

JSHRM

Santiago/Chile

October 15, 2014

1. Current economic and political situation in the country

Economy and labour market situation

1. Gross Domestic Product and Real Economic Growth Rates

国内総生産と実質経済成長率

	GDP (at current prices) 国内総生産 (名目)	Per capita GDP 一人当たり GDP (US \$)			Real economic growth rate 実質経済成長率 (%)		
		2012 (US \$billion)	2010	2011	2012	2010	2011
Japan	5,960	42,917	46,102	46,707	4.7	-0.6	2.0
United States	16,245	48,294	49,797	51,704	2.5	1.9	2.8
France	2,614	40,943	44,140	41,223	1.7	2.0	0.01
Germany	3,430	40,493	44,405	41,866	3.9	3.4	0.9
Italy	2,014	34,126	36,227	33,115	1.7	0.4	-2.4
United Kingdom	2,477	36,891	39,286*	39,161*	1.7	1.1	0.2
China	8,221	4,423	5,434	6,071	10.5	9.3	7.7
Indonesia	879	2,986	3,511*	3,594*	6.2	6.5	6.2
Malaysia	305	8,659	9,979	10,345	7.4	5.1	5.6
Singapore	277	45,639	51,242	52,052	14.8	5.2	1.3
Thailand	366	4,740	5,115	5,390	7.8	0.1	6.5

Sources: IMF, World Economic Outlook Database, October 2013

Note: The figures marked * are estimates.

2. Gross Domestic Product (2012)

国内総生産の構成 (2012年)

		Output approach to GDP 生産面から 捉えたGDP	Rate of increase over the preceding year 対前年増加率 (%)			(trillion yen)
				Expenditure approach to GDP 支出面から 捉えたGDP	Rate of increase over the preceding year 対前年増加率 (%)	
1. Industries	産業	444.8	-0.7			
Agriculture, forestry & fisheries	農林水産業	6.3	2.1			
Mining	鉱業	0.2	1.1			
Manufacturing	製造業	106.8	-2.7			
Construction	建設業	25.8	0.9			
Electricity, gas supply and water	電気・ガス・水道業	9.6	-12.6			
Wholesale and retail trade	卸売・小売業	65.7	0.8			
Finance and insurance	金融・保険業	27.4	-2.0			
Real estate	不動産業	58.7	1.1			
Transportation and postal services	運輸業	23.3	-1.3			
Information and communications	情報通信業	28.1	-0.1			
Services	サービス業	92.1	0.4			
2. Producers of Government Services	政府サービス生産者	46.1	0.6			
Electricity, gas supply and water utilities	電気・ガス・水道業	2.9	-2.7			
Service industry	サービス業	12.2	0.4			
Government	公務	31.0	1.0			
3. Producers of Private Non-profit Services for Households	対家計民間非営利サービス生産者	11.4	7.1			
Education	教育	5.0	0.4			
Others	その他	6.4	12.8			
Total	小計	502.4	-0.4			
Import Duties, Imputed Interest, Discrepancies, Etc.		7.0	—			
Gross Domestic Product	国内総生産 (GDP)	509.4	-0.6			
				(trillion yen)		
Private Final Consumption Expenditure	民間最終消費支出	301.8	0.5			
Government Final Consumption Expenditure	政府最終消費支出	98.8	1.5			
Gross Domestic Fixed Capital Formation	国内総固定資本形成	99.1	1.1			
Changes in Inventories	在庫品増加	-2.8	—			
Exports of Goods and Services	財貨・サービスの輸出	82.1	-0.4			
(Less) Imports of Goods and Services	(控除) 財貨・サービスの輸入	69.2	5.9			
Gross Domestic Expenditure (GDE)	国内総支出 (GDE)	509.4	-0.6			

Source: Economic and Social Research Institute, Cabinet Office

5. Population, Labor Force, and Number of Unemployed Persons (2012)

人口・労働力人口・失業者数 (2012年)

	Population 人口 (2013)	Labor force 労働力人口	Labor force participation rate 労働力率	Number of unemployed persons 失業者数	Unemployment rate 失業率
Japan	127,144	65,550	59.1	2,850 ¹⁾	4.3
United States	320,051	154,973 ^{2) 3)}	63.7	12,504 ³⁾	8.1
France	64,291	28,623	56.7	2,824 ¹⁾	10.3
Germany	82,727	42,374	60.1	2,304 ¹⁾	5.5
Italy	60,990	25,642	49.9	2,744 ¹⁾	10.7
United Kingdom	63,136	31,933 ³⁾	63.2	2,519 ³⁾	7.9
Korea	49,263	25,501 ²⁾	61.3	820 ¹⁾	3.2

