

Guidelines for Integrated Three-Pronged Labor Market Reforms

May 16, 2023

Council of New Form of Capitalism Realization

1. Basic Concept

- The way we work has changed significantly. We are moving from an era in which "careers are given by companies" to an era in which "each individual chooses their own career." It is important that we shift to a system which allows workers to re-skill of their own will and to choose their jobs by clarifying the skills required for each job. By doing so, it will be possible to seamlessly connect the internal labor market and the external labor market, thereby opening the door to hiring experienced workers from outside a company and enabling workers to freely move both inside and outside of their company according to their own choice. This is also an urgent matter for the further growth of Japanese companies and the Japanese economy.
- Wage levels in Japan have been stagnant for a long period of time (looking at the change in real wages per person in developed countries, from 1991 to 2021 the wage level increased by 1.52 times in the U.S., by 1.51 times in the U.K., by 1.34 times in France and Germany, and by 1.05 times in Japan). During this period, companies have not invested enough in people, and individuals have not engaged in adequate self-development.
- New trends such as GX and DX will also greatly change required skills and labor demand. As we enter the era of 100-year lifespans, working periods are becoming longer, and, with the cycle of rise and fall in various industries progressing in short periods of time, everyone will need to work to acquire new skills throughout their lives. On the other hand, it has also been pointed out that, in reality, many working individuals tend to take a passive attitude and become comfortable in their current situation.
- Behind this problem lies the employment system in Japan that formed after World War II, such as the seniority-based wage system. Jobs and the skill standards required for them are also unclear, so objectivity and transparency in evaluations and wages are not sufficiently ensured. Because it is difficult for individuals to understand how they will be rewarded for their efforts, in addition to low engagement it is difficult for them to change jobs, and, even if they do change jobs, it is difficult for this to lead to an increase in their salary. Additionally, even if individuals are motivated, fairness in access to opportunities to improve their skills and to learn is not sufficiently ensured.
- In the face of labor supply constraints due to the declining population, it is necessary to reform this system to create a society in which individuals who wish to do so, irrespective of employment status, age, gender, or disability, while understanding the future labor market situation and the working style options within it, can choose their own living and working styles and can voluntarily, proactively learn and be rewarded for improvement of their treatment via promotions or salary

raises within their company or by changing to a job at a different company, and furthermore realization of labor mobility for startups, etc.

- There is no time to wait for change from the corporate side either. As companies have not been investing enough in people, the wage gap with other countries has been widening, and in the competition for human resources there is a risk that Japan will fall behind not only among developed countries, but also in Asia. An increasing number of companies are introducing job-based personnel systems from the perspective of competition to acquire human resources, primarily in industries and companies that are competing in the global market, but they are not doing so sufficiently quickly, and, with the recognition that human capital is the key to improving corporate value, it is necessary to urgently respond to change and to drastically strengthen investments in people.
- In this kind of transformation, the relationship between workers and companies will change to one of "choosing and being chosen," with both sides on equal footing. With each individual taking a leading role and with the cooperation of the public and private sectors, it will be necessary to change from an era in which careers are provided by companies to an era in which each individual builds their career as they wish.
- To this end, we will carry out an integrated three-pronged labor market reform: supporting skill improvements through re-skilling, introducing job-based wages according to the actual conditions of individual companies, and facilitating the transfer of labor to growth fields. It is imperative that companies shift to an employment system that ensures objectivity, transparency, and fairness, and in this way, we will create a mechanism that structurally increases wages.
- Additionally, in order to implement structural wage increases, the key will be the responses of local governments and small and medium-sized enterprises (SME) and small businesses, which account for 70% of Japan's employment and GDP. In parallel with this integrated three-pronged labor market reform, just as there was a basic agreement at the March 15 exchange of views between the government, labor, and management, we will share throughout society the idea that "in order to raise wages at SMEs and small businesses, it is essential to optimize transactions by appropriately passing on labor costs," and will also be necessary to secure funds for wage increases and to thoroughly implement price pass-through measures to realize a virtuous cycle of growth and wage increases.
- In addition to this, through these efforts and efforts to support productivity improvements, we will take measures to address regional labor shortages and to raise the minimum wage so that working individuals can live with peace of mind.
- An internationally competitive labor market will be created through bold efforts by the public and private sector to implement these reforms.

