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Japan Theme paper

- Current Situation of the Construction Workforce And Efforts to Secure and Develop Human Resources -

Introduction

Japan is an island country surrounded by the sea and rich in nature, with approximately 70% of its land covered by forests. At the same time, however, the Japanese archipelago is often hit by natural disasters such as earthquakes, typhoons, torrential rains and heavy snowfalls, making it a harsh natural environment. In this environment, the construction industry plays an important role in protecting people from disasters and hazards and ensuring a 'safe,' 'secure', and 'comfortable' life. However, due to Japan's declining birthrate and aging population, the construction industry is facing a serious shortage of human resources. In particular, the decline in the number of skilled workers has been unstoppable, and the aging of the workforce continues to progress. Under these circumstances, Japan is making an all-out effort to secure and develop construction workers.

This report presents an overview of trends in construction investment and the number of construction workers and the challenges facing the construction industry, as well as Japan's initiatives and measures to address these issues. In 2024, the regulation of an upper limit on overtime hours with penalties was set in the construction industry so that the entire construction industry is under pressure to change. We hope that the various measures taken by the construction industry in Japan will serve as a reference for the construction industries of other countries.

1 The Current Situation and Challenges of the Construction Workforce in Japan

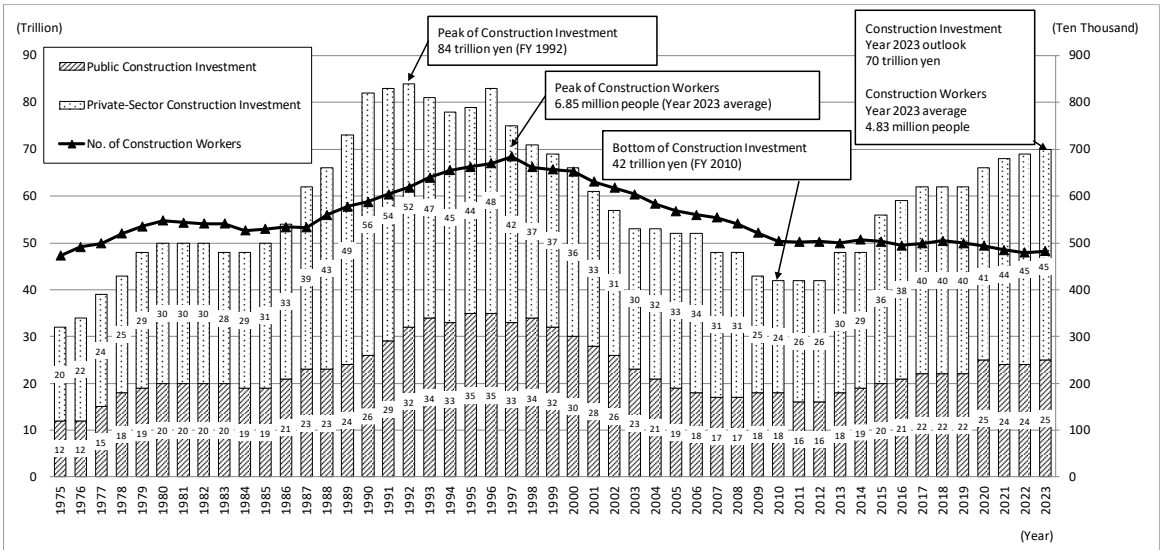
1.1 Construction Investment

Figure 1 shows graphically the figures for construction investment and the number of construction workers. After peaking at approximately 84 trillion yen in FY1992, construction investment in Japan continued to decline and reached half that amount in FY2010 at approximately 42 trillion yen. However, construction investment has since turned upwards due to demand for reconstruction following the Great East Japan Earthquake in 2011 and demand for the Tokyo Olympics and Paralympics in 2021 and is expected to reach approximately 70 trillion yen in FY2023. Compared to the previous fiscal year, this represents an increase of 2.2%.

1.2 Number of Construction Workers

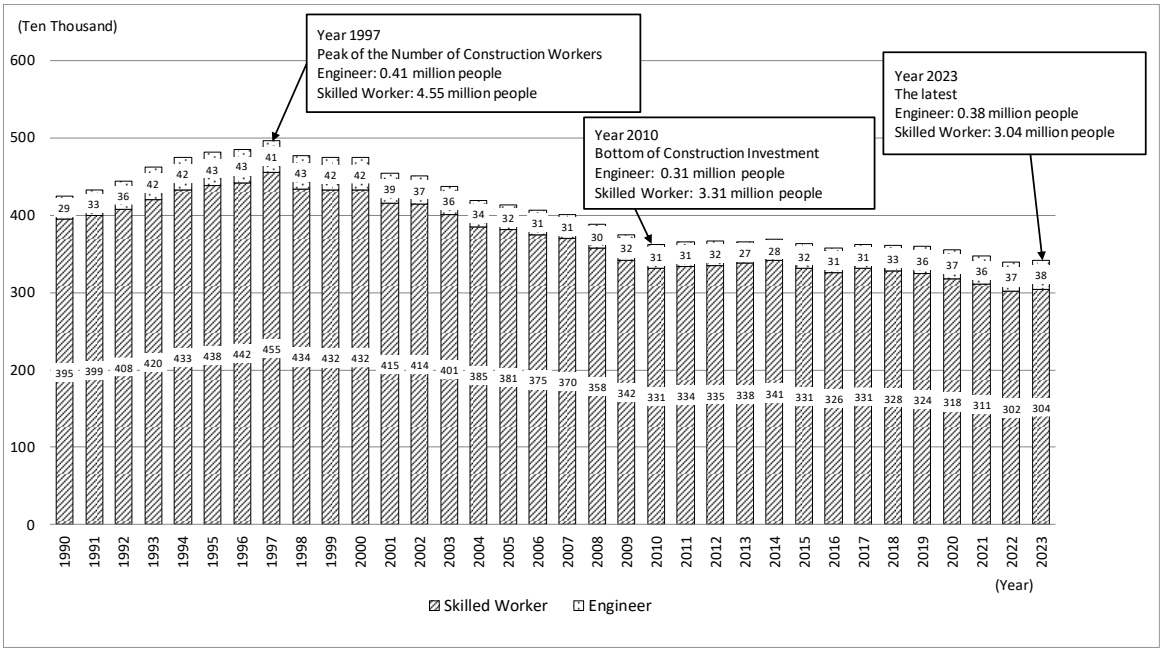
As shown in Figure 1, the number of construction workers peaked at 6.85 million in 1997. After that, it continued to decline and did not increase even after 2011, when construction investment began to rise. In 2023, it declined to 4.83 million, which was down 29.5% from the peak. Figure 2 shows the number of construction workers, focusing on engineers and skilled workers. The number of engineers was 410,000 at the peak in 1997, 310,000 at the bottom of construction investment in 2010, and 380,000 in 2023. Compared to the peak, the number of engineers has decreased by 7.3% but has increased since the construction investment bottom. However, the number of skilled workers has continued to decline since the peak of 4.55 million in 1997, 3.31 million at the construction investment bottom and 3.04 million in 2023, a decrease of 33.19% from the peak. The decline in the number of skilled workers is even more pronounced than the decline in the number of engineers.

