

# Structural Changes in the Labor Market and Employment Insurance in Japan

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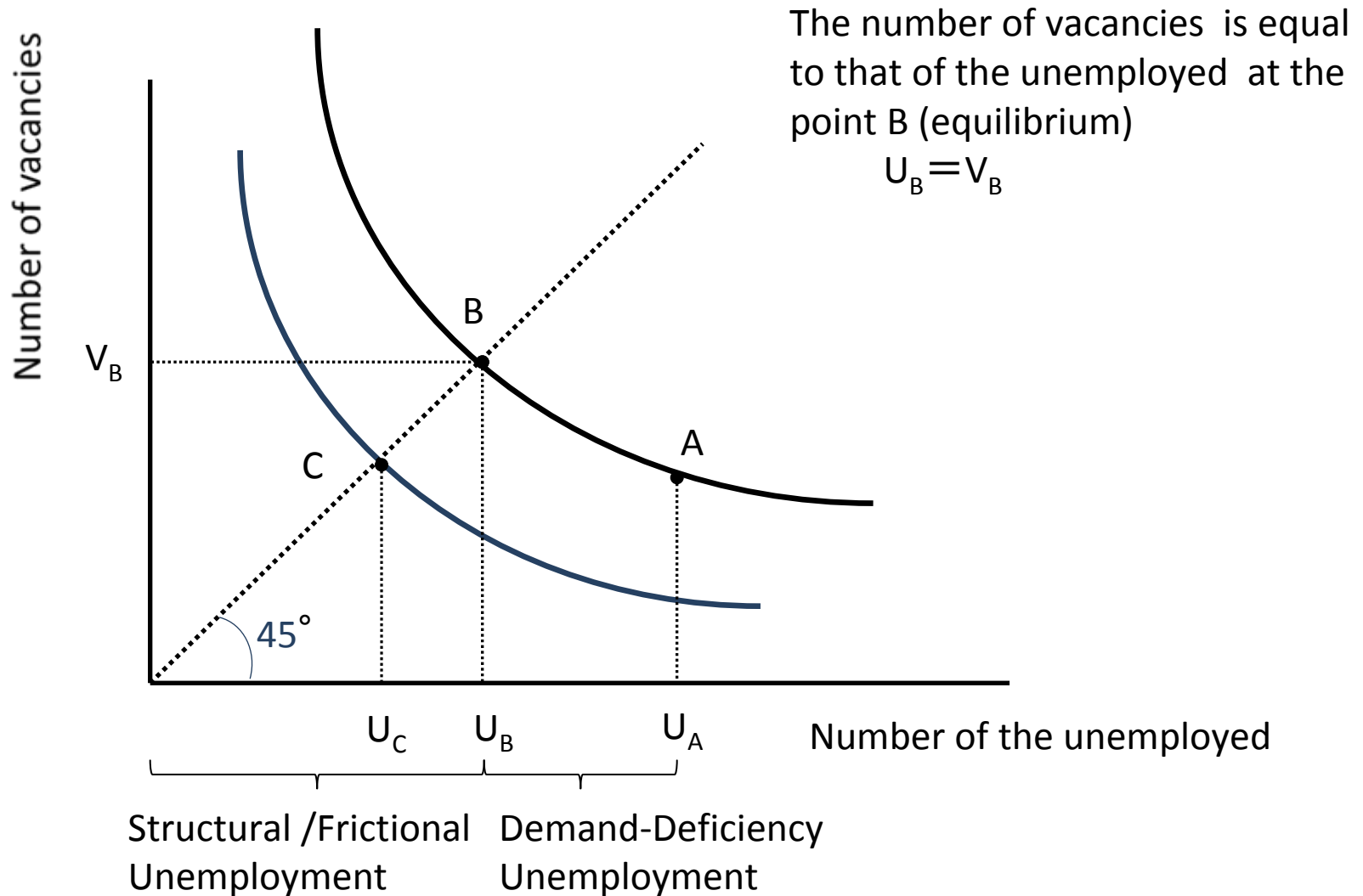
# Outline of the Presentation

