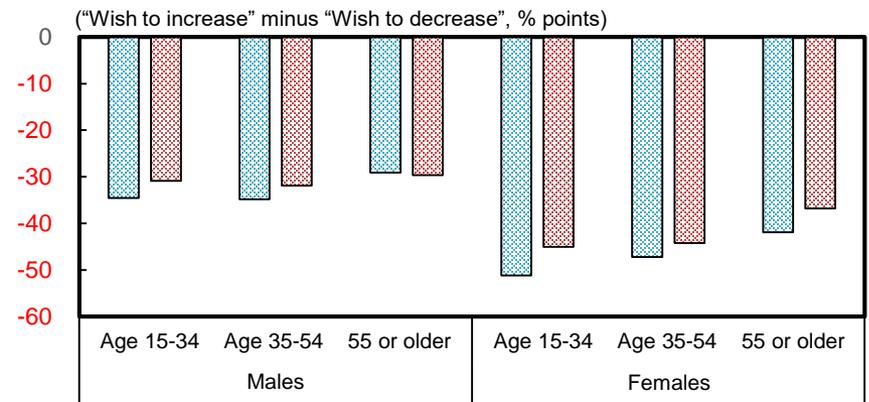
# — Workers to prefer fewer working hours —

➤ Regular employees working 35 to 42 hours per week prefer to work fewer hours rather than longer hours.

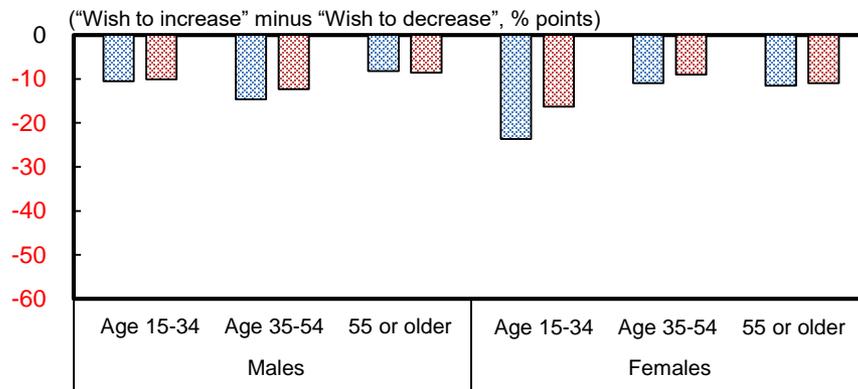
**Regular employees: Working 35 to 42 hours per week**



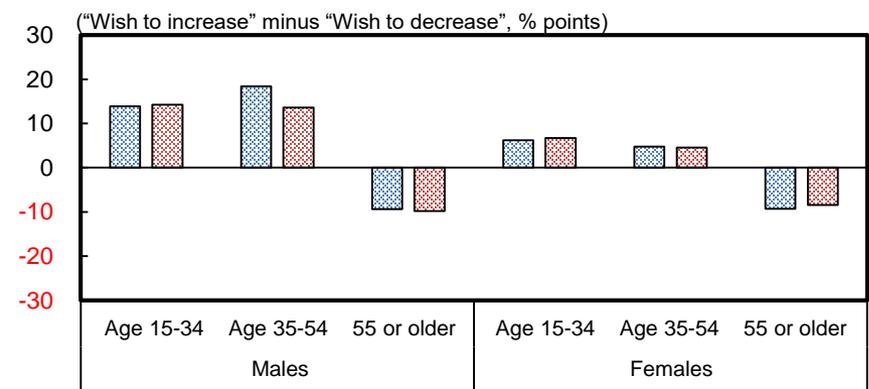
**Regular employees: Working 49 to 59 hours per week**



**Non-regular employees: Working less than 35 hours per week**



**Non-regular employees: Working 35 to 42 hours per week**



Source: Prepared based on individual questionnaires of "FY2017 Basic Survey on Employment Structure", Statistics Bureau (MIC)

(Notes) 1) Those who answered "regular personnel/employees" to the question on their names at work are counted as regular employees, and those who answered "Part-time workers", "Temporary part-time workers", "Dispatched employees of worker dispatching business offices", "Contract employees", or "Temporary employee" as non-regular employees.

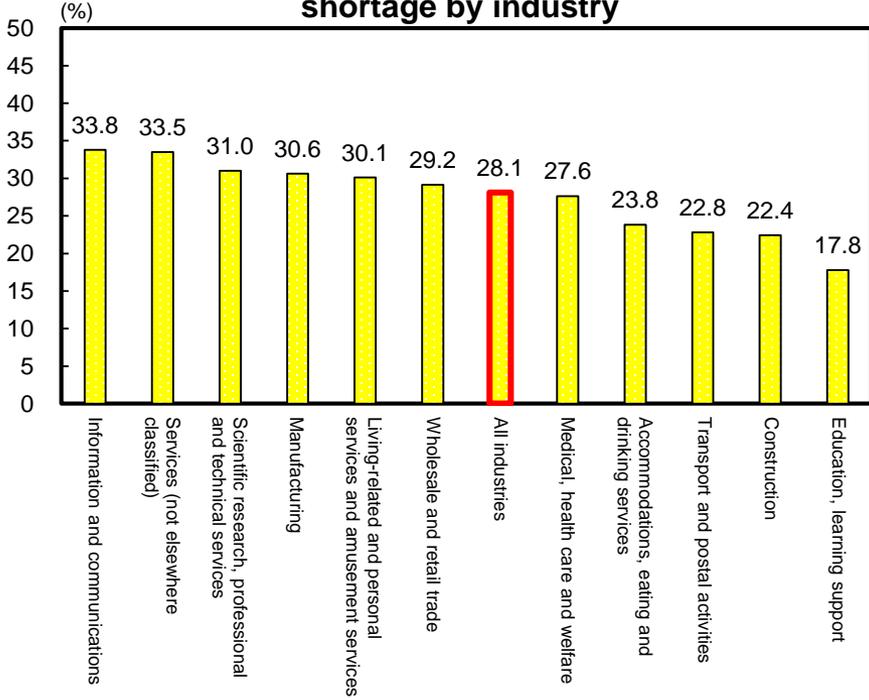
2) "The three metropolitan areas" refers to "Saitama", "Chiba", "Tokyo", "Kanagawa", "Gifu", "Aichi", "Mie", "Kyoto", "Osaka", "Hyogo", and "Nara".

3) In each figure, about "Working hours per week" the difference between the percentage of those who "Wish to increase" and the percentage of those who "Wish to decrease" is indicated".

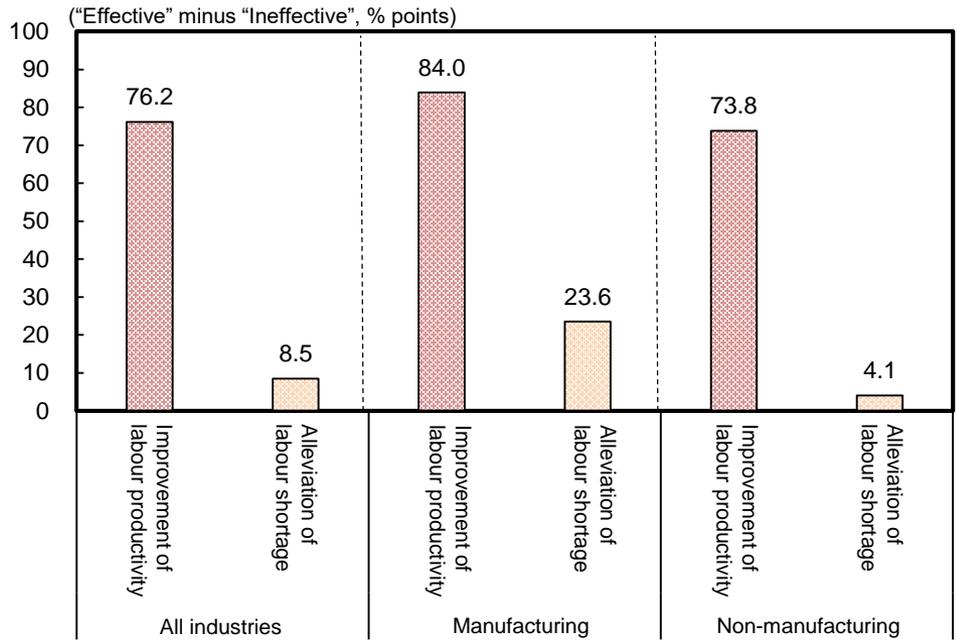
# — Companies implementing business process re-engineering to enhance efficiency —

- A relatively large number of companies have striven to enhance efficiency through business process re-engineering in the following sectors: information and communications, services (not classified into other sectors), scientific research, professional and technical services, and manufacturing, etc. The goal is to alleviate labor shortages.
- Many companies, mainly those in the manufacturing sector, say that such efforts have helped boost labor productivity and ease labor shortages.

**Percentage of companies implementing business process re-engineering to alleviate labour shortage by industry**



**Effects of business process re-engineering**



Source: Prepared based on individual questionnaires of “Survey on Current Status of Labour Shortage and Work styles, etc. (Company Questionnaire)” (2019), The Japan Institute for Labour Policy and Training

(Notes) 1) In each figure, companies that answered “Made efforts” from among the choices “Made efforts”, “Not made efforts yet, but plan to make efforts in the near future”, and “Not made efforts” to the question on having made efforts to alleviate labour shortage for the period from 3 years ago to the present are counted, and of which, those that answered that they had implemented “Strengthening of efficiency by reviewing work processes” are counted (companies that did not answer are not counted). In addition, companies that answered “Place importance on delaying decline/withdrawal while maintaining the status quo is becoming difficult” to the question on the motivation for business growth and companies that answered “No effect at present, and no concern over effect that may be caused within the next 3 years” to the question on the effects of labour shortage on company management or workplace environment are not counted.

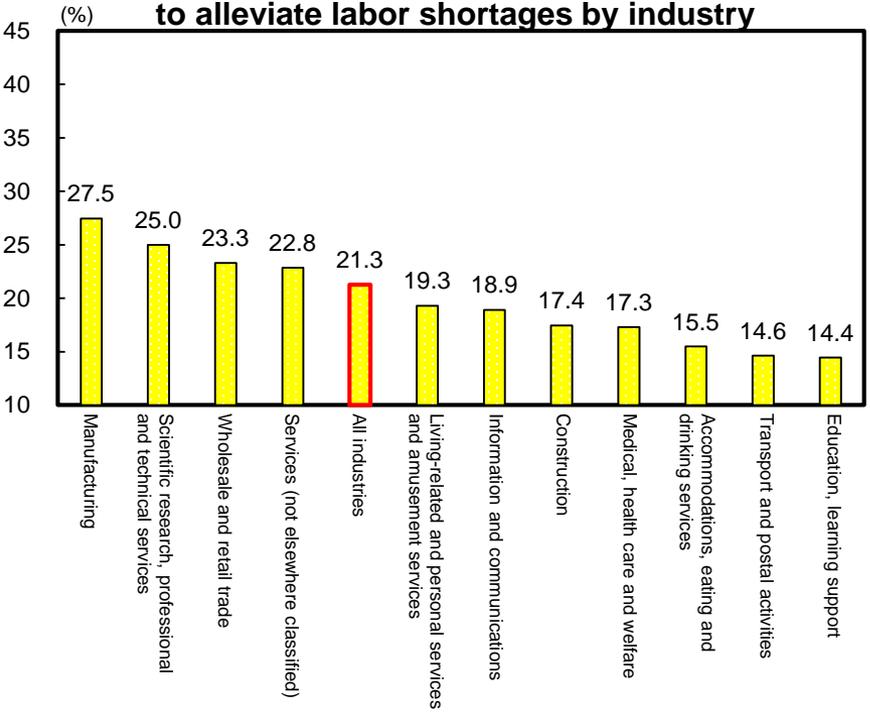
2) In the left figure, of the companies that have implemented measures to alleviate labour shortage, the percentage of those that answered that they had implemented “Strengthening of efficiency by reviewing work processes” is calculated. Since the numbers of samples are very small, “Mining and quarrying of stone and gravel”, “Compound services”, “Electricity, gas, heat supply and water”, “Finance and insurance”, and “Real estate and goods rental and leasing” are excluded.

3) With regard to the effects in the right figure, “Very effective” and “Somewhat effective” are counted as “Effective”, and “Rarely Effective” and “Ineffective” are counted as “Ineffective”. In addition, in the same figure, from the viewpoints of “Improvement of labour productivity” and “alleviation of labour shortage”, the difference between the percentage of companies that answered “Very effective” or “Somewhat effective” and the percentage of companies that answered “Rarely Effective” or “Ineffective” are counted as “Ineffective” is shown.

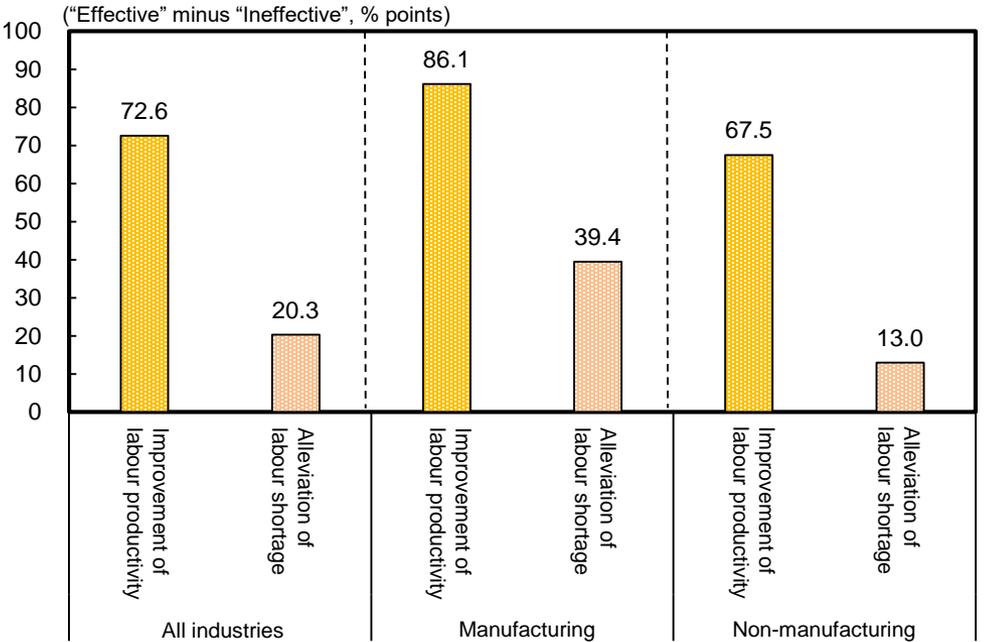
# — Labor-saving improvements and investments for greater operating efficiency —

- A relatively large number of companies in the industries such as manufacturing, and wholesale and retail trade have worked on labor-saving improvements and investments for greater operating efficiency as part of the efforts to alleviate labor shortages.
- Many companies, mainly those in the manufacturing sector, say that labor-saving improvements and investments for greater operating efficiency have helped boost labor productivity and ease labor shortages.

## Percentage of companies that have worked on labor-saving improvements and investments for greater operating efficiency as part of the efforts to alleviate labor shortages by industry



## Effects of business process re-engineering



Source: Prepared based on individual questionnaires of "Survey on Current Status of Labour Shortage and Work styles, etc. (Company Questionnaire)" (2019), The Japan Institute for Labour Policy and Training  
 (Notes) The left figure shows, of the companies that have made efforts to alleviate labour shortage for the period from 3 years ago to the present, the percentage of those that have implemented "labor-saving/rationalization investments".

# - The impact of labour shortage on business management and the workplace environment -

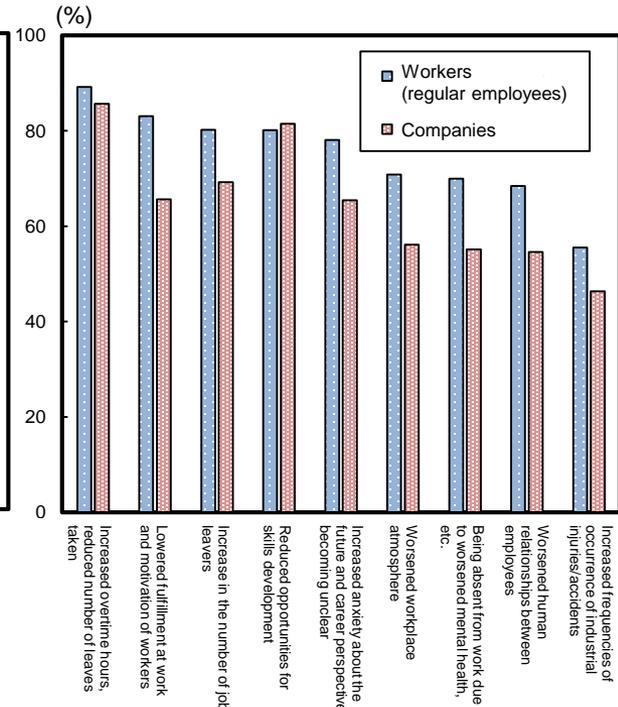
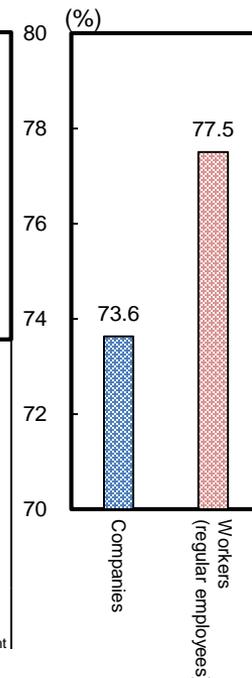
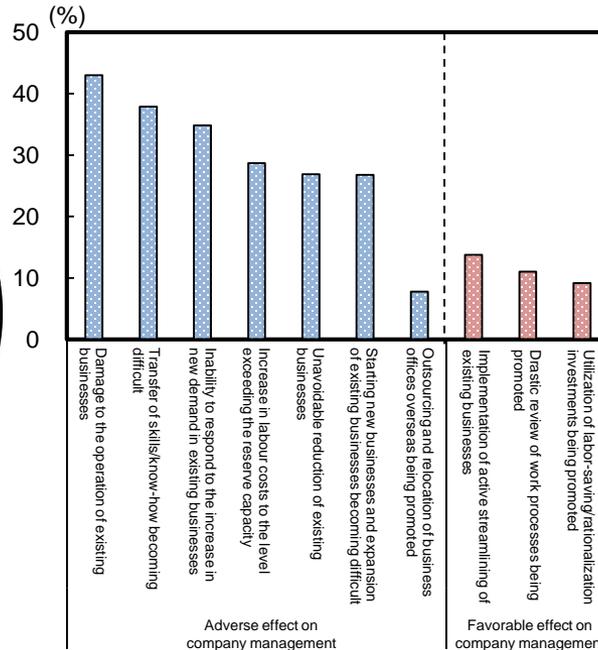
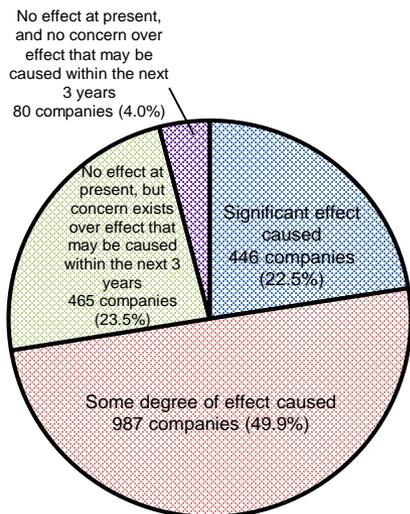
- The data below show that a labour shortage may affect business management at many companies. For instance, the manpower shortage can become an obstacle to the operation of existing businesses or make it difficult for employers to help employees transfer skills and know-how to others.
- The labour shortage can also affect the workplace environment. For instance, employees may have to work more overtime, take fewer paid holidays, feel less fulfilled at work and get less motivated to work. This suggests that both workers and companies recognize that the manpower shortage has a negative impact on the workplace environment and can lead employees to feel less fulfilled at work.