2. Goals

- By promoting an integrated three-pronged labor market reform, through structural wage increases and while taking into account differences in economic conditions in each country, we aim to narrow the wage disparity that exists between Japanese and foreign companies despite the fact that they are doing the same job. In addition, we aim to eliminate wage disparities due to factors such as gender and age.
- In the case of Japan, a comparison of wages before and after job changes shows that wages tend to decrease after individuals change jobs. As such, through the formation and seamless connection of internal and external labor markets, we aim to have the proportion of individuals whose wages increase due to a job change exceed the proportion of those whose wages decrease.
- The public and private sectors will confirm the progress of these initiatives and move forward with reform efforts.

3. Direction of the Guidelines

- In promoting this integrated three-pronged labor market reforms, it is important, as a prerequisite, to ensure and expand the functions of the employment safety net, including re-skilling support during employment and strengthening consulting and advisory functions, etc., and, while utilizing the power of the private sector, the public and private sectors must work together to strengthen re-skilling and matching functions. In doing so, the following three perspectives are important.
 - 1) Only when the internal labor market is revitalized through personnel and wage system reforms within companies will the external labor market (that is, the labor market as a whole) also be revitalized. Based on the recognition that human capital is the key to improving corporate value and according to the actual conditions of individual companies, with the review by labor and management of personnel and wage systems within companies will be positioned at the core of the reforms, and in addition to gradually dispelling concerns about labor mobility, through measures such as drastically strengthening investments in people we will increase the number of companies that attract human resources who will return to them in the future, even if they change jobs at some point.
 - 2) Amidst the changing realities of employment practices in Japan, these reforms are an attempt to achieve structural wage increases while preserving employment stability for working individuals in a new way. From the standpoint of working individuals, we will ensure the provision of diverse careers and choices in treatment as an employee by ensuring smooth labor mobility.
 - 3) These reforms will also lead to growth opportunities for SMEs and small businesses. If, for example, personnel systems within large companies become more flexible, then experience through secondment to SMEs and small businesses for a certain period of time, side jobs, and multiple jobs will come to be objectively recognized as skills. Human resource exchanges between large companies and SMEs and small businesses will become even more active,

leading to human resources support for SMEs and small businesses in regions facing labor shortages. In conjunction with this, by thoroughly taking measures to pass on labor and other costs, we will take all possible measures to ensure that the earnings of SMEs and small businesses and that this will lead to wage increases. Additionally, by enhancing support for re-skilling, etc., we will cut off the negative spiral in which economic disparities create educational disparities, and this will then lead to the creation of a society in which everyone can find a sense of purpose in their life.

- Based on the above perspectives, the following reforms will be promoted as an integrated three-pronged approach.
 - 1) Support for improving abilities through re-skilling
 - 2) Introduction of job-based wages according to the actual conditions of individual companies
 - 3) Facilitation of labor movement to growth fields
- In conjunction with this, respect for diversity and correcting disparities will be prioritized, and we will promote integrated efforts to raise the minimum wage, ensure proper transactions by passing on labor costs, enforce equal pay for equal work between regular and non-regular workers, improve the environment the re-skilling of workers at SMEs and small businesses, and enhance career education.
- In doing so, because some of these reforms require time, the public and private sectors will confirm their progress at regular intervals, and systemic reviews will be conducted while sharing timelines.
- In addition, because the response to these reforms is expected to greatly differ by industry sector, fine-tuned responses will be made in cooperation with the ministries and agencies overseeing each industry.

