

## 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 registered a marked rise after the bubble economy collapsed in the early 1990s, reaching a record high of 5.4% in 2002. As the economy started its recovery in February 2002, the unemployment rate in that year dipped 0.1 point from the previous year to 5.3%, the first decrease since 1990, and it continued to improve for four straight years to 4.1% in 2006. The number of unemployed persons in 2006 was also down 190,000 from the previous year to 2.75 million, marking an improvement for four straight years.

The postwar Japanese employment system, characterized by 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. That forced companies to slim down their workforce and turn to an increased use of part-timers and other contingent employees. In 2006, 640,000 people lost their jobs because of workforce reduction or corporate bankruptcies, and the ratio of part-timers, including agency temporaries, reached 33.0% of the total workforce in the October–December 2006 period.

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 ¥1,664 to a maximum of ¥7,810 (as of August 2006), 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 number of those receiving unemployment benefit was about 590,000 persons in 2006.

The recent economic upturn has also affected new graduates looking for work. Of the 558,000 students who graduated from university in spring 2006, about 356,000 took on full-time jobs. This graduate employment rate was 63.7%, up 4.0 points over the previous year and 7.9 points from two years earlier. The situation has improved significantly as businesses resumed hiring new graduates.

The problem of jobless young people has become a major issue. According to a survey conducted by the Ministry of Health, Labor and Welfare, the number of young people (aged 15 to 34) called *freeters*, who remain as job-hopping part-timers rather than entering stable employment, peaked at 2.17 million in 2003, and the government set the target of decreasing the number by 20% to 1.74 million by 2010. In 2006 the figure dropped to 1.87 million, a decrease of 140,000 from the previous year. Young people who were categorized as NEETs (not in employment, education, or training) numbered 620,000 in 2006, also down 20,000 from 2005.

## Trends in Employment

(annual average)

	Working population (million)	People with jobs (million)	Unemployment rate (%)	Unemployment insurance <sup>a</sup> 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
2006	66.6	63.8	4.1	593

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

## Workforce Participation in Industrial Countries, 2005

(%)

	Female	Male
USA	59.3	73.3
Australia	57.0	71.5
UK	55.9	69.8
Korea (ROK)	50.1	74.6
France <sup>a</sup>	49.2	62.0
Germany	50.5	65.9
Japan <sup>b</sup>	48.5	73.2
Italy	37.9	61.2

Source: International Labor Organization; Ministry of Internal Affairs and Communications, *Rodoryoku chosa* (Labor Force Survey), 2006.

Note: Figures are for 15 years old and above. Those for the UK and USA are for 16 years old and above.

a. 2004.

b. 2006.

## Employment Structure

(%)

	1985	1990	1995	2000	2004	2005	2006
Regular employees	83.6	79.8	79.1	74.0	68.5	67.4	67.0
Part-time workers	12.5	16.3	17.3	22.0	22.0	22.4	22.1
Agency temporaries and contract workers	3.9	3.9	3.7	4.0	6.8	7.7	8.1

Source: Ministry of Internal Affairs and Communications.

## Unemployment Rate by Age Group, 2006

(%)

	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	4.3	9.3	8.7	6.3	4.4	3.4	2.8	2.9	3.2	4.1	5.4	2.8
Female	3.9	9.6	6.7	5.2	5.0	4.2	3.5	2.5	2.7	2.8	3.0	1.0
Overall	4.1	9.4	7.7	6.0	4.6	3.7	3.1	2.9	3.1	3.5	4.5	2.1

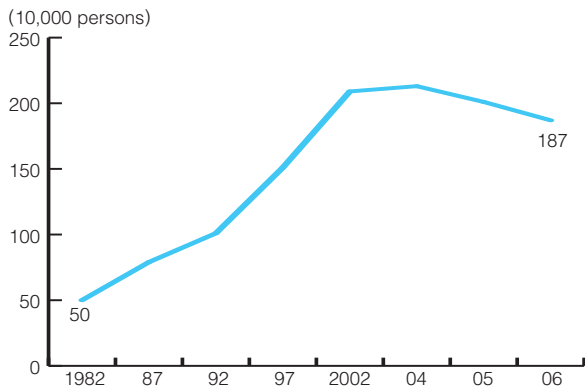
Source: Ministry of Internal Affairs and Communications.

