

## Chapter 12

### Labor



A bus driver smilingly exchanging pleasantries with a passenger. There were 3.2 million workers in the transport industry in 2008.

## 1. Labor Force

Japan's labor force was on a continuous decline after recording a historical high of 67.93 million people in 1998. It showed growth from 2005 due to the increased labor force participation rate of, mainly, the elderly, but fell again in 2008. The labor force is expected to shrink in the long run as the falling birthrate and the aging population change the population composition.

The labor force, defined as the sum of the employed and unemployed, numbered 66.50 million people in Japan in 2008, down 190,000 (0.3 percent) from the previous year and was the first decrease in four years.

**Table 12.1**  
**Population by Labor Force Status**

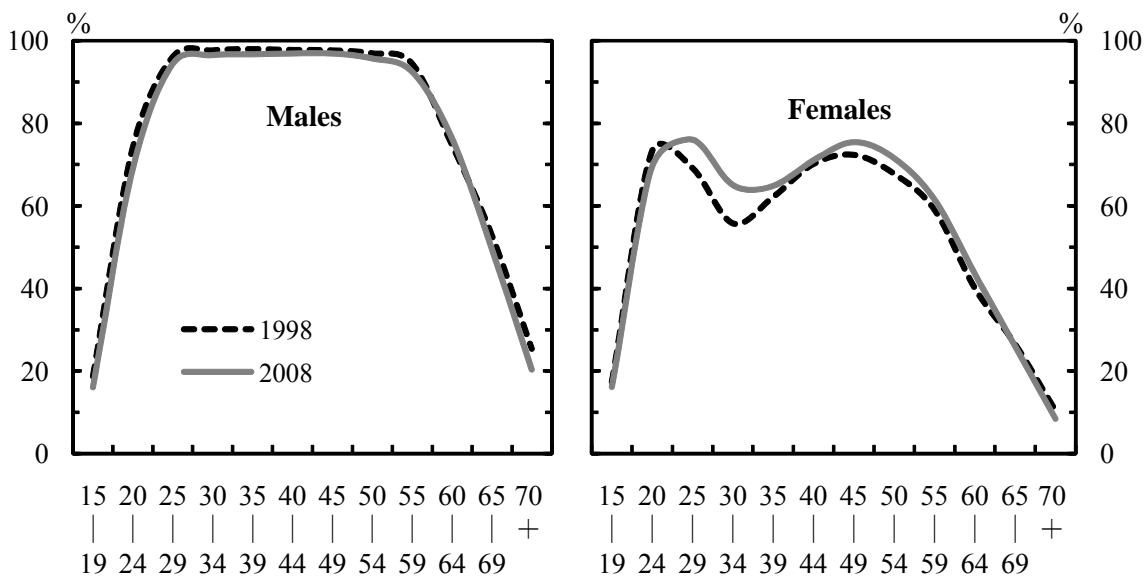
Year	Population aged 15 years and over	Labor force			Not in labor force	Unemployment rate (%)
		Total	Employed	Unemployed		
(Thousands)						
<b>Total</b>						
1990	100,890	63,840	62,490	1,340	36,570	2.1
1995	105,100	66,660	64,570	2,100	38,360	3.2
2000	108,360	67,660	64,460	3,200	40,570	4.7
2005	110,070	66,500	63,560	2,940	43,460	4.4
2006	110,200	66,570	63,820	2,750	43,550	4.1
2007	110,430	66,690	64,120	2,570	43,670	3.9
2008	110,500	66,500	63,850	2,650	43,950	4.0
<b>Males</b>						
1990	49,110	37,910	37,130	770	10,950	2.0
1995	51,080	39,660	38,430	1,230	11,390	3.1
2000	52,530	40,140	38,170	1,960	12,330	4.9
2005	53,230	39,010	37,230	1,780	14,160	4.6
2006	53,270	38,980	37,300	1,680	14,250	4.3
2007	53,420	39,060	37,530	1,540	14,320	3.9
2008	53,440	38,880	37,290	1,590	14,530	4.1
<b>Females</b>						
1990	51,780	25,930	25,360	570	25,620	2.2
1995	54,020	27,010	26,140	870	26,980	3.2
2000	55,830	27,530	26,290	1,230	28,240	4.5
2005	56,840	27,500	26,330	1,160	29,290	4.2
2006	56,930	27,590	26,520	1,070	29,300	3.9
2007	57,010	27,630	26,590	1,030	29,350	3.7
2008	57,060	27,620	26,560	1,060	29,420	3.8

Source: Statistics Bureau, MIC.

The 2008 labor force participation rate (rate of the labor force to the population aged 15 years and over) was 60.2 percent (down 0.2 percentage points from the previous year). Observed by sex, the rate was 72.8 percent for men (down 0.3 percentage points) and 48.4 percent for women (down 0.1 percentage point).

The female labor force participation rate by age group shows an M-shaped curve. This curve indicates that women leave the labor force when they get married or give birth to a child and then rejoin the labor force after their child has grown and the burden of child-rearing is reduced. Compared with the situation ten years ago (1998), the participation rate of women in the 25-29 age group has increased by 6.9 percentage points, while the participation rate of women in the 30-34 age group, which formed the bottom of the M-shaped curve, has risen 9.3 percentage points. There has thus been a noticeable change in the M-shaped curve, which has become flatter over the decade.

**Figure 12.1**  
**Labor Force Participation Rate by Sex**



Source: Statistics Bureau, MIC.