4. Support for Improving Abilities through Re-skilling

(1) Expanding Direct Support for Individuals

- 75% of the government's re-skilling support measures for currently employed workers are mainly via companies (77.1 billion yen (human resources development support subsidies, public vocational training (training for currently employed workers), and operational cost grants for the Human Resources Productivity Support Center)) and 25% is done via individuals (23.7 billion yen in educational training benefits). In order to enable working individuals to make their own choices, within five years and while verifying the effects, we will make it possible for more than half of re-skilling benefits to be provided directly to individuals and increase the ratio of currently employed workers who are taking re-skilling courses.
- In doing so, and based on the experience in developed countries that re-skilling subjects can be applied regardless of industry while still being effective for workers' medium- to long-term career development, more emphasis will be placed on off-the-job-training, including training courses run by private educational companies and degree conferment programs run by universities, where skills can be proven regardless of industry or company.

- The use of digital certification and display systems ("open badges") will be encouraged as a way to help visualize the history of skills acquired by individuals, regardless of their industry or company.
- With regard to educational and training benefits for employment insurance, in fields where high wages can be obtained and fields where high employability is expected to improve (IT, data analytics, project management, technical research, sales/marketing, management/planning, and tourism/logistics, etc.), consideration will be given to expanding the subsidy rate and subsidy upper limit when individuals enroll in re-skilling programs, as well as to designing specific re-skilling systems.
- In particular, with regard to the portion of re-skilling programs that will be enhanced this time, Hello Work and vocational training schools, etc. will confirm in advance the appropriateness of their content for re-skilling so that workers (including currently employed workers) can, while receiving consultations, appropriately select the content and method for taking re-skilling programs according to their own know-how, skills, and intentions.
The role of career consultants will be strengthened, and, in the future, consideration will be given to whether or not some career consultants in the private sector will also take on the role of confirming the appropriateness of support measures.
- Efforts will be made to utilize online systems to streamline the procedures for receiving education and training benefits.
- We will also review the content of support measures for re-skilling via companies, and consider enhancing those for which it is necessary. In doing so, we will provide re-skilling support for non-regular workers, etc., who have few opportunities for training within companies, by utilizing flexible dates and implementation methods that make it easy to learn while working and that lead to career advancement according to the individual's wishes. Freelancers will also be provided with flexible and diverse training opportunities.
- As part of efforts to achieve the new target of 500,000 Japanese students studying abroad by 2033, we will encourage working adults to study at overseas graduate schools, which has been sluggish in recent years. In doing so, we will take into consideration the fact that there are time constraints for individuals who are currently working and we will promote efforts for online study abroad.

(2) The Necessity of Strengthening Investment in Japanese Companies' Human Resources

- Japanese companies' investment in human resources (excluding on-the-job-training) remained at 0.1% of GDP from 2010 to 2014, which is a level that is lower than that of developed countries such as the U.S. (2.08%) and France (1.78%). And, in recent years, it has been on a downward trend. As population decline intensifies labor supply constraints, companies that do not invest in their people will find it increasingly difficult to attract talented human resources, which will directly lead to a weakening of their corporate value and competitiveness.

- On the other hand, the experiences of other countries shows that companies that fully invest in their people do not see an increase in turnover, but rather they are able to attract talented people because those people have the opportunity to nurture themselves.
- For this reason, it is important to keep in mind that companies themselves need to strengthen re-skilling support for working individuals.

(3) Follow-Up and Review of the "Investment in Human Capital" Policy Package

- Based on these guidelines, we will follow up on the implementation status of the package each fiscal year so that each of the package's support measures will be easier for workers to use, and the results will be reflected in the budget for the following fiscal year.
- Together with this, we will measure and analyze the effects on post-re-skilling improvements in the treatment of employees and internal and external promotions and appointments, and then use this information to improve measures.

(4) Review of Employment Adjustment Subsidy

- The current employment adjustment subsidy is a system that subsidizes the costs of employment adjustments in the form of educational training, secondment, or absence from work(subsidizes 1/2 of the costs for large companies and 2/3 of the costs for SMEs and small businesses. In the case of employment adjustments through educational training, an additional 1,200 yen per person per day is provided).
- Although this program has played an important role as a measure to maintain employment in the face of rapidly worsening economic conditions such as the Lehman's collapse and the COVID-19 pandemic, it has been pointed out that if the subsidy continues for a long period of time , it may hinder the maintenance and improvement of workers' job skills and the smooth transition of workers to growing fields.
- Therefore, in order to strengthen re-skilling of currently employed workers, we will conduct a review of the subsidy rate, etc. so that it will be easier for employers to choose employment adjustment through educational training rather than through absence from work. In the current system, the benefit period of educational training or absence from work is up to 100 days in a one year period and up to 150 days in a three year period. For example, if the employment adjustment exceeds 30 days, then, as a general rule, educational training will be required, and in exceptional cases where employment adjustment is made after that date through absence from work, we will consider lowering the subsidy rate or otherwise revising the subsidy.

