

11 Labor

Employment

Through most of the postwar period until the mid-1970s, Japan's unemployment rate remained below 2%, but then it began to creep up, reaching 2.8% in 1986 and 1987 as Japan's economic growth moderated. After a brief decline, it again started edging back up after the bubble economy collapsed in 1991 and reached a record high of 5.4% in 2002. As the economy started recovery in February 2002, the unemployment rate went down 0.1 point from the previous year to 5.3%, the first decrease since 1990, and improved further to 4.4% in 2005. The number of unemployed persons in 2005 was also down 190,000 from the previous year to 2.94 million, marking an improvement for three straight years.

The postwar Japanese employment system, characterized by such features as lifetime employment and seniority-based wage levels, changed dramatically as the economy underwent a severe and prolonged slump during the 1990s, when businesses also met increasing competition from abroad in a globalizing business environment. There is an increasing tendency for companies to slim down their workforce, which tends to increase the proportion of part-timers and other contingent employees. In 2005, 720,000 people lost their jobs because of workforce reduction or bankruptcy, and the ratio of part-timers, including agency temporaries, among all employees reached 33.0% in October–December 2005.

One of the measures to deal with unemployment is unemployment insurance. The general job-seeker per-diem benefit (basic allowance) ranges from a minimum of ¥1,656 to a maximum of ¥7,780 (as of August 2005), or the equivalent of 50% to 80% (45%–80% for those aged 60–64) of the former wage. The period during which a beneficiary may receive benefits, from 90 to 360 days, depends on age, period of employment, and reason for job loss. The monthly average of those receiving unemployment insurance was 710,000 persons in 2004.

The economic slump has also affected new graduates looking for work. Although 545,000 students graduated from university in spring 2004, only 306,000 took on full-time jobs. This graduate employment rate was 55.8%, up 0.7 points over the previous year. The situation improved significantly in 2005 as businesses resumed hiring new graduates.

The problem of jobless young people has become a major issue. According to a Cabinet Office survey, jobless people aged 15 to 34 numbered 2.13 million in 2002, an increase of 800,000 over 1992. Of the total, 850,000 were not seeking jobs and were categorized as NEETs (not in employment, education, or training). According to the 2005 White Paper on the Labor Economy, in 2004 there were 2.13 million young people (aged 15 to 34) who were so-called *Freeters*, remaining as job-hopping part-timers rather than entering stable employment.

Trends in Employment

(annual average)

	Working population (million)	People with jobs (million)	Unemployment rate (%)	Unemployment insurance ^a beneficiaries (1,000)
1990	63.8	62.5	2.1	484
1995	66.7	64.6	3.2	825
2000	67.7	64.5	4.7	1,038
2001	67.5	64.1	5.0	1,080
2002	66.9	63.3	5.4	1,095
2003	66.7	63.2	5.3	889
2004	66.4	63.3	4.7	708
2005	66.5	63.6	4.4	637

Source: Ministry of Health, Labor and Welfare; Ministry of Internal Affairs and Communications.

a. Monthly average.

Employment Structure

(%)

	1985	1990	1995	2000	2003	2004	2005
Regular employees	83.6	79.8	79.1	74.0	69.6	68.5	67.4
Part-time workers	12.5	16.3	17.3	22.0	22.0	22.0	22.4
Agency temporaries and contract workers	3.9	3.9	3.7	4.0	5.8	6.8	7.7

Source: Ministry of Internal Affairs and Communications.

Unemployment Rate by Age Group, 2005

(%)

	Avg.	15–19	20–24	25–29	30–34	35–39	40–44	45–49	50–54	55–59	60–64	65 and over
Male	4.6	10.9	9.7	6.4	4.2	3.7	3.3	2.9	3.3	4.3	6.2	2.5
Female	4.2	9.4	6.9	6.1	6.3	4.7	3.5	2.8	2.9	2.6	2.8	1.1
Overall	4.4	10.2	8.4	6.2	5.0	4.1	3.6	2.9	3.2	3.6	4.9	2.0

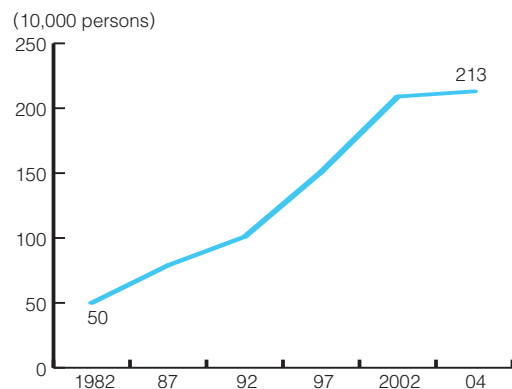
Source: Ministry of Internal Affairs and Communications.