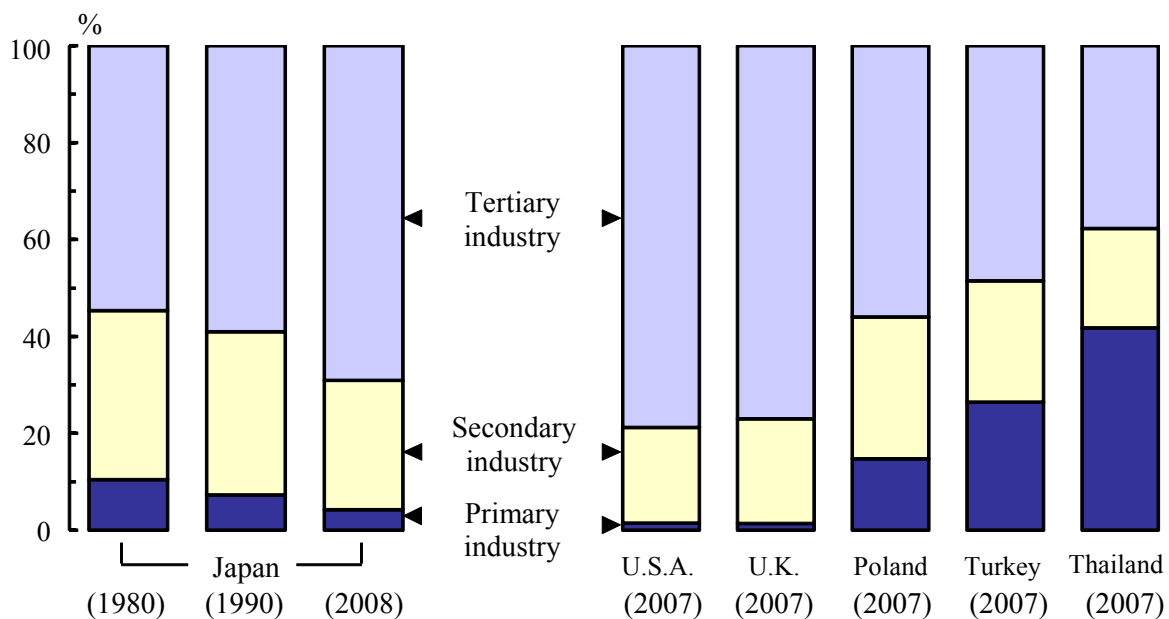
## 2. Employment

The number of employed persons in Japan had declined continuously since 1998; however, in 2004 it began to increase. In 2008, the number of employed persons fell from 64.12 million (58.1 percent of the population aged 15 years and over) in the previous year to 63.85 million (57.8 percent), marking the first drop in five years.

### (1) Employment by Industry

In 2008, the primary industry accounted for 4.2 percent of employment; the secondary industry, 26.4 percent; and the tertiary industry, 68.2 percent.

**Figure 12.2**  
**Structure of Employment by Country**



Source: Statistics Bureau, MIC; International Labour Organization.

**Table 12.2**  
**Employment by Industry**

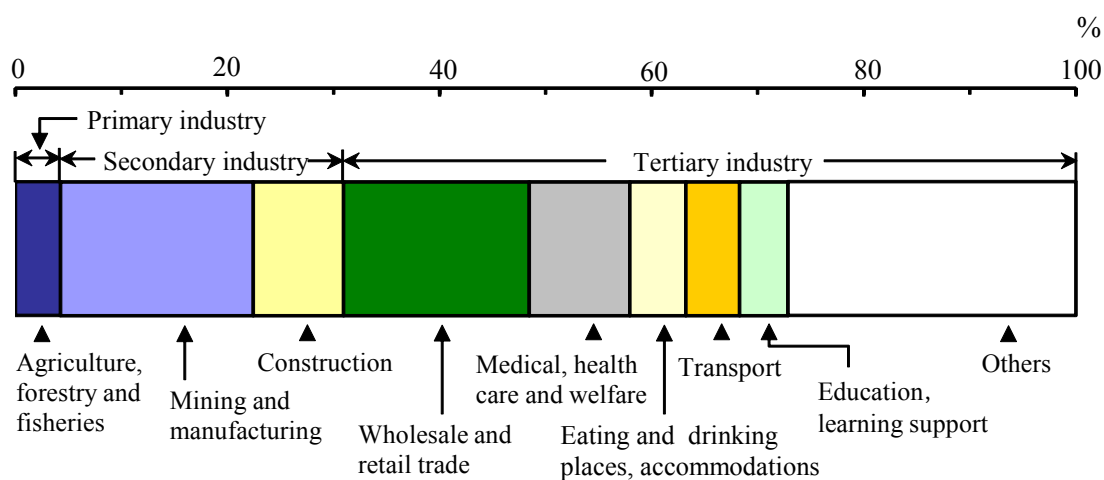
Industries	2004	2005	2006	2007	2008	(Thousands)	
						Percentage	
						Males	Females
Total <sup>1)</sup> .....	63,290	63,560	63,820	64,120	63,850	58.4	41.6
<b>Primary industry</b> .....	<b>2,860</b>	<b>2,820</b>	<b>2,720</b>	<b>2,720</b>	<b>2,680</b>	<b>58.6</b>	<b>41.4</b>
Agriculture and forestry .....	2,640	2,590	2,500	2,510	2,450	57.1	42.9
Fisheries .....	220	230	220	210	230	73.9	26.1
<b>Secondary industry</b> .....	<b>17,380</b>	<b>17,130</b>	<b>17,230</b>	<b>17,210</b>	<b>16,840</b>	<b>74.5</b>	<b>25.5</b>
Mining .....	40	30	30	40	30	100.0	0.0
Construction .....	5,840	5,680	5,590	5,520	5,370	85.5	14.5
Manufacturing .....	11,500	11,420	11,610	11,650	11,440	69.2	30.8
<b>Tertiary industry</b> .....	<b>42,360</b>	<b>42,850</b>	<b>43,180</b>	<b>43,420</b>	<b>43,570</b>	<b>52.2</b>	<b>47.8</b>
Electricity, gas, heat supply and water .....	310	350	360	330	320	90.6	9.4
Information and communications .....	1,720	1,760	1,810	1,970	2,090	74.8	25.2
Transport .....	3,230	3,170	3,240	3,230	3,200	82.5	17.5
Wholesale and retail trade .....	11,230	11,220	11,130	11,130	11,050	49.4	50.6
Finance and insurance .....	1,590	1,570	1,550	1,550	1,640	48.8	51.2
Real estate .....	710	750	790	850	830	62.7	37.3
Eating and drinking places, accommodations .....	3,470	3,430	3,370	3,420	3,340	40.9	59.1
Medical, health care and welfare ..	5,310	5,530	5,710	5,790	5,980	24.1	75.9
Education, learning support .....	2,840	2,860	2,870	2,840	2,880	45.0	55.0
Compound services .....	810	760	750	720	570	61.4	38.6
Services, n.e.c. .....	8,810	9,160	9,380	9,330	9,440	56.1	43.9
Government, n.e.c. .....	2,330	2,290	2,220	2,260	2,230	77.1	22.9