Sources: United Nations, World Population Prospects: The 2012 Revision, OECD, Labour Force Statistics

Notes: 1) Persons aged 15 years and over

2) Excluding armed forces

3) Persons aged 16 years and over

6. Population Trends

人口の推移

	1950	1960	1970	1980	1990	2000	2010	2011	2012
Population (1,000 persons) ^{1) 2)} 人口 (千人)	84,115	94,302	104,665	117,060	123,611	126,926	128,057	127,799	127,515
Births (per 1,000 persons) ³⁾ 出生率 (千人率)	28.1	17.2	18.8	13.6	10.0	9.5	8.5	8.3	8.2
Deaths (per 1,000 persons) ³⁾ 死亡率 (千人率)	10.9	7.6	6.9	6.2	6.7	7.7	9.5	9.9	9.9
Life expectancy at birth (age) ³⁾ 平均寿命									
Male	男	59.57	65.32	69.31	73.35	75.92	77.64	79.64	79.44
Female	女	62.97	70.19	74.66	78.76	81.90	84.62	86.39	85.90
									86.41

Sources: Ministry of Health, Labour and Welfare, Overview of Health and Welfare Statistics

Statistics Bureau, Ministry of Internal Affairs and Communications, Report on the National Census

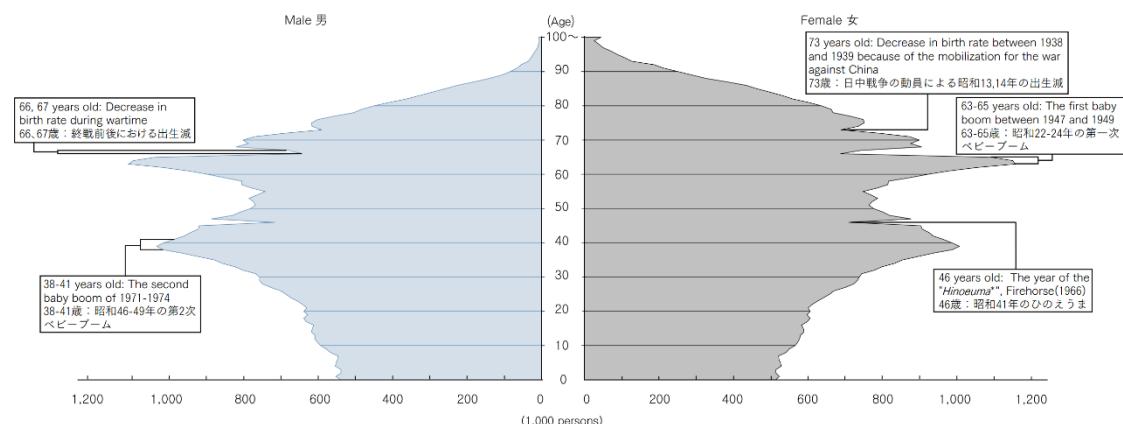
Notes: 1) Population figures from 1950 to 1990 are from the national census. The population is as of October 1 of each reference year.

2) Totals for 1980 and after include population of unknown age.

3) This is for Japanese nationals and does not include foreign nationals in Japan. From 1980, Okinawa is also included.

7. Population Pyramid (2012)

人口ピラミッド (2012年)



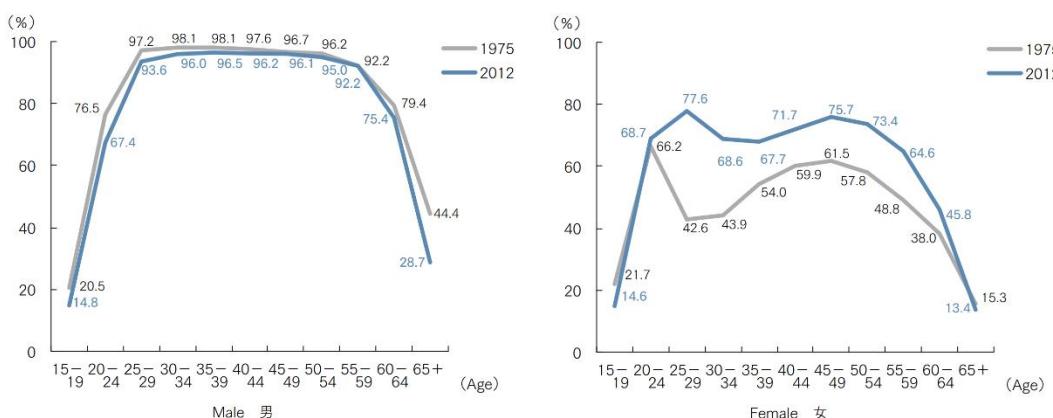
Source: Statistics Bureau, Ministry of Internal Affairs and Communications

