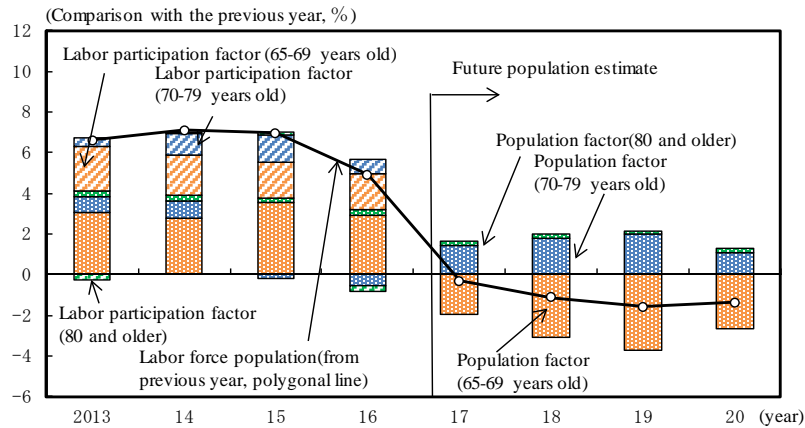


Chapter 2 Change in Work Style and the Impact on the Economic Activity and Life Style

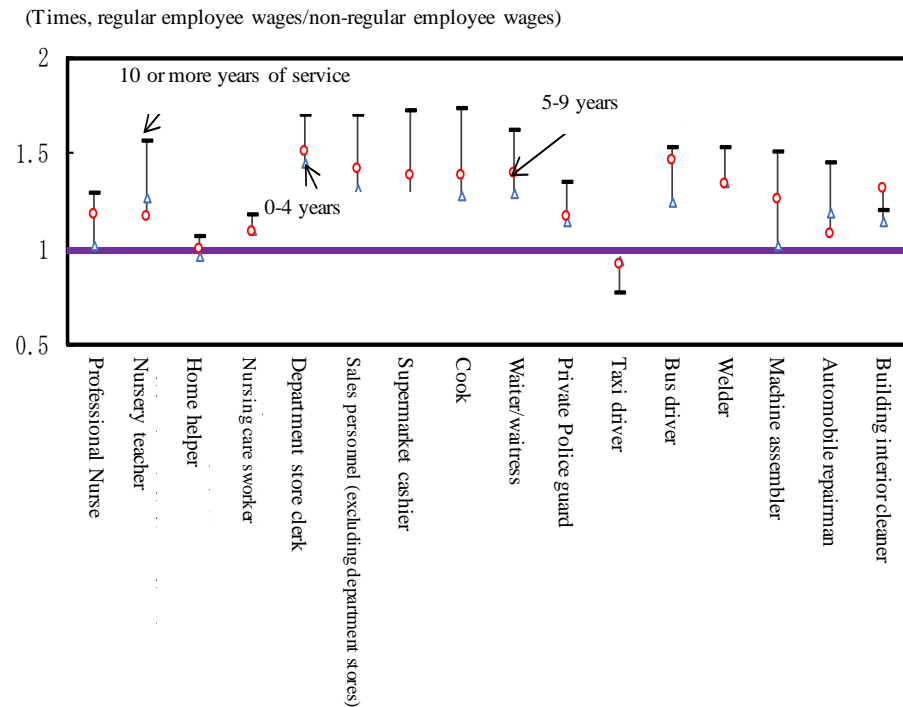
- The first baby boom generation born in 1947-1949, which has supported a rise in labor participation of the elderly, will push down the labor participation rate, as they reach age 70 or older in 2017 and afterward.
- Hourly wage disparities between regular and non-regular employees grow wider as the years of service becomes longer. This trend is especially pronounced at large companies.
- There is constant overtime work regardless of the state of the economy. There are fixed work hours in the manufacturing and transport/postal industries.

Figure 11 Labor participation of the elderly



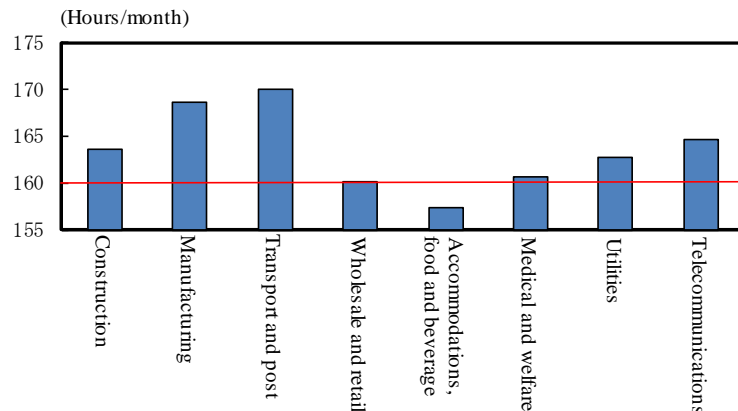
(Note) Based on the Labour Force Survey and the Estimate of the Population, the Ministry of Internal Affairs and Communications, and the Future Japan Population Estimates, the National Institute of Population and Social Security Research.