1) Including "Industries unable to classify."

Source: Statistics Bureau, MIC.

As the Japan Standard Industrial Classification (JSIC) was revised in 2002, a strict comparison cannot be made between the figures for 2003 and later and those for 2002 and before. Nevertheless, there was an obvious decline in the number of employed persons in the secondary industry, particularly in manufacturing. The decline continued for thirteen consecutive years from 1993 to 2005. The figure turned upward in 2006, but declined again in 2008.

**Figure 12.3**  
**Employment by Industry (2008)**



Source: Statistics Bureau, MIC.

In the tertiary industry, employment increased from the previous year by 190,000 in the "medical, health care and welfare" sector and by 110,000 in the sector of "services, not elsewhere classified." Meanwhile, a fall was marked in the "wholesale and retail trade" and the "eating and drinking places, accommodations" sectors, both by 80,000 each.

Depending on the industrial sector, a difference was seen in the employment tendency between men and women. The percentage of male employment was the highest in "electricity, gas, heat supply and water" (90.6 percent), followed by "construction" (85.5 percent) in 2008. Meanwhile, female employment was the highest in "medical, health care and welfare" (75.9 percent), followed by "eating and drinking places, accommodations" (59.1 percent) and "education, learning support" (55.0 percent).

## (2) Employment by Occupation

In terms of occupation, employment in the "craftsmen and manufacturing and construction workers" category declined for seven consecutive years since 1998, due to the overseas relocation of production sites and increased imports of manufactured goods. The figure once reversed to rise in 2005, but then began to fall again in 2008, marking a drop of 400,000 from the previous year. In contrast, the trend toward a service-oriented economy, the aging population, and improvements to the welfare services have contributed to a steady rise in the number of "protective service and other service workers," such as home-care workers. At the same time, the expansion of the information industry gave a steady boost to the number of "professional and technical workers."

**Table 12.3**  
**Employment by Occupation**

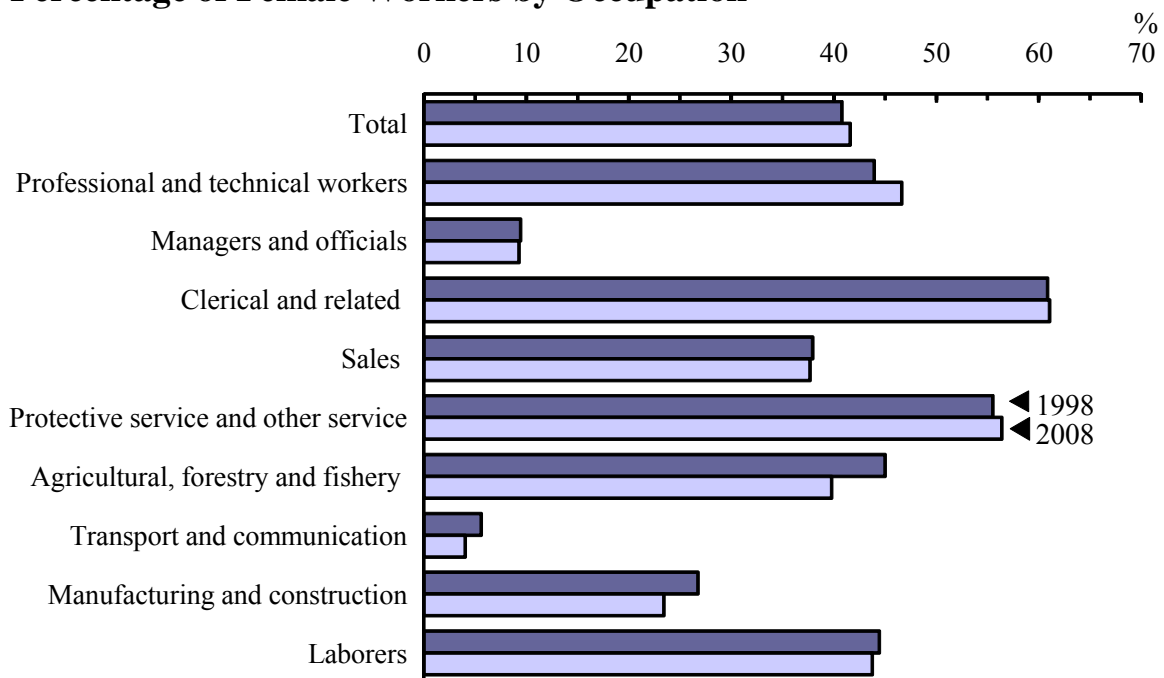
Occupation						(Thousands)	
	1995	2000	2005	2007	2008	Percentage	
						Males	Females
Total <sup>1)</sup> .....	64,570	64,460	63,560	64,120	63,850	58.4	41.6
Professional and technical workers .....	7,900	8,560	9,370	9,380	9,500	53.4	46.6
Managers and officials .....	2,360	2,060	1,890	1,730	1,720	90.7	9.3
Clerical and related workers .....	12,520	12,850	12,470	12,620	12,920	38.9	61.1
Sales workers .....	9,450	9,110	8,920	8,880	8,700	62.3	37.7
Protective service and other service workers .....	6,100	6,770	7,570	7,870	7,890	43.5	56.5
Agricultural, forestry and fishery workers .....	3,630	3,210	2,790	2,690	2,640	60.1	39.9
Workers in transport and communication .....	2,370	2,210	2,040	2,050	1,990	96.0	4.0
Craftsmen and manufacturing and construction workers .....	16,870	15,800	14,160	14,410	14,010	76.6	23.4
Laborers .....	3,100	3,470	3,630	3,760	3,770	56.2	43.8