(Figure 1) Construction Investment and Number of Construction Workers



Created by RICE based on the data retrieved from MLIT "Construction Investment Outlook" and from MIC "Labor Force Survey"

(Figure 2) Number of Engineers and Skilled Workers



Created by RICE based on the data retrieved from MIC "Labor Force Survey"

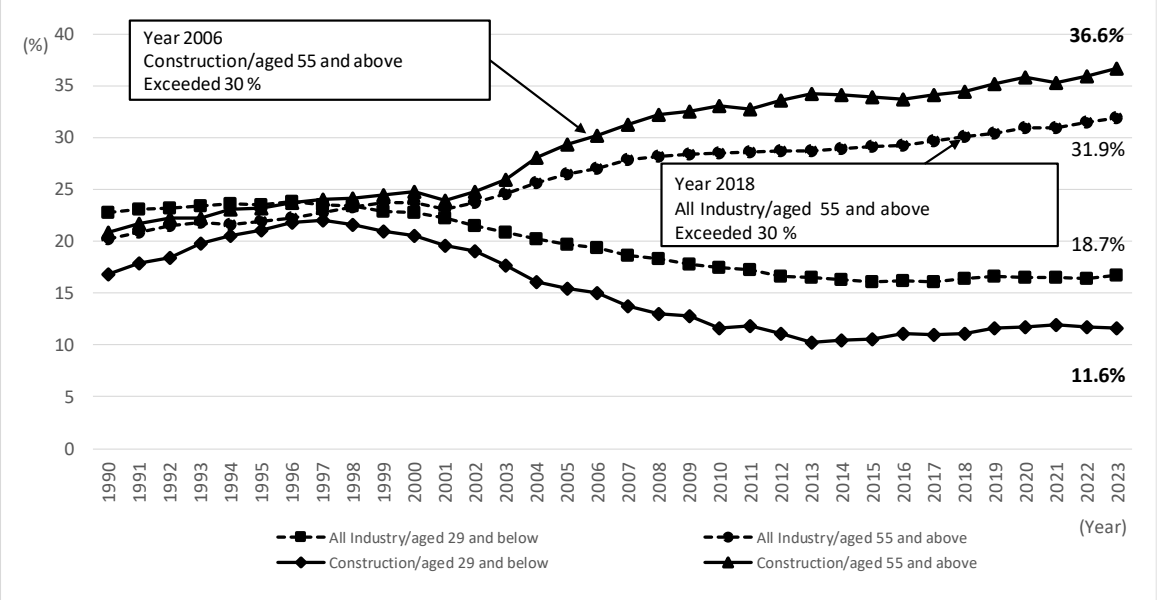
1.2.1 Aging of Construction Workers

Figure 3 shows the percentage of workers aged 29 and below and 55 and above in all industries and in the construction industry. Looking at the percentage of workers aged 55 and above in all industries and construction, the percentage of workers aged 55 and above in the construction industry exceeded 30% in 2006, while in all industries, the percentage exceeded 30% 12 years later in 2018. In 2023, the percentage was 36.6% in the construction industry and 31.9% in all industries, with a gap of 4.7% between the two.

In addition, looking at the percentage of workers aged 29 and below in the construction industry, the percentage bottomed out at 10.2% in 2013 and began to increase gradually from 2014 onwards and reached 12% in 2020. However, it began to decline again from 2021 and was 11.6% in 2023, a gap of 7.1% compared to 18.7% in all industries.

As mentioned above, more than 30% of construction workers are aged 55 and above and 10% are aged 29 and below. Compared to all industries, the aging of construction workers is a serious problem, which is causing challenges in technical succession.

(Figure 3) Percentage of Workers aged 29 and below and 55 and above



Created by RICE based on the data retrieved from MIC "Labor Force Survey"

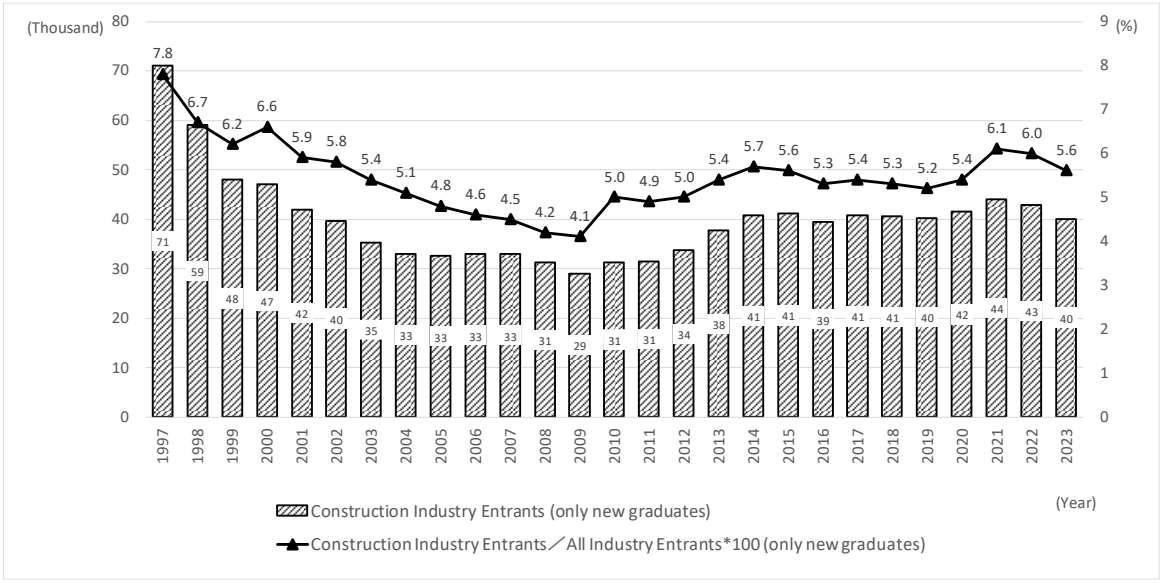
1.2.2 Number of New Graduates entering the Construction Industry and Turnover Rate

The shortage of young construction workers can be attributed to the number of new graduates entering the construction industry and the turnover rate. Figure 4 shows the number of new graduates entering the construction industry and its ratio to the number of new graduates entering all industries. Since 1997, the number of new graduates entering the construction industry has continued to decline, as has the number of construction workers, to 29,000 in 2009. Since then, the ratio of new graduates entering the construction industry to new graduates entering all industries has continued to exceed 5% since 2012, and the number of new graduates entering the construction industry has remained at or above 40,000 since 2017. However, for two consecutive years from 2021, along with a decrease in the number of new graduates entering the construction industry, the ratio of new graduates entering the construction industry to new graduates entering all industries has also decreased.

Figure 5 shows the turnover rate within three years of employment for graduates from 2011 to 2020 in all industries, the construction industry and the manufacturing industry. The latest figures (2020 graduates) for all industries averaged 37.0% for high school graduates and 32.3% for university graduates. In the construction industry, the turnover rate was 42.4% for high school graduates and 30.1% for university graduates, which was 5.4% higher for high school graduates and 2.2% lower for university graduates than in all industries. However, when compared to

the manufacturing industry, the construction industry had a 14.8% higher turnover rate for high school graduates and an 11.1% higher rate for university graduates than the manufacturing industry. This trend has been consistent since 2011 and it is important to take measures to prevent job turnover in the construction industry.