Unemployment in Industrial Countries

	2003		2004		2005	
	Unemployed persons (1,000)	Unemployment rate (%)	Unemployed persons (1,000)	Unemployment rate (%)	Unemployed persons (1,000)	Unemployment rate (%)
France	2,441	9.9	2,437	10.0	2,311	9.9
Germany	4,381	10.5	4,388	10.5	4,861	11.7
Japan	3,500	5.3	3,130	4.7	2,940	4.4
UK	933	3.0	854	2.7	861	2.8
USA	8,773	6.0	8,143	5.5	7,580	5.1

Source: Cabinet Office; Ministry of Internal Affairs and Communications.

Trends in Number of Freeters



Source: Ministry of Health, Labor and Welfare, *Rodo keizai hakusho* (White Paper on Labor Economy), 2005.

Mandatory Retirement Age

(% of enterprises surveyed)

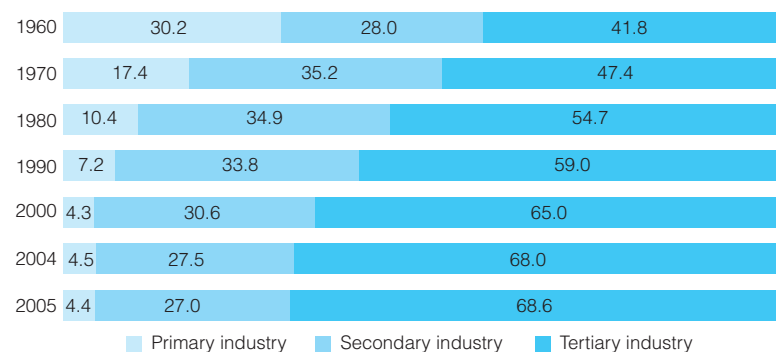
	Under 56	56-59	60	61-64	65	66 and over
1970	58.6	18.3	21.7	0.3	1.1	n/a
1980	39.7	20.1	36.5	0.7	2.5	n/a
1990	19.8	16.2	60.1	1.1	2.7	0.0
2000	0.6	0.2	91.6	1.8	5.6	0.1
2002	-	0.6 ^a	90.3	2.3	6.6	0.2
2003	-	1.1 ^a	89.2	2.7	6.8	0.1
2004	-	0.7 ^a	90.5	2.4	6.1	0.4
2005	-	0.1 ^a	91.1	2.5	6.1	0.1

Source: Ministry of Health, Labor and Welfare, *Shuro joken chosa* (Labor Statistics Survey), 2005.

a. Include under 56.

Distribution of Workers by Industry

(%)



Source: Ministry of Internal Affairs and Communications.

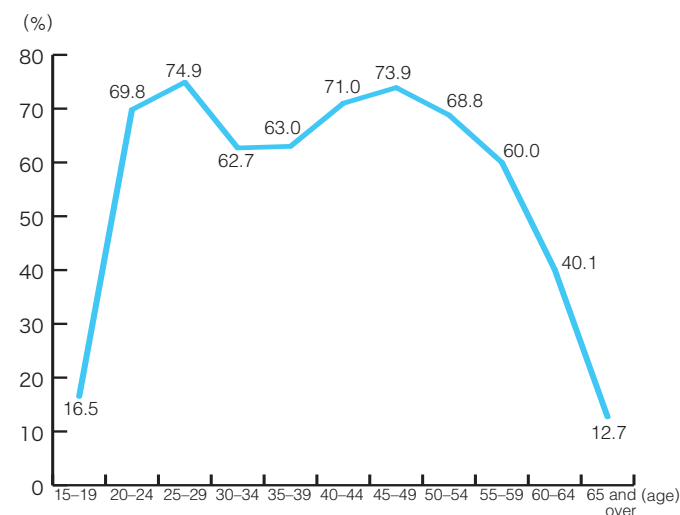
Female Workers

According to Ministry of Health, Labor and Welfare statistics, the number of employed women increased by 8.8 million, or 64.6%, between 1980 and 2005, compared with 5.5 million, or 20.9%, for men. In 2005 women accounted for 41.3% of all workers. Behind this growth were such factors as women's heightened desire to work, the 1986 Equal Employment Opportunity Law, and the 1995 Family-Care Leave Law.