(5) Expansion of Accredited Courses in Digital Fields, etc.

- The number of digital-related courses (179 courses (as of April 2023)) in professional practice education and training benefits will be expanded to more than 300 courses by the end of FY2025 in order to strengthen re-skilling in digital fields. In doing so, we plan to enhance courses related to fields that are expected to grow in the future, such as generative AI, and that are in line with the current era.

(6) Flexibility in the Mechanism for Deducting Re-skilling Expenses in Employment Income Deductions

- The mechanism for deducting re-skilling expenses in employment income deductions (special expenditure deductions) has been revised so that not only the employer, but also career consultants, can provide proof that the re-skilling is related to job duties. Further flexibility in the system will be considered while monitoring the utilization status of the new system.

5. Introduction of Job-Based Wages According to the Actual Conditions of Individual Companies

(1) Introduction of Job-Based Wages that Suit the Actual Conditions of Individual Companies

- Through structural wage increases via the introduction of job-based wages that match the actual conditions of individual companies, we will aim to reduce the wage disparity that exists between Japanese and foreign companies for the same job, while taking into account the differences in economic conditions in each country.
- Within the next year and for the purpose of securing job-based wages for personnel at Japanese companies, we will develop case studies and present a variety of models to serve as references for individual companies to refer to when introducing systems for the following: methods for organizing and bundling jobs; personnel placement, training, and evaluation methods based on these; posting systems; re-skilling methods; employee performance improvement plans (PIP); wage systems; current legislation and judicial precedents about changes in working conditions; and leave systems, etc. In doing so, because the actual conditions of individual companies differ, the reforms will have a degree of flexibility so that they can be adapted to the actual conditions at companies. Examples of SMEs and small businesses will also be introduced. Additionally, when introducing job-based personnel (job-based wages), it is also possible to introduce and apply them sequentially, considering not only skills, but also individual performance and aptitudes.
- Hereafter, these guidelines will present several examples of introductions, and also, in order to present more diverse models, a subcommittee composed primarily of private sector practitioners will, by the end of the year, compile a collection of case studies so that companies can concretely refer to them.

(2) Ensuring Transparency of Salary and Employment Systems

- We will continue to disclose information in order to make the concept and status of salary and employment systems visible to the capital and labor markets.

- In addition, the "Human Capital Visualization Guidelines " (formulated in August 2022), which are used as a reference when companies make descriptions in their annual securities reports and integrated reports, etc., will be revised by the end of the year based on the contents of these guidelines.

(3) Introduction of Some Examples

- This section presents some examples of companies that are introducing job-based wages (job-based personnel).
- Purpose of introducing job-based wages (job-based personnel)

"As overseas markets expand, in order to explore the needs of global society and customers and to provide services and solutions that resolve these issues, we need (1) growth-oriented human resource management for both the organization and individuals through job-based systems, (2) allocation and recruitment of human resources from both inside and outside the company using job descriptions, and (3) re-skilling using jobs." (electronics manufacturer H)

"As a means for us to change from an IT company to a DX company, we have to move away from a seniority-based personnel system and system to a job-based system that allows us to assign the most appropriate personnel in order to realize an organizational design based on business strategy." (electronics manufacturer F)

"In order to establish a globally competitive organization, through a job-based system we have to (1) appeal to outstanding external human resources, (2) shift to strengthening expertise in human resources development, and (3) promote autonomous career development through visualization of their career plan options." (cosmetics manufacturer S)

- Personnel Placement, Training, and Evaluation Methods

"Individual job descriptions are made available to all employees, and the appropriate person is assigned to the job based on discussions on such as "Who amongst our currently employees, candidates (both internal and external) and applicants should we assign?" and "What are the specific and objective reasons for placing them as the most suitable person?"