## Unemployment in Industrial Countries

	2004		2005		2006	
	Unemployed persons (1,000)	Unemployment rate (%)	Unemployed persons (1,000)	Unemployment rate (%)	Unemployed persons (1,000)	Unemployment rate (%)
France	2,437	10.0	2,311	9.9	n/a	n/a
Germany	4,388	10.5	4,861	11.7	4,487	10.8
Japan	3,130	4.7	2,940	4.4	2,750	4.1
UK	854	4.8	862	4.8	869	n/a
USA	8,142	5.5	7,581	5.1	6,994	4.6

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

## Trends in Number of *Freeters*



Source: Ministry of Internal Affairs and Communications, *Rodoryoku chosa* (Labor Force Survey), 2006.

## 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
2003	–	1.1 <sup>a</sup>	89.2	2.7	6.8	0.1
2004	–	0.7 <sup>a</sup>	90.5	2.4	6.1	0.4
2005	–	0.1 <sup>a</sup>	91.1	2.5	6.1	0.1
2006	–	–	90.5	3.1	6.2	0.2

Source: Ministry of Health, Labor and Welfare, *Shuro joken chosa* (Labor Statistics Survey), 2006.

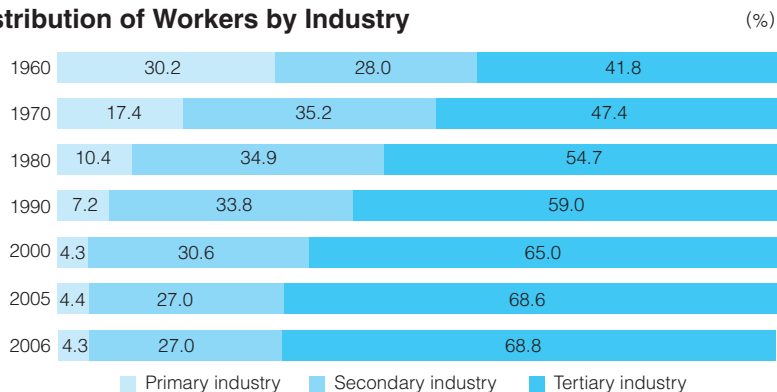
a. Include under 56.

## Number of Employed Persons Aged 65 Years and Over by Country, 2005

	Number of employees (10,000 persons)	Employment rate (%)		
		Total	Male	Female
Korea (ROK)	135	29.8	41.0	22.2
Japan	495	19.4	28.7	12.6
USA	509	14.5	19.1	11.1
Canada	31	7.9	11.4	4.6
UK	58	6.3	9.0	4.3
Germany	52	3.4	5.1	2.2
France	13	1.3	1.7	1.0

Source: Ministry of Internal Affairs and Communications.

## Distribution of Workers by Industry



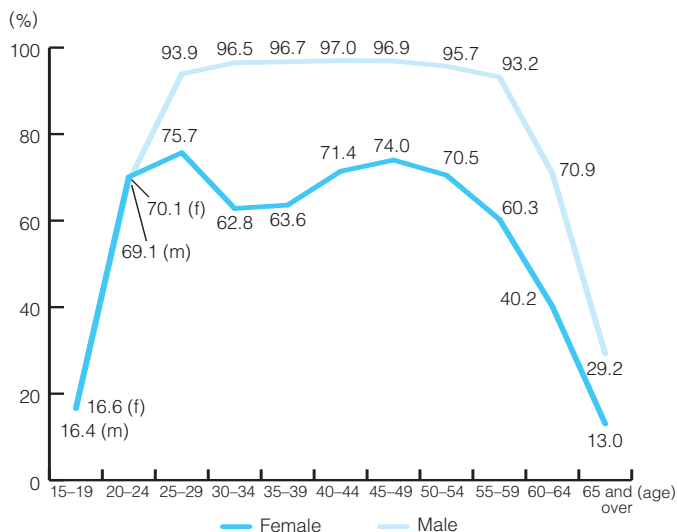
Source: Ministry of Internal Affairs and Communications.