The Revised Equal Employment Opportunity Law came into effect on April 1, 1999. The amended law prohibits gender discrimination in hiring, placement, and promotion. It also requires employers to step up efforts to prevent sexual harassment in the workplace. At the same time, the Revised Labor Standards Law took effect, lifting restrictions on women working overtime, on holidays, and late at night. To mitigate the drastic change in their working conditions, in the case of female workers who are responsible for family care, overtime work is restricted to 150 hours maximum per year for a certain period of time.

Despite the implementation of the Family-Care Leave Law, only 61.4% of companies had actually made provisions for child-care leave by 2002. In fiscal 2004, 70.6% of female workers who gave birth took a leave of absence, compared with 0.56% of male workers to whom children were born.

Women's Workforce Participation by Age, 2005



Source: Ministry of Internal Affairs and Communications.

Note: Figures are the percentage of the labor force population in the total population of each age group. The labor force population is the total number of persons who worked for one hour or more for income, were off from work, or were unemployed but sought employment during the last week of each month in which a labor force survey is conducted.

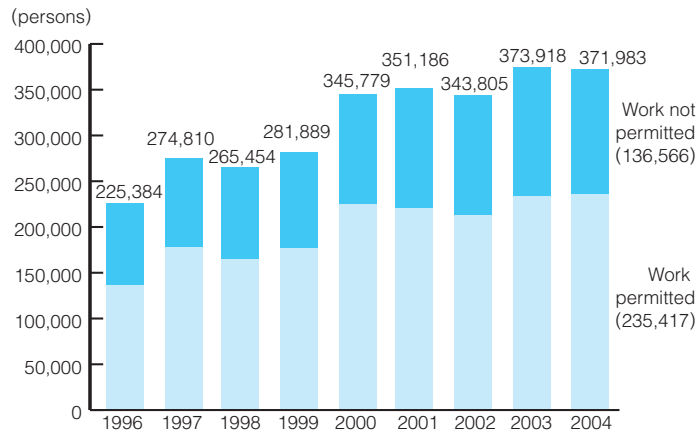
Foreign Workers

Foreigners may work in Japan only if they have an appropriate status of residence, for example, for commercial activities, teaching, or providing a special skill. The number of these categories was increased by a revision of the Immigration Control Law in June 1990 that also imposed stiff penalties on employers of and brokers for illegal foreign workers.

Of the 371,983 foreigners who received a new status of residence in 2004, 235,417 were granted a residency status allowing work. The remainder were temporary visitors (tourists and those on short trips for business, etc.) and others with kinds of status not permitting work in Japan.

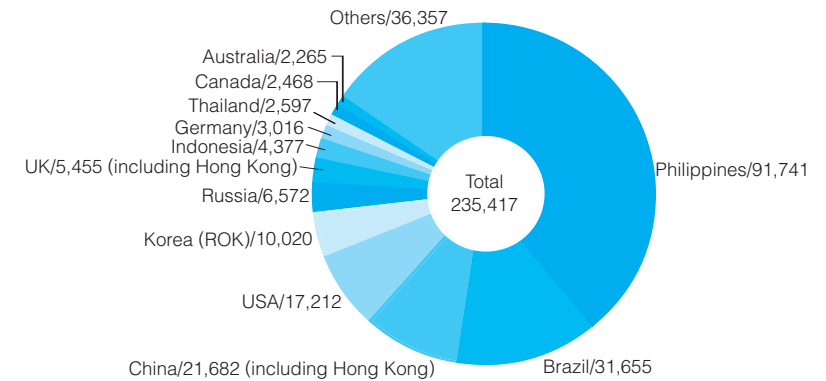
The number of foreigners working illegally in Japan, mostly at low-paying jobs, began rising quickly during the economic boom of the late 1980s but has gradually fallen since the collapse of the bubble economy in the early 1990s. The number of foreigners illegally staying in Japan as of January 2006 was 193,745, a drop of 6.5% from a year earlier, or 35.1% down from a peak in 1993. The number of foreign nationals deported in 2005 was 57,172, of whom 45,935 (mainly Chinese, Filipinos, and Koreans) had been working illegally.

Foreigners Receiving New Status of Residence



Source: Ministry of Justice, *Shutsunyukoku kanri tokei* (Annual Report of Statistics on Legal Migrants), 2005.
Note: Excludes temporary visitors.

Foreign Workers in Japan by Nationality, 2004



Source: Ministry of Justice, *Shutsunyukoku kanri tokei* (Annual Report of Statistics on Legal Migrants), 2005.
Note: Figures show the number of foreigners who were granted a residency status allowing work in 2004.