## Impact of labour shortage on business management

## Impact of labour shortage on workplace environment

Percentage of companies/workers feeling that the labour shortage is affecting workplace environment

Concrete effects of labour shortage on workplace environment



Source: Prepared based on individual questionnaires of "Survey on Current Status of Labour Shortage and Work styles, etc. (Company Questionnaire)" (2019), The Japan Institute for Labour Policy and Training

(Notes) 1) The second figure from the left shows the value calculated by dividing the number of companies that gave answers for the respective effects (multiple answers allowed) by the number of companies that answered that they were in labour shortage. Unknown answers are excluded.

2) The third figure from the left indicates that those who gave answers to the question on whether the labour shortage is affecting their companies' workplace environment, the percentage of those that answered that there was a "Significant effect caused" or "Some degree of effect caused" to their companies' workplace environment by the labour shortage.

3) In the fourth figure from the left, companies that answered "Significant shortage" or "Slight shortage" for "All employees" and regular employees that answered "Significant shortage" or "Slight shortage" for the "Entire workplace". The figure shows the percentage of companies/regular employees that gave answers for the respective effects. Unknown answers are excluded.

# Part II: Chapter 2 – Create a better workplace environment for employees

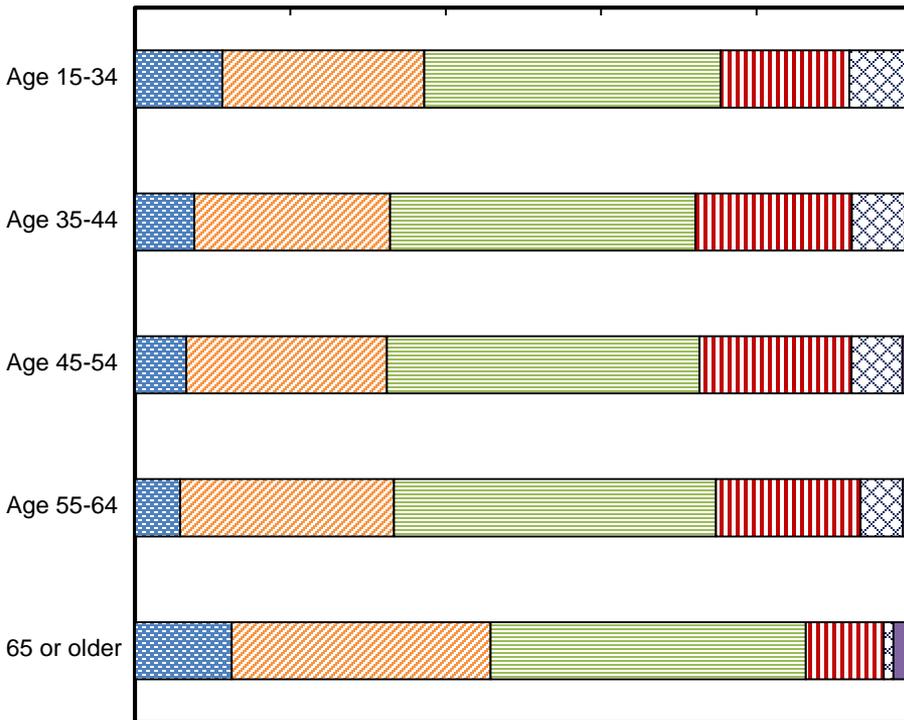
## — Workplace satisfaction —

- The percentage of workers who feel always or frequently feel satisfaction with the workplace environment is low among males aged 35-64 and females aged 45-64
- The percentage of workers who always or frequently feel satisfaction with the workplace environment is higher among workers aged 65 or older, both men and women, than those in other age groups.

**Satisfaction with the workplace environment by sex and age group**

Males

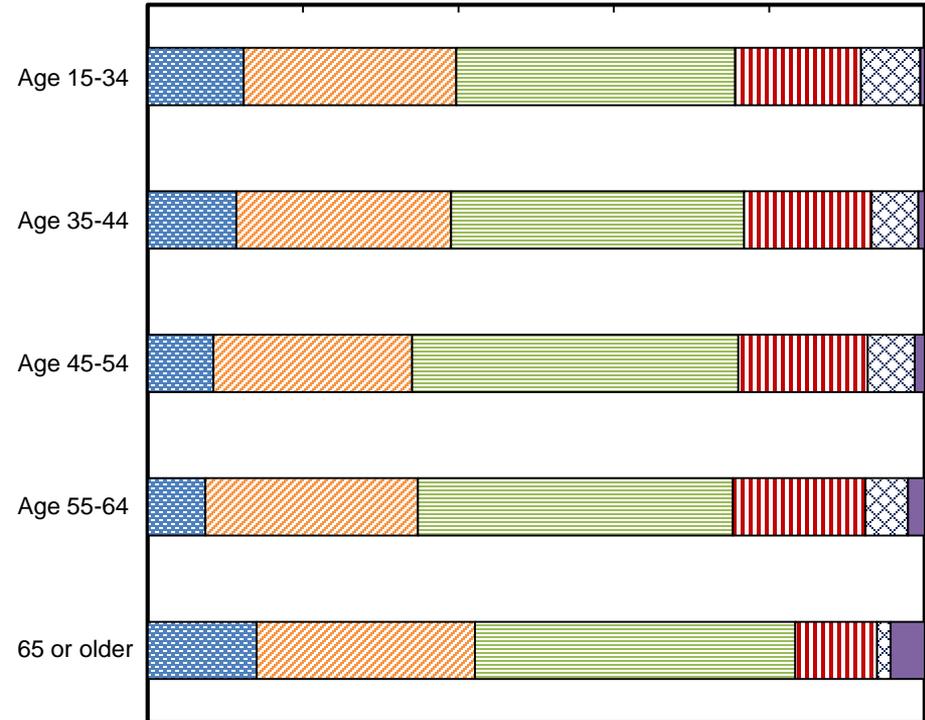
0% 20% 40% 60% 80% 100%



Always feel Frequently feel Sometimes feel  
Rarely feel Do not feel Unknown

Females

0% 20% 40% 60% 80% 100%

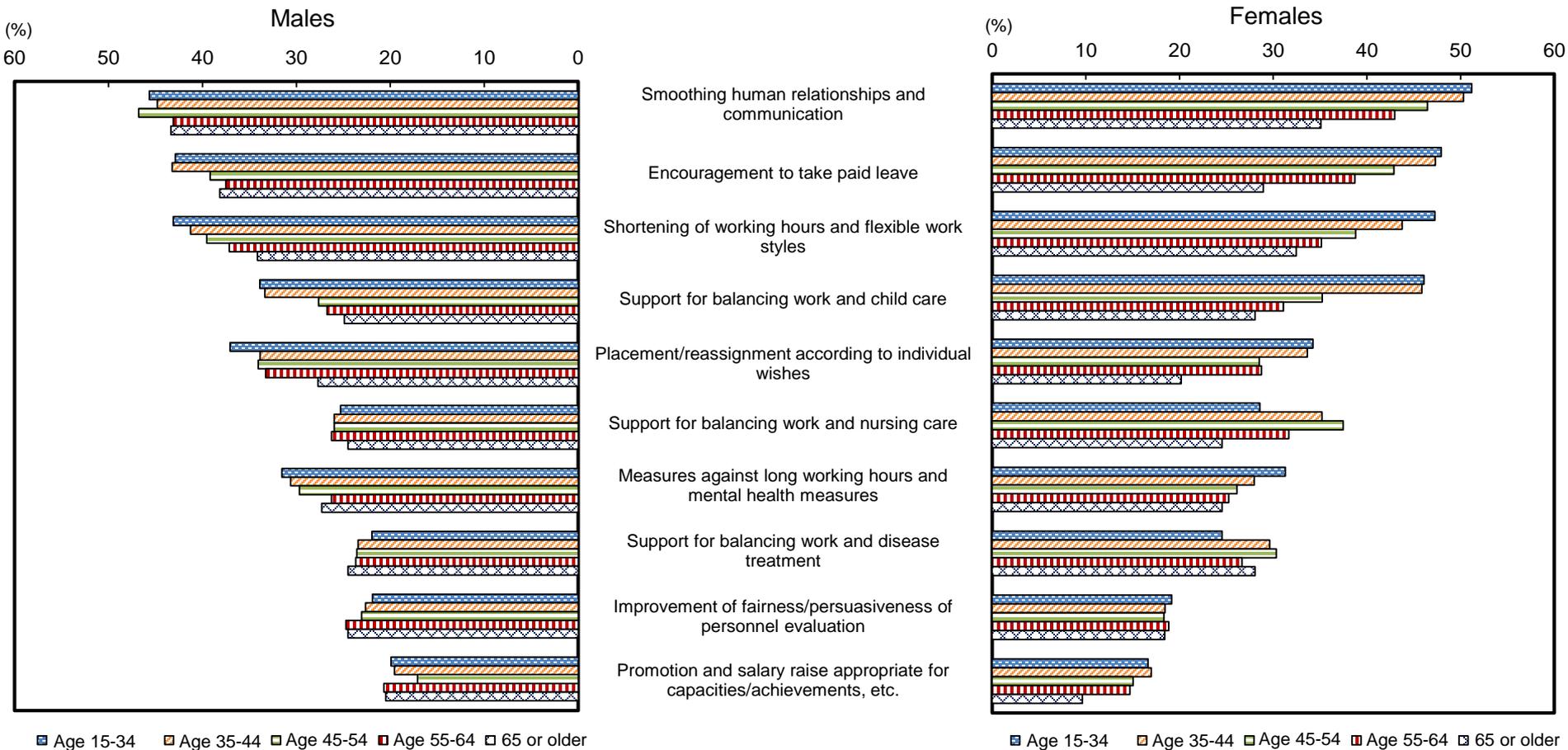


Always feel Frequently feel Sometimes feel  
Rarely feel Do not feel Unknown

# — Employment management for a better workplace environment —

- Regardless of sex or age, a vast majority of workers think that fostering a friendly human relationship and smooth communications is the most important element necessary to create a better workplace environment. Encouraging workers to take paid leave is considered as the second most important element and promoting shorter working hours and more flexible work is the third.
- Female workers aged 15-44 think that supporting work/child care balance is also an important element for a better workplace environment.

Employee opinion by sex and age group : important elements of employment management for a better workplace environment



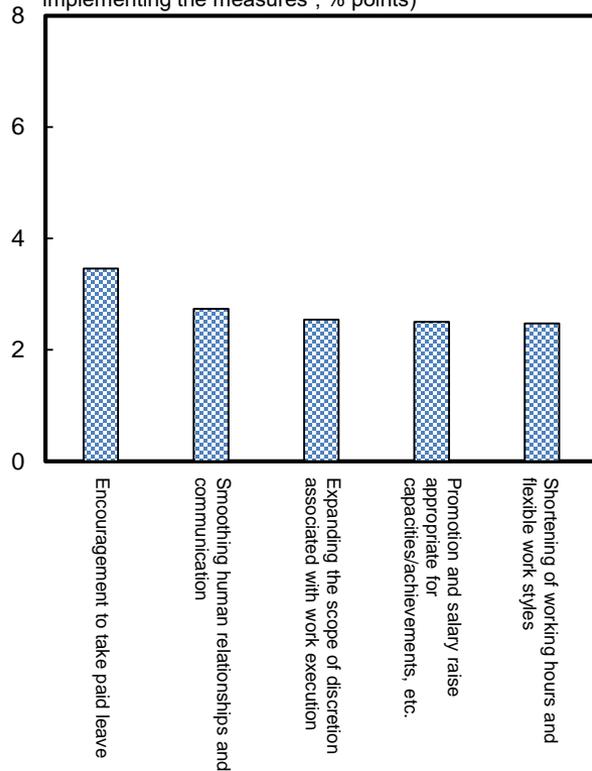
Source: Prepared based on individual questionnaires of "Survey on Current Status of Labour Shortage and Work styles, etc. (Regular Employee Questionnaire)" (2019), The Japan Institute for Labour Policy and Training

# — Employment management to create a better workplace environment, reduce retention rates and increase employee retention —

- An effective employment management can help create a better workplace environment, reduce turnover rates and increase employee retention. Such management efforts include encouraging employees to take paid leave, reducing working hours and offering flexible work styles.

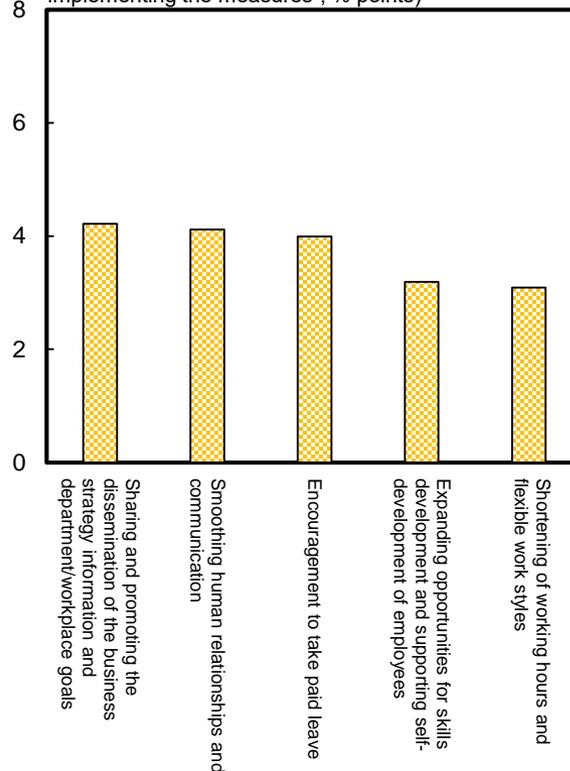
**Effective employment management to create a better workplace environment**

("Percentage among companies implementing the measures" minus "Percentage among companies not implementing the measures", % points)



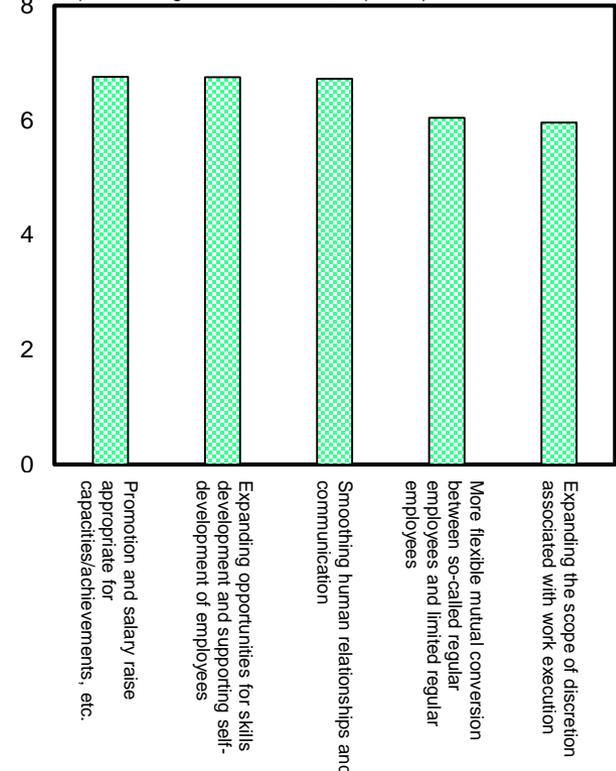
**Effective employment management to reduce retention rates**

("Percentage among companies implementing the measures" minus "Percentage among companies not implementing the measures", % points)



**Effective employment management to increase retention (at 3 years after hiring)**

("Percentage among companies implementing the measures" minus "Percentage among companies not implementing the measures", % points)



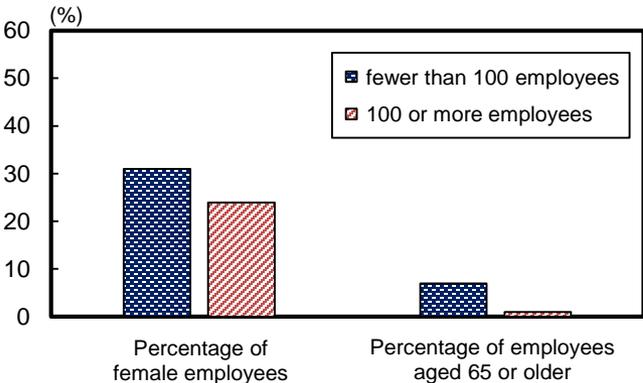
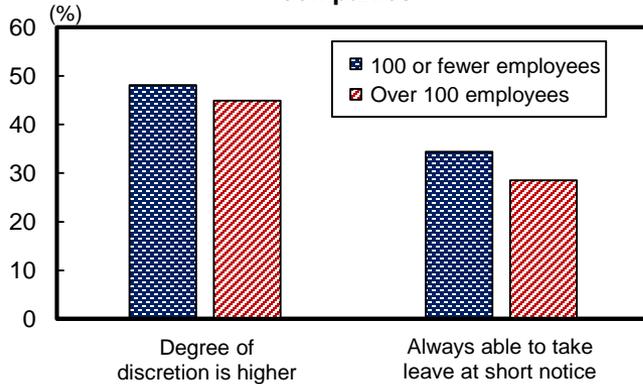
Source: Prepared based on individual questionnaires of "Survey on Current Status of Labour Shortage and Work styles, etc." (2019), The Japan Institute for Labour Policy and Training

- (Notes) 1) The left figure shows the difference between the percentage of "Workers of companies implementing the respective employment management measures who are feeling satisfaction with the comfortability of working" and the percentage of "Workers of companies NOT implementing the respective employment management measures who are feeling satisfaction with the comfortability of working".
- 2) The middle figure shows the difference between the percentage of "Companies implementing the respective employment management measures whose turnover rate of their employees decreased compared to 3 years ago" and the percentage of "Companies NOT implementing the respective employment management measures whose turnover rate of their employees decreased compared to 3 years ago".
- 3) The right figure shows the difference between the percentage of "Companies implementing the respective employment management measures whose retention rate (at 3 years after hiring) of newly hired employees increased compared to 3 years ago" and the percentage of "Companies NOT implementing the respective employment management measures whose retention rate (at 3 years after hiring) of newly hired employees increased compared to 3 years ago".
- 4) Each figure shows the top 5 employment management measures, in terms of degree of difference, that are effective in the respective outcomes.

# — Characteristics of small and medium-sized companies and employment management to help create a better workplace environment and reduce employee turnover —

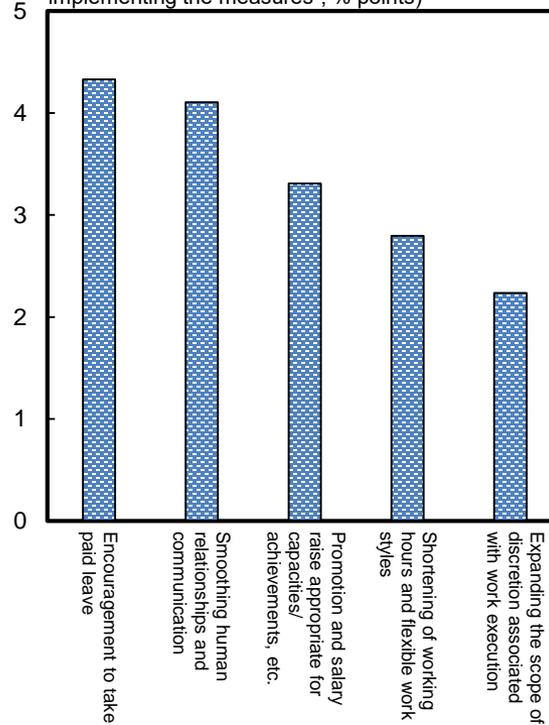
- More discretion is given to regular employees at companies with 100 or fewer workers than those at companies with over 100 workers. This suggests that many of the employees at smaller firms, especially women and the elderly, think that their employer approves their last-minute time-off request at any time.
- Efforts to encourage employees to take paid and other effective employment management can help create a better workplace environment and reduce employee turnover at not only large companies but also small and medium-sized firms.

