

Japanese Labor Market in 2020: Forecast Based on Current Trends PART 1

1. The number of people who “can” work decreases

- Labor surplus, instead of labor shortage, becomes a serious problem (Number of employed > labor force population, with unemployment rate of 6.6%)
- Unemployment rate for men increases more than one for women (7.1% and 5.9%, respectively)
- Discouraged workers who give up searching for work increase

2. Age structure of the labor force changes

- 1 out of 4 employed persons are in the “45-54” age group, the “Dankai Junior” generation (children of the baby boomers) who were born between 1971-1974
- While youth unemployment rate falls (7.4%), one for persons aged 45+ rises

3. Industrial structure shifts more toward service economy

- Half of the employed people work in the information and service sectors
- Employment decreases in the male-dominated manufacturing sector and increases in female-dominated service sector
- While the number of professional and engineering and service workers increase, laborers decrease

4. Alternative work arrangement increases

- The percentage of regular employees in the total workforce slightly decreases
- Male regular workers decrease more than female counterpart as the manufacturing sectors shrinks, primarily in the “25-34” age group

PART 2 Twelve Possible Future Scenarios of HR, Employment, and The Way We Work

I. Revitalized manufacturing sector: engineers work in emerging economies in a group for a short-time period

The March 11 disaster in northeastern Japan has increased concern that the process of manufacturers moving production and jobs out of Japan might be accelerated. There is a huge demand for manufacturing sector mainly in emerging markets. Skilled technicians and laborers will move overseas in a group for several months and spend the rest of the year in Japan.

II. Highly-skilled multiple “minijob” holders increase.

Labor Force Survey released by Ministry of Internal Affairs and Communications shows that the percentage of contingent workers in the employed reached a record high of 35.5% in Q1 2011. More contingent workers, more people work more than one part-time job (minijob) in the same function, improving skill and experience.

III. “Sixth industry” develops and facilitates labor mobility across different sectors

As the shift to the service economy continues, farmers become engaged in diversified businesses, which not only harvest crops (primary sector) but also process agricultural products (secondary sector) and sell them at farmer’s market or online (tertiary sector). “1 × 2 × 3” is equal to 6.

IV. Outsourcing industry becomes stronger in which many independent professionals are developed

Increasing uncertainty in business environment will force Japanese companies to be more cost effective and responsive to changes in the marketplace, resulting in wider usage of outsourcing service. Independent professionals in back office operations will grow, such as human resources, accounting, and general affairs.

V. Enterprises in which most of the employees are head of department emerge.

When employees in 45-54 age group dominates the workforce in many companies, companies may try to keep labor costs down by promoting employees to Head of Department without a pay raise and subordinates. This trend of “inflation in positions” is likely to accelerate toward 2020.

VI. Younger CEOs in their 40s increase due to generational changes in major companies.

New CEOs in their 50s at leading companies increased 5 percentage points to 47% in 2011 because of change in the age structure of the labor force. In an increasingly volatile business environment, companies will need younger CEOs in their 40s to early 50s, who are physically and mentally strong enough to compete against young and powerful leaders from companies around the globe.

VII. Young and highly-skilled “Super Seniors” actively engage in the society

A government statistics shows that people aged 65 and over in 2002 walk faster than those in the same age group in 1992, which means they are becoming physically younger by 11 years old. Works Institute has found from its survey among 1,200 Japanese men aged 55-74 years old that more than 90% say they feel younger than their real age. We will see people in 70s to 80s who are still working and stay active both mentally and physically and earn admiration from younger generations.

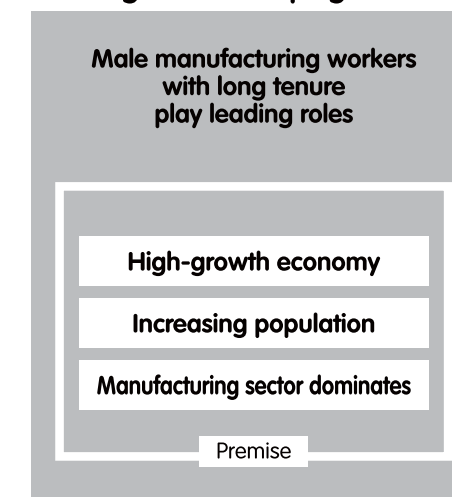
VIII. Japanese companies aggressively expand college recruiting efforts to attract talented foreign graduates from around the world

Works Institute’s recent research shows that 27% of enterprises (5,000 or more employees) plan to hire foreign graduates for class of 2013. More companies may adopt flexible recruiting timetable and process to follow global standards.

IX. Non-profit organizations rival private sectors as a top employment sector

The Amended Nonprofit Organization (NPO) Law will come into effect in April 2012. The new NPO Law provides no tax deduction for those contributing to nonprofits. As the non-profits strengthen the financial basis, salaries paid to NPO employees will be higher, which attracts college graduates, retired seniors, and women who left work for marriage or to have children.

Paradigm in Developing Economy



Paradigm in Matured Economy



X. More educational institutions facilitate job “collar” change

Research shows that more people are changing both industry and function in changing jobs. Educational institutions that want to make up for the decreasing under 18 population, are likely to target older students by developing vocational education programs of 3 months to a year at the longest to help switch the “collar” of jobs, such as from blue-collar to gray-collar (e.g. direct care).

XI. Localism puts local blue-chip companies under the spotlight

More individuals reestablish stronger ties with family and community. More jobseekers will choose to work for financially-stable local companies in their hometowns. Family-run businesses will grow utilizing internet tools.

XII. “Female Power” extends to the boardroom for the first time in the history

The number of female employees in management positions is estimated to increase from 170,000 in 2010 to 200,000 in 2020. The percentage of female executives on corporate boards at public Japanese companies has risen gradually from 0.2% to 1.3% between 1999 and 2010. It will become necessary for employers to let female employees play key roles not only in product development but also in core functions of running a business such as strategic planning in order to compete in competitive markets. If Japanese companies get injected with “female power”, some will leap forward from stagnation that has plagued the nation like “Nadeshiko Japan”, the women’s national soccer team that became the 2011 FIFA Women’s World Cup champion.

PART 3 Closing Remarks: Enjoy the Paradigm Shift

- In a matured economy, we have to shift the paradigm from outdated one (dominated by Male, Manufacturing workers, Long-tenured regular workers)
- The new paradigm will adopt diversity. All workers, regardless of gender, age, employment status, will play key roles in Japanese society.
- Although this claim has been often mentioned, the problem is many people are not aware that the paradigm shift is happening now.