Wage System

Japan's wage system has traditionally been based on length of service of workers, but a growing number of firms are beginning to take performance and ability into account. According to a survey conducted by the Japan Productivity Center for Socio-Economic Development, 89.4% of the surveyed companies whose stocks are listed on the stock exchange had a salary system based on performance in 2004.

Apart from a period of hefty wage hikes immediately after the first oil crisis of 1973, wage increases in Japan have been relatively moderate. Since the collapse of the bubble economy, wage increases have been low, and in 1998 Japan saw the first decline (-1.4%) in wages in the postwar period. In 2004 wages in all industries decreased by an average of 0.8%, marking a drop for seven straight years.

The average monthly starting salary for male college graduates in 2005 was ¥196,700, a decrease of 0.8% from the previous year (¥189,300 for female college graduates), and that of male high school graduates was ¥155,700, a decrease of 0.3% from the previous year (¥148,000 for female high school graduates).

Average Monthly Cash Earnings by Gender

(¥)

	2000	2001	2002	2003	2004
Overall average	398,069	397,366	387,638	389,664	376,964
Male	494,466	492,937	479,826	481,772	472,573
Female	242,359	243,433	239,146	240,795	233,588

Source: Ministry of Health, Labor and Welfare, *Maitsuki kinro tokei chosa* (Monthly Labor Survey), 2004.

Note: Figures are for workplaces employing 30 or more persons.

Annual Wage Increases

(% change from previous year)

	Nominal wage increase	Increase in consumer prices	Real wage increase
2000	-0.3	-0.7	0.6
2001	-0.9	-0.7	0.0
2002	-2.9	-0.9	-1.8
2003	-0.1	-0.3	0.2
2004	-0.8	0.0	-0.9

Source: Ministry of Health, Labor and Welfare, *Rodo keizai hakusho* (White Paper on Labor), 2005.

Note: Figures for wage increases are for workplaces employing 30 or more persons.

Average Monthly Cash Earnings by Industry

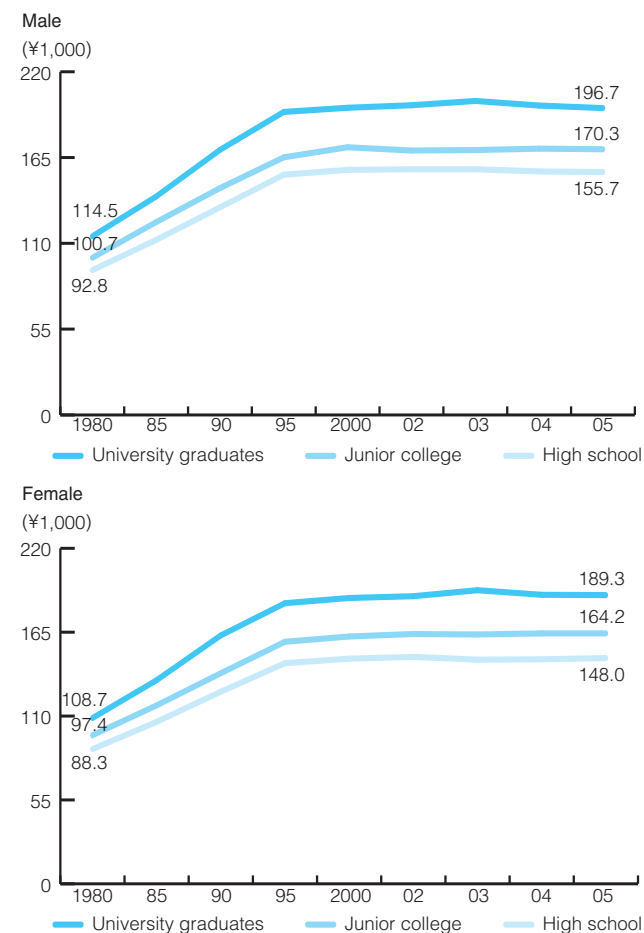
(¥)

	1990	1995	2000	2005
Construction	401,560	450,679	455,622	439,553
Manufacturing	352,020	390,600	406,707	419,656
Electricity, gas, heat supply, and water	516,820	584,198	605,360	613,131
Transport and communications	413,077	454,488	408,243	510,588
			Information and communications	510,588
			Transport	368,143
Wholesale, retail, and food service	309,218	336,175	307,103	296,964
			Wholesale and retail trade	296,964
			Eating and drinking places, accommodations	173,473
Finance and insurance	490,002	541,200	546,375	555,495
Services	379,896	412,820	403,621	319,083
Total	370,169	408,864	398,069	380,438

Source: Ministry of Health, Labor and Welfare, *Maitsuki kinro tokei chosa* (Monthly Labor Survey), 2005.