**Characteristics of small and medium-sized companies**



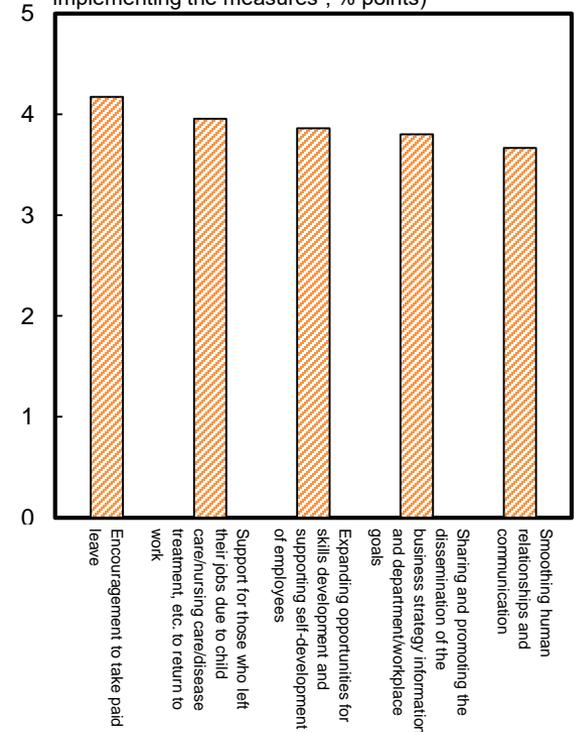
**Effective employment management to create a better workplace environment at small and medium-sized companies**

(“Percentage among companies implementing the measures” minus “Percentage among companies not implementing the measures”, % points)



**Effective employment management to reduce retention rates at small and medium-sized companies**

(“Percentage among companies implementing the measures” minus “Percentage among companies not implementing the measures”, % points)



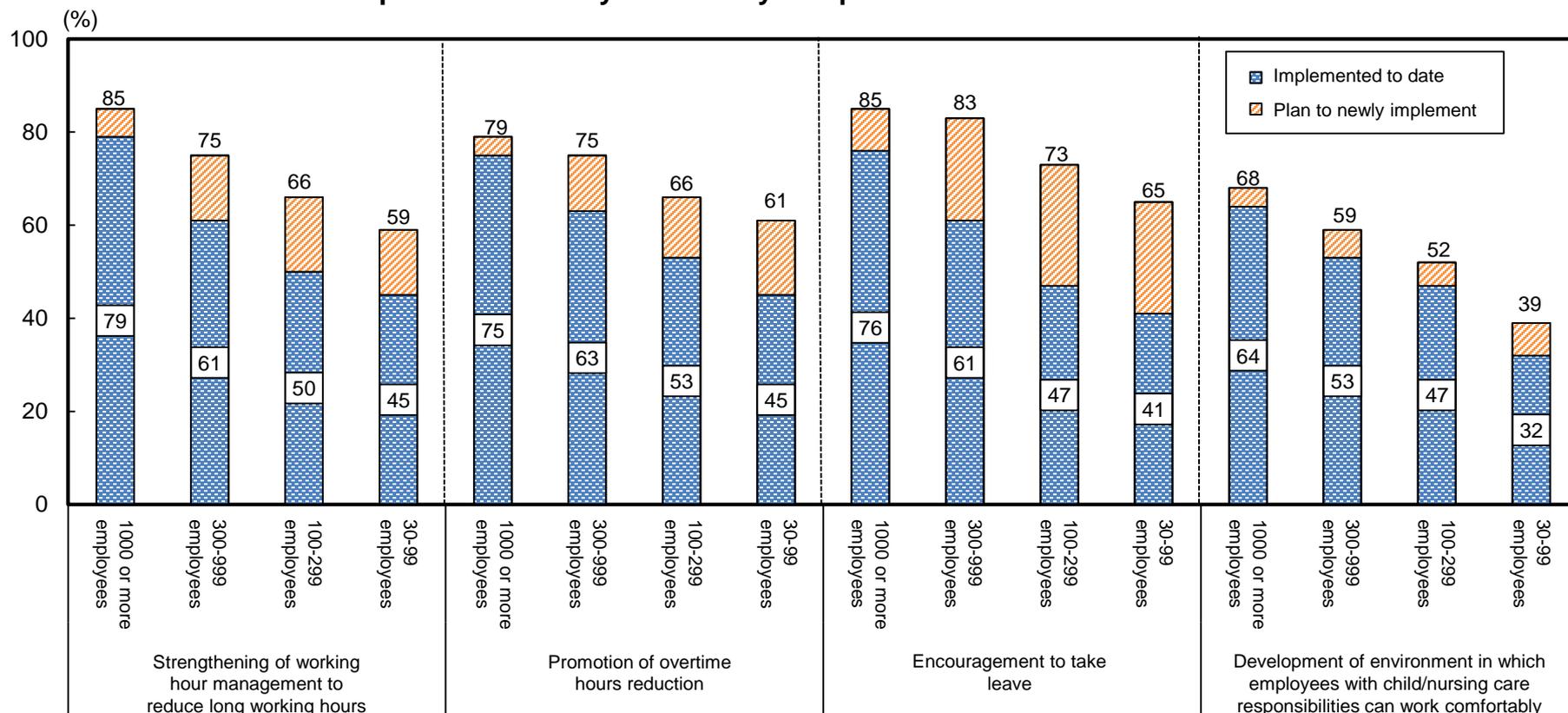
Source: Prepared based on individual questionnaires of “Survey on Current Status of Labour Shortage and Work styles, etc.” (2019), The Japan Institute for Labour Policy and Training (upper left figure, middle figure, and right figure); and “Employment Status Survey”, MIC (lower left figure)

- (Notes) 1) “Degree of discretion is higher” in the upper left figure refers to “Always feel” or “Frequently feel” that the degree of discretion for work (degree of freely choosing the procedures and methods of proceeding with work) is high.
- 2) The middle figure shows the difference between the percentage of “Workers of companies implementing the respective employment management measures who are feeling satisfaction with the comfortability of working” and the percentage of “Workers of companies NOT implementing the respective employment management measures who are feeling satisfaction with the comfortability of working”.
- 3) The right figure shows the difference between the percentage of “Companies implementing the respective employment management measures whose turnover rate of their employees decreased compared to 3 years ago” and the percentage of “Companies NOT implementing the respective employment management measures whose turnover rate of their employees decreased compared to 3 years ago”.
- 4) The middle figure and right figure show the top 5 employment management measures, in terms of degree of difference, that are effective in the respective outcomes.

# — Efforts to promote work-style reform by companies of different sizes —

- A survey on efforts to promote work-style reform shows that many companies regardless of size are implementing stricter rules on working hours, trying to reduce overtime hours and encouraging employees to take paid leave.
- Smaller companies tend not to introduce work-style reform at this moment. However, they are more willing to promote work-style reform in the future compared with larger companies. Thus, it is necessary to provide continuous support to small and medium-sized companies in order to allow workers to choose their work time and style.

Efforts to promote work-style reform by companies of different sizes



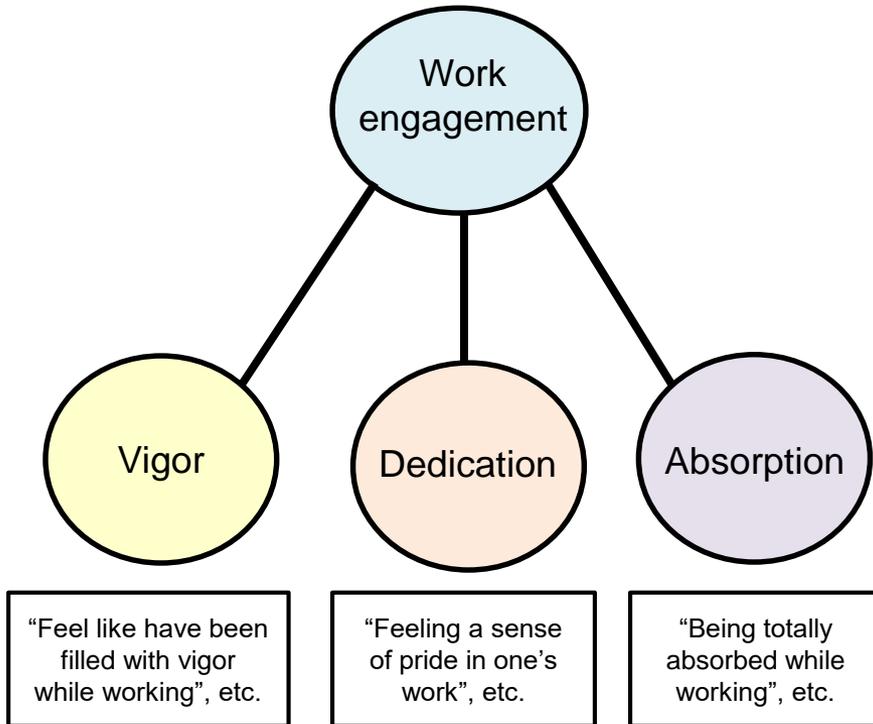
Source: Prepared based on “Survey on Labour Economy Trend (November 2018)” (2018), MHLW  
 (Note) “Plan to newly implement” refers to the difference between “Plan to implement in the future” and “Implemented to date”.

# Part 2: Chapter 3 – Create an environment that helps employees feel fulfilled at work

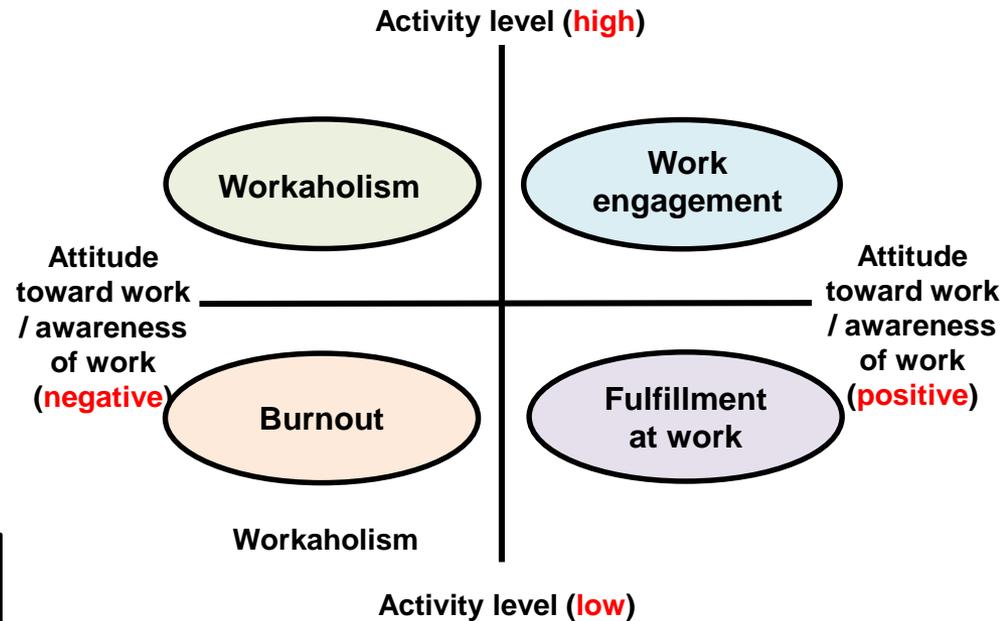
## — Fulfillment at work —

- This White Paper analyzes employee fulfillment by using the concept of work engagement.
- “Work engagement” is defined as a state of mind that is characterized by vigor (high levels of energy and mental resilience at work), dedication (a sense of pride and challenge) and absorption (commitment and involvement).
- Work engagement is an opposite concept of burnout.

Concept of work engagement



Organization of relevant concepts using “activity level” and “attitude/awareness toward work”

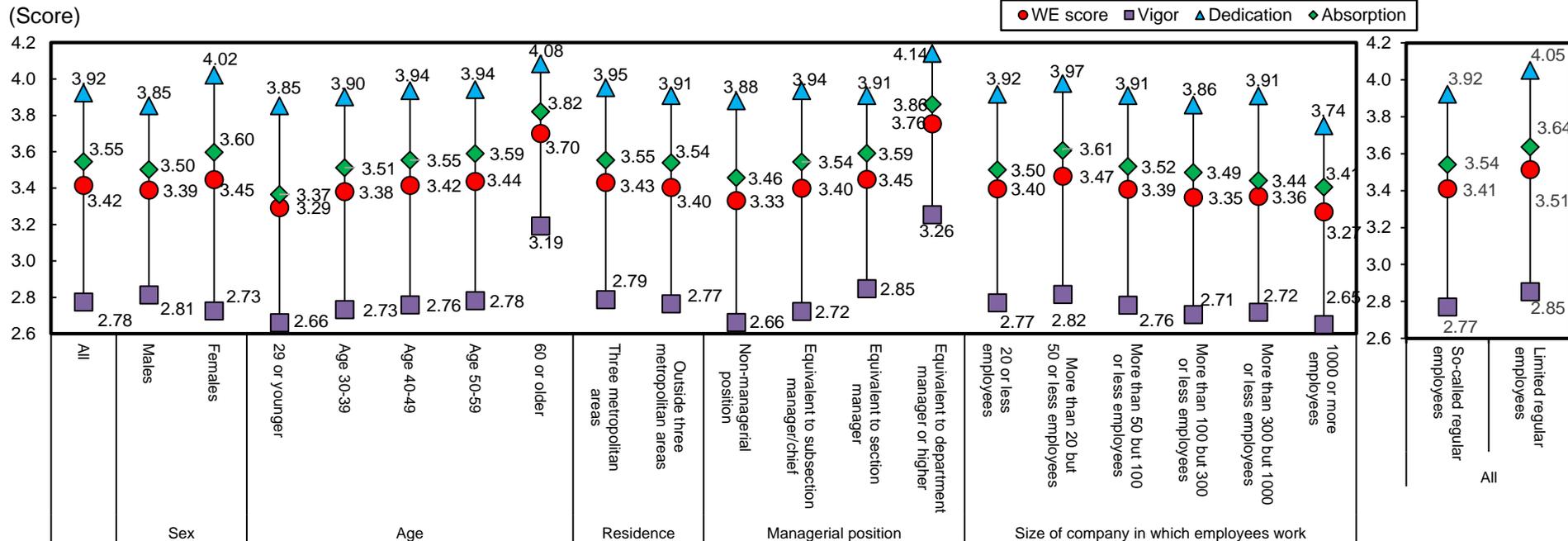


Source: Prepared using “Work engagement: A handbook of essential theory and research” (2014), SHIMAZU Akihito, INOUE Akiomi, OTSUKA Yasumasa, TANEICHI Kotaro, etc. as a reference

# — Fulfillment at work : regular employees —

- A work engagement score (hereinafter referred to as “WE score”) represents levels of employee fulfillment. The average WE score of regular employees stands at 3.42. By category, the score for “dedication” is relatively high at 3.92 while the figure for “vigor” is relatively low at 2.78. By gender, the WE score of female employees is slightly higher than that of male employees. Levels of energy and mental resilience at work (vigor) are lower among women than men. However levels of dedication (a sense of pride and challenge) and absorption (commitment and involvement) are higher among women than men. By age, the score is low among young employees. Furthermore, the work engagement tends to increase as employees reach a higher-ranking position and take on more responsibility at work.
- The chart below suggests that levels of fulfillment at work are higher among limited-type regular workers than regular employees.

Fulfillment at work: regular employees



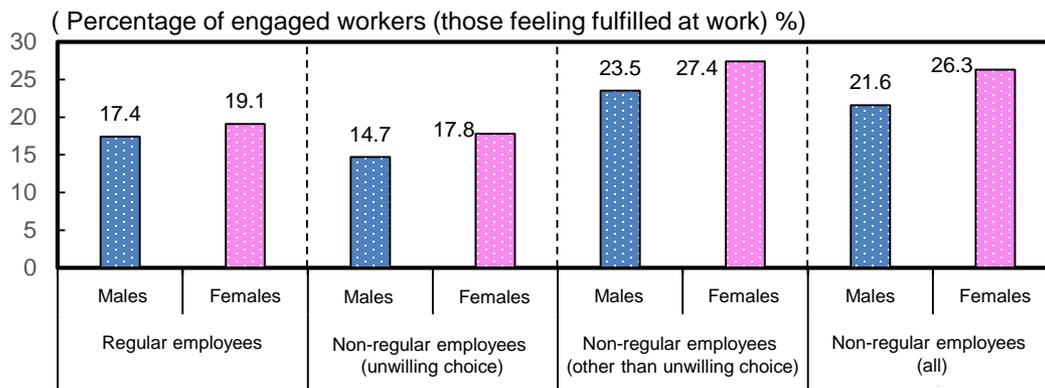
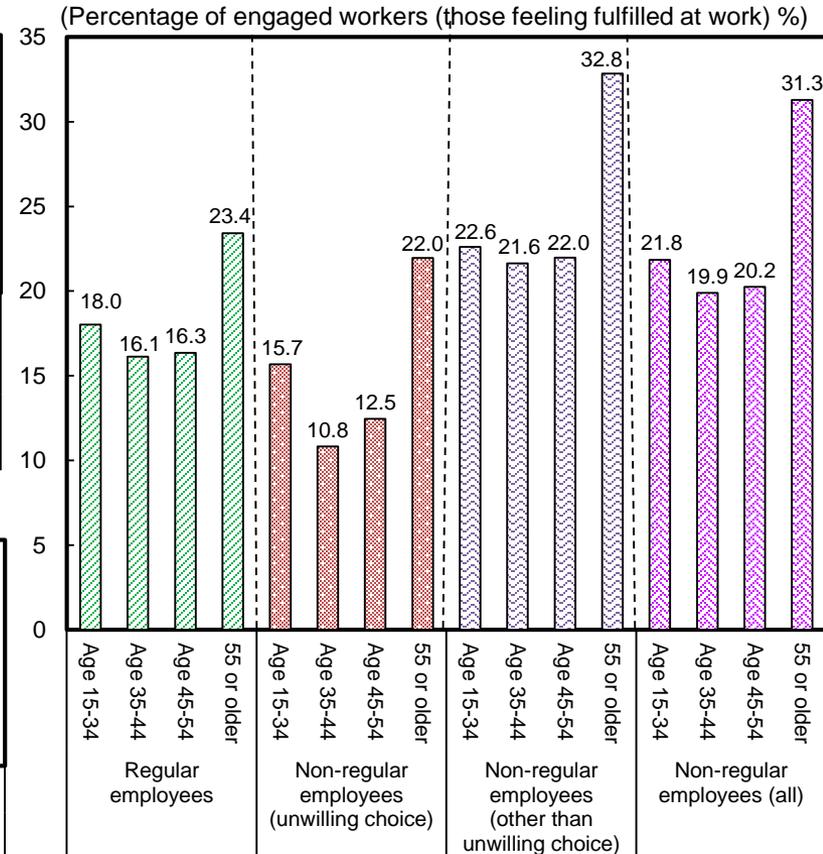
Source: Prepared based on individual questionnaires of “Survey on Current Status of Labour Shortage and Work styles, etc. (Regular Employee Questionnaire)” (2019), The Japan Institute for Labour Policy and Training

(Note) For question items on the awareness about one’s primary work (excluding side jobs) at the time of the survey whether they “feel like they have been filled with vigor while working” (vigor), “are committed to their work” (dedication), and “are totally absorbed while working” (absorption), the WE scores are calculated as the average values of the respective items for 16,579 samples that answered all question items on “vigor”, “dedication”, and “absorption” from among the choices “Always feel (= 6 points)”, “Frequently feel (= 4.5 points)”, “Sometimes feel (= 3 points)”, “Rarely feel (1.5 points)”, and “Do not feel (= 0 points)”.

# — Fulfillment at work : non-regular employees —

➤ Levels of fulfillment at work vary significantly depending on the reason why workers have taken on non-regular employment. The percentage of engaged workers (those feeling fulfilled at work) is low among involuntary non-regular workers compared with regular employees. Such involuntary non-regular workers include: dispatched workers, contract workers, temporary staff, male workers and workers aged 35-44. However, the percentage of engaged workers is high among other non-regular workers who account for the vast majority of the total non-regular workers.