## Female Workers

According to Ministry of Health, Labor and Welfare statistics, the number of employed women increased by 9.2 million, or 68.2%, between 1980 and 2006, compared with 5.8 million, or 22.0%, for men. In 2006 women accounted for 41.6% 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.

According to the Ministry of Health, Labor and Welfare, 61.6% of companies had introduced child-care leave as of October 2005, up 8.1 percentage points from 1999. The figure for companies with 30 or more employees was 86.1%, up 28.2 percentage points. In fiscal 2004, 72.3% of female workers who gave birth took a leave of absence, compared with 0.5% of male workers to whom children were born.

## Workforce Participation by Age, 2006



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.

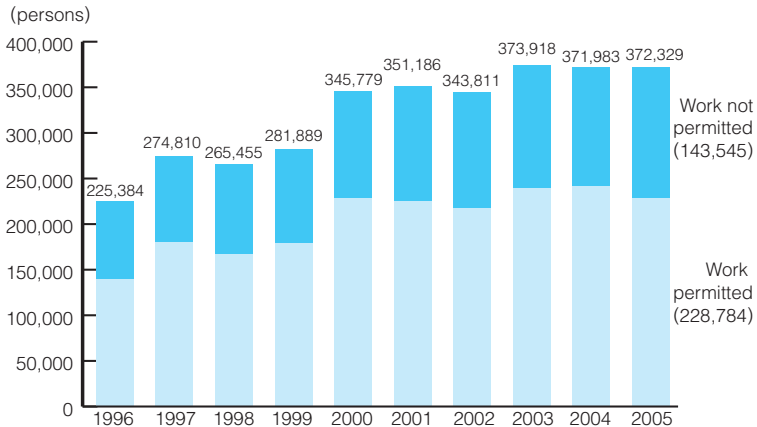
## Foreign Workers

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 372,329 foreigners who received a new status of residence in 2005, 228,784 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 2007 was 170,839, a drop of 11.8% from a year earlier, or 42.8% down from a peak in 1993. The number of foreign nationals deported in 2006 was 56,410, of whom 45,929 (mainly Chinese, Filipinos, and Koreans) had been working illegally.

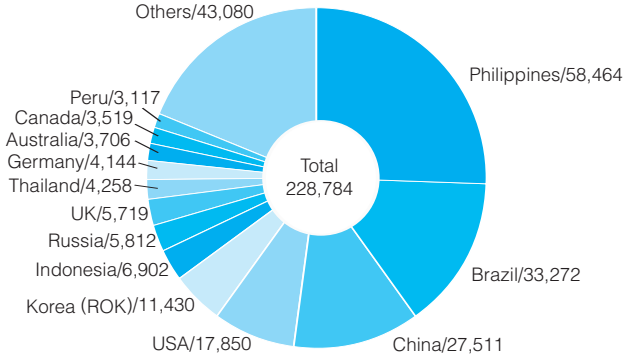
## Foreigners Receiving New Status of Residence



Source: Ministry of Justice, *Shutsunyukoku kanri tokei* (Annual Report of Statistics on Legal Migrants), 2006.

Note: Excludes temporary visitors. "Work permitted" includes those with designated activities status.

## Number of Foreigners Granted a Residency Status Allowing Work, 2005



Source: Ministry of Justice, *Shutsunyukoku kanri tokei* (Annual Report of Statistics on Legal Migrants), 2006.  
Note: Including those with designated activities status. China and UK include Hong Kong.