Note: Figures are for workplaces employing 30 or more persons.

Trends in Starting Salary



Source: Ministry of Health, Labor and Welfare.

Working Hours

For many years Japan grappled with the issue of reducing the length of the workweek, which was longer than in Europe or the United States. The 1987 revision of the Labor Standards Law reduced the legal workweek from 48 to 46 hours in April 1988. The length was further shortened to 44 hours in 1991 and to 40 hours in 1997. A Ministry of Health, Labor and Welfare survey shows that average annual working hours, including overtime, of workplaces employing 30 or more persons in 2005 was 1,829 hours.

As of 2004 only 41.1% of companies had a five-day workweek, though 74.3% of

large corporations with 1,000 or more employees did. Another issue is that of encouraging workers to take all their paid vacations. The average number of days-off taken in 2004 was 8.4, 46.6% of all the paid vacations offered.

Working Hours and Days

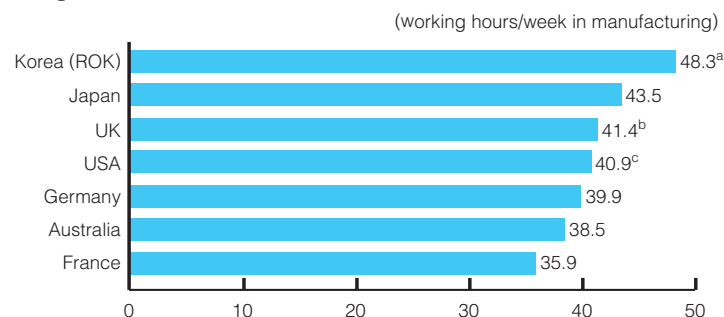
	Regular working hours			Total working hours ^a			Working days per month
	Per day	Per week	Per year	Per day	Per week	Per year	
1990	7.4	35.9	1,866	8.1	39.5	2,052	21.0
2000	7.3	33.0	1,718	7.9	35.7	1,859	19.7
2002	7.2	32.7	1,700	7.8	35.3	1,837	19.6
2003	7.2	32.7	1,700	7.8	35.5	1,846	19.6
2004	7.2	32.5	1,691	7.8	35.4	1,840	19.6
2005	7.2	32.3	1,680	7.9	35.2	1,829	19.4

Source: Ministry of Health, Labor and Welfare.

Note: Figures are for workplaces employing 30 or more persons.

a. Including overtime.

Working Hours in Industrial Countries, 2004



Source: International Labor Organization.

a. 2001.

b. 2000.

c. 2002.

Monthly Overtime Working Hours

	(hours)							
	1975	1980	1985	1990	1995	2000	2004	2005
Manufacturing	9.1	16.4	18.4	19.7	13.3	15.3	17.8	17.7
All industries	10.6	13.5	14.8	15.5	11.4	11.6	12.4	12.4

Source: Ministry of Health, Labor and Welfare.

Note: Figures are for workplaces employing 30 or more persons.

Labor Unions

Japan's labor unions are company-based, and labor-management relations are relatively stable. The ratio of organized workers has been declining since the mid-1970s. According to a Ministry of Health, Labor and Welfare survey, the percentage of workers belonging to a union plunged to a record low of 18.7% in June 2005, marking a decrease for 11 consecutive years. The main reasons for this are a drop in the number of people with full-time employment and a rise in the number of part-time workers, who are less likely to join a union.

Union Membership and Unionization Ratio

	1980	1990	2000	2004	2005
Union membership (1,000)	12,369	12,265	11,539	10,309	10,138
Unionization ratio (%)	30.8	25.2	21.5	19.2	18.7

Source: Ministry of Health, Labor and Welfare.

Labor Union Membership in Major Countries, 2003

	Number of employed (1,000)	Union membership (1,000)	Unionization ratio (%)
UK	24,996	7,420	29.1
Germany	31,540	9,200 ^b	26.6 ^b
Japan	53,350	10,138 ^a	18.7 ^a
USA	126,602 ^b	15,776	12.9

Source: Japan Institute of Labor, *Detabukku kokusai rodo hikaku* (International Labor Comparison Databook), 2006.

a. 2005.

b. 2002.

Labor Disputes

	Disputes	Workers involved (1,000)	Worker-days lost (1,000)
1975	7,574	4,614	8,016
1985	4,230	1,355	264
1995	685	222	77
2000	305	85	35
2001	246	75	29
2002	304	66	12
2003	174	43	7
2004	173	55	10

Source: Ministry of Health, Labor and Welfare.