## Fulfillment at work among regular/non-regular workers



Source: Prepared based on "National Employment Situation Panel Survey", Recruit Works Institute, Recruit Holdings

(Notes) 1) "Percentage of those with high fulfillment at work (WE)" indicates the proportion of those who answered "Yes" or "Rather yes" to the question items on whether they had been "Able to work vigorously" (vigor), "Enthusiastically engaged in work" (dedication), and "Totally absorbed while working" for the work during the period from January to December 2018.

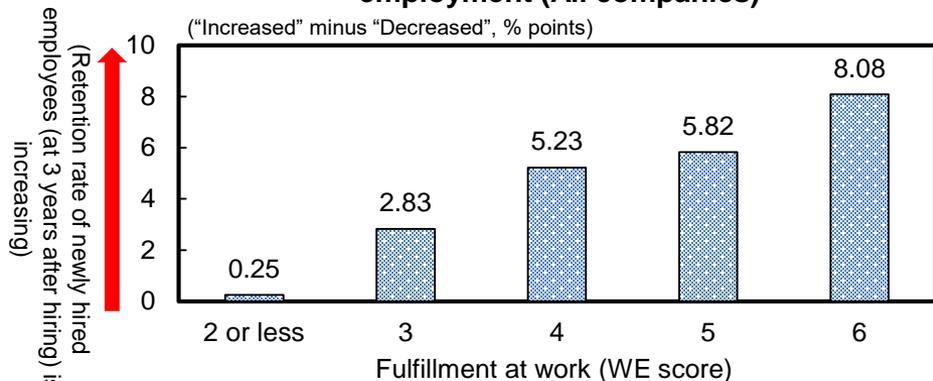
2) "Non-regular employees (unwilling choice)" refers to those who selected "Regular personnel/employee position is not available" as the reason (multiple answers allowed) for being engaged in the work during the period from January to December 2018.

# — Fulfillment at work and retention/turnover rates —

- The charts below show that retention rates for new hires after three years of employment rises and employee turnover falls when employees feel more fulfilled at work.
- Such a trend is also observed at companies facing labor shortages: many of them see retention rates rise and turnover falls when their employees feel fulfilled at work.

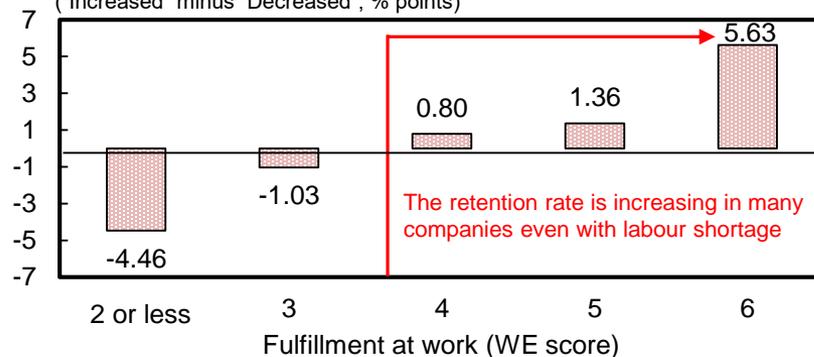
**D.I. of retention rate for new hires after three years of employment (All companies)**

("Increased" minus "Decreased", % points)



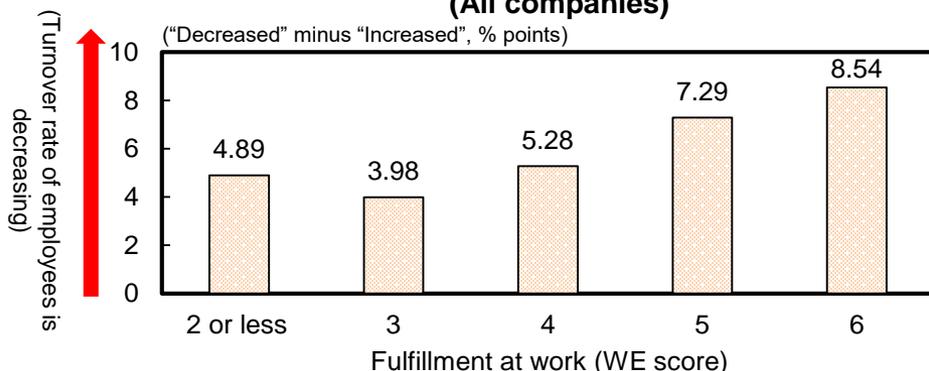
**D.I. of retention rate for new hires after three years of employment (Companies facing labour shortage)**

("Increased" minus "Decreased", % points)



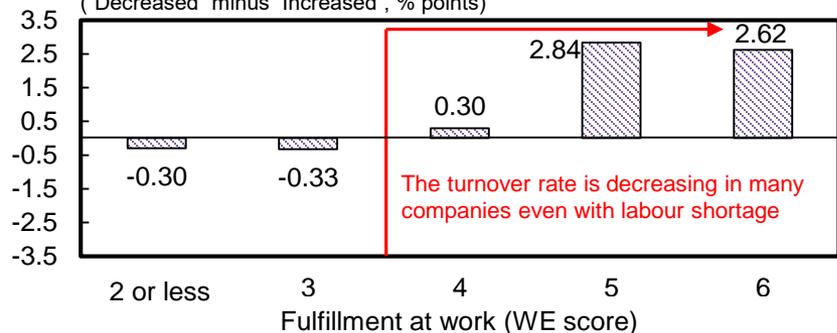
**D.I. of employee turnover rate (All companies)**

("Decreased" minus "Increased", % points)



**D.I. of employee turnover rate (Companies facing labour shortage)**

("Decreased" minus "Increased", % points)



Source: Prepared based on individual questionnaires of "Survey on Current Status of Labour Shortage and Work styles, etc. (Company Questionnaire/Regular Employee Questionnaire)" (2019), The Japan Institute for Labour Policy and Training

(Notes) 1) The retention rate of newly hired employees (at 3 years after hiring) in the upper left figure shows the answer given as the "Proportion of the number of newly hired employees employed 3 years ago who have been employed for at least 3 years after being employed (numerator) to the number of newly hired employees employed 3 years ago (denominator)."

2) The "Companies with labour shortage" in the upper right and lower right figures refers to companies that answered "Significant shortage" or "Slight shortage" for regular employees.

3) The "Turnover rate of employees" in the upper right and lower right figures excludes non-voluntary job leaves such as reaching mandatory retirement age or expiration of employment contracts, etc.

4) For the retention rate of newly hired employees (at 3 years after hiring) and the turnover rate of employees, to the question on the changes compared between 3 years ago and the present, the answers of "Significantly increased" and "Slightly increased" are counted as "Increased" and the answers of "Slightly decreased" and "Significantly decreased" are counted as "Decreased".

5) The work engagement uses the score at the time of the survey and is rounded to the nearest integer.

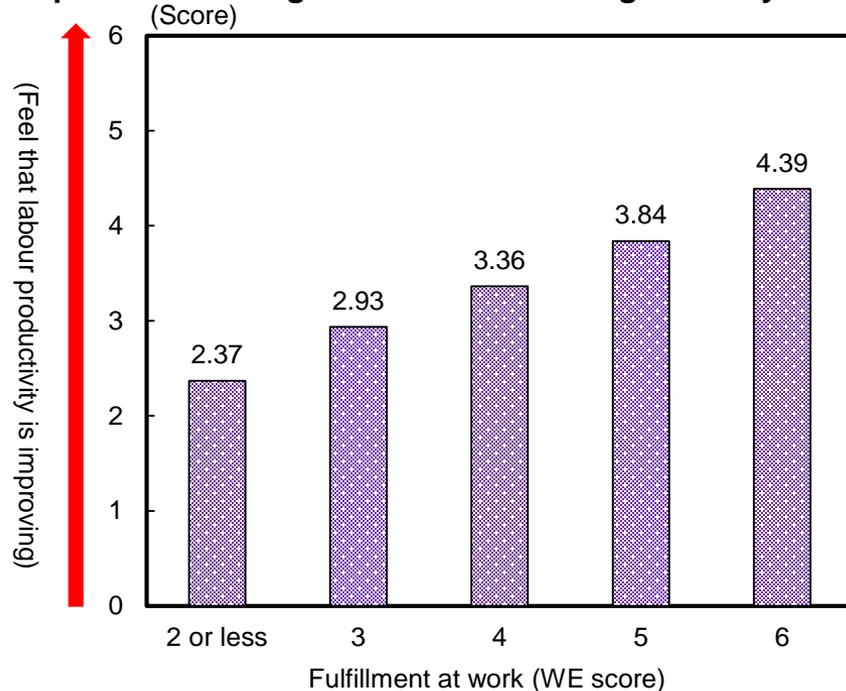
6) The upper left and upper right figures show the difference between the percentage of companies that answered "Increased" and the percentage of companies that answered "Decreased" for the question on the "retention rate of newly hired employees (at 3 years after hiring)" compared between 3 years ago and the present.

7) The lower left and lower right figures show the difference between the percentage of companies that answered "Decreased" and the percentage of companies that answered "Increased" for the question on the "Turnover rate of employees" compared between 3 years ago and the present.

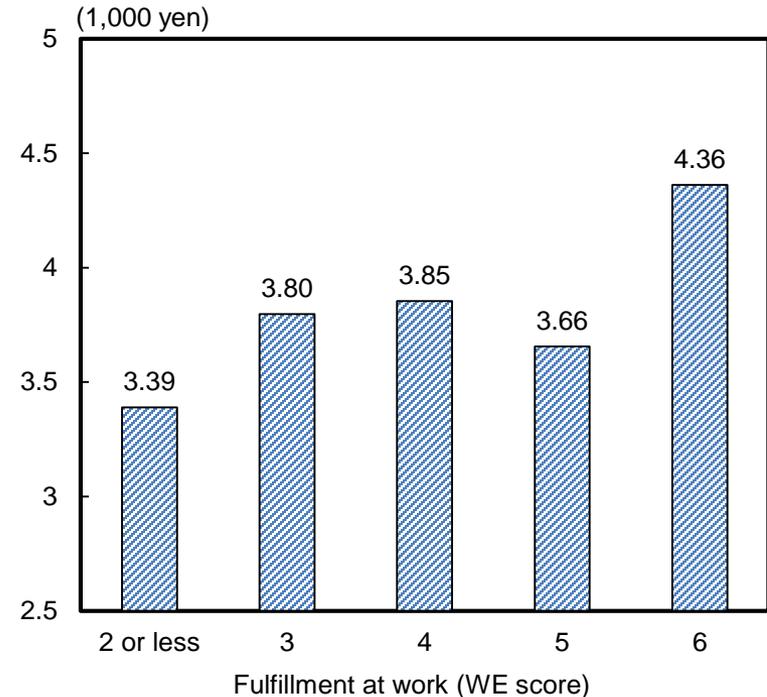
# — Fulfillment at work and labour productivity —

- The chart on the left shows that labour productivity increases when employees feel fulfilled at work.
- The chart on the right suggests that levels of man-hour productivity rise when employees feel fulfilled at work.

**Relationship between fulfillment at work and individual recognition of labour productivity (all companies, comparison of recognition now with recognition 3 years ago)**



**Fulfillment at work and level of labour productivity per man-hour**



Source: Prepared based on individual questionnaires of “Survey on Current Status of Labour Shortage and Work styles, etc. (Company Questionnaire/Regular Employee Questionnaire)” (2019), The Japan Institute for Labour Policy and Training

(Notes) 1) The individual recognition about labour productivity in the left figure indicates the score value based on the answers to the question item on the awareness about one’s primary work (excluding side jobs) at the time of the survey whether the “labour productivity (achievement per hour) increased compared to 3 years ago” selected from among the choices “Always feel (= 6 points)”, “Frequently feel (= 4.5 points)”, “Sometimes feel (= 3 points)”, “Rarely feel (1.5 points)”, and “Do not feel (= 0 points)”. The score shows the degree to which individual employees feel that labour productivity is increasing.

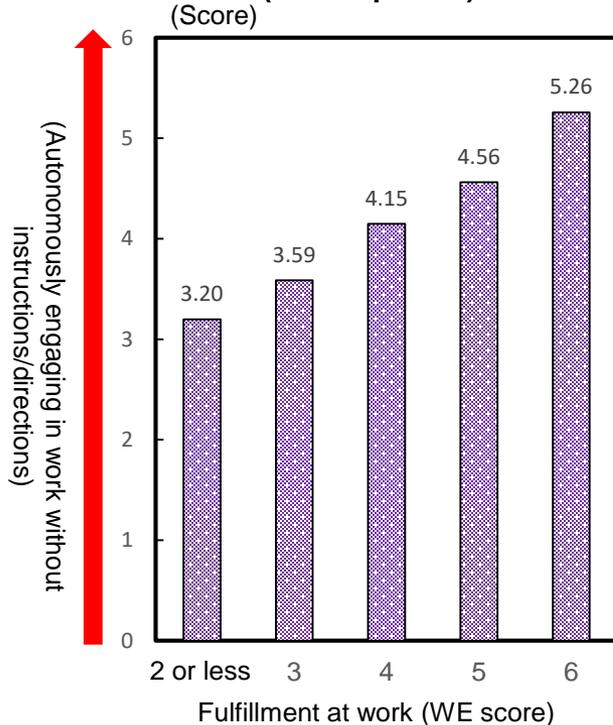
2) The labour productivity in the right figure shows the 2018 average value indicating the labour productivity based on man-hours (number of employees × working hours) calculated by converting the number of non-regular employees to the number of regular employees. The amount of value added is the total of “operating profit”, “depreciation cost”, “total amount of salaries”, “welfare cost”, “rent on movables and real estate”, and “taxes and dues” and is substantiated by using the GDP deflator.

3) The WE score indicates the results of the answers given in the survey conducted in March 2019 to the question on the status as of one year prior to the survey and is rounded to the nearest integer.

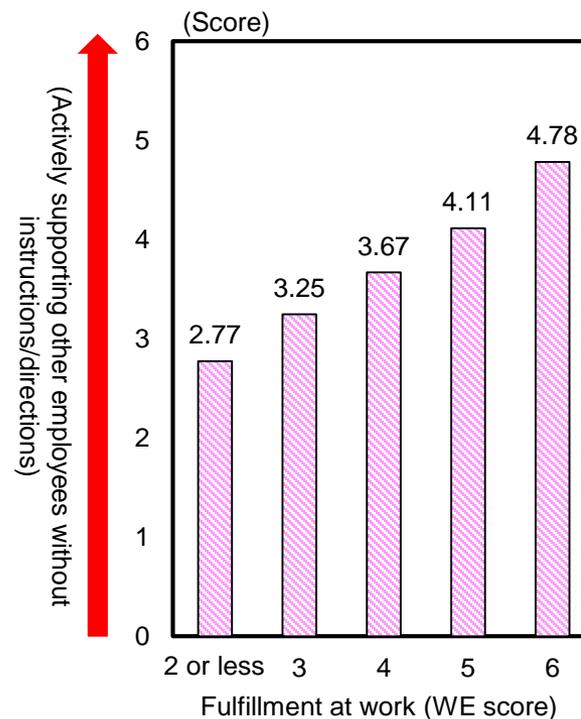
# — Fulfillment at work and self-motivation/proactive attitude/customer satisfaction —

- The charts on the left and in the middle show that employees are more self-motivated at work and willing to help their co-workers (doing a job not assigned to them) when they feel fulfilled at work.
- The chart on the right suggests that the diffusion index of customer satisfaction recognized by companies rises when employees at those companies feel fulfilled at work.

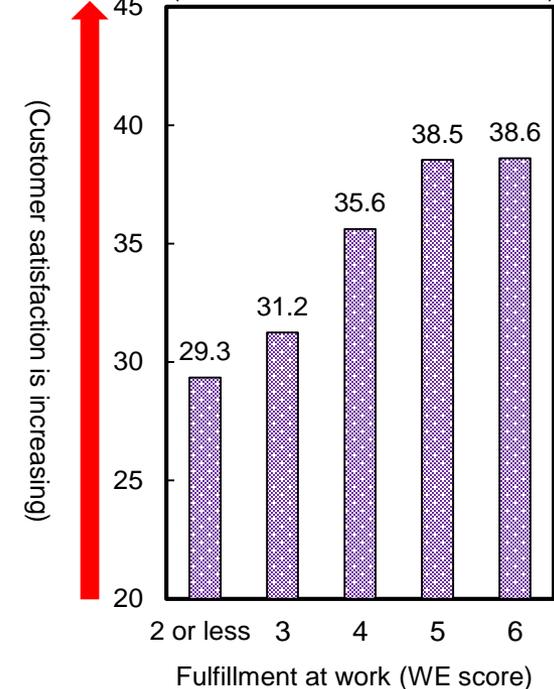
**Relationship between employee fulfillment and positive attitude toward work (all companies)**



**Relationship between employee fulfillment and willingness to do extra duties (all companies)**



**Relationship between employee fulfillment and customer satisfaction recognized by companies (all companies)**  
("Increased" minus "Decreased", %)



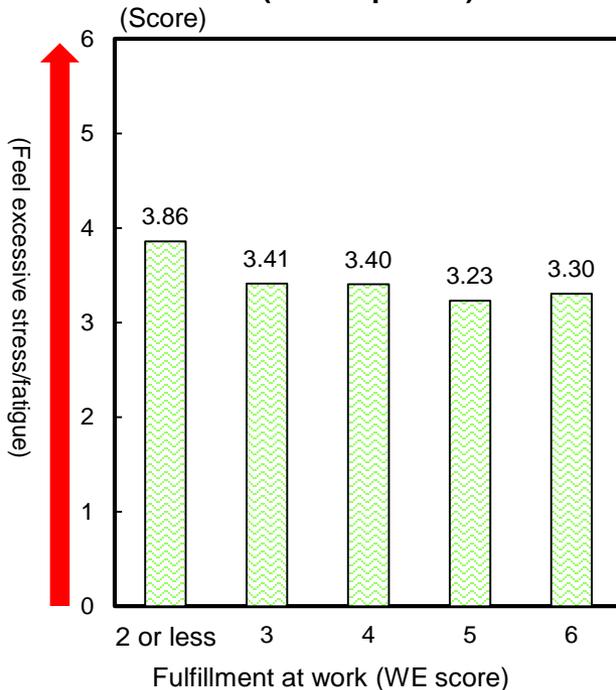
Source: Prepared based on individual questionnaires of "Survey on Current Status of Labour Shortage and Work styles, etc. (Company Questionnaire/Regular Employee Questionnaire)" (2019), The Japan Institute for Labour Policy and Training

- (Notes) 1) The recognition about proactive behaviors towards work and extra-role performance (all companies) indicates the score values based on the answers to the question items on the recognition about one's primary work (excluding side jobs) at the time of the survey whether "Autonomously engaging in work without instructions/directions" and "Actively supporting other employees without instructions/directions" selected from among the choices "Always feel (= 6 points)", "Frequently feel (= 4.5 points)", "Sometimes feel (= 3 points)", "Rarely feel (1.5 points)", and "Do not feel (= 0 points)". The scores show the degree of employees' autonomous engagement in work and the degree of active support for other employees.
- 2) The customer satisfaction recognized by companies in the right figure shows the difference in the percentages (D.I.) between companies that answered "Increased" and companies that answered "Decreased" to the question on the changes in the status of customer satisfaction compared between 3 years ago and the present with "Significantly increased" and "Slightly increased" being counted as "Increased" and "Slightly decreased" and "Significantly decreased" as "Decreased".
- 3) The WE scores are calculated based on the results of the answers given to the question on the status as of one year prior to the date of the survey for the left and middle figures and on the scores as of the date of the survey for the right figure, and are rounded to the nearest integer.