- Introduction
- Structural Changes in the Labor Market
- Non-standard workers and Employment Insurance
- The “Second Safety Net”
- Concluding Remarks

# Introduction

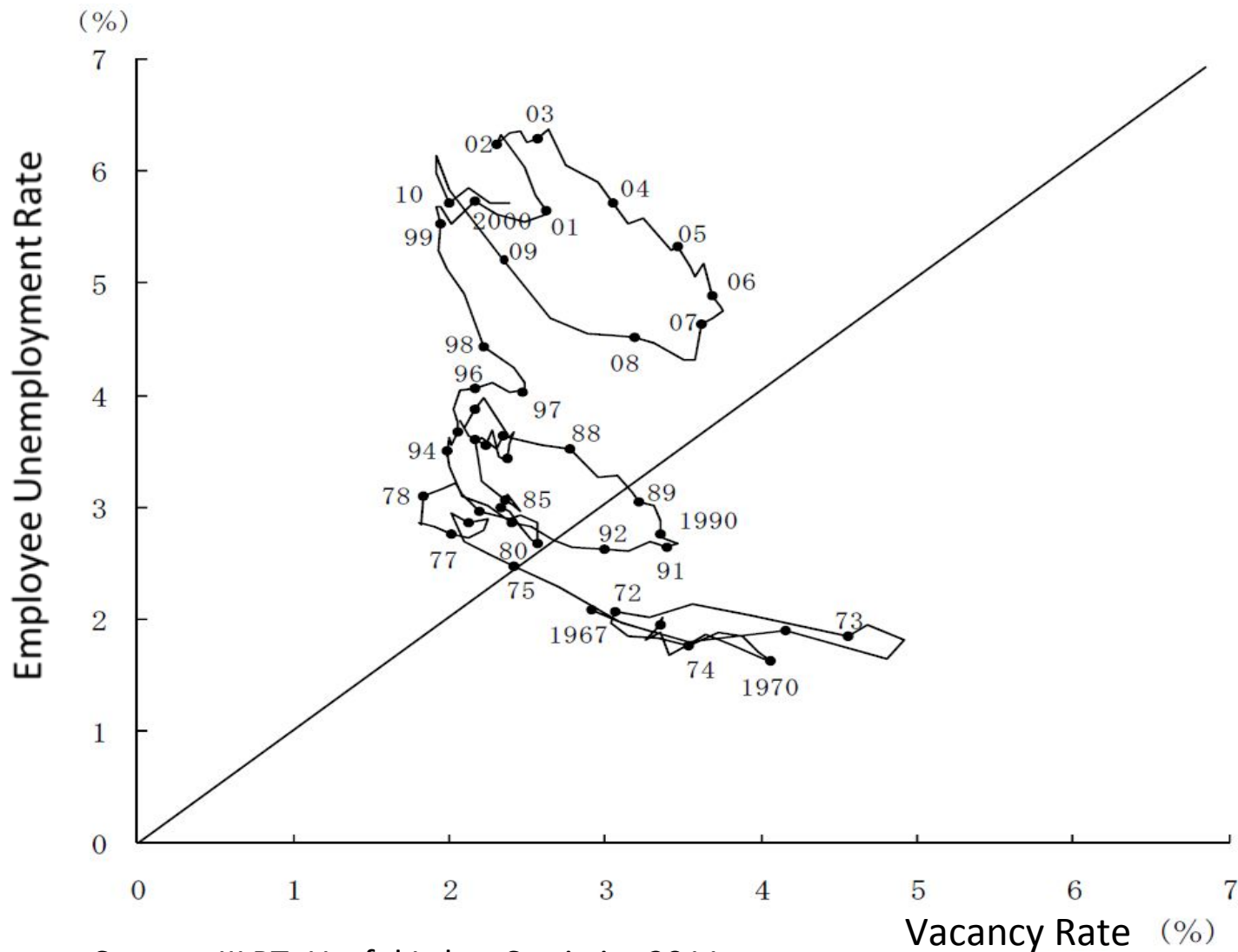
- Faced with consecutive crisis (Financial Crisis, Earthquake), the Japanese Employment Insurance has played an important role to maintain the social resilience.
- Japan is now confronted with rapid structural changes such as growing number of non-standard workers, growing inequality and poverty.
- EI should be reformed to cope with the issues stemming from these structural changes.