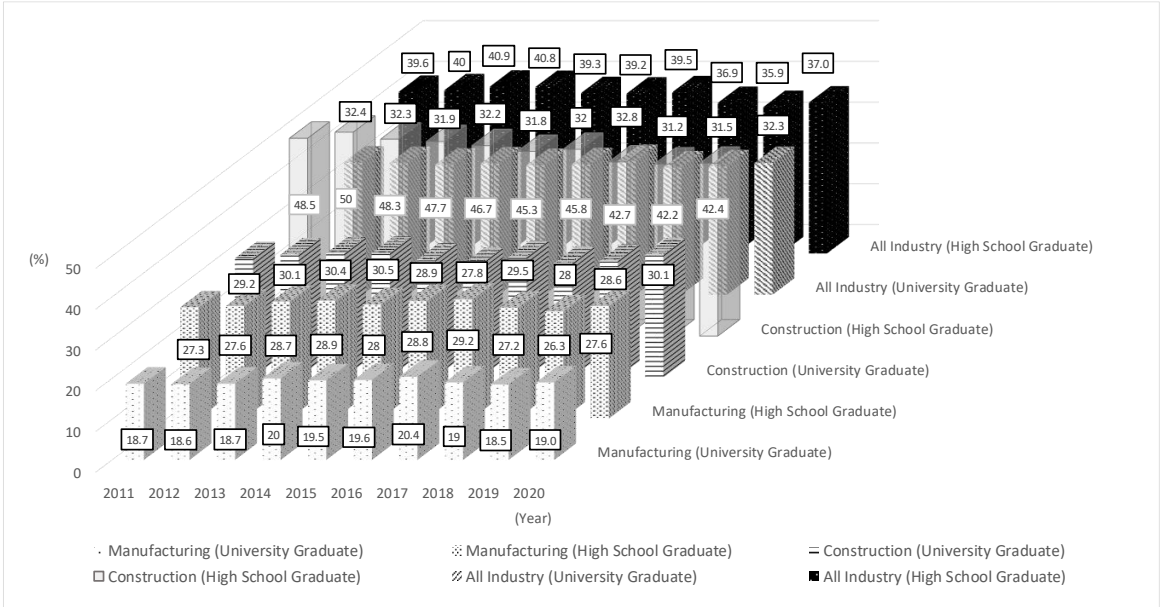
(Figure 4) Situation of New Graduates entering the Workforce



Created by RICE based on the data retrieved from MIC "Labor Force Survey" and from MEXT "School Basic Survey"

Note: New graduates do not include junior high school graduates.

(Figure 5) Turnover Rate within Three Years of Employment

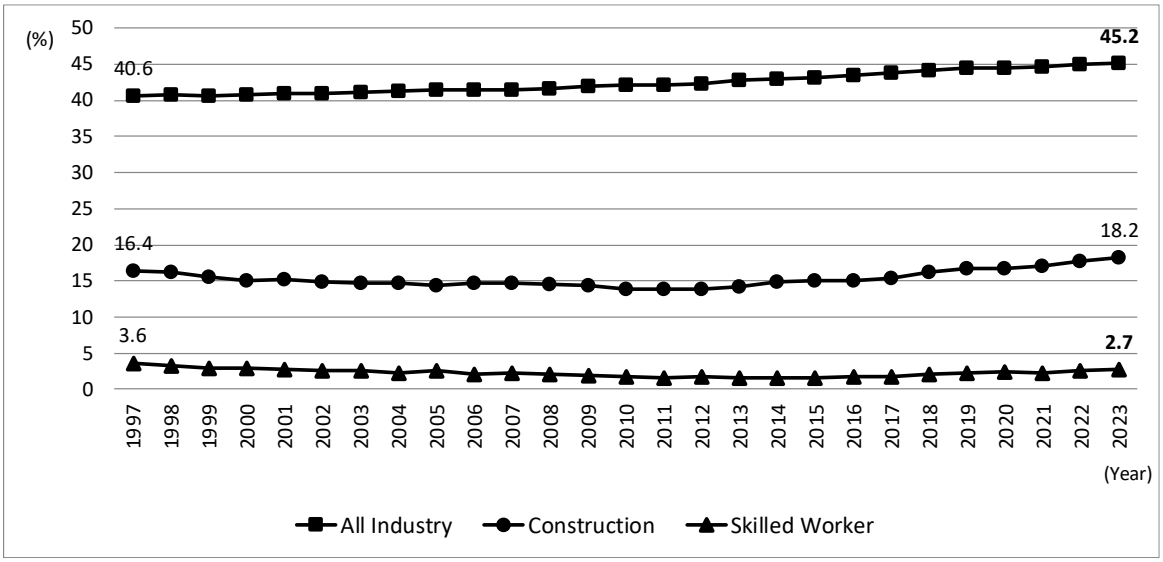


Created by RICE based on the data retrieved from MHLW "Job Turnover of New Graduates"

1.2.3 Percentage of Women among Construction Workers

Figure 6 shows the percentage of women in all industries and in the construction industry. The percentage of women in all industries was 45.3% in 2023 and is on a gradual upward trend. In the construction industry, the results of past efforts have been seen and the ratio has been steadily increasing over the past few years and reached a record high of 18.2% in 2023. However, it remains low compared to other industries, especially for skilled workers, which was 2.7% in 2023 and extremely low. In this situation, further measures to promote women's empowerment in the construction industry are expected.

(Figure 6) Percentage of Women in the Workforce



Created by RICE based on the data retrieved from MIC "Labor Force Survey"

1.2.4 Future Estimates of Skilled Workers

As mentioned above, the number of skilled workers has been declining more markedly than that of construction engineers. The number of skilled workers in the future as a result of this continuing decline is presented based on the results of a cohort analysis conducted by the Institute last year.

1.2.4.1 Estimation Procedure

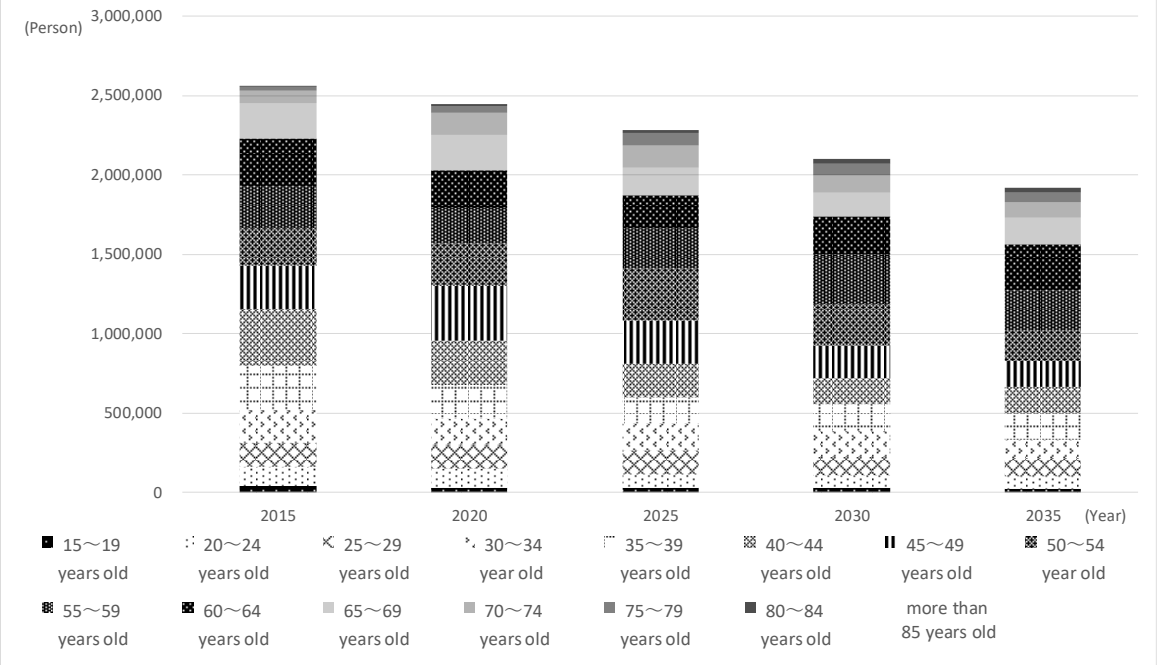
Cohort is a word meaning 'group', and this analysis provides information on how population groups in a particular age group may change in the following time periods. In this study, the results of the 2015 and 2020 census were used to compare the number of people in an age group in 2015 with the number of people

in the same age group in 2020 and calculate the five-year rate of change in the number of people in that age group (cohort). Based on the assumption that the rate of change in the number of persons in each cohort will remain unchanged after 2020, we estimated the change in the number of persons in each age group in 2025, 2030, and 2035. In the 15-19 age group, because the number of workers in this age group five years earlier was small and because new entrants to the workforce must also be taken into account, the ratio of skilled workers to the total population in the same age group in the 2020 census was calculated and the estimates were based on the assumption that this ratio would remain unchanged after 2020.