1) Including "Labor force status not reported."

Source: Statistics Bureau, MIC.

In 2008, women were particularly prominent among "clerical and related workers" (61.1 percent) and "protective service and other service workers" (56.5 percent). On the other hand, the percentage of women was particularly low among "managers and officials" and "workers in transport and communication."

**Figure 12.4**  
**Percentage of Female Workers by Occupation**

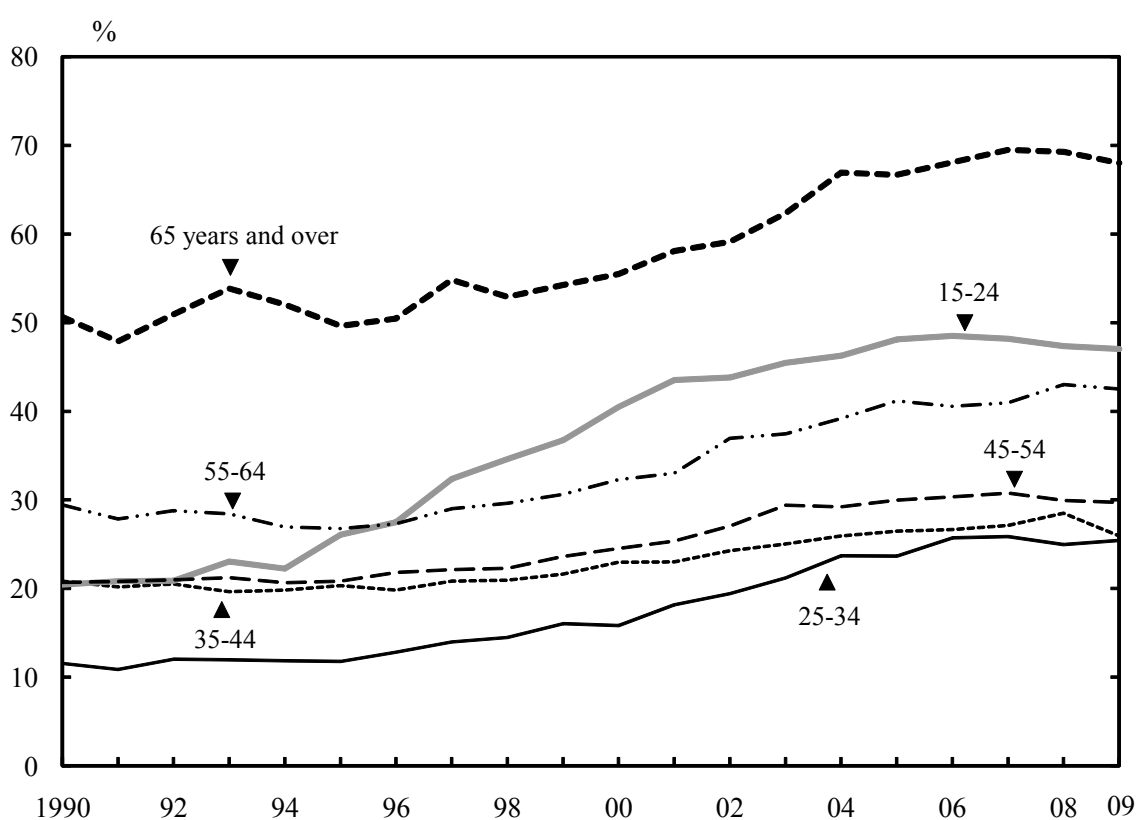


Source: Statistics Bureau, MIC.

### (3) Employment by Employment Pattern

Observed by working patterns in Japan, the ratio of regular staff has been on a declining trend since the 1980s, while that of non-regular staff, including part-time workers and dispatched workers, has increased. The latter figure soared in younger age groups from the mid-1990s to the beginning of the 2000s.