# Vacancy and Unemployment (Beveridge Curve)



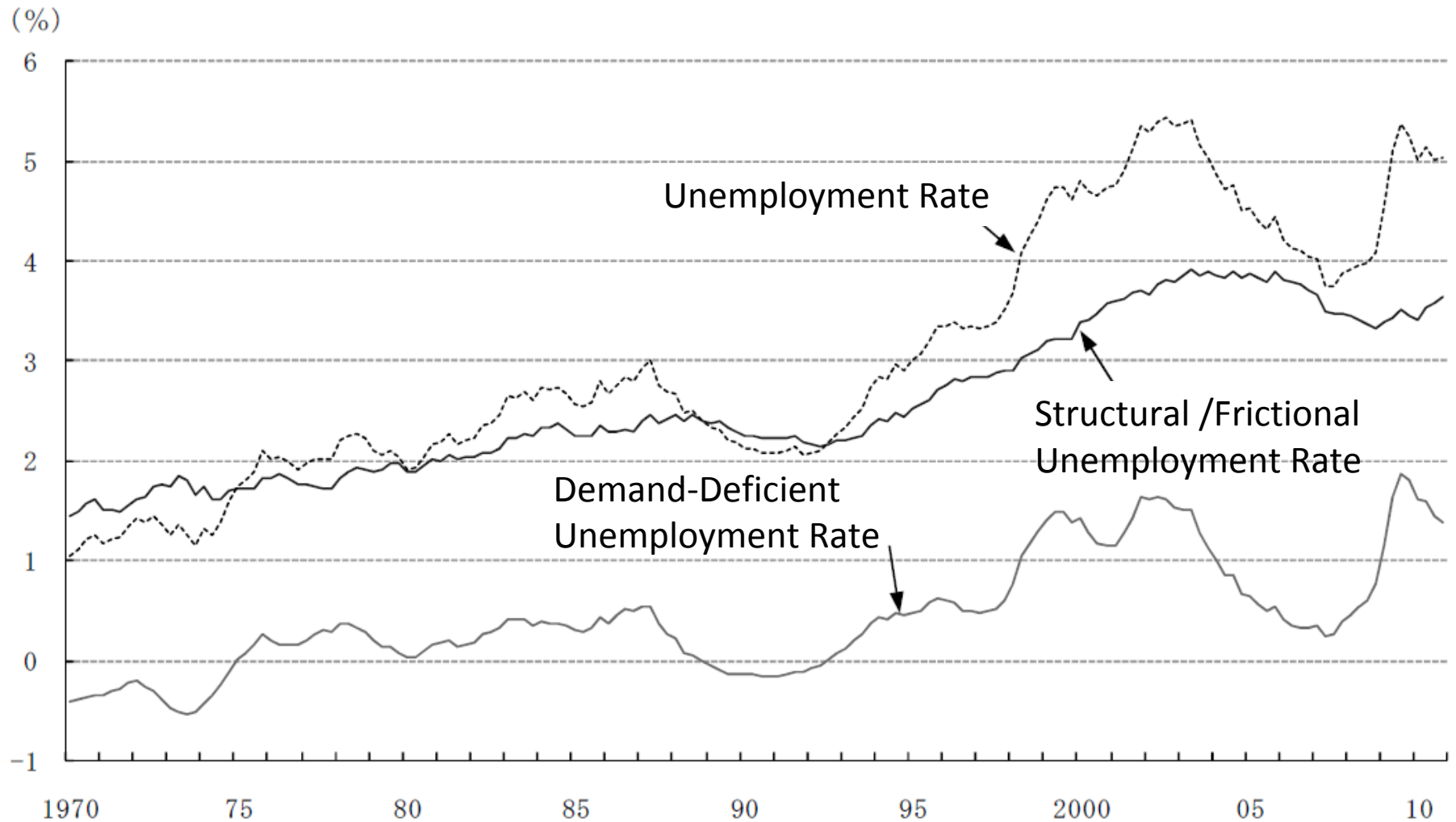
# Beveridge Curve

1967 Q1 – 2010 Q4



Source: JILPT, Useful Labor Statistics 2011

# Structural and Frictional Unemployment Rate

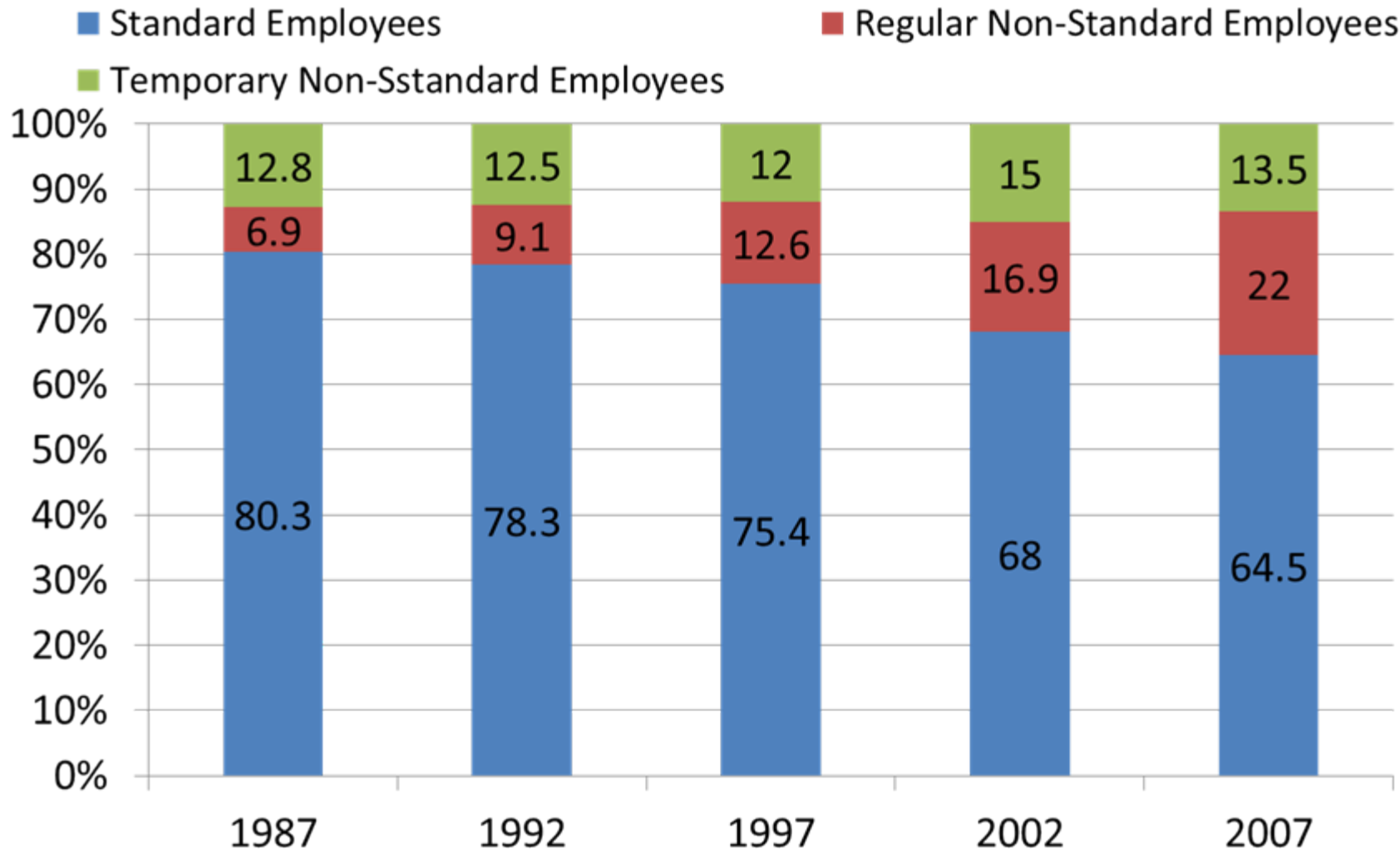


Source: JILPT, Useful Labor Statistics 2011

# Structural Changes in the Labor Market

- The increase in non-standard employees
- The increase in the long-term unemployment, especially among youth
- The increase in the unemployed who have no work experience such as new school leavers.