Notes: 1) *The Year of the Firehorse occurs every 60 years in the Eastern Zodiac. It is superstitiously believed that females born to this sign will create evil, and many people avoided having children in this year.

2) Comments on graph apply to both male and female.

8. Labor Force Participation Rate by Sex and Age Group

性・年齢階級別労働力率の推移



Source: Statistics Bureau, Ministry of Internal Affairs and Communications, Labour Force Survey

Note: Labor force participation rate = (Labor force / Persons 15 years old and over) × 100

9. Ratio and Labor Force Participation Rate of Persons 65 Years Old and Over

高齢者（65歳以上）の割合・労働率

	Ratio to total population ¹⁾ 対全人口比率							Labor force participation rate of 65 and over ²⁾ 65歳以上労働率 2012	
	1980	1990	2000	2010	2013	2025	2050	Male	Female
Japan	9.0	11.9	17.2	23.0	25.1	29.6	36.6	28.7	13.4
United States	11.3	12.5	12.4	13.1	14.0	18.6	21.4	23.6	14.4
France	14.0	14.1	16.0	16.8	17.9	21.7	25.5	3.1	1.7
Germany	15.6	15.0	16.3	20.8	21.1	25.1	32.7	7.1	3.3
Italy	13.4	14.9	18.3	20.3	21.1	24.4	33.0	6.2	1.4
United Kingdom	14.9	15.7	15.8	16.6	17.5	20.0	24.7	12.5	6.5

Sources: 1) United Nations, World Population Prospects : The 2012 Revision

2) OECD (<http://www.oecd.org>)

Note: Figures in 2025 and 2050 are estimated figures.

The labor force in Japan numbered 65.9 million people in 2010, which was 59.6% of the population of 15 years old and older, and amongst them, 62.57 million people were employed, whereas 3.34 million people were unemployed which made the unemployment rate 5.1%. The structure of Japan's labor market experienced gradual change in the late 1980s and continued this trend throughout the 1990s. The structure of the labor market is affected by: 1) shrinking population, 2) replacement of postwar baby boom generation, 3) increasing numbers of women in the labor force, and 4) workers' rising education level. Also, increase in numbers of foreign nationals in the labor force is foreseen.

Japan is now facing a shortage of labor caused by two major demographic problems: shrinking population because of a low fertility rate, which was 1.4 per woman in 2009, and replacement of the postwar generation which is the biggest population range who are now around retirement age. The population aged over 15 to 64 years old is 63.7% (80,730 thousand people) of the total population; most of them are considered as productive population who work and support those who are too old or too young to work, while the percentage of the population aged 65 and over is 23.1% of the total population in 2011. This impacts the shortage of labor in the physical care of the aged people, and Japanese government started bringing in care workers from overseas which is managed by bilateral agreements with Indonesia and the Philippines.

Recently, Japan has seriously considered introducing "foreign workers" to the nation twice. The first was in the late 1980s, when there was the labor shortage because of the economic boom, however it was forgotten when the economy worsened. The second started in 1999 since the labor shortage caused by demographic change.

The success of corporations in Japan is attributable to the remarkable motivation of its workers. Also behind this corporate prosperity is the workers' strong sense of loyalty to and identification with their employers. While many theories have evolved to explain the extraordinary attitude of Japanese workers, perhaps the most noteworthy is that of personnel management. This view holds that loyalty to the company has developed as a result of job security and a wage system in which those with the greatest seniority reap the highest rewards. Such corporate structure presumably fostered not only a determined interest in the company but also a low percentage of workers who changed jobs.

During the postwar economic reconstruction, the backbone of the labor force was, of course, made up of people born before World War II. These people grew up in a Japan that was still largely an agriculturally based economy and had little material wealth. Moreover, they had suffered the hardships of war and had accepted hard work as a part of their lives. In the late twentieth century, these people were being replaced by generations born after the war, and there were indications that the newcomers had different attitudes toward work. Postwar generations were accustomed to prosperity and were also better educated than their elders.