1.2.4.2 Estimated Results

The number of skilled workers is estimated to be 2,285,358 in 2025, 2,110,820 in 2030 and 1,932,469 in 2035, which is below 2 million. From 2025 onwards, the rate of decline will gradually increase every five years and in 2035 the number of skilled workers is expected to be 8.4% lower than in 2030. By age group, the number of young people aged 15-29 will decrease and in 2025, approximately half of the number of skilled workers will be 50 years old or older. The fact that the ratio has remained unchanged from 2025 indicates that the aging of the workforce will become increasingly serious and there will be an even greater need to secure human resources among younger workers.

(Figure 7) Estimated Future Skilled Workers



	15～19 years old	20～24 years old	25～29 years old	30～34 year old	35～39 years old	40～44 years old	45～49 years old	50～54 year old	55～59 years old	60～64 years old	65～69 years old	70～74 years old	75～79 years old	80～84 years old	more than 85 years old	Total
2015	38,390	122,290	151,310	206,970	282,410	352,320	276,250	237,940	255,930	302,210	225,000	79,590	24,210	6,140	1,130	2,562,090
2020	28,220	120,110	154,290	164,060	210,210	280,480	341,330	268,890	225,310	234,030	223,310	142,740	41,370	10,740	2,380	2,447,470
Rate of Change	0.00495	3.129	1.262	1.084	1.016	0.993	0.969	0.973	0.947	0.914	0.739	0.634	0.520	0.444	0.388	
2025	26,912	88,291	151,540	167,291	166,628	208,773	271,731	332,236	254,617	206,030	172,930	141,668	74,195	18,352	4,163	2,285,358
2030	25,723	84,198	111,395	164,309	169,910	165,490	202,261	264,491	314,601	232,829	152,240	109,707	73,637	32,914	7,114	2,110,820
2035	22,940	80,481	106,231	120,781	166,881	168,749	160,327	196,872	250,452	287,680	172,043	96,581	57,024	32,667	12,758	1,932,469

(Person)

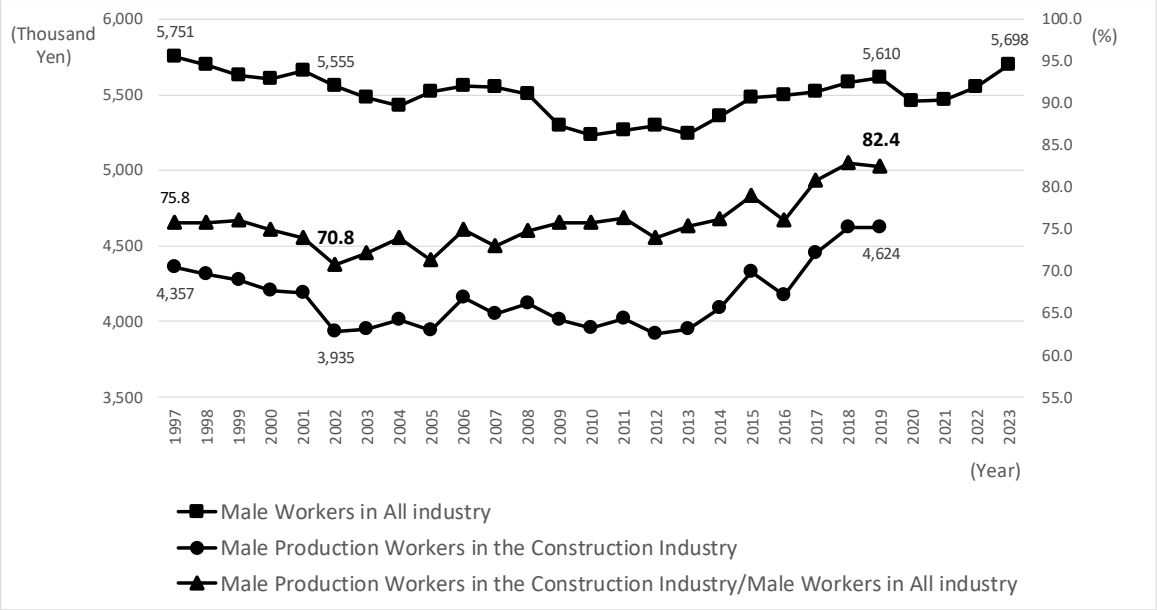
	2015	2020	2025	2030	2035
Skilled Worker	2,562,090	2,447,470	2,285,358	2,110,820	1,932,469
Percentage Change		-4.5	-6.6	-7.6	-8.4

Created by RICE based on the data retrieved from MIC “Population Census”

1.3 Labor Wages

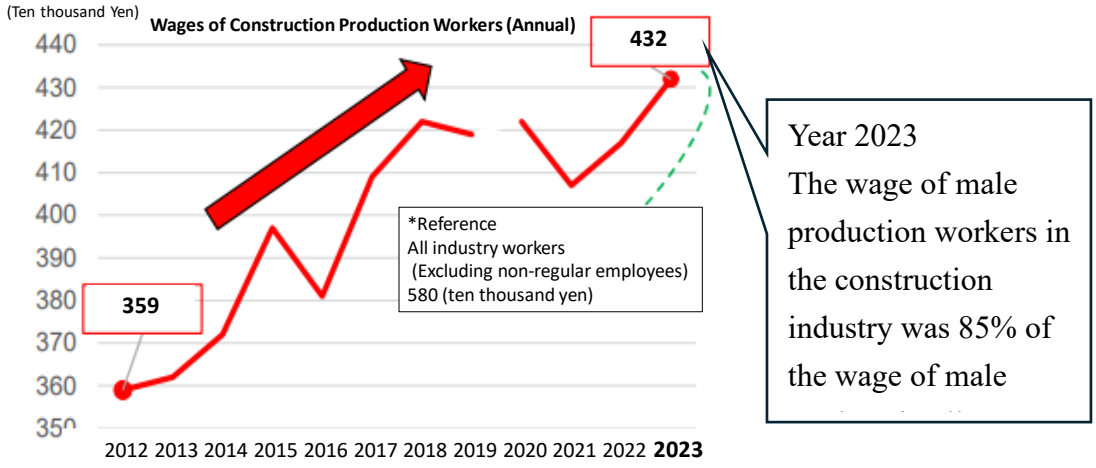
Figure 8 compares the annual gross wages of male production workers in the construction industry with those of male workers in all industries. Since 1997, the wages of male production workers in the construction industry continued to decrease and reached their lowest record in 2002. After that, the wages remained at a similar level for the next 10 years, but during this period the gap between the wages of male workers in all industries and those of male production workers in the construction industry was being corrected. From 2013 onwards, the wages of male workers in all industries and those of male production workers in the construction industry have both been on an upward trend and in the case of wages for male production workers in the construction industry, they have increased at a rate higher than those of male workers in all industries. When the wages of male production workers in the construction industry hit their lowest record in 2002, the ratio of the wages of male production workers in the construction industry to those of male workers in all industries was 70.8%, but from 2018 onwards, the ratio has exceeded 80% and in 2019 it reached 82.4% and the gap between the wages of male workers in all industries and those of male production workers in the construction industry has been narrowing year by year. Although data on the wages of production workers by industry in the Basic Survey on Wage Structure has not been published since 2019, but according to data from the Ministry of Land, Infrastructure, Transport and Tourism (MLIT) (Figure 9), which compares wages in other figures, the gap between the wages of male workers in all industries and those of male production workers in the construction industry has continued to narrow and the wages of male production workers in the construction industry have improved.