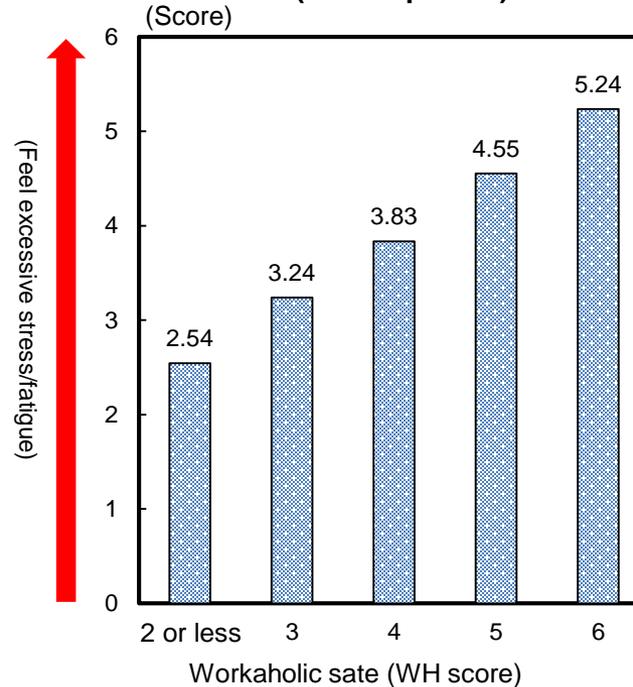
## — Fulfillment at work and stress/fatigue —

- The chart on the left shows that employees suffering from extreme stress and fatigue during work feel less fulfilled. Meanwhile, the chart in the middle suggests that the stronger workaholic tendency employees have, the more extreme stress and fatigue they suffer from.
- Increasing employee fulfillment is the key to reducing stress/fatigue employees endure. But the chart on the right shows that employees have greater tendencies to become workaholics as they feel more fulfilled at work. Therefore, companies need to shape their corporate culture allowing more diverse work styles and changing the workplace environment that admires workaholics.

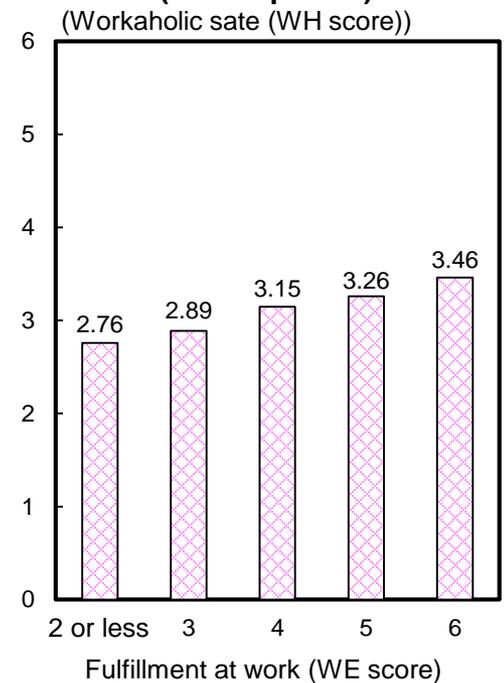
**Fulfillment at work and awareness about stress/fatigue (all companies)**



**Workaholic state and awareness about stress/fatigue (all companies)**



**Relationship between fulfillment at work and workaholic state (all companies)**



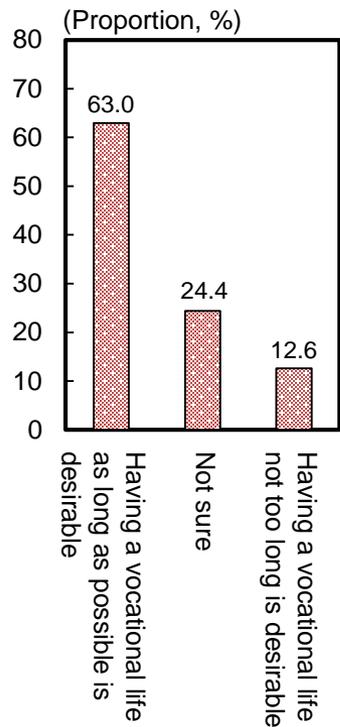
Source: Prepared based on individual questionnaires of "Survey on Current Status of Labour Shortage and Work styles, etc. (Company Questionnaire/Regular Employee Questionnaire)" (2019), The Japan Institute for Labour Policy and Training

- (Notes) 1) The awareness about stress/fatigue indicates the score value based on the answers to the question item on the awareness about one's primary work (excluding side jobs) at the time of the survey whether to "feel excessive stress/fatigue in work" selected from among the choices "Always feel (= 6 points)", "Frequently feel (= 4.5 points)", "Sometimes feel (= 3 points)", "Rarely feel (1.5 points)", and "Do not feel (= 0 points)". The score shows the degree to which individual employees feel excessive stress/fatigue in their work.
- 2) The workaholic score (WH score) indicates the score values based on the answers to the question items on the awareness about one's primary work (excluding side jobs) at the time of the survey whether to "Be always busy and involved in numerous types of work at a time", "Feel that working diligently is one's duty even when unpleasant", and "Have a guilty feeling when taking time off from work" selected from among the choices "Always feel (= 6 points)", "Frequently feel (= 4.5 points)", "Sometimes feel (= 3 points)", "Rarely feel (1.5 points)", and "Do not feel (= 0 points)". The scores show the degree to which individual employees feel excessive stress/fatigue in their work. In the middle figure, it is rounded to the nearest integer.

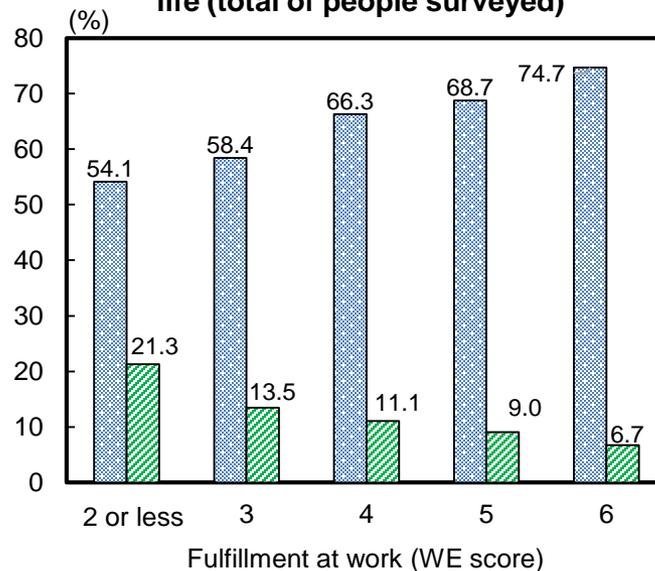
# — Opinion about fulfillment at work and working life —

- Many people prefer to work longer. The chart on the left shows that 12.6% of people surveyed think that working too long is not ideal for them, while 63% think they want to work longer.
- In all age groups, engaged employees ( those feeling fulfilled at work) tend to think that a longer working life is ideal compared with less engaged employees.

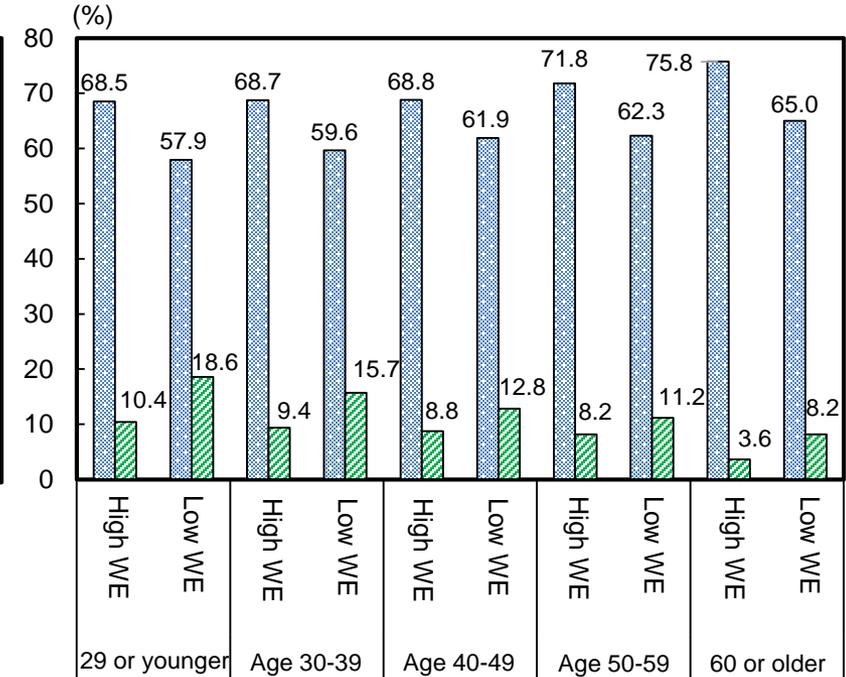
**Opinions about the length of working life**



**Relationship between fulfillment at work and opinions about the length of working life (total of people surveyed)**



**Relationship between fulfillment at work and opinions about the length of working life (by age)**



Having a vocational life that is as long as possible is desirable
  Having a vocational life that is not too long is desirable

Source: Prepared based on individual questionnaires of “Survey on Current Status of Labour Shortage and Work styles, etc. (Regular Employee Questionnaire)” (2019), The Japan Institute for Labour Policy and Training

(Notes) 1) “Having a vocational life that is as long as possible is desirable (Having a vocational life that is not too long is desirable)” in the figure refers to those that answered “A (B)” or “Rather A (B)” when A is set to “Having a vocational life that is as long as possible is desirable if being healthy and able to work for a job one wants at one’s own pace” and B is set to “Having a vocational life that is not too long is desirable even if being healthy and able to work for a job one wants at one’s own pace”.

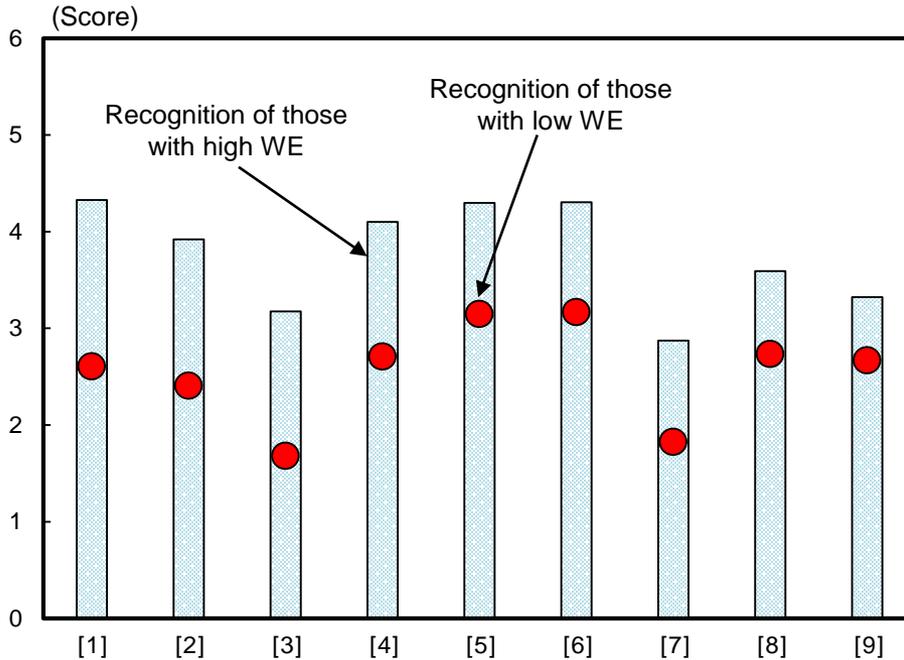
2) “Those with high work engagement” (WE) refers to those with the WE score of 4.5 or higher, and “those with low work engagement” (WE) refers to those with the WE score of 3.0 or lower.

3) In the middle figure, the WE scores are rounded to the nearest integer.

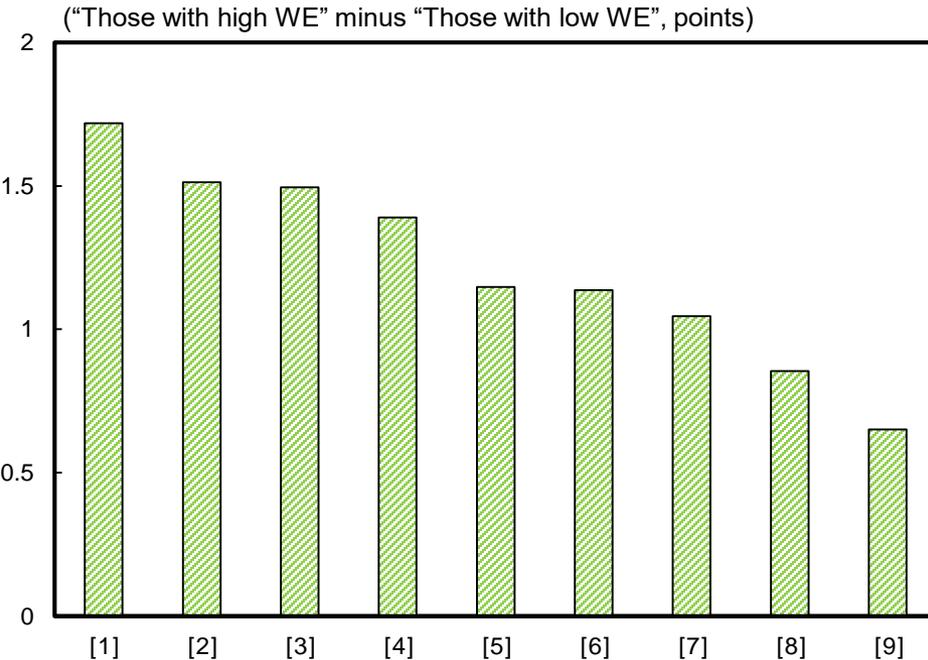
# — Highly engaged workers and their perception about work —

➤ Engaged workers, those whose work engagement scores are high, often experience positive emotions: for instance, they feel that they have grown and developed as a person through work, they have higher levels of self-efficacy (a confidence in the ability to complete tasks), they have a clear vision of their career path. This suggests that higher work engagement scores have a positive impact on workers perception about work.

**Engaged workers and their perception about work  
(results after conversion into scores 0 to 6)**



**Engaged workers and their perception about work (gap)**



[1] Having been able to grow through work; [2] Feeling high self-efficacy (work confidence); [3] Career perspective on how to build a career in the company one works for is clear; [4] Feeling satisfaction to the comfortability of working; [5] Human relationships in executing one's work is good; [6] The degree of discretion for work (degree of freely choosing the instrument and methods of proceeding with work) is high; [7] Role model senior employees exist in the workplace; [8] Working at a high speed at least for half the working hours; [9] Work is concentrated to oneself

Source: Prepared based on individual questionnaires of "Survey on Current Status of Labour Shortage and Work styles, etc. (Company Questionnaire/Regular Employee Questionnaire)" (2019), The Japan Institute for Labour Policy and Training

(Note) 1) "Those with high work engagement (WE)" refers to those with the WE score of 4.5 or higher, and "those with low work engagement (WE)" refers to those with the WE score of 3.0 or lower.

2) The left figure shows the average values of the respective question items after converting into scores based on "Always feel (= 6 points)", "Frequently feel (= 4.5 points)", "Sometimes feel (= 3 points)", "Rarely feel (1.5 points)", and "Do not feel (= 0 points)". The scores indicate the degree to which each recognition is felt in one's primary work.

3) The right figure shows the difference between the score of "Those with high work engagement (WE)" and the score of "Those with low work engagement (WE)" about "Recognition about their primary work".

# — Employment management at companies whose employees feel fulfilled —

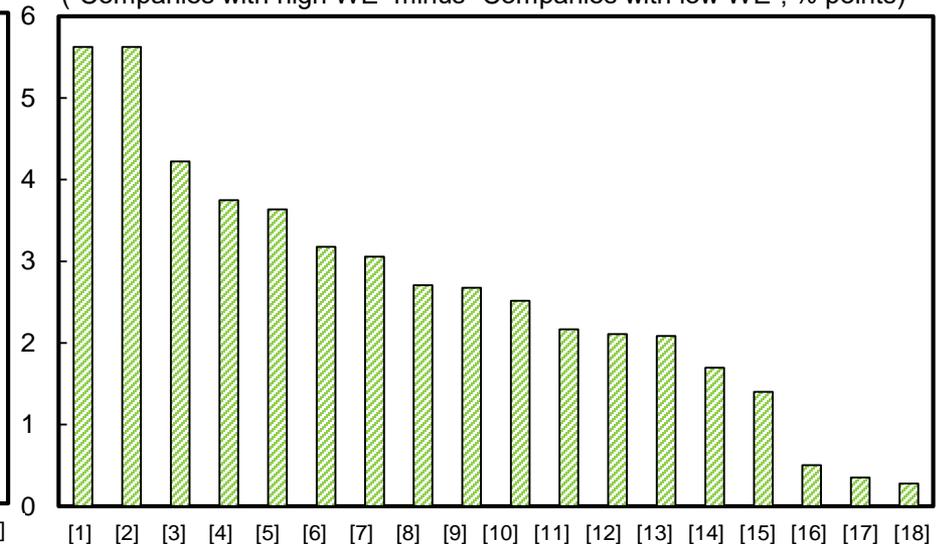
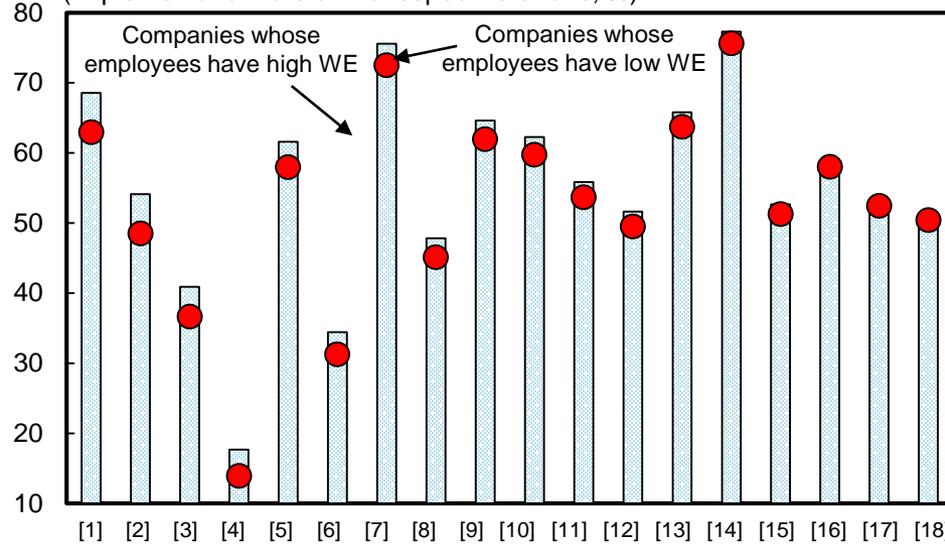
➤ The charts below imply that companies' efforts to improve employment management can help increase employee fulfillment. Such efforts include fostering better human relations and effective communication in the workplace, reducing working hours and offering flexible work-style options and giving more discretion to employees.

**Employment management efforts by companies whose employees are fulfilled at work (implementation rate)**

**Employment management efforts by companies whose employees are fulfilled at work (gap)**

(Implementation rate of the respective efforts, %)

("Companies with high WE" minus "Companies with low WE", % points)



[1] Smoothing human relationships and communication at work; [2] Shortening of working hours and flexible work styles; [3] Expanding the scope of discretion associated with work execution; [4] More flexible mutual conversion between so-called regular employees and limited regular employees; [5] Support for balancing work and disease treatment; [6] Support for those who left their jobs due to child care/nursing care/disease treatment, etc. to return to work; [7] Encouragement to take paid leave; [8] Eliminate unreasonable disparities in treatment between employees (between males and females, between regular and non-regular employees, etc.); [9] Support for balancing work and child care; [10] Promotion/appointment of excellent human resources; [11] Clarification of work content at the time of employment; [12] Placement/reassignment according to individual wishes; [13] Improvement of fairness/persuasiveness of personnel evaluation; [14] Promotion and salary raise appropriate for capacities/achievements, etc.; [15] Support for balancing work and nursing care; [16] Expanding opportunities for skills development and supporting self-development of employees; [17] Measures against long working hours and mental health measures; [18] Sharing and promoting the dissemination of the business strategy information and department/workplace goals

Source: Prepared based on individual questionnaires of "Survey on Current Status of Labour Shortage and Work styles, etc. (Company Questionnaire/Regular Employee Questionnaire)" (2019), The Japan Institute for Labour Policy and Training

(Note) 1) "Those with high work engagement" (WE) refers to those with the WE score of 4.5 or higher, and "those with low work engagement" (WE) refers to those with the WE score of 3.0 or lower.