**Figure 12.5**  
**Percentage of Non-Regular Staff by Age Group** <sup>1)</sup>



1) February figures for the respective years are used for data prior to 2002. The average of January-March figures are used for data from 2002 onward.  
 Source: Statistics Bureau, MIC.

In 2008, there were 51.59 million employees (excluding company executives), of whom 17.60 million, or 34.1 percent, were non-regular staff. The ratio of non-regular staff among all male employees was 19.2 percent, while the corresponding ratio for females was 53.6 percent, revealing a large difference between the sexes.

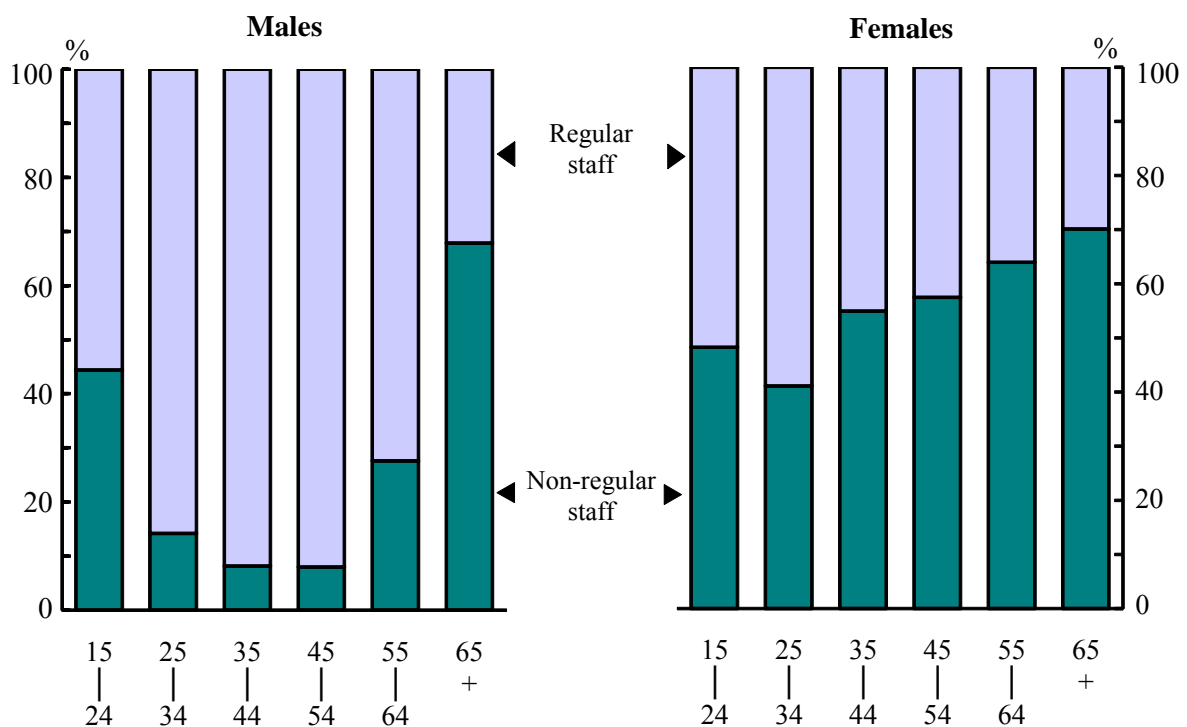
A breakdown of non-regular staff by age group shows that among men, many young and elderly men are employed as non-regular staff relative to other age groups. Among women, the older the age group is, the greater the non-regular staff ratio is.

**Table 12.4**  
**Employment by Employment Pattern (2008)**

	Employees <sup>1)</sup>		(Thousands)	
	Regular staff	Percentage	Non-regular staff	Percentage
Total	51,590	65.9	17,600	34.1
Males	29,170	80.8	5,590	19.2
Females	22,420	46.4	12,020	53.6

1) Excluding company executives.  
Source: Statistics Bureau, MIC.

**Figure 12.6**  
**Employment Pattern by Sex and Age (2008)**



Source: Statistics Bureau, MIC.

Such a diversification in employment patterns is attributable to businesses changing the proportion of regular staff to non-regular staff as a result of a greater drive to reduce costs. This diversification has also been accelerated by changes in the labor supply structure, which has been affected by the aging population and changes in the overall mentality of workers. As a result of this, more young people are employed as non-regular staff.