By clarifying and publicizing the skills required for positions, (1) employees themselves can become aware of gaps between their current situation and the necessary skills/experience, (2) employees can formulate re-skilling plans in consultation with their supervisor to fill in these gaps, and (3) employees can engage in re-skilling of their own initiative. In addition, by establishing a certificate system for jobs such as 'digital jobs,' we foster an awareness amongst the employees themselves of continuous learning.

For managers we have shifted from a uniquely Japanese compensation system that is tied to people (abilities) to a compensation system that is tied to jobs (duties) and that is shared by the Group both domestically and overseas, and employees' treatment has been determined by the content of their job and their performance (outcomes/behavior)." (electronics manufacturer H)

"After reviewing our seniority-based personnel system and mapping all employees by job type

and role, we are utilizing a posting system to optimally allocate human resources for each job based on detailed job descriptions that were created for each individual position.

A system (1-on-1 meeting with supervisors and career coordinators) has been established so that employees can consult about their careers and re-skilling content. Additionally, the re-skilling method has also been changed from a focus on uniform training for each rank to instead focus on on-demand education, wherein the content can be selected according to the employee's own characteristics and desired job.

We have reviewed the ability-based compensation system, and for management positions the compensation tied to the job has been reflected in their individual compensation as well. For general employees we have set a more detailed salary range than before for each job responsibility based on a benchmark of compensation levels in the external labor market so that evaluations based on the employee's contributions and behavior are easily reflected in their compensation." (electronics manufacturer F)

"Instead of regular, company-initiated transfers across job categories, personnel transfers are essentially made within the same job category with an emphasis on strengthening expertise, and a posting system is used for transfers between job categories. Personnel who wish to be part of the management team in the future are expected to volunteer for postings and to gain experience in multiple positions.

After clarifying the skills and expertise required for each job (duties), through career workshops for all managers and career-track employees, goal-setting and evaluation processes, we have each employee formulate a medium- to long-term career plan and then conduct re-skilling based on that plan. An employee's supervisor helps them to formulate their career plan.

Individual goals corresponding to the outcomes and behavior expected of the job(duties) are set in advance in consultation with the employee's superior, and then each employee's evaluation is determined according to the degree of achievement and reflected in their treatment." (cosmetics manufacturer S)

○ Posting System

"Via job descriptions, we clarify the content of duties required for positions that we are recruiting for and the skills that are required for those duties, and then we have simultaneous recruitment from both within the Group and via recruitment of experienced hires. For in-house human resources, the skills, qualifications, experience, and career wishes of personnel are visualized in advance and within the scope of individuals' consent, and then matching is performed in light of the job description." (electronics manufacturer H)

With a focus on transfers and promotions for executives through postings, and as a result of significantly strengthening our posting system (such as by having all newly appointed section manager positions being promoted via postings rather than via recommendations by superiors, and by expanding the scope of postings to be global), in three years 25% of our domestic employees applied for a posting. For employees who do not pass, we always give them feedback on what points they were lacking in, and have them use it to develop their own careers." (electronics manufacturer F)

"When vacancies become available, we recruit personnel through postings within the company as needed, and conduct personnel transfers based on the employee's own wishes, including labor transfers between occupations within the company." (cosmetics manufacturer S)

○ Methods for Introducing Job-Based Wages (Job-Based Personnel)

"When defining jobs (creating job descriptions), we referred to globally standardized job definitions held by globally active external human resources consulting companies, and then adjusted them for our company, which let us have a quick transition." (electronics manufacturer H, electronics manufacturer F, cosmetics manufacturer S)

○ Sequential Introduction

"We introduced the system for managers from 2014. In 2020 we created job descriptions for all jobs and at all levels, and then from July 2022 we introduced the system for all employees." (electronics manufacturer H)

"We introduced the system for managers from 2020. From 2022 we introduced the general system." (electronics manufacturer F)

"We introduced the system for managers from 2015. From 2021 we introduced the general system." (cosmetics manufacturer S)