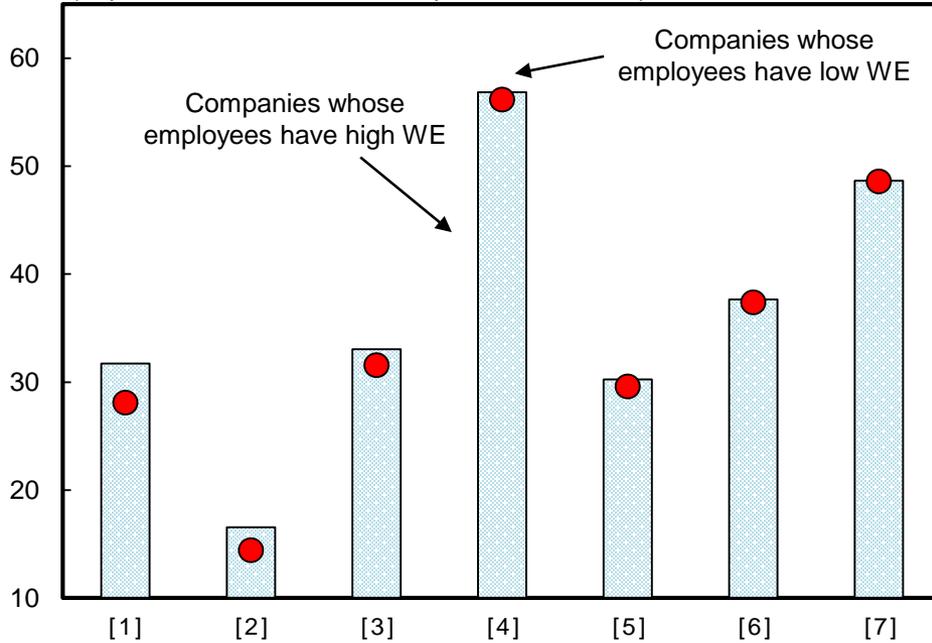
2) The right figure shows the difference between the "Implementation of employment management in companies whose employees have high work engagement (WE) work for" and the "Implementation of employment management in companies whose employees have low work engagement (WE)".

# — Human resource development programs at companies whose employees feel fulfilled —

➤ The charts below imply that effective corporate efforts to develop human resources can increase employee fulfillment. Such efforts include introducing a coaching and training system ( e.g. mentoring programs), providing career counseling to help employees have a clear vision of their career path and establishing human resource development policies and plans.

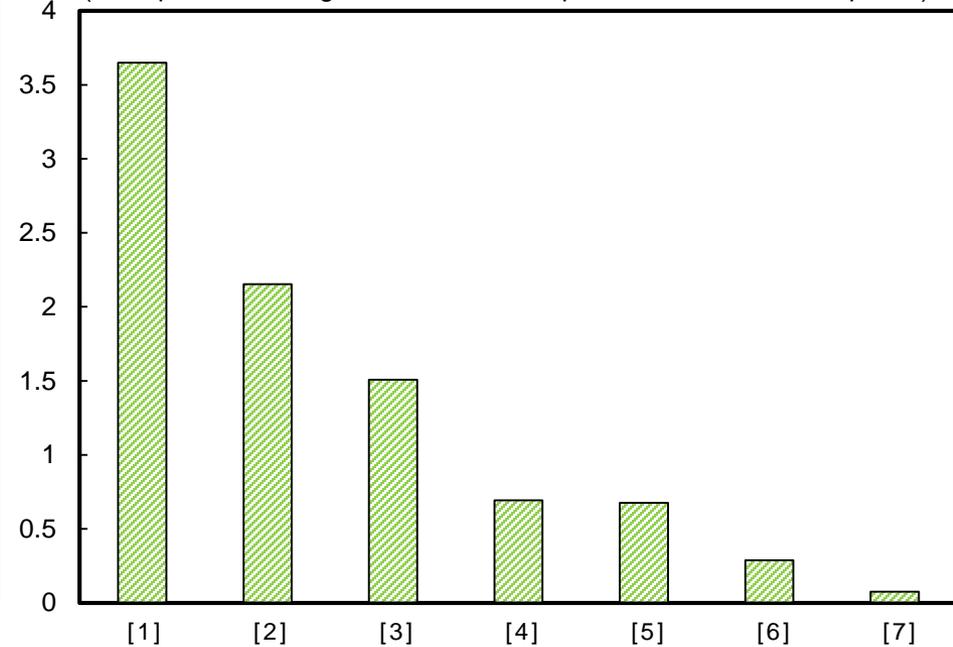
**Human resource development efforts by companies whose employees feel fulfilled at work (implementation rate)**

(Implementation rate of the respective efforts, %)



**Human resource development efforts by companies whose employees feel fulfilled at work (gap)**

(“Companies with high WE” minus “Companies with low WE”, % points)



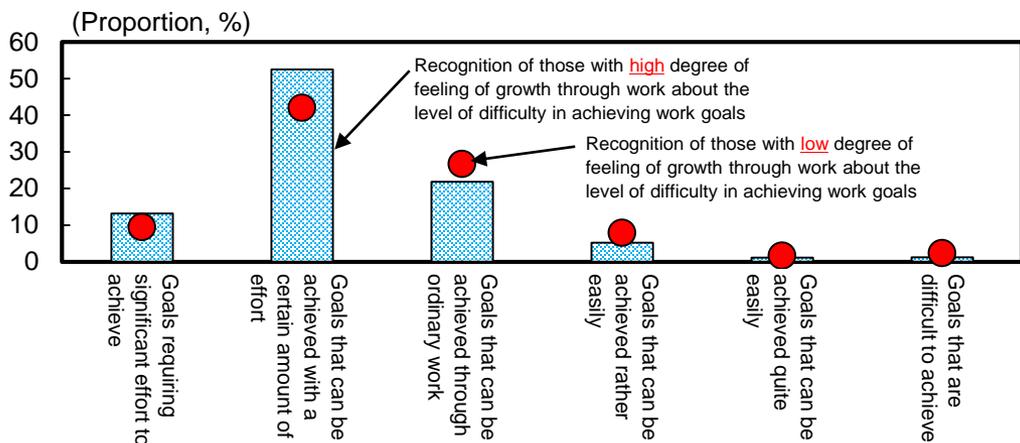
[1] Placement of coaches and teachers (mentor system, etc.); [2] Clarification of future perspectives through career consultation, etc.; [3] Formulation of human resource development policy/plan of the company; [4] Scheduled interview (individual evaluation/performance evaluation); [5] Support/consideration for individual payments for external training; [6] Increasing motivation by implementing feedback; [7] Increasing motivation through management by an objective system

Source: Prepared based on individual questionnaires of “Survey on Current Status of Labour Shortage and Work styles, etc. (Company Questionnaire/Regular Employee Questionnaire)” (2019), The Japan Institute for Labour Policy and Training  
 (Note) 1) “Those with high work engagement” (WE) refers to those with the WE score of 4.5 or higher, and “those with low work engagement” (WE) refers to those with the WE score of 3.0 or lower.  
 2) The right figure shows the difference between the “Implementation of human resource development in companies whose employees have high work engagement (WE)” and the “Implementation of human resource development in companies whose employees have low work engagement (WE)”.

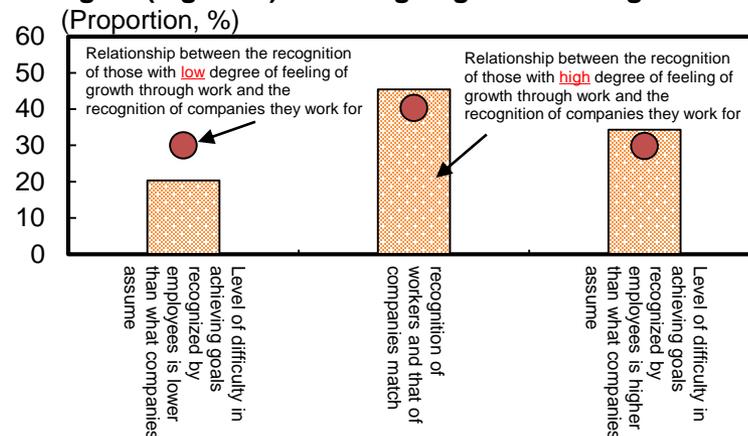
# — Employees' confidence in their job performance and achievement in work goals —

- The charts below suggest that goals are meant to be challenging to foster employees' personal growth and development. In other words, challenging goals that requires a certain degree of effort can have a positive impact on employees' confidence in their job performance.
- Management and employees sometimes have different views on the difficulty in goal achievements. For instance, female employees, workers aged 29 or younger and aged 60 or older and those engaged in a clerical job may think it is not difficult to achieve the goal while their employer think the opposite.

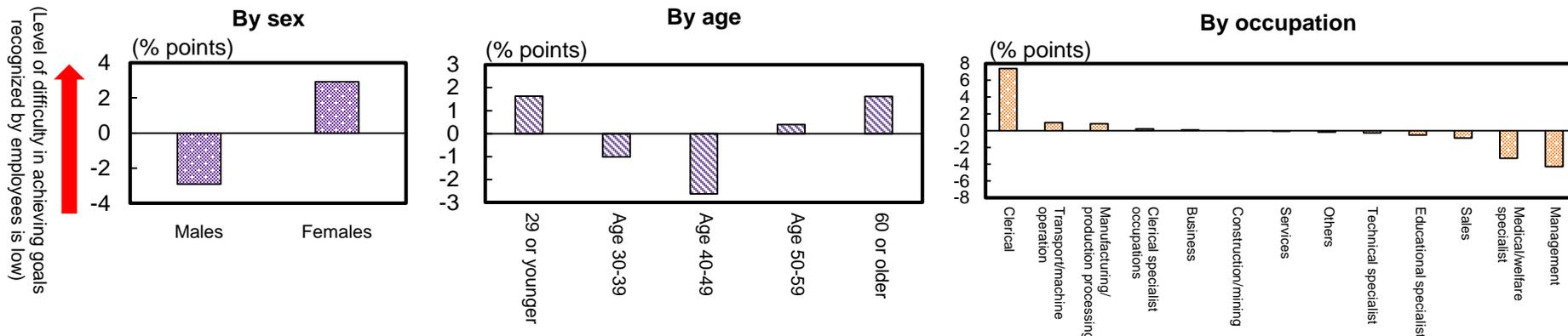
### Employees' recognition about the level of difficulty in achieving work goals by degree (high/low) of feeling of growth through work



### Gap in recognition between workers and companies about the level of difficulty in achieving work goals by degree (high/low) of feeling of growth through work



### Characteristics of employees whose recognition about the level of difficulty in achieving goals is lower than what companies assume



Source: Prepared based on individual questionnaires of "Survey on Current Status of Labour Shortage and Work styles, etc. (Company Questionnaire)" (2019), The Japan Institute for Labour Policy and Training

(Notes) 1) Those with high (low) degree of feeling of growth through work are those who scored 4.5 points or more (3 points or less) based on their answers to the question on the recognition of one's primary work (excluding side jobs) at the time of the survey whether they "Feel that they have been able to grow through work" selected from among the choices "Always feel (= 6 points)", "Frequently feel (= 4.5 points)", "Sometimes feel (= 3 points)", "Rarely feel (1.5 points)", and "Do not feel (= 0 points)".

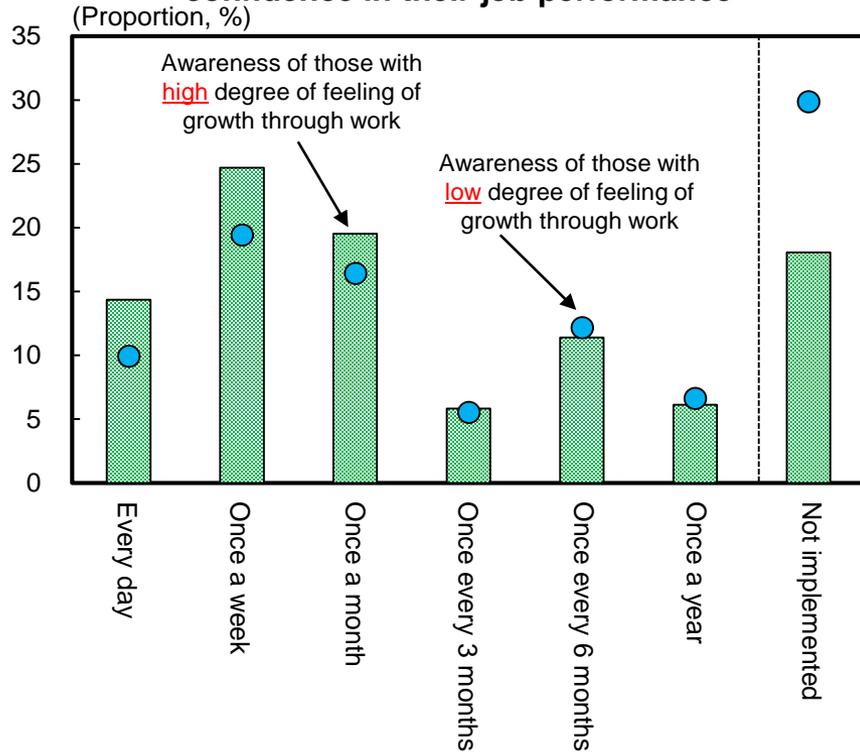
2) The upper figures analyze the characteristics by dividing into "Those with high degree of feeling of growth through work" and "Those with low degree of feeling of growth through work" and then comparing the respective proportions.

3) The lower figures show the difference between the "Proportion of those whose recognition about the level of difficulty in achieving goals is lower than what companies assume with respect to each attribute" and "Proportion of all survey subjects with respect to each attribute".

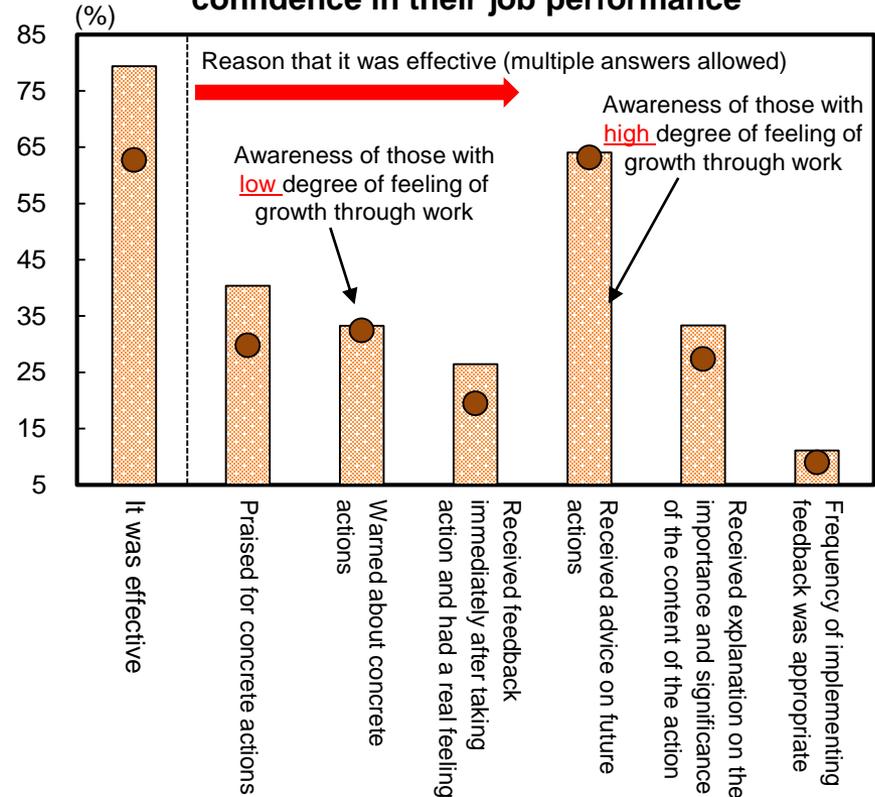
# — Employees' confidence in their job performance and feedback —

➤ The charts below suggest that It is important that employees receive feedback on their daily performance frequently in order to grow through work. The effective feedback consist of performance evaluation and praise on progress. For instance, the manager may focus on the specific performance delivered by employees and outline its importance. Moreover, the manager should give praise as soon as possible after the job is well done.

**Frequency of feedback on daily work from managers by degree (high/low) of employee confidence in their job performance**



**Awareness of the effectiveness of feedback on daily work by the superiors by degree (high/low) of employee confidence in their job performance**



Source: Prepared based on individual questionnaires of "Survey on Current Status of Labour Shortage and Work styles, etc. (Company Questionnaire)" (2019), The Japan Institute for Labour Policy and Training

(Notes) 1) Those with high (low) degree of feeling of growth through work are those who scored 4.5 points or more (3 points or less) based on their answers to the question on the awareness about one's primary work (excluding side jobs) at the time of the survey whether they "Feel that they have been able to grow through work" selected from among the choices "Always feel (= 6 points)", "Frequently feel (= 4.5 points)", "Sometimes feel (= 3 points)", "Rarely feel (1.5 points)", and "Do not feel (= 0 points)".

2) The left figure summarizes the results of the most appropriate answers given.

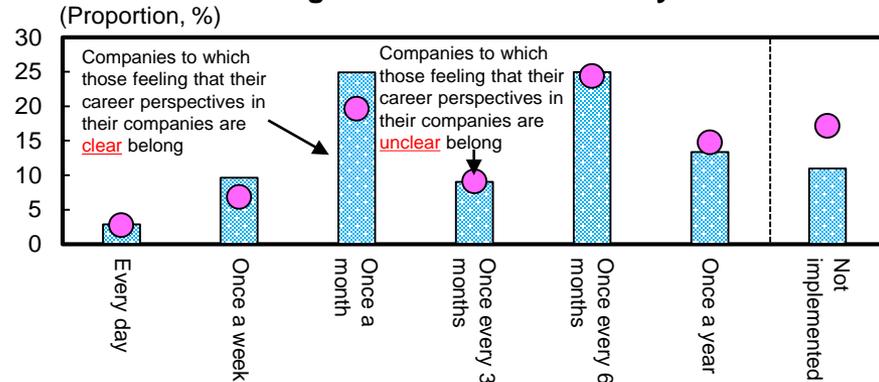
3) The right figure summarizes the results of all answers given by those who answered that feedback from the superiors was "Very effective" or "Rather effective" in performing daily work as the reason that it was effective.

# — Career vision and labour - management communication —

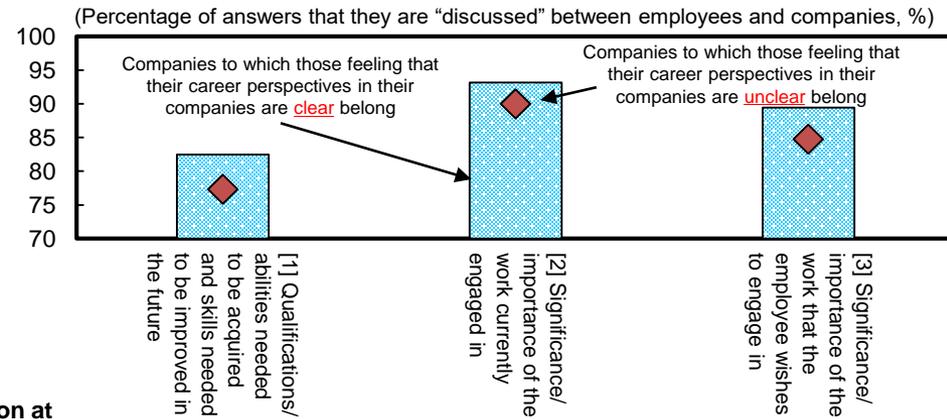
➤ The charts below suggest that the following steps are necessary to help employees develop a clear vision of their career paths :

- Give employees more opportunities to talk with the manager about their career vision.
- Have discussion between employees and managers on the significance and importance of assigned jobs, certifications and skills that employees need to acquire for their future duties, skills they should improve, and the significance and importance of job duties they wish to engage in.