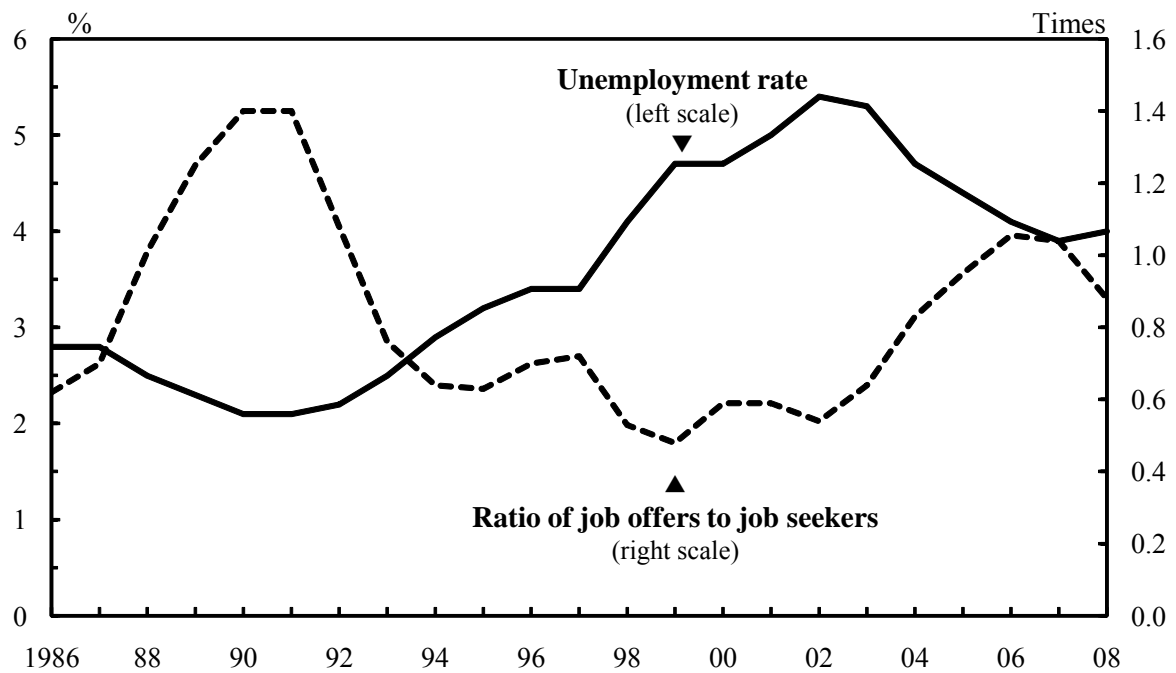
The employment conditions for new graduates have become tougher since 2008, when the economy started slowing down, bringing down the employment rate among March 2009 graduates to a level lower than the previous year.

### **3. Unemployment**

In 2008 the unemployed numbered 2.65 million persons, recording the first increase in six years. The unemployment rate was 4.0 percent, up 0.1 percentage point from the previous year. This upward trend has continued in 2009, with the unemployment rate for May 2009 rising to 5.2 percent (a seasonally adjusted figure).

The ratio of job offers to job seekers marked 1.08 in December 2006 when it peaked out. It has been on a falling trend since then, marking 0.44 in May 2009 (a seasonally adjusted figure).

**Figure 12.7**  
**Unemployment Rate and Ratio of Job Offers to Job Seekers**

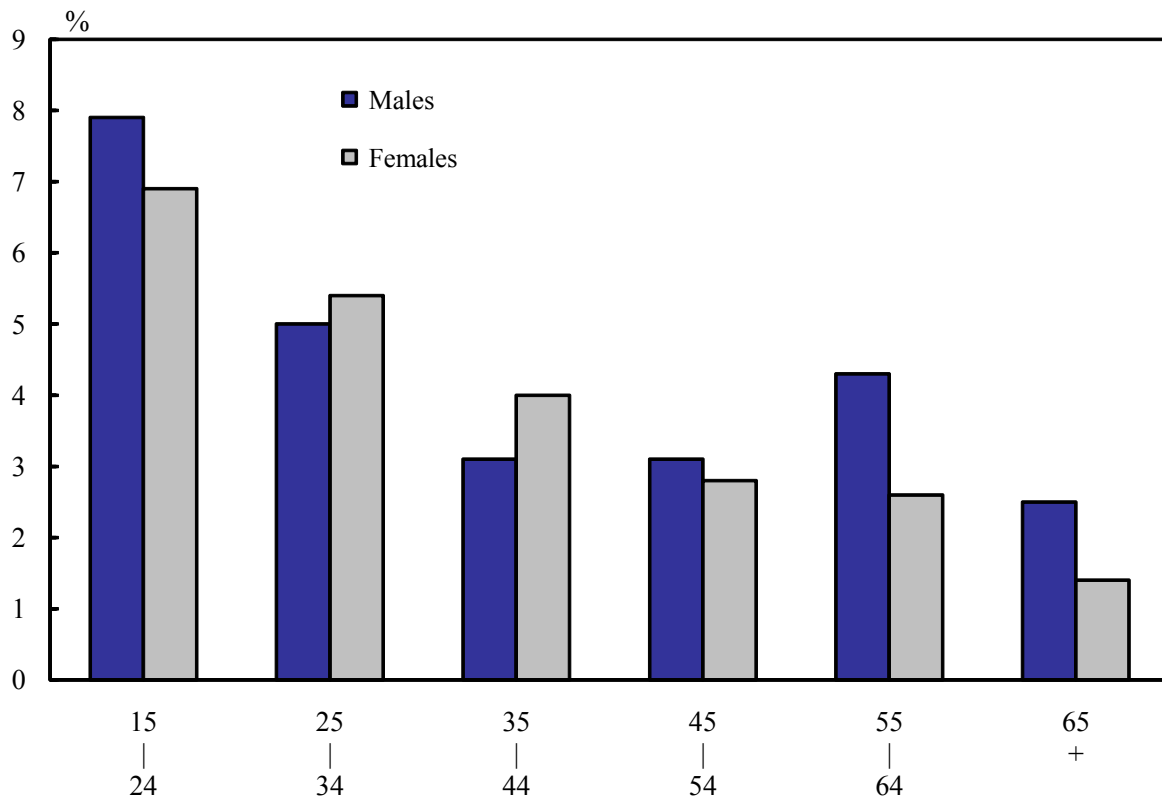


Source: Statistics Bureau, MIC; Ministry of Health, Labour and Welfare.

A breakdown by sex shows that the unemployment rate in 2008 was 4.1 percent among men, and 3.8 percent among women. The unemployment rate has been higher among men for eleven consecutive years since 1998.

The unemployment rate was seen as notably higher among younger age group than among other age groups, in men and women alike.