Figure 12 Wage disparities between regular/non-regular employees by occupation (large company)



(Note) Based on the Basic Survey on Wage Structure, the Ministry of Health, Labour and Welfare.

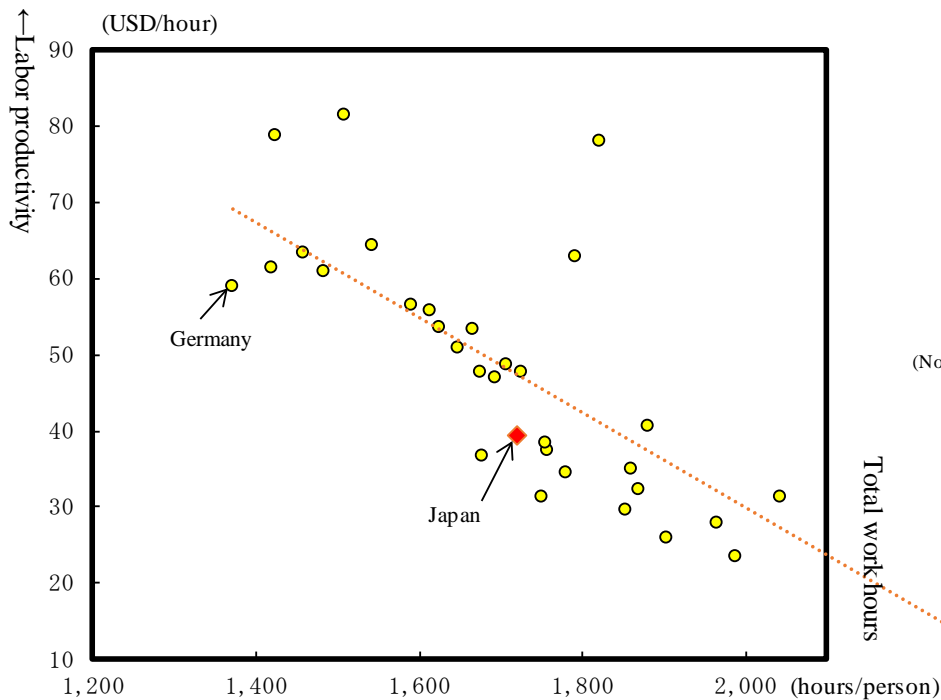
Figure 13 Difference in work hours between industries (Working for same size company under same form of employment)



(Note) Based on the Basic Survey on Wage Structure, the Ministry of Health, Labour and Welfare. Average when working 20 days a month, for 160 hours.

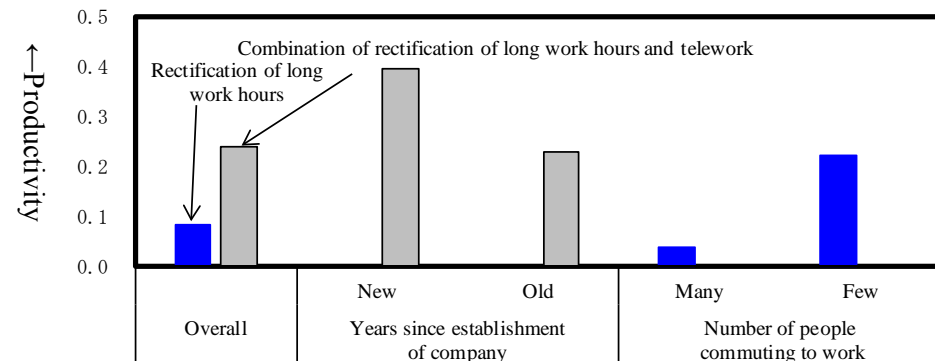
- Improvement in productivity through work style reform
 - OECD countries data shows that the shorter the work hours per person, the higher the labor productivity (value added per worker hour).
 - Based on analysis of corporate data, it can be confirmed that WLB improves productivity. This is especially pronounced in newly established companies.
 - In Japan in the 1980s, improvement in labor productivity was realized by increasing the capital-labor ratio amid shortening work hours per person.