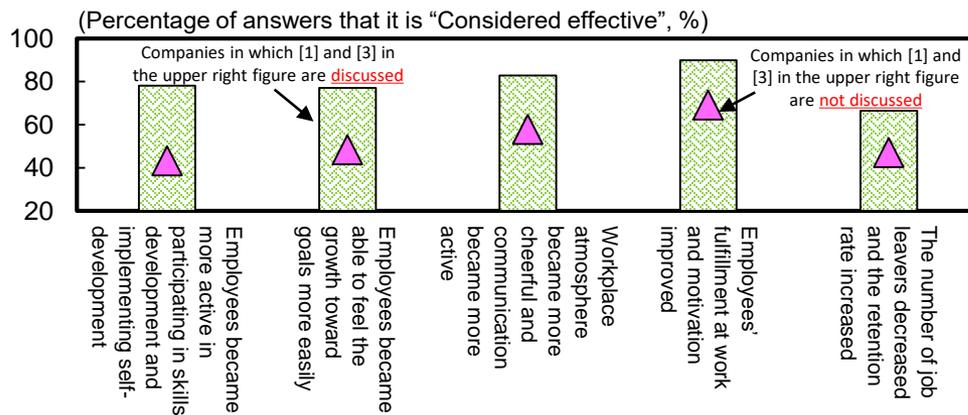
**Frequency of discussion about future career vision with managers in the course of daily work**



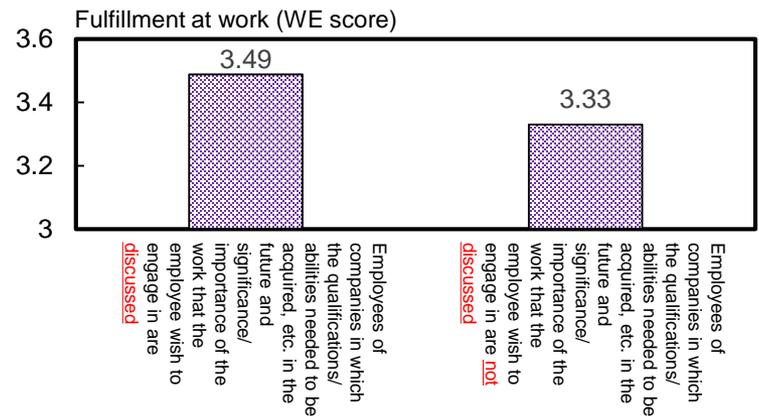
**Details on employees' future career vision talked over between employees and managers**



**Awareness of benefits of effective labor-management communication at companies providing enough opportunity to talk about the topics of [1] and [3] shown in the upper right figure between employees and managers**



**Relationship between fulfillment at work and an opportunity to talk over career visions between employees and managers**



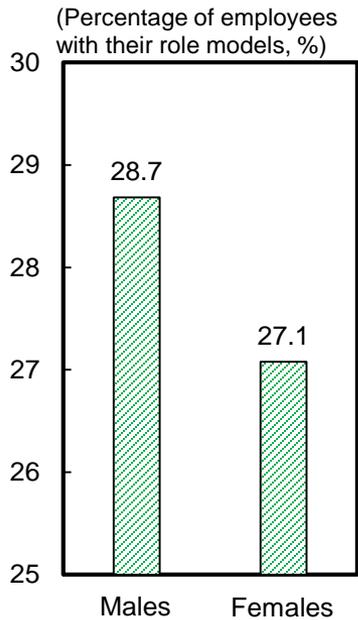
Source: Prepared based on individual questionnaires of "Survey on Current Status of Labour Shortage and Work styles, etc. (Company Questionnaire/Regular Employee Questionnaire)" (2019), The Japan Institute for Labour Policy and Training

(Note) Those feeling that their career perspectives in their companies are clear (unclear) are those who scored 4.5 points or more (3 points or less) based on their answers to the question on the awareness about one's primary work (excluding side jobs) at the time of the survey whether they feel that "Career perspective on how to build a career in the company one works for is clear", selected from among the choices "Always feel (= 6 points)", "Frequently feel (= 4.5 points)", "Sometimes feel (= 3 points)", "Rarely feel (1.5 points)", and "Do not feel (= 0 points)".

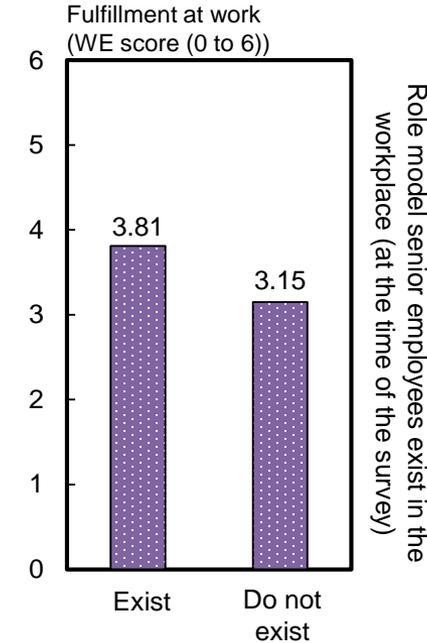
# — Career vision of young workers, etc. and model employees for them —

- Not many employees aged 39 or younger in Japan have model employees in their workplace.
- The second chart from the right below suggests that more employees can find a role model when they have a more specific vision of their career paths in the company they work for.
- It is important for employees and management to talk over the importance of role models as there is a perception gap between companies and employees when it comes to workplace role models : fewer employees think that there are model employees in their workplace than companies assume.

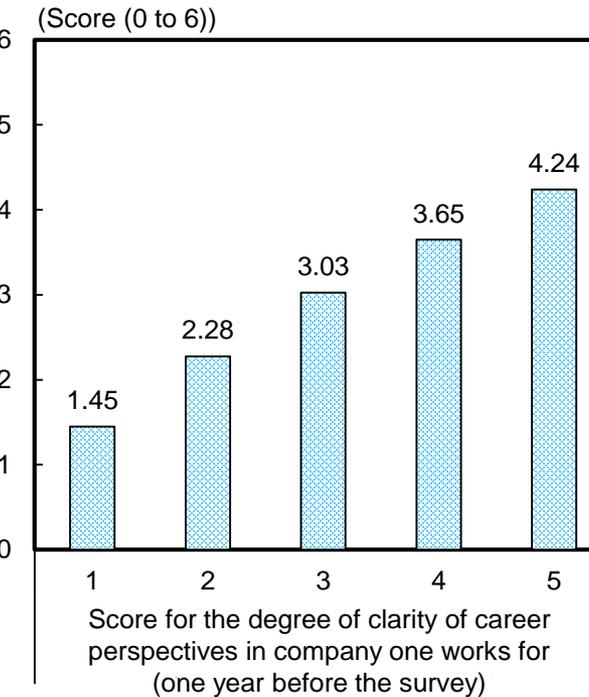
**Percentage of employees aged 39 or younger who have model employees (by sex)**



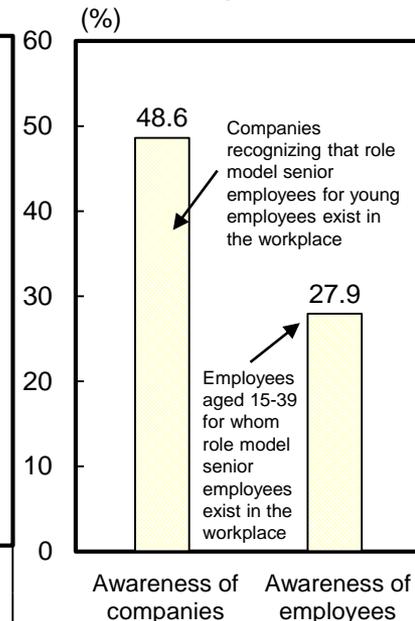
**Relationship between fulfillment at work and having model senior employees in the workplace**



**Importance of clarifying career perspectives as a premise to finding role model senior employees**



**Gap in perception of role models in the workplace between employees and management**



Source: Prepared based on individual questionnaires of "Survey on Current Status of Labour Shortage and Work styles, etc. (Company Questionnaire/Regular Employee Questionnaire)" (2019), The Japan Institute for Labour Policy and Training

(Notes) 1) Each figure analyzes employees aged 15-39.

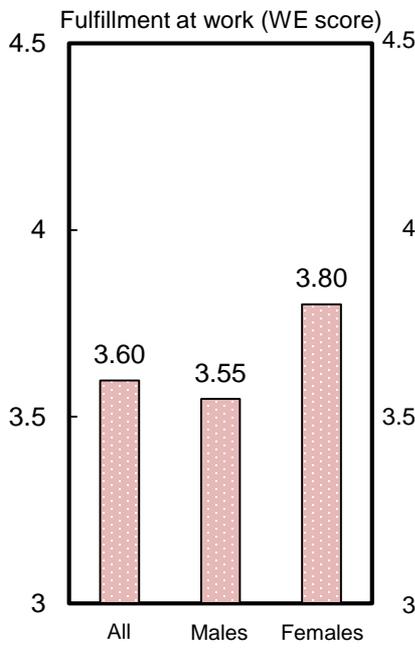
2) Those for whom role model senior employees (do not) exist in the workplace are those who answered "Always feel" or "Frequently feel" ("Sometimes feel", "Rarely feel", or "Do not feel") to the question on the awareness about one's primary work (excluding side jobs) at the time of the survey whether they feel that "role model senior employees (do not) exist in the workplace".

3) Awareness of companies in the right figure summarizes the results of the answers given to the question on the state of all regular employees.

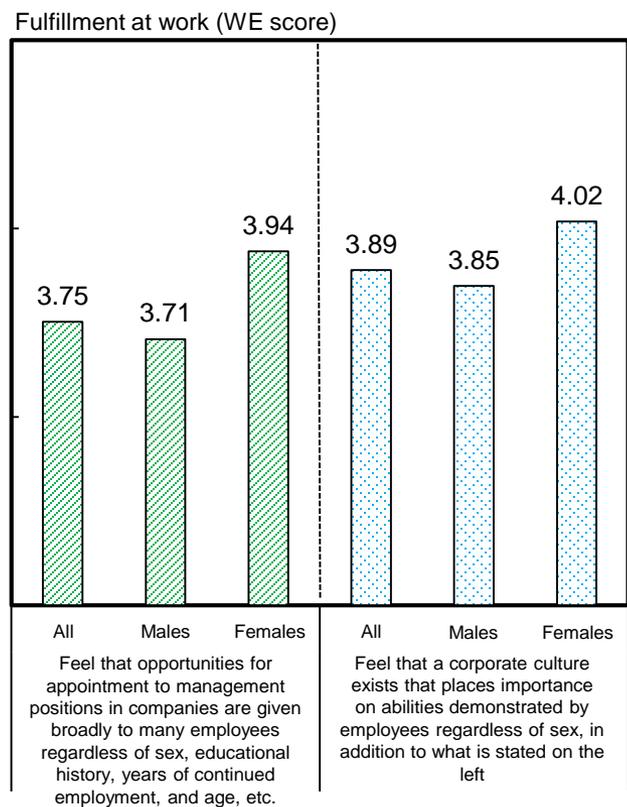
# - Managers : fulfillment at work and equal opportunities for employees to be promoted to managerial positions -

- The chart in the middle suggests that work environment can affect levels of manager fulfillment at work. In other words, those in managerial positions may feel more fulfilled at work when they believe that their company provides an equal opportunity for the promotion to its employees regardless of sex, education, the length of their employment with the company, age and other factors, and that the company gives weight to each employee's performance, not whether the job has been done by a male worker or a female employee.
- In order to help managers feel fulfilled at work, it is important that employees and the management think over again how to create a corporate culture that values employees' performance, not opportunities for promotion and gender. However, they should keep in mind the fact that there are perception gaps between managers and companies in opportunities for employees to be promoted to management positions.

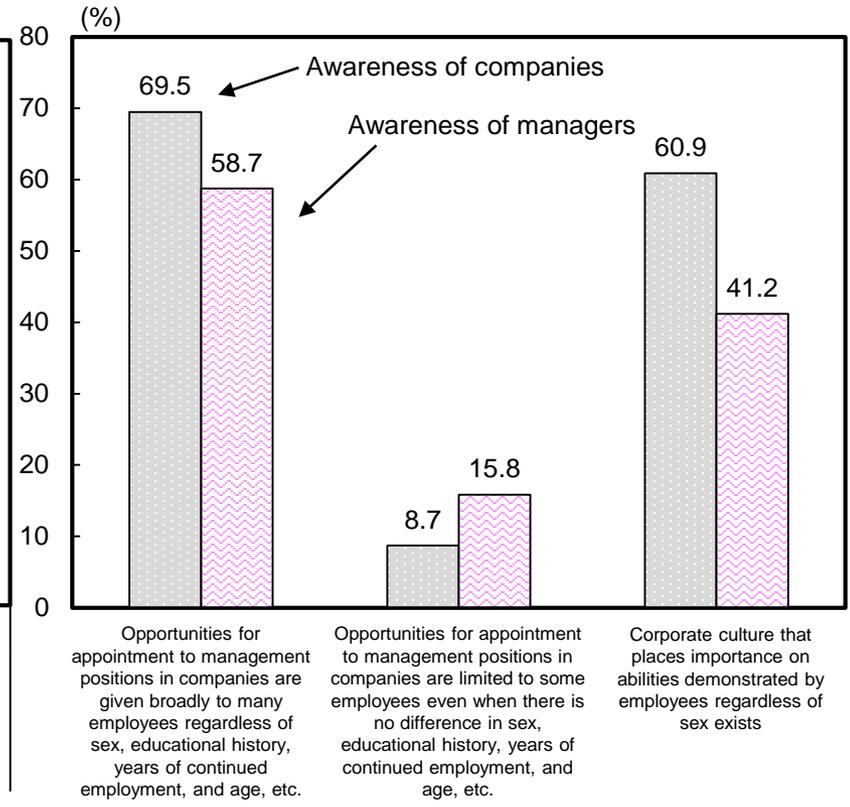
**Manager fulfillment at work**



**Manager fulfillment at work by opportunity for the promotion to management positions, etc.**



**Gap in perception between employees and companies in opportunities for the promotion to management positions**



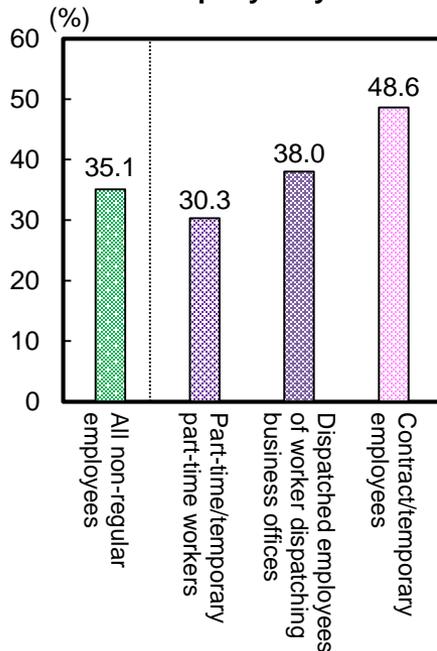
Source: Prepared based on individual questionnaires of "Survey on Current Status of Labour Shortage and Work styles, etc. (Company Questionnaire/Regular Employee Questionnaire)" (2019), The Japan Institute for Labour Policy and Training

- (Notes) 1) The results of the answers of 3,301 persons who answered "Manager (including leader)" to the question asking the occupation in the company one works for are summarized.  
 2) "Opportunities for appointment to management positions in companies are limited to some employees even when there is no difference in sex, educational history, years of continued employment, and age, etc." and "Opportunities for appointment to management positions in companies are limited to some employees even when there is no difference in sex, educational history, years of continued employment, and age, etc." do not add up to 100% because of "Not sure" answers.

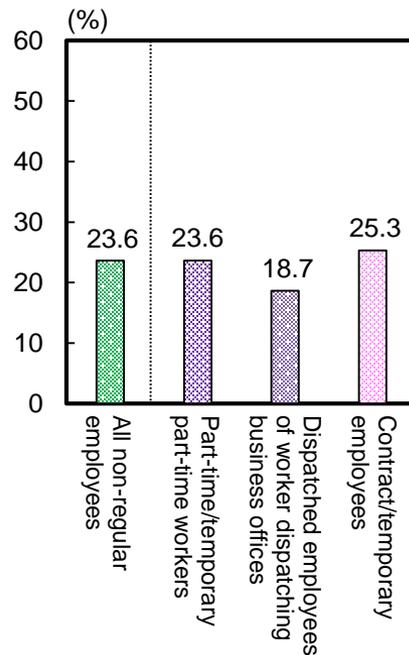
# — Non-regular workers : fulfillment at work and fair evaluation —

- The chart on the left shows that 35.1% of non-regular workers recognize that they do the same work as some of regular employees at the company they work for.
- Non-regular workers who think that performance evaluations are fair regardless of employment status feel more fulfilled at work than those in non-regular positions who find job evaluation unfair.

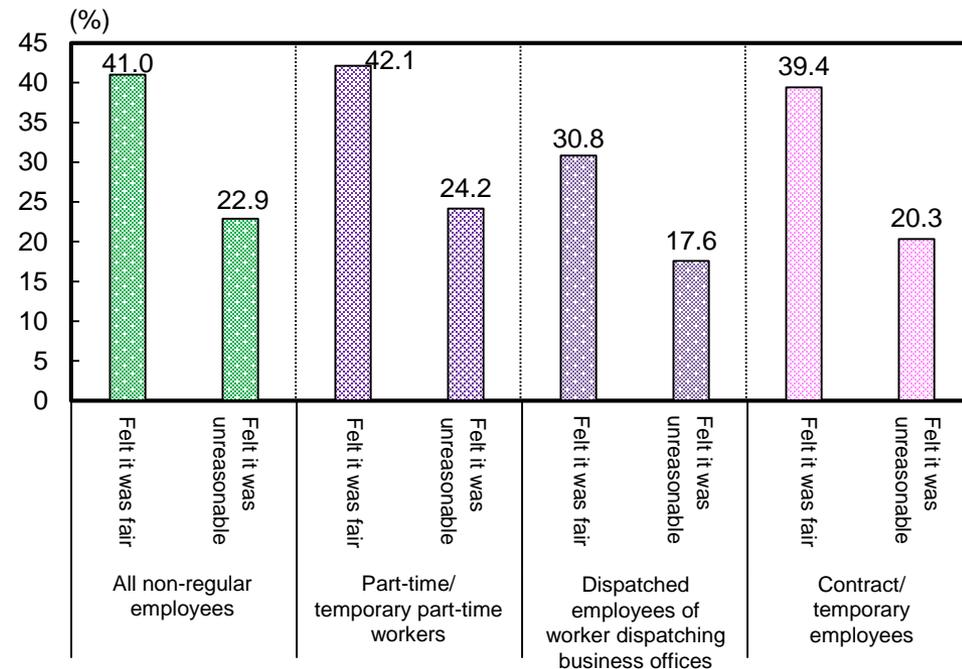
**Percentage of non-regular employees who recognize that they do the same work as some of regular employees at the company they work for (%)**



**Percentage of non-regular employees who think performance evaluations are fair (%)**



**Percentage of those who feel more fulfilled than others by perception of evaluation (comparing their performance to that of regular-employees)**



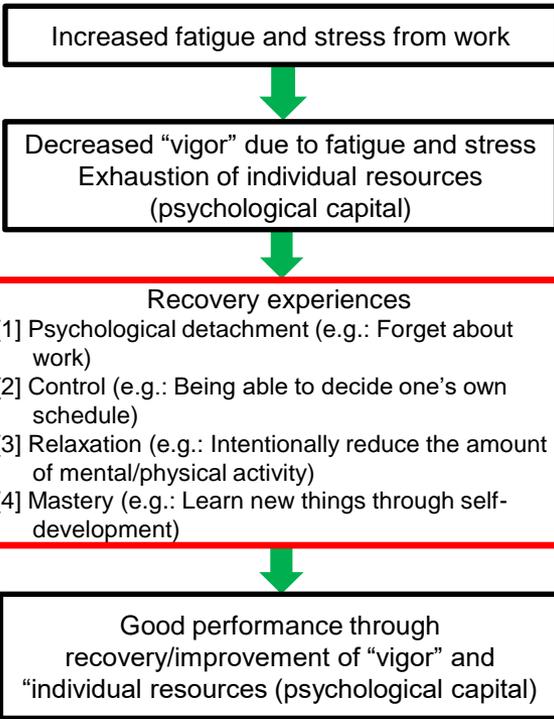
Source: Prepared based on "National Employment Situation Panel Survey", Recruit Works Institute, Recruit Holdings

- (Notes) 1) The left figure shows the proportion of those who answered "Yes" or "Rather yes" to the question items on whether "there are regular employees working the same way as themselves" for the work during the period from January to December 2018.
- 2) The middle figure shows the proportion of those who answered "Yes" or "Rather yes" to the question items on whether they "Felt the evaluation on how they work was not unreasonable, but was fair compared to the evaluation of regular employees who are working the same way as themselves" for the work during the period from January to December 2018.
- 3) The "Percentage of those with high fulfillment at work (WE)" in the right figure indicates the proportion of those who answered "Yes" or "Rather yes" to the question items on whether they had been "Able to work vigorously" (vigor), "Enthusiastically engaged in work" (dedication), and "Totally absorbed while working" for the work during the period from January to December 2018.