**Figure 12.8**  
**Unemployment Rates by Sex and Age (2008)**

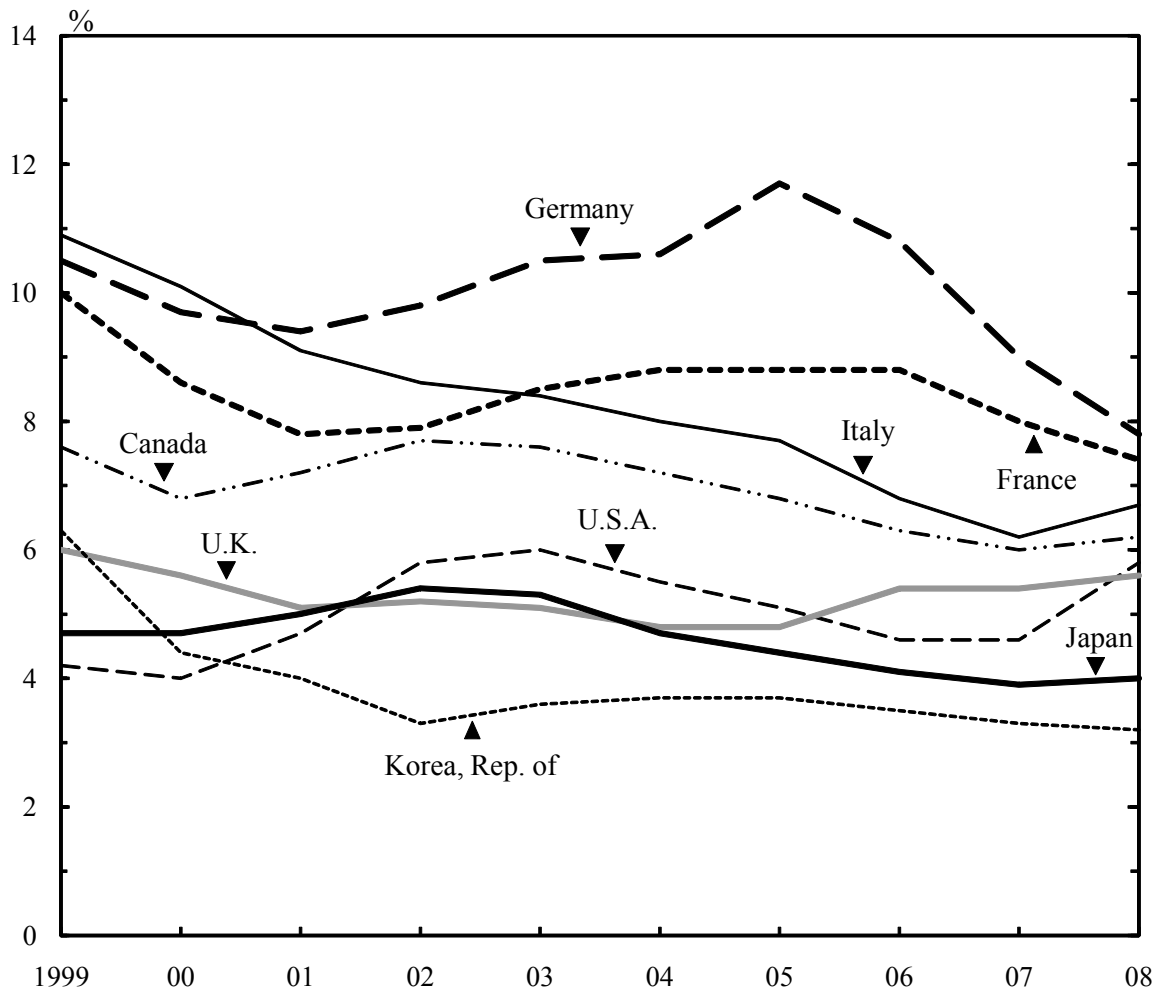


Source: Statistics Bureau, MIC.

Analyzing the total number of unemployed in 2008 (2.65 million people), by reasons for job-seeking, the major reasons were: (i) involuntarily dismissed due to corporate or business circumstances, or reaching retirement age limit, 0.88 million persons; (ii) voluntarily left their jobs for personal or family reasons, 1.00 million persons; and (iii) new job seekers just graduated from schools, 0.11 million.

In terms of the duration of unemployment, most were unemployed for "less than 3 months" (0.96 million persons), followed by "1 year or more" (0.87 million persons). The younger a job seeker is, the shorter their job-seeking period tends to be; on the contrary, the older the person, the longer the job-seeking period tends to be.

**Figure 12.9**  
**Unemployment Rates by Country**



Source: Statistics Bureau, MIC; Cabinet Office.

#### 4. Hours of Work and Wages

In 2008, the monthly average of total hours worked was 149.3 per regular employee (in establishments with 5 or more regular employees), down 0.9 percent from the previous year. Multiplying this figure by 12, we obtain an annual average of 1,792 hours.

Of the total monthly hours worked, 138.6 were scheduled working hours, representing a decrease of 0.8 percent from the previous year. Non-scheduled work such as overtime work averaged 10.7 hours per month, representing a decrease of 2.7 percent. Working days averaged 19.3 days per month in 2008.

Due to the revision of the Labor Standards Law in 1988, working hours have been on a downward trend, reducing the gap between Japan and other major countries. A country-to-country observation in the manufacturing industry, an industry for which internationally comparable data were available, showed that in 1985, the annual total hours worked (including those for non-scheduled work such as overtime) were 2,168 in Japan; 1,929 in the U.S.A.; 1,910 in the U.K.; 1,663 in Germany and 1,644 in France. In contrast, the equivalent 2006 figures were 2,003 in Japan; 1,962 in the U.S.A.; 1,874 in the U.K.; 1,538 in Germany and 1,537 in France.