(Figure 8) Labor Wages (RICE)



Created by RICE based on the data retrieved from MIC "Basic Survey on Wage Structure"

(Figure 9) Labor Wages (MLIT)

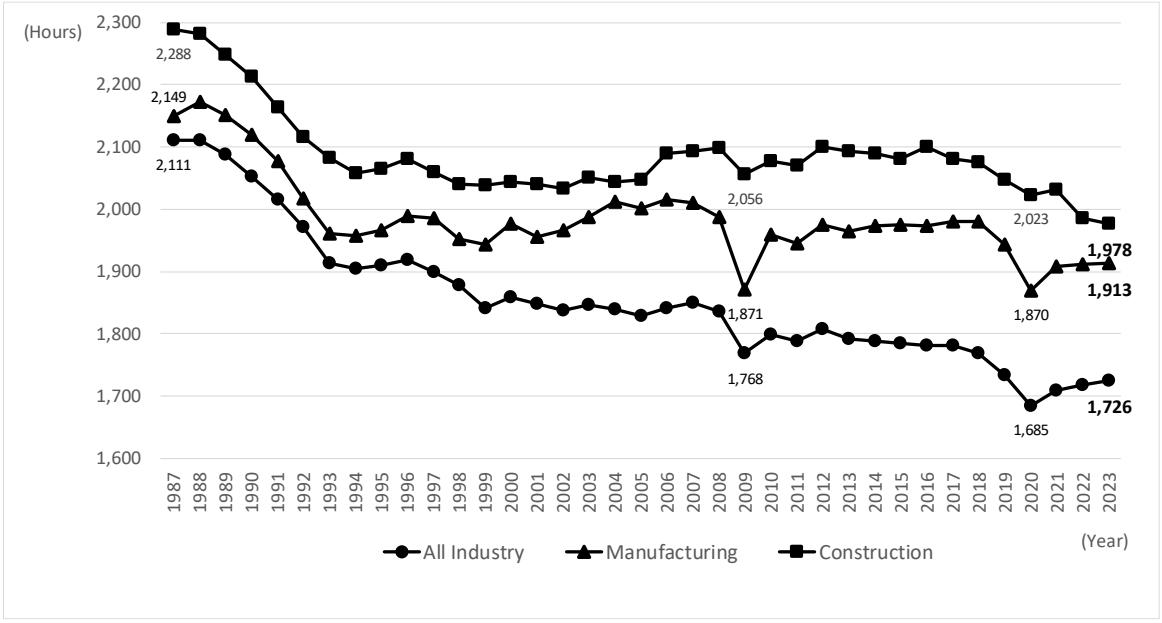


Created by MLIT based on the data retrieved from MIC "Basic Survey on Wage Structure"

1.4 Current Situation of Work Styles in the Construction Industry

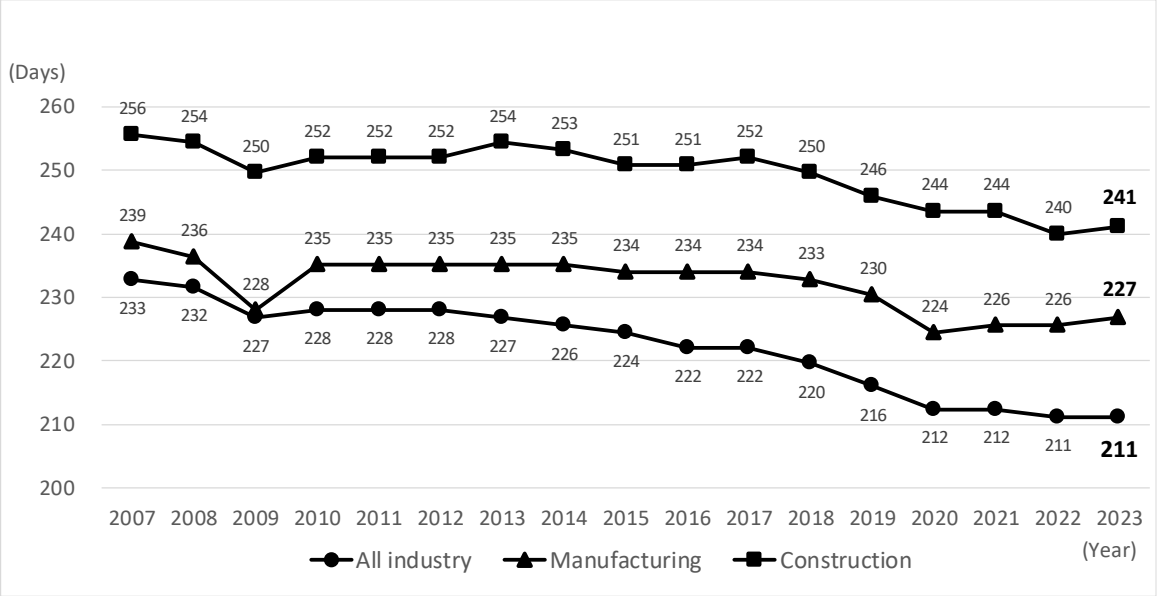
Figure 10 shows the annual working hours for all industries, the manufacturing industry and the construction industry. The revision of the Labor Standards Law in 1987 indicated a gradual shift from 48 to 40 legal working hours per week, which came into full force with the 1993 revision. This led to a rapid decline in working hours through the 1990s and significant improvements were seen in the construction industry. Thereafter, there was a year when working hours dropped sharply due to the collapse of Lehman Brothers in 2008, but a gradual downward trend continued until 2019. In 2020, working hours fell sharply due to the declaration of a state of emergency caused by COVID-19, but have increased slightly since then. On the other hand, the construction industry has seen a greater decrease in working hours than other industries due to the pressure to comply with the regulation of an upper limit on overtime hours with penalties, but the construction industry still works more hours than other industries and in 2023 the construction industry worked 252 hours more than the average for all industries. The annual number of working days in Figure 11 also shows that the construction industry worked 30 days more per year than all industries and 14 days more than the manufacturing industry in 2023. This is due to the fact that in many cases, eight days off in four weeks (two days off per week) is not assured on construction sites.

(Figure 10) Annual Working Hours



Created by RICE based on the data retrieved from MHLW "Monthly Labor Survey"

(Figure 11) Annual Number of Working Days



Created by RICE based on the data retrieved from MHLW "Monthly Labor Survey"

1.5 Issue of Non-participation in Social Insurance and Retirement Allowance System in the Construction Industry

In 2012, the MLIT formulated the Guidelines for Subcontractor Guidance on Social Insurance Participation, and from 2017 onwards has been addressing the issue of non-participation in social insurance by requesting prime contractors not to select construction companies that have not subscribed to social insurance as subcontractors, and also requesting that workers who cannot be confirmed to have the appropriate insurance not be allowed to enter the work site unless there is a specific reason to do so. Looking at Figure 12 for the transition in participation in the three insurances (employment insurance, health insurance, pension insurance) since the guidelines were established, the participation rate for both companies and workers has been on an upward trend year after year. In addition, until 2021, the rate of participation among higher-level subcontractors tended to be lower than that of prime contractors, but by 2023, the rate of participation among higher-level subcontractors had also increased.