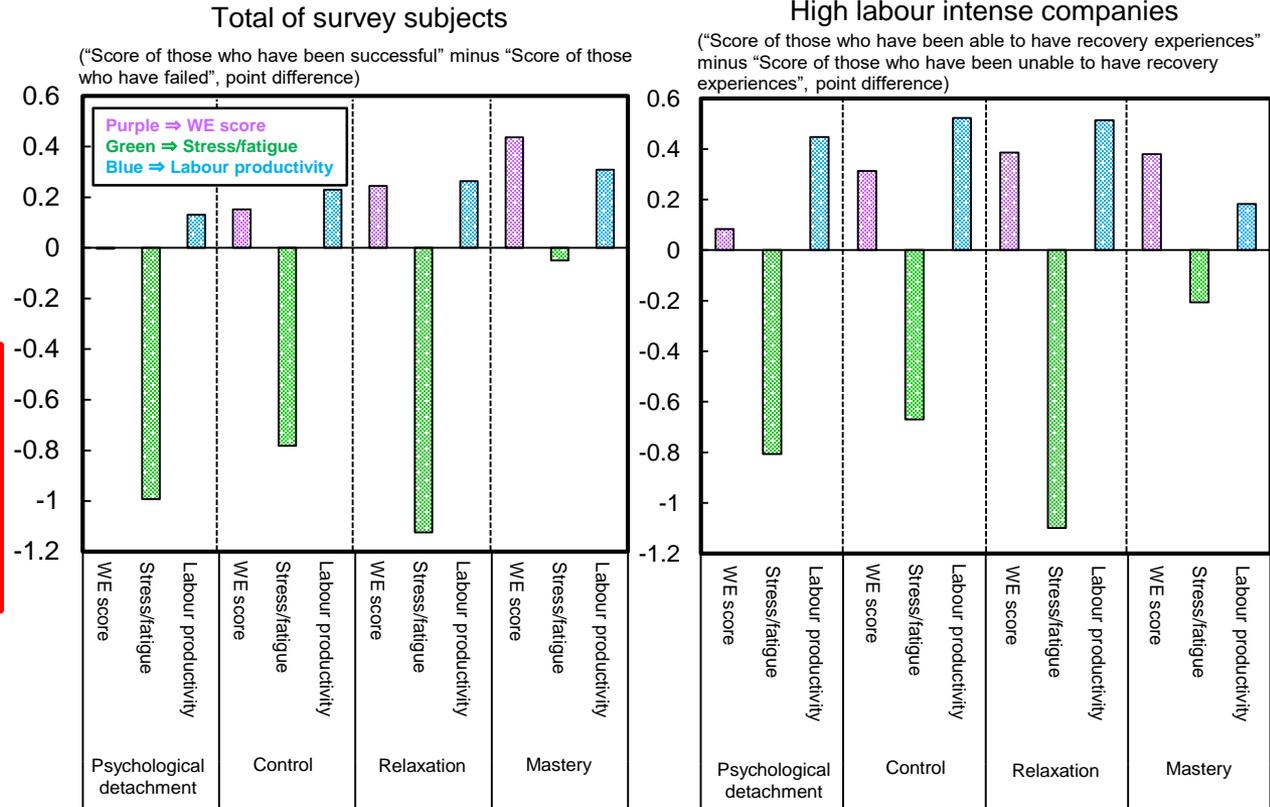
# — Relationship between employee fulfillment and the time outside of work (recovery experiences)—

- The chart below suggests that recovery experiences - psychological detachment, relaxation, control, and mastery- can help employees feel more fulfilled at work and increase labor productivity.
- Stronger beneficial effects of recovery experiences on employees are seen at companies suffering from labor shortages in the industries that require a high degree of labor intensity than other firms. In other words, those companies need to take various steps to help employees unwind and refresh themselves through the recovery experiences.

## Idea of recovery experiences



## Relationship between recovery experience(good or poor) and fulfillment at work, stress and fatigue, and labour productivity



Source: The left figure is prepared using Shimazu (2014), etc. as a reference. The middle and right figures are prepared based on individual questionnaires of "Survey on Current Status of Labour Shortage and Work styles, etc. (Company Questionnaire/Regular Employee Questionnaire)" (2019), The Japan Institute for Labour Policy and Training

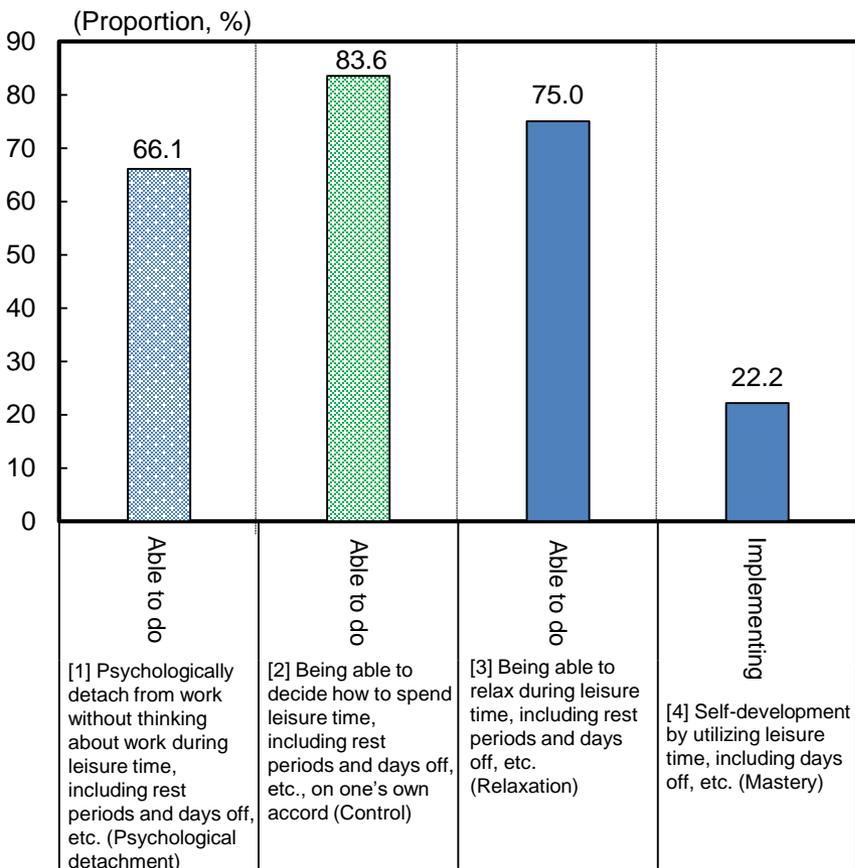
(Notes) 1) "High labour intense companies with labour shortage" refers to, of companies that answered "Significant shortage" or "Slight shortage" for their regular employees, those that answered "Always feel" or "Frequently feel" to the question item on the awareness about their regular employees' primary work (excluding side jobs) whether they are "Working at a high speed at least for half the working hours".

2) The middle and right figures show the difference between the "Score of those who answered that they have been able to have recovery experiences (how to rest)" and the "Score of those who answered that they have been unable to have recovery experiences (how to rest)" for "WE score", "excessive stress/fatigue during work", and "individual labour productivity". Refer to the Note on page 20 for the calculation method of "WE score", Notes 1) on page 25 for the calculation method of the scores for "Excessive stress/fatigue during work", and Notes 1) on page 23 for the calculation method of the scores for "Individual labour productivity".

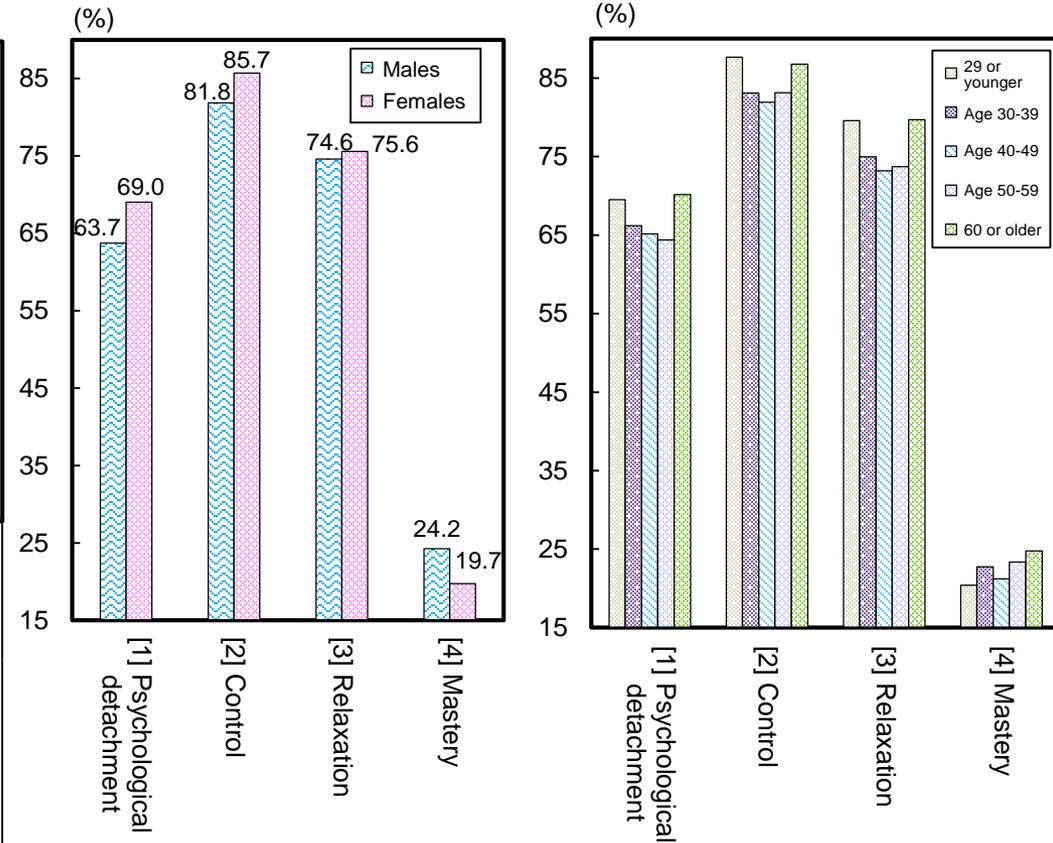
# — How workers in Japan spend their time outside of work (recovery experiences) —

- The chart on the left shows that 33.9% of respondents say that they find it difficult to psychologically detach themselves from work, or cannot stop thinking about work even during leisure time. This means that the percentage of the people who have achieved “psychological detachment” is lower than that of those who have achieved “relax” and “control” of the four recovery experiences.
- The two charts from the right suggest that men and those in their 30s to 50s find it difficult to detach themselves from work, relax during leisure time and feel in control of their schedule. The figures also show that women and young people attain fewer mastery experiences.

**Recovery experiences in Japan  
(total of survey subjects)**



**Percentage of those who have been able to have recovery experiences (By sex and age)**

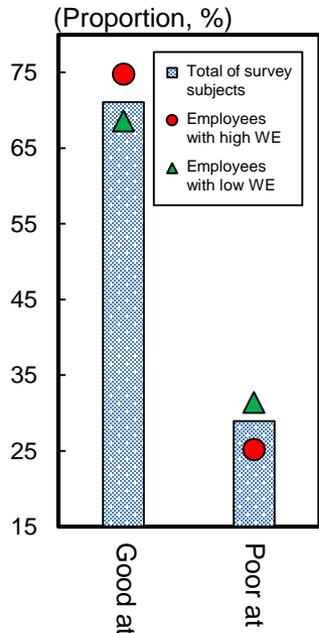


Source: Prepared based on individual questionnaires of “Survey on Current Status of Labour Shortage and Work styles, etc. (Company Questionnaire/Regular Employee Questionnaire)” (2019), The Japan Institute for Labour Policy and Training  
 (Note) “Able (Unable) to do” in the figure indicates the total of “Always able to do (Unable to do at all)” and “More likely able (unable) to do”.

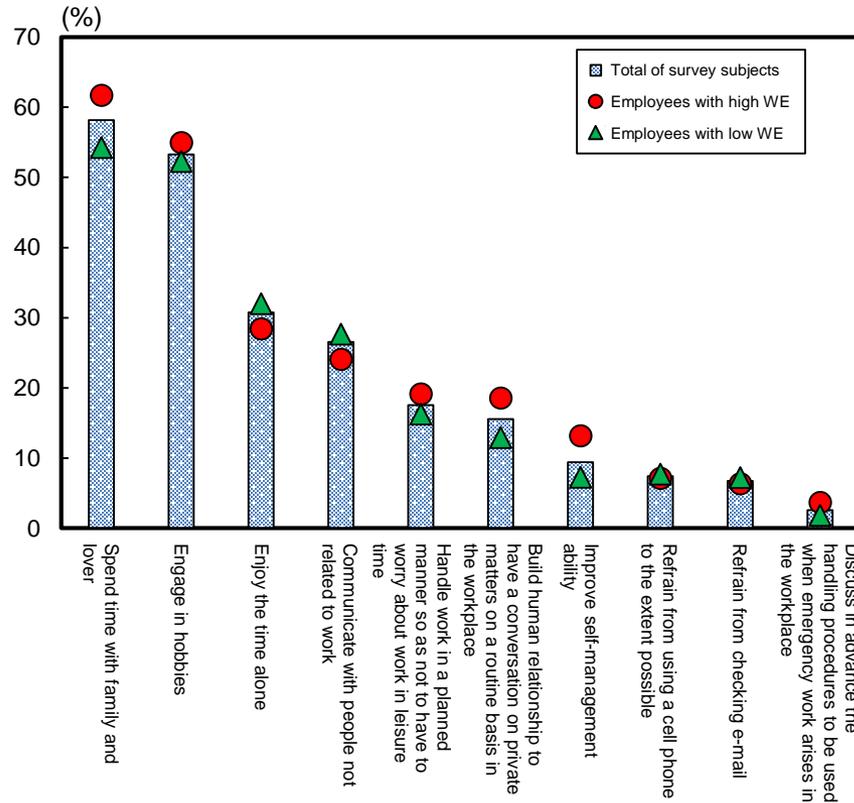
# — Setting boundaries between work and leisure time (boundary management) —

- Those who think they are good at drawing boundaries between work and leisure time feel more fulfilled at work than those failing to do so.
- There are things that people who are good at boundary management and feel fulfilled at work keep in mind. One of them is to spend time with family and friends. They are also making job-related efforts such as developing self-management skills, having co-workers who they can share their personal life with and carrying out their duties according to a plan.

**Whether employees are good at or poor at setting boundaries between work and leisure time**

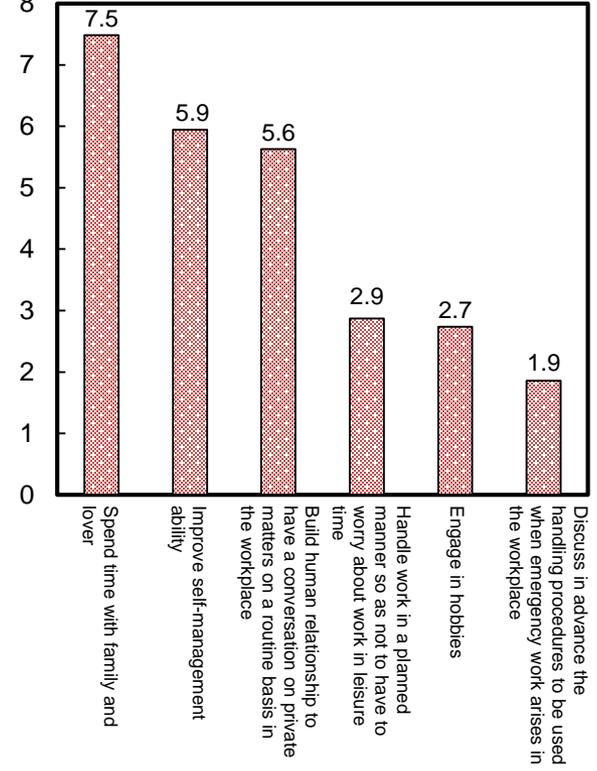


**Efforts that “those who have been able to manage boundary between work and leisure time” strive to make by high/low fulfillment at work**



**Efforts that “those who have been able to manage boundary between work and leisure time”, and have high fulfillment at work, strive to make**

(“Implementation rate for those with high WE” minus “Implementation rate for those with low WE”, % points)



Source: Prepared based on individual questionnaires of “Survey on Current Status of Labour Shortage and Work styles, etc. (Regular Employee Questionnaire)” (2019), The Japan Institute for Labour Policy and Training

(Notes) 1) “Able (Unable) to do” in the figure indicates the total of “Always able to do (Unable to do at all)” and “More likely able (unable) to do”.

2) The middle figure shows the results of answers given to the question asking to select applicable choices.

3) “Those with high work engagement” (WE) refers to those with the WE score of 4.5 or higher, and “those with low work engagement” (WE) refers to those with the WE score of 3.0 or lower.

4) The right figure shows the difference between the “Implementation rate for those with high work engagement (WE)” and the “Implementation rate for those with low work engagement (WE)” regarding the “Implementation rate of efforts to manage boundary between work and leisure time”.

**— Reference: Efforts to increase employee fulfillment at work —**

<p>Fostering a friendly human relationship and smooth communications in the workplace</p>	<ul style="list-style-type: none"> <li>○ The company holds casual one-on-one meetings between a manager and an employee at least once a month. This has helped increase employee fulfillment and reduce turnover rates significantly. [Metal manufacturing/wholesale company (65 employees)]</li> <li>○ Leaders' efforts for a better communication with their team members have helped create a collaborative team environment and increase fulfillment among team members. [IT company (477 employees)]</li> </ul>
<p>Reducing working hours and providing flexible work-style options</p>	<ul style="list-style-type: none"> <li>○ Since the company introduced a vacation program that encourages employees to take three consecutive days off in the summer months, 90% of them have taken the vacation. The program has given employees time to refresh themselves. It has also helped develop team commitment and increase employee fulfillment. [IT-related (477 employees)]</li> <li>○ The company's effort to promote teleworking has contributed to reducing operating costs and improving human resource efficiency. It has also helped reduce physical and mental burden on employees and allowed them to spend more time with their family and friends. Employees make positive comments about the effort such as, " we can better concentrate on work." [Electrical equipment-related (39 employees)]</li> </ul>
<p>Giving more discretion to employees</p>	<ul style="list-style-type: none"> <li>○ The company is taking steps to give managers more authorities and discretion although it has taken a top-down management approach for more than 100 years. This is because the company believes that nurturing future leaders who are capable of making right decisions will make the organizational structure stronger in this rapidly changing business environment.[Metal manufacturing/wholesale (65 employees)]</li> <li>○ The company holds workshops for all employees, giving them more discretion: for instance, the firm adopts the best project idea in the workshops and use it for a new business. [Marketing (53 employees)]</li> </ul>

\* Excerpt from examples presented in the column of the White Paper.