Figure 14 Labor productivity and work hours per person (comparison with other nations)



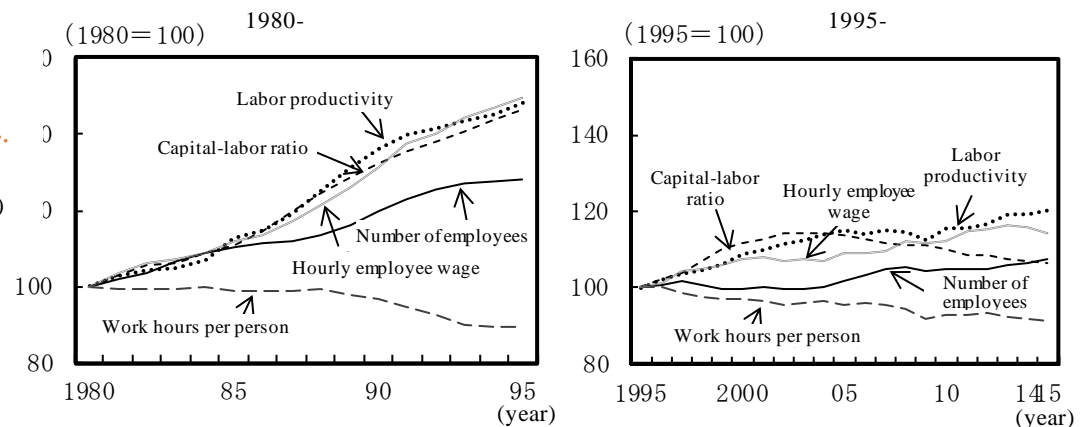
(notes) 1. Based on OECD.dttst.
2. Data as of 2015.

Figure 15 Introduction of WLB measures and improvement in productivity



(Note) Based on Survey on Companies' Attitude toward Use of New Technologies and Human Capital to Improve Productivity, the Cabinet Office.

Figure 16 Change in work hours/labor productivity per person, number of employees, capital-labor ratio and hourly employee wage (Japan)



(Note) Based on OECD.stat; and the System of National Accounts, the Cabinet Office. Labor productivity, hourly employee wage and capital-labor ratio are all real values per person.

- Work style reform is expected to rectify income disparities by realizing broad labor participation and by increasing incomes.
 - In particular, the increase in income in working-person households with children has contributed to income improvement in low-income households.
 - The decrease in the relative poverty rate among households with children has contributed to the decline in the overall.
- There are hopes that limiting long-hours work could create more time for shopping and leisure activities, leading to an increase in related consumption.

Figure 17 Change in relative poverty rate among working-person households (by household type)

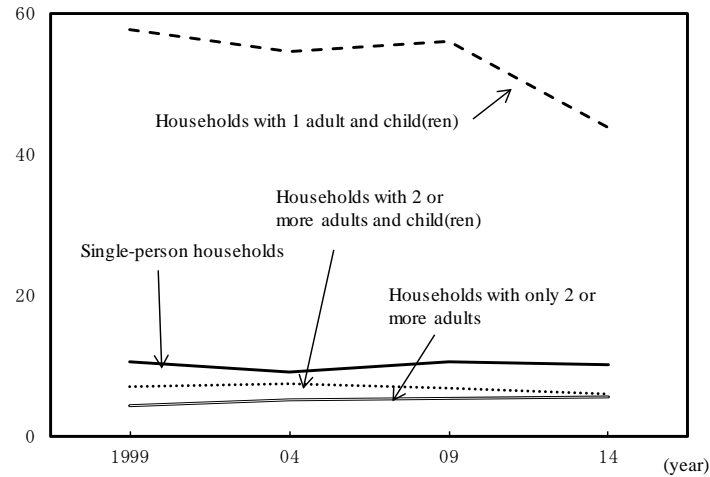


Figure 18 Breakdown of factors behind Change in relatively poverty rate (2009→2014)