○ Examples of Performance and Behavior Appropriateness Considerations

We base our evaluations on performance and behavior appropriateness, such as 'Doing what is right for yourself and others without hesitation,' 'Moving fast and learn from failure to succeed,' 'Empathize with customers and collaborate to create innovation,' 'Be respectful, actively speak up, and listen to others' opinions,' 'Voraciously seek growth for yourself, for others, and for the organization.'" (electronics manufacturer H)

"We expect roles to proactively promote research and development of innovative technologies to solve problems while also cooperating with teams and related departments based on accurately grasping the latent needs and essential issues of society and companies." (electronics manufacturer F)

"Able to define/propose problems and take responsibility for implementing solutions", and "Absorbs a wide range of knowledge/experience, and has a desire to improve expertise as a professional." (cosmetics manufacturer S)

6. Facilitating the Movement of Labor to Growth Areas

(1) Revision of the Unemployment Benefits System

- Looking at the unemployment benefit system from the perspective of facilitating labor movement via an employee's choice, if a person leaves their job for personal reasons then they cannot receive

unemployment benefits for two or three months after applying for a job, which is different from the requirement for when the employee leaves their job at the discretion of the company. We will make specific designs to relax the requirements for instances where an individual leaves a job because of their own circumstances, such as treating cases where the applicant has been engaged in re-skilling within, for example, one year from the time of application for unemployment benefits as if it were a case of leaving their job at the discretion of the company.

(2) Review of retirement income tax system

- With regard to the taxation of retirement income, the deduction per year of service is increased from 400,000 yen to 700,000 yen after 20 years of service, and it has been pointed out that this has hindered the facilitation of labor mobility at an individual's discretion. We will review this taxation system, paying attention to the impact of system changes.
- With regard to iDeCo (Individual Defined Contribution Pension Plan), which allows individuals to contribute and manage their own contributions and to take their pension assets with them when they change jobs, a conclusion regarding raising the contribution limit and the upper age limit for starting to receive benefits should be reached in conjunction with the fiscal verification of the public pensions in 2024.

(3) Removing Barriers to Voluntary Retirement

- For private companies as well, it may be necessary to review labor practices, such as reducing retirement benefits in the case of voluntary retirement in some companies, and not paying retirement benefits if the number of years of service and age is below a certain standard.
- One of the reasons for this is that it has been pointed out that the "The Model Rules of Employment" established by the Ministry of Health, Labour, and Welfare stipulate restrictions on retirement allowances based on length of service and that the treatment of voluntarily retirees differently from those of company retirees, and as such the Model Rules of Employment will be revised.

(4) Sharing Public-Private Information on Recruitment, Job-Seeking, and Career Advancement

- In order to facilitate the smooth movement of labor to growth sectors, we will establish a system to process, consolidate, and share basic information held by the public and private sectors on job seeking and job offers, and career consultants (currently 64,000 people) will be able to provide consultations on career development and job changes to workers based on this basic information.
- Therefore,
 - 1) Job opening/job seeking information held by Hello Work will be processed and consolidated,
 - 2) Of the job offer information that is held by private human resources companies, the number of job openings, wage trends (for recruitment), and the required skills for each job type and

region will be anonymized and aggregated, and the method for doing so will be considered at the Japan Association of Human Resource Services Industry.

- 3) Information will be consolidated from private councils and Hello Work, etc., and basic information will be provided to career consultants who meet certain requirements.
- 4) In the public sector, Hello Work will strengthen its consulting functions, such as by strengthening the structure of its career consulting department, and will strive to enhance continuous consultation support from the time of employment.

○ These efforts will enable career consultants who work in the public and private sector and meet certain requirements to provide advice and consultations based on objective data on job changes and career advancement to currently employed workers and job seekers who are considering career advancement in each job category and region, similar to how it is done in Denmark and other countries as part of flexicurity.

* In Denmark, the government collects objective indicators such as wages and job openings from the private sector and specifies the outlook for each occupation every six months in the form of green, yellow, and red. Danish caseworkers use this as a guide to help workers move to better jobs. Workers also receive consultations from caseworkers when they are paid subsidies such as unemployment benefits. Caseworkers have a variety of backgrounds, but individuals who have IT skills and who have undergone re-skilling for guidance are selected.