(Figure 12) Participation in Three Social Insurances by Company and Worker

Created by RICE based on the data retrieved from MLIT "Social Insurance Participation Survey in Public Works Labor Cost Surveys"

The Kentaikyo is a retirement allowance system created by the government in 1964 for the construction industry. Employers pay premiums based on the number of days worked by workers at construction sites, and when the workers stop working in the construction industry, they receive a retirement allowance. When the system started in 1964, the premium was 20 yen per day, but now it has risen to 320 yen per day, and the number of people covered has increased from 100,000 to around 2,130,000. However, in the Report on the Results of the Survey on Kentaikyo published in March 2022 by the Organization for Workers Retirement Allowance Mutual Aid, compared to the previous survey (2015), the percentage of construction workers who had been issued a Mutual Aid Notebook decreased from 76.8% to 66.0% for prime contractors, from 50.8% to 48.5% for prime subcontractors, and from 40.7% to 36.7% for second and higher-level subcontractors, showing a decline in the spread of the system. In addition, there remain issues, such as the fact that the certificates purchased by prime contractors are not sufficiently delivered to workers of subcontractors and that the system is not utilized in private-sector construction works.

2 Initiatives to Secure and Develop Construction Workers

2.1 Improvement of Working Conditions - from '3K' to the 'new 3K'

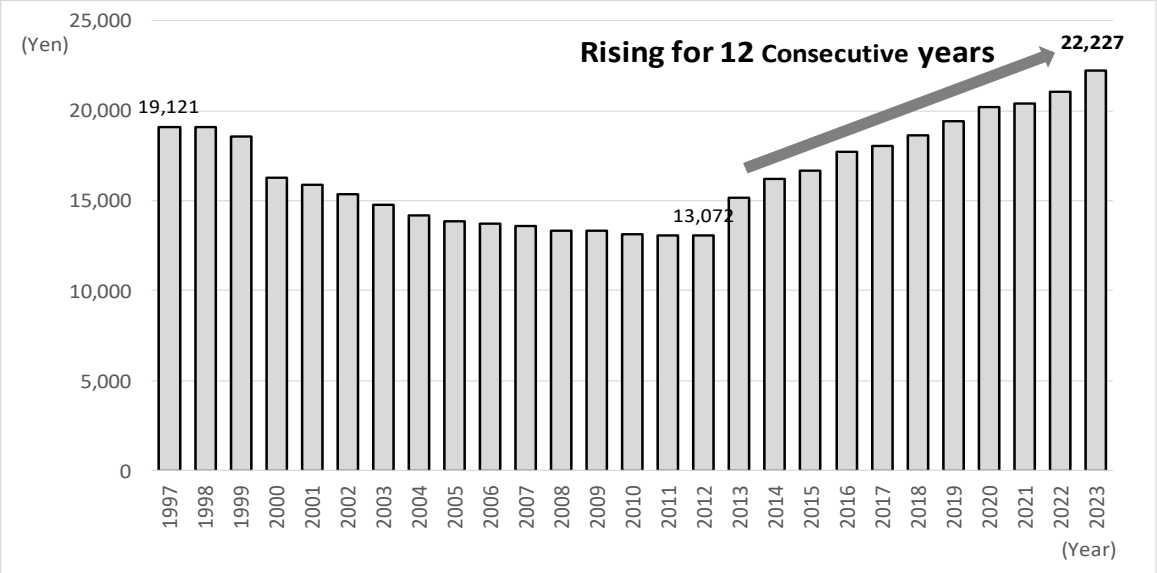
The term '3K' refers to 'hard, dirty and dangerous' and came into use in Japan at the end of the 1980s, when glamorous jobs became increasingly popular at the height of the bubble economy. The term was used to describe the harsh working conditions at construction sites, but recently, the term has changed from '3K' to 'new 3K'. The 'new 3K' refers to 'salary, holidays and hope,' and the entire construction industry, led by the MLIT, is taking various initiatives to make the construction industry a place where 'you can earn a good salary, ' 'you can take holidays' and 'you can have hope'.

2.1.1 'Salary'

Every year, the MLIT sets the unit price for public works labor by appropriately and promptly reflecting the current labor market prices. Figure 13 shows the average unit price for public works labor for all occupations nationwide, which bottomed out in 2012 and has increased for the past 12 consecutive years since 2013 when the amount equivalent to the required legal welfare cost was reflected. Wage increases have become a key issue for the Government, and this year's unit price reflects the costs required to comply with the regulation of an upper limit on overtime hours with penalties that came into effect in April 2024. As a result, the unit price for this year has risen by 5.9% compared to the unit price set for 2023, the largest increase in the past 10 years. As mentioned above, it can be said that the reason why the wages of male production workers in the construction industry have been on the rise since 2013 is due to this increase in the unit price for public works labor.

In addition, in 2018, the Japan Federation of Construction Contractors (JFCC) issued a Declaration on Respect for Labor Cost Estimates in order to bring the wages of skilled workers in the construction industry closer to the average level of workers in all industries. This requires member companies of the JFCC to request their prime subcontractors to submit quotations that clearly state appropriate labor costs when they request quotations. Based on this, the MLIT is taking steps to give prime contractors who respect labor cost quotations from subcontractors an advantage in the comprehensive evaluation and performance grading.

(Figure 13) Average Unit Price for Public Works Labor for All Occupations Nationwide



Created by RICE based on the data retrieved from MHLW "Unit Price for Public Works Labor"

2.1.2 'Vacation'

The Labor Standards Act stipulates that the legal working hours should be 8 hours a day and 40 hours a week in principle, and any hours exceeding this are considered overtime. From April 2024, the maximum overtime hours for the construction industry were set at 45 hours per month and 360 hours per year (30 hours per month on average). Although there are exceptions, employers who violate these overtime regulations can now be imprisoned for up to six months or fined up to 300,000 yen.

The MLIT has set appropriate construction periods and cost adjustments, along with ordering 'two days off per week construction, ' which adds or subtracts points from the construction performance grading to ensure that two days off per week (eight days off in four weeks) can be secured. In 2023, 'two-day weekend construction' was implemented in principle in all construction under the direct control of the government. Since the standardization of two days off per week for the entire construction period (full year) has been introduced for constructions under the direct control of the government, from FY2024, they are promoting two days off per week on a monthly basis, and companies that implement two days off per week with Saturdays and Sundays as holidays will be given points in the construction performance grading. In addition, in order to expand the number of 'two days off per week construction, ' the target for FY2024 is to order 'two days off per week construction' for all constructions in prefectures. Furthermore, it is necessary to work towards spreading and expanding the two days off per week to

municipal and private constructions in the future.

Construction companies are also taking various measures to ensure that overtime limits are not exceeded. For example, they are creating an environment that makes it easier to take leave by setting up time off by the hour and encouraging employees to take paid leave. In addition, they are working to improve operational efficiency by migrating various data to system management and cloud management and creating an environment where it can be viewed anytime and anywhere. Furthermore, they are working to improve productivity at construction sites by introducing ICT drones and ICT construction equipment.

2.1.3 'Hope'

One initiative that offers hope is the Construction Career Up System (CCUS), which was introduced in April 2019. CCUS registers and accumulates the qualifications and work history of skilled workers across industries and aims to link this to appropriate conditions based on skills and experience. By improving the conditions of skilled workers according to their skills and experience, the aim is to create a construction industry where (i) young people can see a career path and (ii) people are attracted to companies that employ and train skilled workers.