As might be expected, these socioeconomic changes have affected workers' attitudes. Prior to World War II, surveys indicated that the aspect of life regarded as most worthwhile was work. During the 1980s, the percentage of people who felt this way was declining. Workers' identification with their employers was weakening as well. A survey by the Management and Coordination Agency revealed that a record 2.7 million workers changed jobs in the one-year period beginning October 1, 1986, and the ratio of those who switched jobs to the total labor force matched the previous high recorded in 1974 (one year after the first oil crisis). This survey also showed that the percentage of workers indicating an interest in changing jobs increased from 4.5 percent in 1971 to 9.9 percent in 1987.

Another indication of changing worker attitudes is the number of people meeting with corporate scouts to discuss the possibility of switching jobs. Corporations' treatment of older workers also affects attitudes: there are fewer positions for older workers, and many find themselves without the rewards that their predecessors had enjoyed.

Traditionally, Japan has had strict laws regarding the employment of foreigners, although exceptions were made for certain occupational categories. Excepted categories have included executives and managers engaged in commercial activities, full-time scholars associated with research and education institutions, professional entertainers, engineers and others specializing in advanced technology, foreign-language teachers, and others with special skills unavailable among Japanese nationals. Officially, in 2008 there were 486,400 foreign workers in Japan: 43.3% of Chinese, 20.4% of Brazilians, 8.3% of Filipinos and others (A labour Ministry survey of Companies).

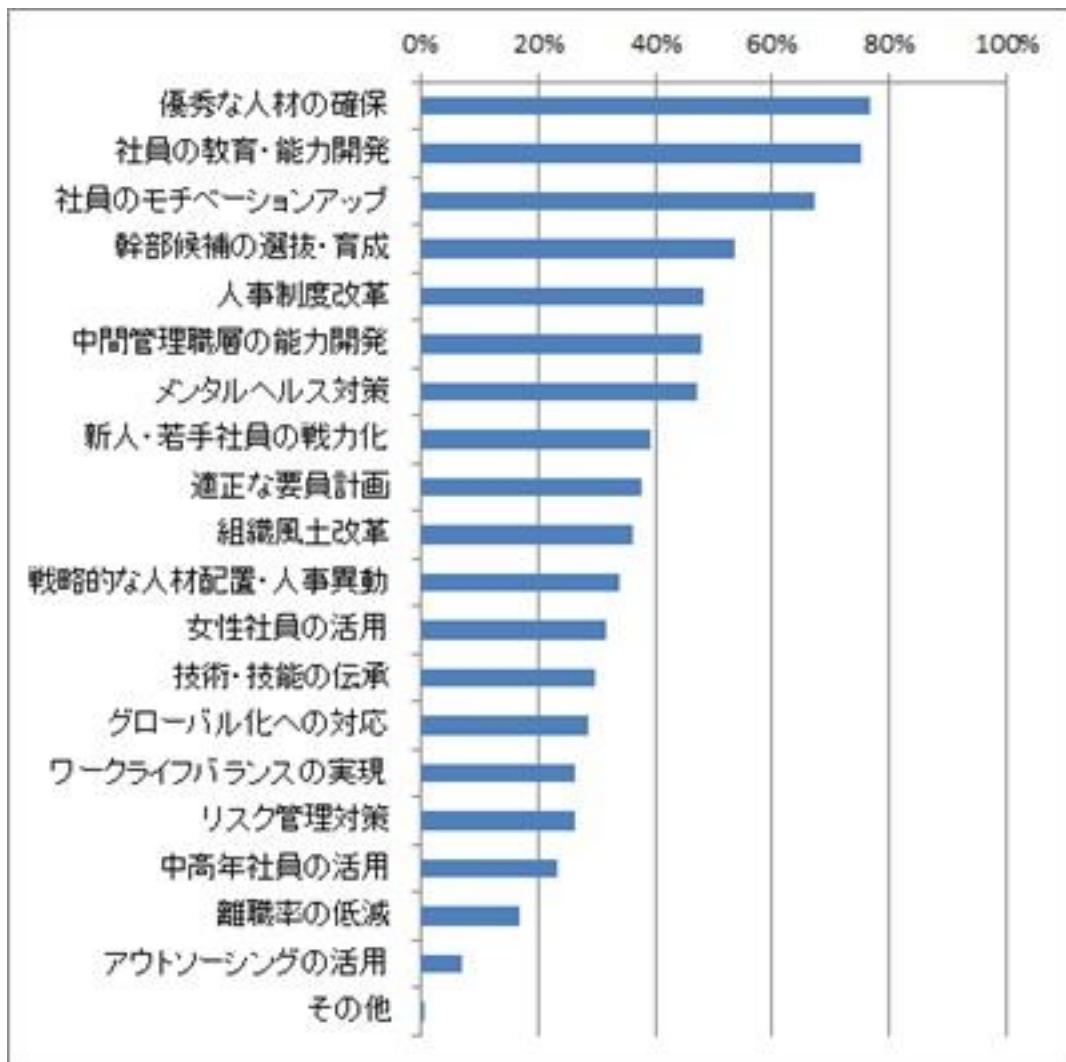
Despite the now-reversed upward trend in the unemployment rate, many unpopular jobs go unfilled and the domestic labor market is sluggish. Imported labor is seen as a solution to this situation by some employers, who hire low-paid foreign workers, who are, in turn, enticed by comparatively high Japanese wages. The strict immigration laws are expected to remain on the books, however,