○ As for the public vocational training system, in addition to promoting greater efficiency for operators of private education and training businesses by bringing applications online and utilizing employment data from Hello Work, we will promptly introduce a mechanism for directly hearing the opinions of on-site private education and training business operators.

○ Additionally, we will consider methods for supplementing and comparing wages before and after changing jobs for occupations recommended by Hello Work. On top of this, we will improve the operation of the system so that recommendations are made that take into account the possibility of wage increases before and after changing jobs, and the possibility of further increases according to the individual's skill level.

○ In order for job seekers to consider SMEs and small businesses as one of their options, we will consider how career consultants can effectively provide job seekers with qualitative information about the strengths and attractiveness of individual SMEs and small businesses.

(5) Encouraging Side Jobs and Multiple Jobs

○ Side jobs and multiple jobs will be encouraged as a starting point for the smooth movement of labor to growth fields. To that end, a trial environment will be developed so that individual workers can transition to new careers with peace of mind, such as support for companies that accept people for side jobs/multiple jobs and for companies that send their own employees out for side jobs/multiple jobs.

(6) Development of Information Infrastructure Related to the Ministry of Health, Labour and Welfare

- We will work to enhance the functionality and promote the use of the workplace information website (Shokubalabo ("Workplace Lab")) operated by the Ministry of Health, Labour and Welfare. In addition, we will enhance the functionality of the Japanese version of O-NET (job tag) and improve convenience for users with diverse attributes.

7. Respecting Diversity and Correcting Disparities

(1) Minimum Wage

- Last year, the minimum wage was raised to a record high, and this year the Minimum Wage Council (consisting of individuals representing the public, capital, and labor sectors) will be asked to have thorough discussions, including on achieving a national weighted average minimum wage of 1,000 yen per hour.
- In addition, in order to correct regional disparities, the ratio of the minimum amount to the maximum amount of the minimum wage will be increased.
- After this summer, the policy for raising the minimum wage after reaching 1,000 yen per hour will also be discussed at the Council of New Form of Capitalism Realization.

(2) Improving the Environment for Wage Increases at SMEs and Small Businesses, etc.

- In order for SMEs and small businesses to raise wages, it is essential to support price pass-through measures and productivity improvements to realize a virtuous cycle of growth and wage increases, and through these efforts we will be able to prevail against regional labor shortages and in the international competition to acquire human resources.
- Promoting Appropriate Price Pass-Through Measures and Proper Subcontracting Transactions
In order to realize wage increases for SMEs and small businesses, it is essential to optimize transactions by appropriately passing on labor costs, and it is necessary to establish an appropriate practice of passing on higher prices to the entire supply chain, including the securing of appropriate resources for increasing wages that will not lose out to rising prices. To this end, we will do further efforts to implement measures for pass-throughs and on optimizing subcontracting transactions. On the issue of passing through labor costs in particular, the government, with the cooperation of the Japan Fair Trade Commission, will conduct a fact-finding survey for each industry and, based on these findings, will draw up guidelines by the end of the year on how labor costs should be passed through. We will also request industry associations to revise and thoroughly implement their voluntary action plans.
- Promoting Productivity Improvement Support Measures for SMEs and Small Businesses
In order to realize wage increases in SMEs, we will be strengthening efforts in preferential treatment for companies with higher wages in tax systems and subsidies, and support for productivity improvement through subsidies for replacing facilities and business restructuring, etc. In doing so, further measures, including the tax system, will be considered after sorting out

the issues in order to promote wage increases even at corporations that are losing money.

In addition, with reference to the "Mikata" project that was conducted in the automotive industry, we will implement re-skilling for suppliers' human resources and horizontally extend to other fields with integrated support through subsidies for these SMEs and small businesses.

- We will consider expanding support measures such as wage subsidies for when SMEs and small businesses send their employees for re-skilling, even if the re-skilling is voluntary by individuals.