In 2008, the monthly average of total cash earnings for regular employees (in establishments with 5 or more regular employees) was 331,000 yen. This total amount includes 271,000 yen in "contractual cash earnings" (which include "scheduled cash earnings" plus "non-scheduled cash earnings" for working overtime, on holidays and late at night, as well as other allowances), and 61,000 yen in "special cash earnings" (which include summer and year-end bonuses, payments to celebrate employees' marriages, etc.).

**Table 12.5**  
**Hours of Work and Wages** <sup>1)</sup> (Monthly average)

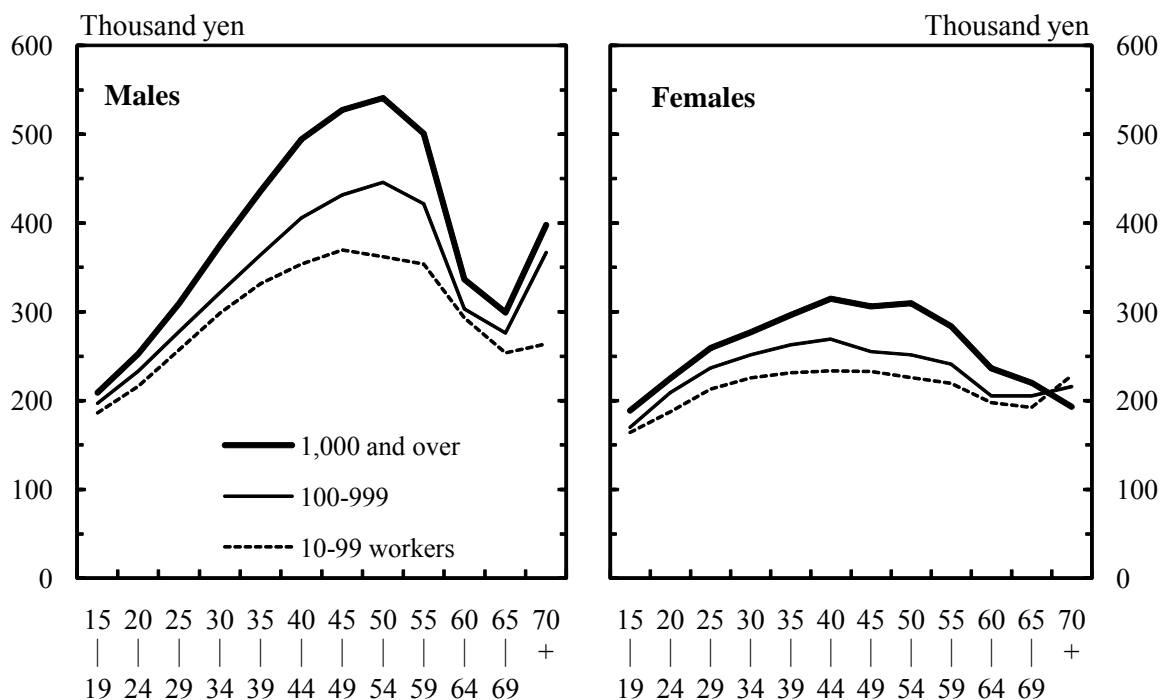
Year	Days worked	Hours of Work			Wages (1,000 yen)				
		Total	Scheduled	Non-schedule	Total	Contractual	Scheduled	Non-schedule	Special <sup>2)</sup>
1995	20.3	159.2	149.6	9.6	363	282	264	18	81
2000	20.0	154.4	144.6	9.8	355	284	265	19	72
2005	19.5	150.2	139.8	10.4	335	273	253	19	62
2006	19.5	150.9	140.2	10.7	336	273	253	20	63
2007	19.4	150.7	139.7	11.0	330	270	250	20	61
2008	19.3	149.3	138.6	10.7	331	271	251	19	61
Increase rates (%) <sup>3)</sup>									
1995	-	0.1	0.0	2.0	1.1	1.5	1.4	3.7	-0.4
2000	-	0.7	0.4	4.4	0.1	0.5	0.3	4.0	-1.5
2005	-	-0.6	-0.7	1.1	0.6	0.3	0.2	1.6	2.1
2006	-	0.5	0.3	2.6	0.3	0.0	-0.3	2.6	1.5
2007	-	-0.6	-0.6	0.8	-0.7	-0.2	-0.2	0.7	-3.0
2008	-	-0.9	-0.8	-2.7	0.4	0.4	0.5	-1.5	0.2

1) Establishments with 5 or more regular employees. 2) Bonuses and other special allowances. 3) Increase rates for "Hours of Work" and "Wages" are recalculated annually for sample adjustments.

Source: Ministry of Health, Labour and Welfare.

Generally, the average earnings (scheduled cash earnings) in Japan go up with age until roughly the forties to mid-fifties are reached and then declines. This reflects one characteristic of Japan's seniority employment system in which salaries are determined mainly on the basis of employment duration. Into the 1990s, an increasing number of enterprises reviewed their salary system, resulting in more widespread introduction of a merit-based pay system placing emphasis on performance. However, there has been a trend in recent years, particularly among large enterprises, to value the practice of long-term employment once again and attach importance to job execution skills.

**Figure 12.10**  
**Monthly Contractual Cash Earnings by Size of Enterprise (2008)**



Source: Ministry of Health, Labour and Welfare.