In June 2023, MLIT estimated and published the possible annual income by level if the unit price for public works labor is spread as wages, based on the actual wage situation according to the ability evaluation in CCUS. This publication is expected to make a significant contribution to improving the treatment of skilled workers and the career path prospects of the younger generation.

Furthermore, CCUS can check whether or not people are participating in social insurance, so it is expected that the problem of people not participating in social insurance will be solved more than ever before and that on-site management will also be made more efficient. In addition, it is said that in terms of Kantaikyo, the reliable and easy operation of this system will become possible through collaboration with CCUS.

2.2 Image Strategy

In 2018, a Committee to Study the Pride, Appeal and Sense of Fulfilment of People Working at Construction Sites. was established under the MLIT with the participation of expert members and construction industry associations, and in February 2020, the Committee's recommendations - for people to be active and lively at construction sites - were formulated. The importance of 'rebranding' the construction industry was raised there, and four examples are given as proposals for

nationwide development measures. The first is the unification of what to wear during disaster response. The government, construction industry, and construction consultants are promoting the wearing of standardized clothing during disasters to send a message that they are all working together as one in disaster response. This shares a sense of 'pride' that the construction industry can contribute to society by ensuring the safety and security of the community. The second is the spread of technical information via construction nameplates. By attaching a QR code to the construction nameplate and reading it, information about the construction and the workers involved is transmitted in video form, leading to an improvement in the 'pride' and 'satisfaction' of those involved in the construction. The third is the promotion of women's empowerment. On the hardware side, 'comfortable toilets' have been installed at construction sites with consideration for women, and on the software side, a logo mark has been created for 'Kensetsu Komachi,' a nickname for female engineers and skilled workers, and initiatives to promote the women's success are being actively carried out and the distribution of role models is also being considered. The fourth is the dissemination of image of construction sites through video. Although such videos are actively disseminated by individual companies and construction industry associations, they are only implemented on a piecemeal basis and not across the entire construction industry. Therefore, an arrangement is being considered for the government that would centralize and widely disseminate images that give people an idea of what work in the construction industry is like.

In addition, the National General Contractors Association of Japan formulated the 'Report on Strategic Public Relations' in January 2023. Given that the appeal of the construction industry is not widely known to the general public, the report also states that they will consider using YouTube and other social networking services that can be easily viewed on smartphones and establish a new commendation system to encourage the promotion of the construction industry by the association and its member companies. Another issue is that the public does not understand the role of the construction industry in times of disaster, so they are considering a system for quickly gathering information in times of disaster and are requesting that the association make announcements to the media actively.

Furthermore, in order to secure the next generation of construction workers, companies in the construction industry are organizing site tours and on-site lectures to inform children, their parents and students about the importance and attractiveness of the construction industry and to encourage their interest in the construction industry.

2.3 Securing a Female Workforce

In the construction industry, since the MLIT and construction industry associations jointly formulated the 'Action Plan for the Construction Industry to Enable More Women to Play an Active Role' in August 2014, the public and private sectors have worked together to implement various measures to promote women entering the construction industry and to help them continue working. In the course of these efforts, it became apparent that 'continuing to work' was a major issue, so in January 2020, the MLIT, construction industry associations and the Network for Promotion of Women's Advancement in the Construction Industry jointly formulated the 'Action Plan for Promoting the Retention of Women in the Construction Industry -To the Construction Industry Where Women Can Continue to Work' with the aim of enabling all women working in the construction industry to continue to work by achieving a balance between 'job satisfaction' and 'work-life balance. ' The action plan consists of three pillars: (i) promoting the creation of an environment that enables women to continue working, (ii) aiming to make the construction industry a place that women want to work in, and (iii) establishing initiatives to support women working in the construction industry across the country. Targets have been set for each pillar to be achieved by 2024. The targets and examples of efforts by the MLIT and construction industry associations to achieve these targets are given below.

Target (i): To reduce the percentage of female employees leaving the company compared to the previous year.

(Example of initiatives)

- Promoting the 'Ikuboss' declaration, which refers to bosses who are considerate and understanding of their subordinates' and colleagues' childcare, etc., in order to create an atmosphere in which men can actively take advantage of the childcare leave system.
- Setting up an environment where you can work flexibly, such as by working shorter hours, using a flexible working hours system, or working from home so that you can balance work and childcare.
- Promoting the introduction of comfortable toilets and changing rooms at construction sites to create a comfortable working environment for women.
- Using CCUS to certify past employment history when returning to work to support a smooth return to work after maternity or paternity leave.
- Providing opportunities for women to improve their skills and techniques outside the workplace, such as web-based learning programs, so that they can increase their motivation and fulfillment.

Target (ii): To increase the percentage of women entering the workforce from the previous year.

(Example of initiatives)

· Conveying the appeal of the construction industry and the fact that construction sites are workplaces that are easy for women to work in to students, their parents, and school teachers who influence career choices through on-site tours and lectures.

· Providing good practice examples from companies on women's retention in order to further promote understanding of women's retention among companies and industry associations.

· Disseminating information on examples of work where women are active so that women can draw their career paths.

Target (iii): To aim for 100% awareness of the content of the new plan.

To aim to have all prefectures join the 'Construction Industry Women's Retention Support Network, ' an organization that operates on a prefectural basis.

(Example of initiatives)

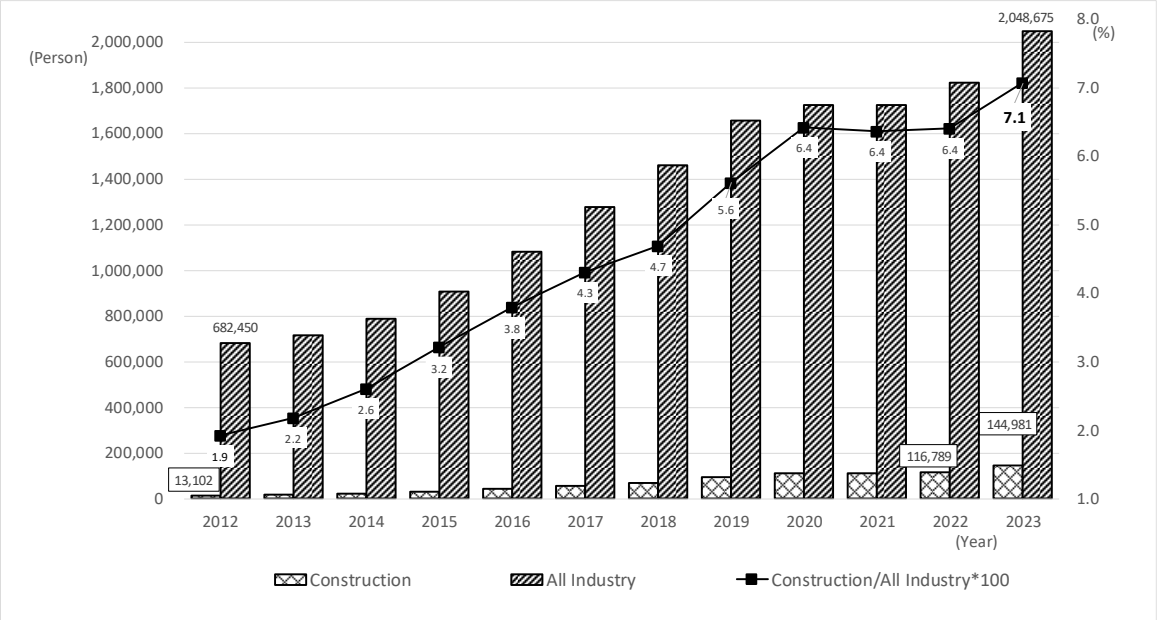
· Disseminating information through a centralized portal site for information on women's retention.