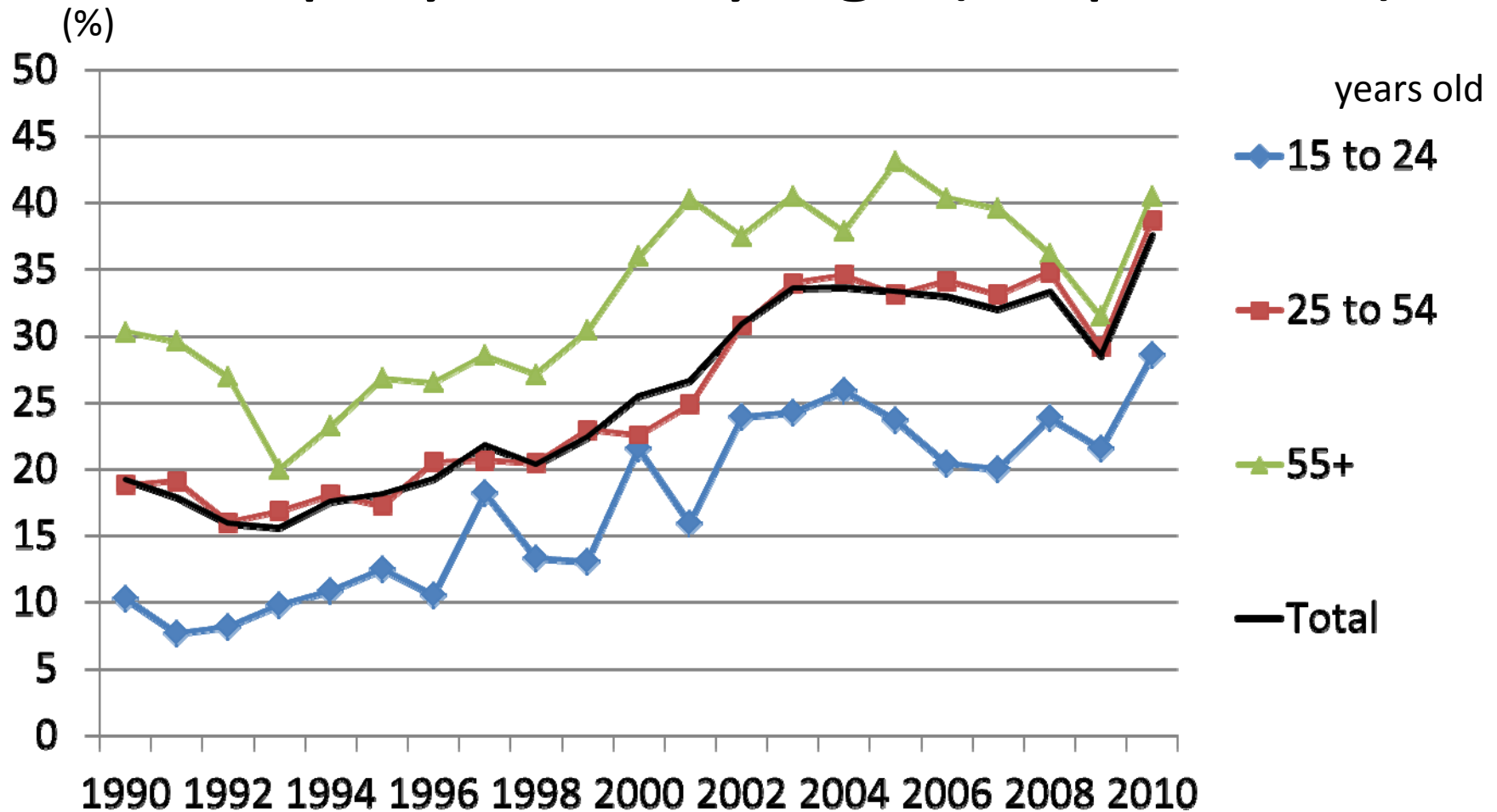
# Structural Changes in Employment



Source: MIC Statistics Bureau, Employment Status Survey



# Incidence of Long-term Unemployment by Age (All persons)



Long-term unemployment: the duration is one year and over

Source: MIC, Statistics Bureau, Labor Force Survey

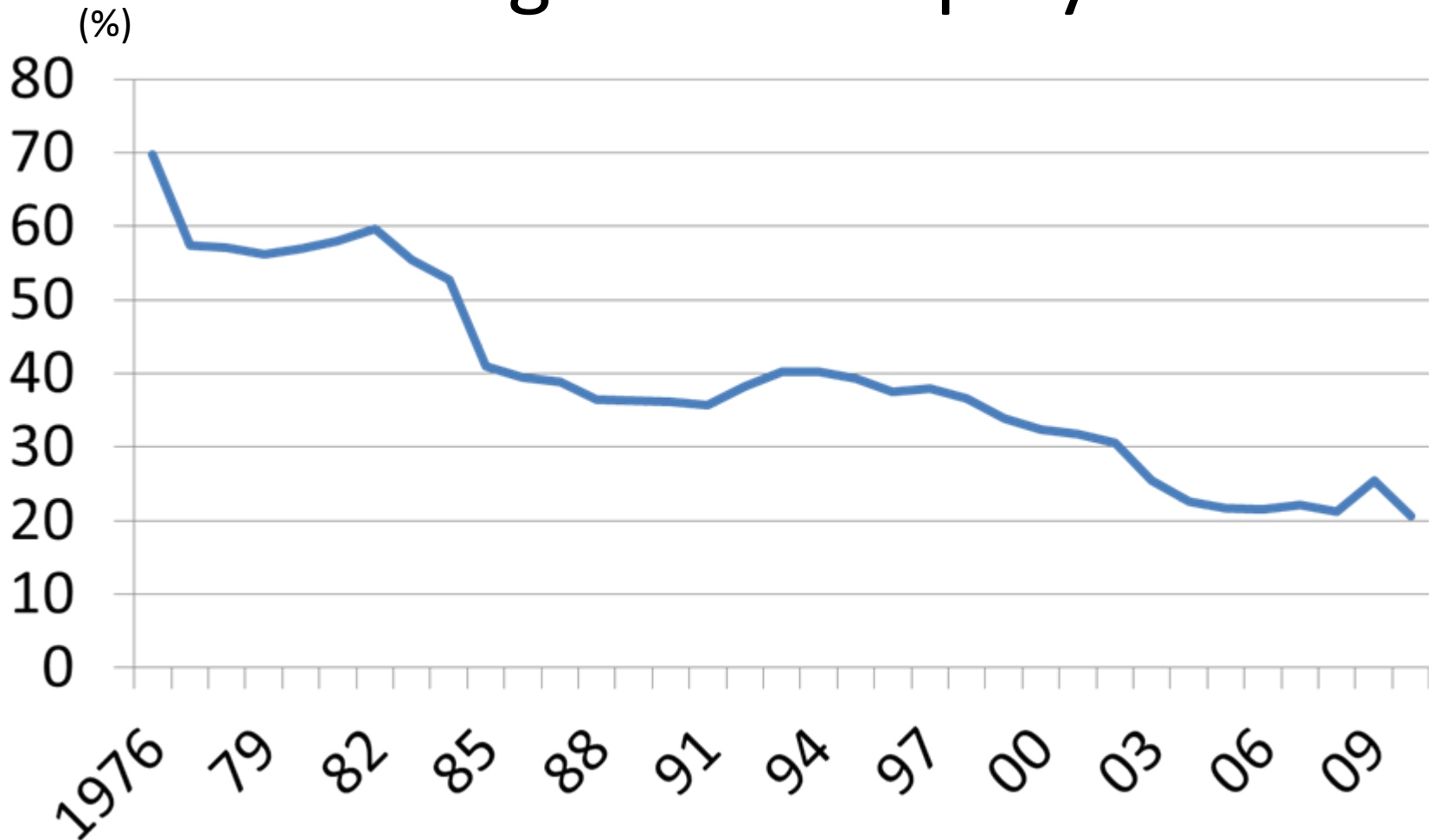
# Characteristics of the Japanese EI

- The qualification conditions to be insured include the lower limit of the expected duration of employment in addition to scheduled weekly hours worked and ages, etc.
- There is no unemployment assistance scheme, which assures the income for the unemployed after the expiration of UB duration or those unemployed with no qualification for UB such as some non employees, even though the payment is lower.

# The proportion of UB beneficiaries among the unemployed

- The proportion of UB beneficiaries among the unemployed (in the ILO definition) is relatively lower in Japan, compared with other countries. It should be also noted that the proportion is decreasing gradually from 39.8% in FY1995 to 22.1% in FY2008. This is partly accounted for by the increase in the unemployed persons whose previous employment status was non-standard employees.