## Wage System

Japan's wage system was traditionally based on length of service of workers, but a majority of firms now take their performance and ability into account. According to a survey by the Japan Productivity Center for Socio-Economic Development for the period from November 2005 to February 2006, 86.2% of the companies surveyed whose stocks were listed on the stock exchange had a salary system based on performance.

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 of the 1980s, wage increases have been low. In 1998, the country saw the first decline in wages in the postwar period, a drop of 1.4% at workplaces employing 30 or more persons. The decline in wages continued in the following six years. With the recovery of the domestic economy, wages resumed an increase in 2005; they rose 1.0% in 2006.

The economic upturn had a positive impact on starting salaries as well. The average monthly starting salary for college graduates in 2006 was ¥196,300, up 1.2% from the previous year (¥199,800 for men and ¥190,800 for women), and that of high school graduates was ¥154,400, an increase of 1.0% from the previous year (¥157,600 for men and ¥149,400 for women).

## Average Monthly Cash Earnings by Gender

(¥)

	2000	2002	2003	2004	2005
Overall average	398,069	387,638	389,664	376,964	380,438
Male	494,466	479,826	481,772	472,573	456,549
Female	242,359	239,146	240,795	233,588	235,917

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.

## 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
2005	1.0	- 0.3	1.5

Source: Ministry of Health, Labor and Welfare, *Rodo keizai hakusho* (White Paper on Labor), 2006.

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

## Average Monthly Cash Earnings by Industry

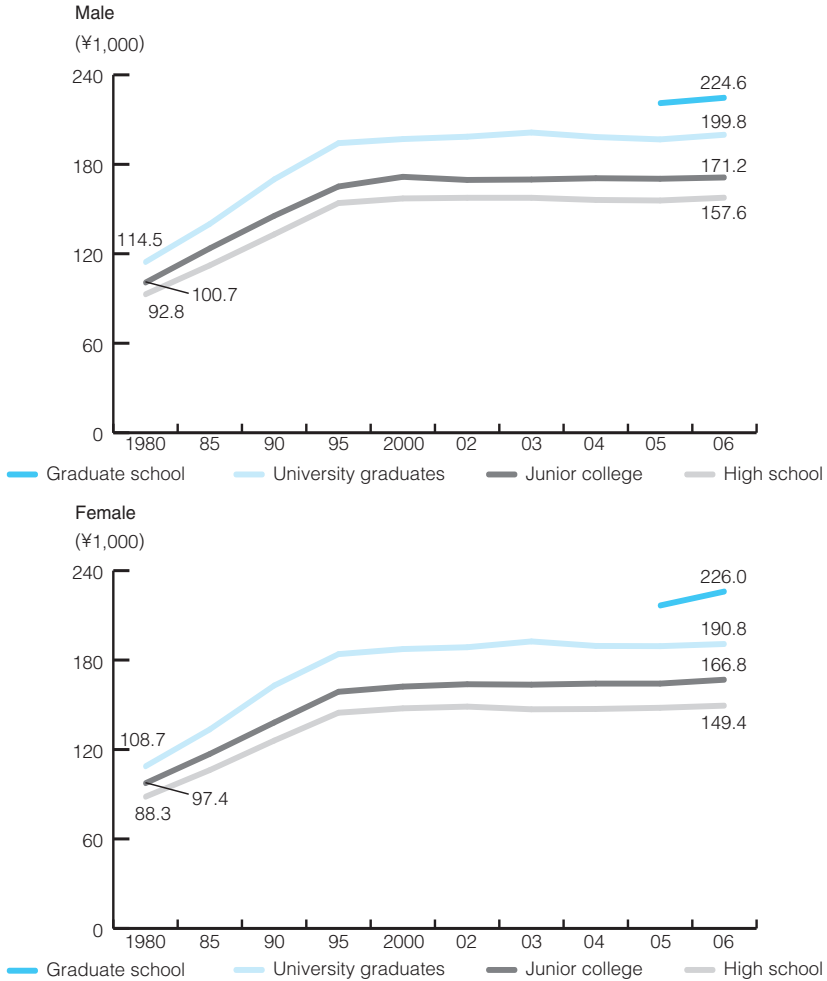
(¥)