· Promoting registration with the 'Construction Industry Women's Retention Support Network' and further enhancing its activities, expanding them nationwide.

2.4 Acceptance of Foreign Human Resources

Figure 14 shows the number of foreign workers in all industries and in the construction industry. The number of foreign workers has been increasing year by year and reached 2,048,675 as of December 2023. Among them, the number of foreigners active in the construction field was 144,981, an increase of 11 times compared to 2012. In addition, the number of people increased by approximately 28,000 in the year from 2022 to 2023, the largest increase in the past 11 years. Furthermore, of the total number of foreign workers, the percentage of foreign workers engaged in the construction industry has been increasing and it was 7.1% of all industries in 2023. Looking at foreign workers in the construction industry by nationality, as Figure 15 shows, the largest number is Vietnamese, and after that, there is a concentration of Asian nationalities, including Indonesian, Filipino, Chinese, and Burmese. Vietnamese nationals also make up the largest proportion of workers in all industries, but it is a feature that the number of Nepalese and Brazilian nationals, who are in high positions in all industries, is low in the construction industry.

(Figure 14) Number of Foreign Workers



Created by RICE based on the data retrieved from MHLW "Status of Notification of Employment Status of Foreign Nationals"

(Figure 15) Rank of Foreign Workers by Nationality

(Person)

	1st place	2nd place	3rd place	4th place	5th place
Construction	Vietnam	Indonesia	Philippines	China*	Mynmar
	62,026	23,549	16,215	13,204	6,399
All Industry	Vietnam	China*	Philippines	Nepal	Brazil
	518,364	397,918	226,846	145,587	137,132

*Including Hong Kong and Macao

Created by RICE based on the data retrieved from MHLW "Status of Notification of Employment Status of Foreign Nationals"

One of the systems for accepting foreign human resources is the Technical Intern Training Program, which has been in place since 1993. In the future, the Technical Intern Training Program will be replaced by the Training and Employment Program by 2027, in accordance with the revised Immigration Control Act and other laws, which were passed in June 2024.

The background to the change from the Technical Intern Training Program to the Training and Employment Program was the difference between the purpose and the actual situation of the Technical Intern Training Program and the weak position of the technical interns.

The purpose of the Technical Intern Training Program was to make an international

contribution by transferring skills through human resource development, but in reality, the technical interns were valued as a domestic labor force, and the discrepancy between the purpose and the actual situation was a problem.

In addition, there were cases where the supervisory organizations, which were supposed to support the technical interns, violated their human rights, and there were cases of technical interns disappearing due to the harsh environment of the receiving organizations. The fact that transfers were not permitted was also a cause of disappearances.

In view of the above, the objective of the Training and Employment Program is to secure and develop human resources to the existing level of Specified Skilled Worker (i) and with a working period of three years as a general rule. Under the Technical Intern Training Program, in principle, technical interns had to return to their home countries after completing their training, but the Training and Employment Program provides a residence status for transitioning to Specified Skilled Worker, with a view to securing human resources who can support the construction industry over the long term. In addition, the enhanced continuity between the Training and Employment Program and the fields and tasks of Specified Skilled Worker will make it easier to draw a career path with a view to transitioning to Specified Skilled Worker. Furthermore, the requirements for receiving organizations and supervisory organizations, which have been a problem, will be optimized, a system will be put in place to ensure appropriate acceptance and training, and transfers will be possible under certain conditions. It is hoped that these changes will attract foreign workers in the future and help to solve the labor shortage in Japan's construction industry.

2.5 Human Resource Development Initiatives

Amid concerns about the shortage of skilled workers, education and training is needed to pass on skills, to retain new recruits and to further improve the skills and motivation of current employees. However, major prime contractors do not have direct employment relationships with skilled workers, and personnel are transferred on a site-by-site basis, so they are not actively involved in the education and training of skilled workers and have not progressed as far as the manufacturing industry, which has direct employment relationships with skilled workers. In addition, specialized construction companies, which directly employ skilled workers, are also not able to provide sufficient education and training due to financial and time constraints.

The national education and training system in Japan is regulated under the Employment Insurance Law as a capacity development project and is funded by

employment insurance premiums paid by employers. In the case of the construction industry, the insurance premium rate is set at 3/1000 higher than in the general business sector and 1/1000 higher than in the agriculture, forestry, fisheries and sake production sectors, and this year 7.2 billion yen of the said premium rate is used to finance subsidies for construction employers and others. This subsidy is available to construction employers, construction employers' associations and vocational training corporations, helping to reduce their respective cost burdens.

In addition, the Vocational Training Development Promotion Act stipulates vocational training, which can be broadly divided into public vocational training provided by public institutions and vocational training provided by employers and others. Vocational training provided by employers and others, where the training conforms to the standards set out in the Act and is accredited by the governor, is referred to as accredited vocational training. One of these accredited vocational training facilities is the Fuji Education and Training Centre, which offers a wide range of vocational training for new recruits, engineers and skilled workers. As the center offers accommodation, people come from all over Japan and many people study there, but the number of trainees peaked at 57,000 person-days in 2019 and declined to 28,024 person-days in 2022, making it difficult to secure trainees.

With regard to skills succession, the Ministry of Health, Labor and Welfare has a 'Monozukuri Meister' system based on the support of the development of young skilled workers' projects. The system certifies and registers people with outstanding skills and experiences in the field of manufacturing as 'Monozukuri Meisters', who provide practical, hands-on guidance to young technicians and students at small and medium-sized enterprises and schools, thereby effectively passing on skills and fostering successors.

It is hoped that these national schemes and subsidies will be actively utilized and that education and training will become more active, with construction companies, industry associations and vocational training facilities working together.

Conclusion

The construction industry is facing the challenges of a shortage of human resources and an aging workforce. However with the efforts of construction companies, government and industry-wide initiatives, the industry is being transformed from a '3K' image to a 'new 3K' image. This change is the result of various achievements, such as higher wages, reduced overtime hours, better working conditions on holidays and improved treatment through the introduction of CCUS and other measures. Furthermore, opportunities for women and foreign workers are gradually increasing, which is leading to greater diversity and vitality in the entire construction industry.

However, such efforts are still inferior to other industries, and the shortage of human resources in the construction industry will become an increasingly serious issue, partly due to Japan's declining population. To address these challenges, it is important for the entire construction industry to work together to make further improvements.

In June 2024, the Third Act on Securing Construction Workers was passed with the aim of 'securing construction workers', 'improving productivity' and 'strengthening responsiveness in rural areas.' In terms of securing construction workers, the law stipulates the promotion of securing holidays, the clear stipulation of contract change clauses to prevent material price hikes from being passed on to labor costs, the prohibition of quotations and contracts that are significantly lower than the normal labor costs, the strengthening of measures against dumping in the construction period, support for vocational training corporations and securing diverse human resources including foreign nationals. With regard to improving productivity, the law stipulates the use of ICT and the promotion of appropriate evaluation of new technologies and their reflection in the estimated price. In order to strengthen responsiveness in rural areas, it is stipulated that orders should be placed under appropriate conditions and order size based on local conditions and that disaster response capabilities should be strengthened. The amendments introduced by the Third Act include a wide range of measures, which are expected to further change the entire construction industry from '3K' to 'new 3K' and even to '4K', including 'cool'.