although the influx of illegal aliens from nearby Asian countries (China, South-East Asian and Middle-Eastern countries) to participate in the labor market is likely to increase. Japanese companies have also established foreign subsidiaries to profit from low wages overseas.

2. HR challenges

The 3 main challenges facing the HR profession in Japan at present are:

- We need to look into breaking down some of the old **schools of thought** regarding employment. For example, traditional Japanese companies tend to use a lifetime employment system. In this system, people are given a job for life, usually with a lot of benefits if they stay on with the company. We also use a seniority based system for promotion; even if someone is the better worker, if they are too young, they will not get a promotion over an older employee. The combination of these two systems leads to companies that have great difficulty in hiring new talent. Even if there is a highly qualified potential hire, they tend to be passed over in favor of long-time employees, who may not be as qualified. Most hiring has to be done from new graduate pools, in order to maintain the system, which of course has a strong stagnating effect. We actually have a term that refers to these lifetime employees: we call them “proper employees.” This refers to Japanese men who came into the company as a college graduate and will be there for life. New outside hires, especially foreigners, are “improper” employees and generally don’t receive equal consideration. As you can tell, this has disastrous effects on the ability of Japanese companies to utilize foreign workers. What we need to do, is work on changing the **HR landscape** here, away from the concept of a “proper” employee.
- The second challenge is growth of business person who can do business wherever they are all over the world. On this viewpoint, we have three important things: The first one is skill such as language and understanding cultural difference. The second one is making partnership in other countries, which we call Global Social Capital. The last one is having passion for developing your business in other countries. Especially in Japan our most urgent problem is the last one. It has been popular for many Japanese companies to introduce not MBA program language training and internship program but experience training program which the participants go through similar experience as business. Many companies introduce ‘Mission Complete’ oriented training program, which means that trainees complete their tasks with the foreign people as they do business in Japan.
- On the other hand, some Japanese companies have not been keeping developing their business. Such companies have employee’s mental problems due to lack of the number of posts and increase of surplus employees.



According to the report on Human Resource Management problem in 2012(by HR Pro), the most serious problems are 'to win excellent employees' (77%) and 'train employees' (75%). 'Developing employee morale' was 67. Continuing the following 'selecting and training for would-be executives' (54%) ' improving performance management and rewards'(48%), 'training for middle managers'(48%), 'managing corporate mental health care '(47%), 'providing young employee for enough business skill as early as possible (39%), ' appropriate workforce planning' (38%), ' managing change and cultural transformation' (36%), 'strategic changes in stuff' (34%) , 'managing diversity especially women '(32%).

Outsourcing for HRM problem is 7%. Unexpectedly, solving globalization is 29%, managing work life balance is 26% and managing senior staffs (23%).

3. AHRM projects and initiatives

Major areas of JSHRM activity include the following:

- Publishing 'Insight' magazine once per two months.

- Basic program on HRM
 - Object: beginners belonging to HRM department
 - Content: basic contents on HRM
- Advanced program on HRM
 - Object: people who finished the basic one
 - Content: advanced contents. We cooperate with CBS, Chuo Business School in Japan.
- HR Café
 - Seminar on HRM once or twice per month
- Voluntary research program
 - Some members start the program voluntarily. They founded some community on themes which they are interested in.

4. Scheduled Conferences

16th April 2015 Tokyo tour for HRM Professional

17th April 2015 APFHRM Board Meeting

18th April 2015 Symposium

Yuji Mishiro

Director

JSHRM