	1990	1995	2000	2006	
Construction	401,560	450,679	455,622	443,778	
Manufacturing	352,020	390,600	406,707	425,059	
Electricity, gas, heat supply, and water	516,820	584,198	605,360	615,812	
Transport and communications	413,077	454,488	408,243	Information and communications	513,642
				Transport	374,835
Wholesale, retail, and food service	309,218	336,175	307,103	Wholesale and retail trade	306,425
				Eating and drinking places, accommodations	163,348
Finance and insurance	490,002	541,200	546,375	572,943	
Services	379,896	412,820	403,621	320,820	
<b>All industries</b>	<b>370,169</b>	<b>408,864</b>	<b>398,069</b>	<b>384,401</b>	

Source: Ministry of Health, Labor and Welfare, *Maitsuki kinro tokei chosa* (Monthly Labor Survey), 2006.

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

## Trends in Starting Salary



Source: Ministry of Health, Labor and Welfare.  
 Note: Figures for graduate school were added from 2005.

## 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 the average annual working hours, including overtime, of workplaces employing 30 or more persons in 2006 was 1,842 hours.

In 2005, Nippon Keidanren (Japan Business Federation) suggested introducing a

white-collar exemption system. The Ministry of Health, Labor and Welfare drafted a proposed system in 2006, designed for certain white-collar workers to fix their working hours but receive no overtime payment. In February 2007, however, the government and the ruling party decided to postpone submitting the bill to the ordinary Diet session as a result of strong opposition from labor unions and public opinion. As of January 2006, only 39.6% of all companies had a five-day workweek, though 74.2% 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 2006 was 8.4, only 47.1% of all the paid vacations offered.

## Working Hours and Days

	Regular working hours			Total working hours <sup>a</sup>			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
2005	7.2	32.3	1,680	7.9	35.2	1,829	19.4
2006	7.2	32.4	1,687	7.9	35.4	1,842	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, 2005



Source: International Labor Organization.

a. Figures are for manufacturing only.

b. Excluding hunting, forestry, and fishing.

c. 2004.

## Monthly Overtime Working Hours

(hours)

	1975	1980	1985	1990	1995	2000	2005	2006
Manufacturing	9.1	16.4	18.4	19.7	13.3	15.3	17.7	18.3
All industries	10.6	13.5	14.8	15.5	11.4	11.6	12.4	12.9

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 18.2% in June 2006, marking a decrease for 12 consecutive years. While the union members with full-time employment have been dramatically decreasing, members with part-time employment increased 32.4% from the previous year to 515,000. The percentage of part-time workers belonging to a union accounted for 4.3%, and the share of part-timers among all union members was 5.2% of the total.

### Union Membership and Unionization Ratio

	1980	1990	2000	2004	2005	2006
Union membership (1,000)	12,369	12,265	11,539	10,309	10,138	10,041
Unionization ratio (%)	30.8	25.2	21.5	19.2	18.7	18.2

Source: Ministry of Health, Labor and Welfare.

### Labor Union Membership in Major Countries, 2005

	Number of employed (1,000) <sup>a</sup>	Union membership (1,000)	Unionization ratio (%)
UK	28,008	6,394	29.0
Germany	35,659	9,200 <sup>b</sup>	26.6 <sup>b</sup>
Japan	63,290	10,041 <sup>c</sup>	18.2 <sup>c</sup>
USA	139,252	15,685	12.5
Korea (ROK)	22,557	1,506	11.9

Source: Japan Institute of Labor, *Detabukku kokusai rodo hikaku* (International Labor Comparison Databook), 2007; Ministry of Health, Labor and Welfare, *Rodo kumiai kiso chosa* (Basic Survey on Labor Unions), 2006.

a. 2004.

b. 2002.

c. 2006.

### 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
2002	304	66	12
2003	174	43	7
2004	173	55	10
2005	129	27	6

Source: Ministry of Health, Labor and Welfare.