- The proportions of UB beneficiaries among the unemployed in Germany (87%), France (82%), United Kingdom (60%), United States (43%) are much higher than in Japan (23%).

# The proportion of UB recipients among the unemployed



Source: Statistics Bureau, Labor Force Survey, MHLW

# El coverage of non-standard employment

- In Japan, both part-time and temporary contract work can be exempt from UI contributions. Prior to the 2001, the conditions for being obliged to contribute were:
  1. Annual income of JPT 90,000 or more
  2. Work 20 or more hours per week regularly
  3. Expect employment to continue one year or more

# Extension of the Coverage of EI


1. Annual income of JPT 90,000 or more

 This condition was abolished in 2001.

2. Work 20 or more hours per week regularly

3. Expect employment to continue one year or more

 reduced to six months or more in 2009

 reduced to 31 days or more in 2010

# Emergency Employment Measures (2009)

- extend benefit duration for hard-to-employ job seekers
- temporary creation of a living allowance for unemployed without access to employment insurance to take part in vocational training
- temporary subsidies for employers who continue to provide housing to dismissed workers and additional advice through PES for job losers with housing problems

# The “Second Safety Net”

(planned in 2011)

- Set up of *Job Seekers Support Scheme*  
a living allowance for the unemployed without access to employment insurance to take part in vocational training
- Intensive placement support at the *Hello Works*  
Intensive support will be provided to the job seeker who has finished vocational training to find a job by a staff in charge on a man-to-man basis.
  - Coordination with *Public Assistance*  
The coordination is needed with *Public Assistance*.



# Concluding Remarks (1)

- The Japanese EI has played an expected role in the consecutive crisis to maintain the resilience of the society.
- Reform is needed to cope with the issues stemming from the structural changes in the labor market such as growing number of non-standard employment, as well as growing inequality and poverty.
- Extension of the coverage of EI and founding of *Job Seekers Assistance* are expected to be a reform consistent with these structural changes.

## Concluding Remarks (2)

- The coordination with Public Assistance (reform) will be necessary.
- Activation policies are needed to avoid the inefficiencies due to moral hazard.
- It is a right direction to shift the emphasis of ALMP's from older workers to young workers.
- But the employment measures for youth should be implemented with careful considerations of employment practices specific to Japan.