(3) Thorough Implementation of an Equal Pay for Equal Work System

- Even after the implementation of the equal pay for equal work system, which prohibits unreasonable differences in the treatment between regular workers and non-regular workers within the same company, there is still about 600 yen per hour gap between regular and non-regular workers.
- Enforcement of the equal pay for equal work system is carried out by the 47 prefectural labor bureaus throughout Japan. Nationwide there are 321 Labour Standard Inspection Offices, but they do not have the authority to provide guidance and advice. In order to strengthen enforcement of equal pay for equal work, Labor Standard Inspection Offices have also been conducting trial investigations since December 2022, and are required to report problematic companies to the Labor Bureau.
- Although it cannot be concluded that the wage gap of about 600 yen per hour is irrational, we will follow up sequentially during the year to see the effect of the aforementioned surveys by the Labour Standard Inspection Offices which was implemented in March 2023, on correcting wage disparities, and after looking at the results, we will consider how to proceed. In doing so, if necessary we will consider strengthening the systems of related organizations.
- Under the current guidelines, the equal pay for equal work system aims to improve the treatment of non-regular workers by comparing regular workers and non-regular workers, but this will be reconsidered by expanding the approach to employees with limited duties, employees with limited work locations, and employees with limited hours. It should also be noted once again that the equal pay for equal work system applies to all workers, including foreign nationals.

(4) Follow-Up on the Mandatory Disclosures in the Act on the Promotion of Women's Active Engagement in Professional Life

- We will follow up on the state of gender wage gap after the enactment of mandatory disclosures (enacted in July 2022 for employers with 301 or more workers) in order to obtain direction on whether or not to expand the scope of mandatory disclosures (for employers with 101 to 300 workers) under the Act on the Promotion of Women's Active Engagement in Professional Life.

(5) Enhancing Career Education

- To enhance career education during the Period for Integrated Studies in elementary, junior high,

and high schools, we will disseminate implementation methods and good practices. In addition, efforts will be made to enhance entrepreneurship education, including through extracurricular activities by these schools.

- Universities will also expand their curriculum to enhance career education.
- In order to enhance human resource development and career awareness at universities and technical colleges, etc., we will actively recruit individuals who have practical experience at companies, etc., and significantly increase the number of practitioner-teachers that are invited from companies, etc. Entrepreneurs from startups, SMEs, and small businesses will also be invited as lecturers.
- In addition, by promoting education and research that are integrated with corporate activities at universities and technical colleges, etc., we will advance both the social implementation of research and the development of the advanced human resources that are necessary to compete in the world.
- We will strengthen support for efforts by companies to establish courses to develop human resources in cooperation with universities or other higher education institutions.

(6) Promoting Coexistence with Foreign National Workers

- We will consider the specifics of a review of the Technical Intern Training Program, etc. based on the discussions of the Advisory Panel of Experts for the Ideal Forms of the Technical Intern Training Program and the Specified Skilled Worker System, with a view to giving a concrete shape to the new system.
- In addition, we will also improve the educational environment for the children of foreign nationals.

8. Reforming the System for Training and Evaluating National Public Employees

- In order to promote corporate labor market reform with the spirit of "taking the first step," it is necessary for the government to update the system for training and evaluating national public employees and to spread these trends to local public employees and incorporated administrative agencies, etc.
- Career paths and required skills also need to be reconsidered to fit the times. With the increasing complexity of social issues and the sophistication of technology, national public employees are increasingly being required to have high-level skills and expertise. Efforts should be made to support employees' career development, such as providing opportunities to raise awareness of their career paths based on such expertise, and sorting out their abilities that national public employees acquire as they build their careers by planning systems and gaining a certain experiences in the field.
- In an environment where high-level skills and expertise are required, it is meaningless unless each individual national public employee takes action to improve their skills accordingly. As the

current training programs are consisted primarily of classroom lectures, it should be updated, for example, by increasing the number of participatory training programs, and appropriately managing national public employees' training attendance so that national public employees receive the trainings that are required for their job responsibilities.

We will also consider how best to manage national public employees' job histories, the skills and expertise that they have acquired, the results achieved, and their experience.