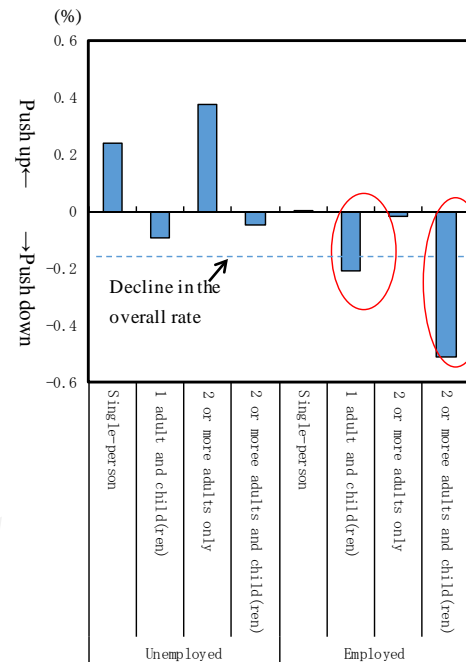
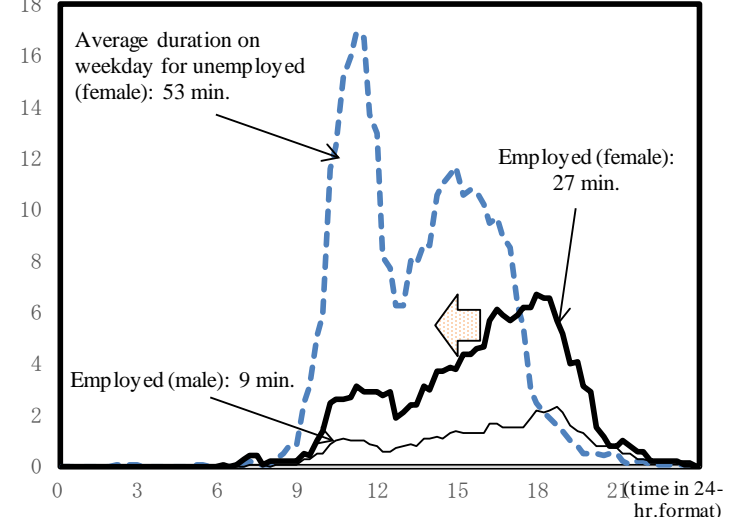


Figure 20 Distribution of participation rates by time of a day Shopping time distribution



Leisure activity time distribution (employed (male))

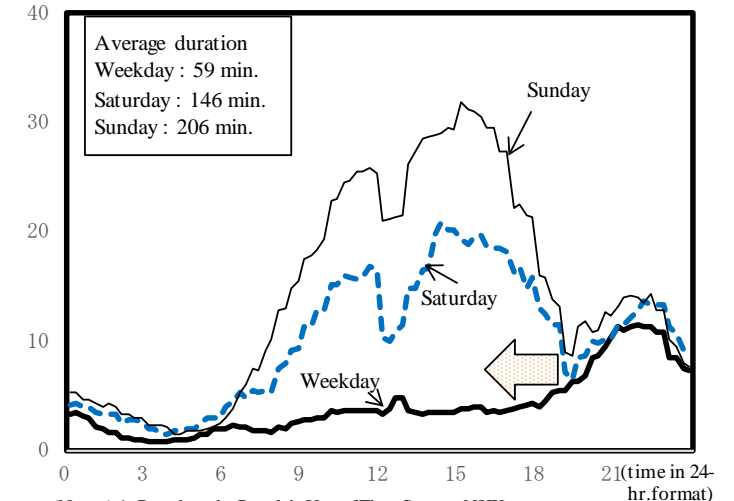
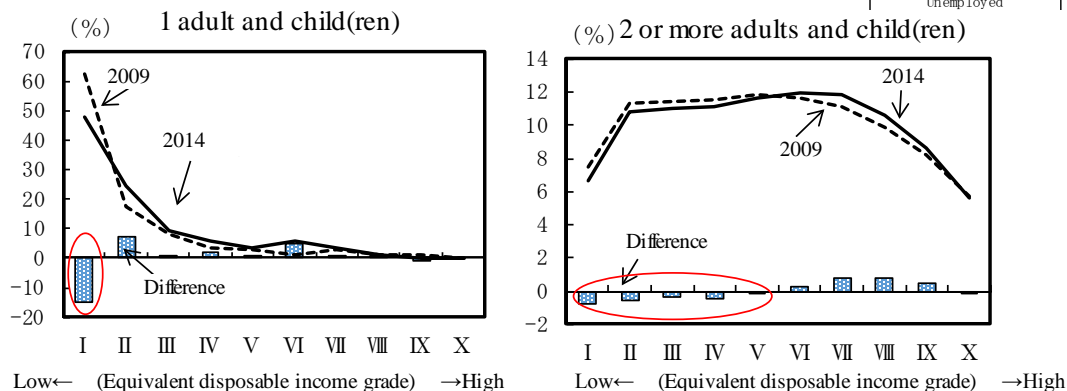


Figure 19 Income distribution among households with children (2009 → 2014)



(Note) Figures 17-19 based on the National Survey of Family Income and Expenditure, the Ministry of Internal Affairs and Communications. The relative poverty rate is the percentage of people earning equivalent disposable income of less than half of the median value. Equivalent disposable income is a household's disposable income (so-called spendable income, which is income minus taxes, social security premiums, etc.) divided by the square root of the number of household members.