Special Employment Measures in Japan*

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1.0 Introduction

After reaching a high of four percent in 1998, Japan's unemployment rate has remained at that level up to October 2000. During this period, the government has launched five employment packages. In Japan, where unemployment had previously been low except for a brief period immediately after World War II, little attention was paid to active employment policies until the mid-1990s. Even so, measures to attack unemployment became major issues in government policy several times in postwar Japan: firstly, during the period of high unemployment right after the war; secondly, when there was unemployment amongst coal miners who lost their jobs due to the industry's decline; thirdly, when unemployment followed the first oil crisis; and fourthly, since 1998 with the onset of rapidly increasing unemployment.

This article begins with a brief review of Japan's principal postwar employment policies and then discusses the contents and effects of recently adopted policies. It also attempts to present a quantitative picture of employment adjustment subsidies, which have formed a major part of employment policies since 1975. The article is organized as follows. Section 2 summarizes the employment policies of the postwar period. Section 3 describes the main features of five packages implemented since 1998. Section 4 is devoted to a critical analysis of the employment adjustment subsidies that have performed a vital role since 1975 and, finally, conclusions are drawn and future actions are suggested in Section 5.

2.0 Employment Policies after the War(1)

2.1 Summary of Employment Policies after the War

Employment policies adopted during the era of high unemployment, in the years immediately following World War II, were based on the Emergency Unemployment Countermeasures Law (1949) and, essentially, constituted a demand management policy that made use of public works. While policies to curb unemployment consisted of both direct job creation measures for the unemployed and indirect job creation via public works, they were actually dominated by the expansion of the latter. At the same time, an unemployment policy that was adopted at the end of the 1950s and was based on the Temporary Law for Dealing with the Redundant Coal Miners, aimed at adjusting the job market structure, that is, encouraging labor turnover. This policy, which coincided with high economic growth, prompted many workers to move to the manufacturing sector.

Subsequently, the unemployment rate remained low and no substantial active employment policies were carried out. This trend changed considerably, however, during the period of employment adjustment that followed the first oil crisis. In 1975, the unemployment insurance system was drastically revised and, concurrently with the existing unemployment benefit system, a new employment insurance system was established. This involved a scheme that provided subsidies with the aim of positively maintaining employment.
Since 1998, employment policies have followed three principal courses of action. The first course is an expansion of the traditional policy of maintaining employment. A typical measure is to raise the rate of subsidies for employment adjustment, such as subsidies for dealing with the suspension of business operations, for the education and training of employees, and for the transfer of employees to an affiliated or related firm. The second course is also based on the traditional policy, and involves absorption of the unemployed by public works and similar measures to keep them employed. The third course involves new types of employment policies and includes subsidies for job creation, which aim to raise the demand for labor. The subsidies cover, for example, the cost of lump-sum wage subsidies for firms newly hiring middle-aged and elderly workers, and for setting up new subsidies or raising the rates of existing ones for small and medium-sized enterprises (SMEs) that require human resources for new business conversions.

2.2 Unemployment Policies Immediately after the War

The basic framework for the current labor policies was established when Japan was under U.S. occupation following World War II. In 1947, the Employment Security Law and the Unemployment Insurance Law were put into effect to attack high postwar unemployment and poverty. However, the enforcement of such laws did not bear fruit, in that employment opportunities were extremely limited and most unemployed people were from the agricultural and self-employed sectors and were not eligible for unemployment benefits (Takanashi, 1999).

The Emergency Countermeasures Law (1949) was a comprehensive law comprising nationwide measures against unemployment. Its initial purpose was to secure temporary jobs for unemployed people, until they obtained a permanent position once again. In the national budget of 1949, public works started to be treated as a separate category from those projects that were undertaken as unemployment measures, and the Ministry of Labour took responsibility for such projects.

In principle, projects that were undertaken as an unemployment measure were carried out in large cities, and the selection of workers was restricted to those people who were introduced via the Public Employment Security Offices, had no regular job, and would make their living from such projects. Unemployed people who did not satisfy these conditions were supposed to be absorbed in jobs created via public works.

Actual projects that were intended to serve as unemployment measures commenced in the second quarter of 1949. However, because of the measures taken to stabilize private firms in accordance with the Dodge Line, the number of registered unemployed sharply increased from 104,000 workers in May 1949 to 410,000 workers in May 1950. The projects, on the other hand, were only able to provide jobs for 41,000 workers per day. Thus, in January 1950, stricter conditions for workers' eligibility were laid down, limiting it to people who were unemployed for a month or longer, and excluding those who received welfare benefits. Despite all of this, the number of applicants for jobs in the projects did not fall.

2.3 Responses to Structural Unemployment

In the 1950s, the Japanese economy did an about-turn because of the Korean War. At the same time, however, a serious problem — structural unemployment — emerged. This involved the issue of unemployment amongst both miners and those workers employed by the Occupation Forces. To solve the unemployment problem of such workers, two special laws were enacted: the Temporary Law for Dealing with Redundant Workers in the U.S. Military Bases in Japan (1958) and the Temporary Law for Dealing with Redundant Coal Miners (1959). Under these laws, workers who had been obliged to leave either of those two sectors of employment, and move elsewhere, were given generous allowances for such activities as re-employment and transfer, as well as having housing provided at their new locations (on the basis of “housing encouraging employment”). In addition to these measures, new public works (the Emergency Measures to Promote Displaced Coal Miners, 1959) were instituted in those areas with mining industries, thereby expanding the
government's attempt to absorb the unemployed directly into public works. By the latter half of the 1960s, as the coal mining industry shrank further, more and more miners flowed into such public works. The policy of absorption of unemployment by public works was revised substantially in 1971, when the Law concerning Special Measures for the Promotion of Employment of Middle-aged and Older Persons came into force.

In 1966, the Employment Measures Law was enacted, systematizing and extending to the whole of industry the series of measures that emerged in the process of transformation of the industrial structure, to tackle structural unemployment. The Employment Measures Law also regulated the procedures for mass reductions in jobs, including dismissals, and was to lead later to policies strengthening employment security.

2.4 Employment Measures during the First Oil Crisis

The mass unemployment that resulted from employment adjustment on a large scale during the first oil crisis brought a major shift in employment policy in Japan, towards support of policies to actively prevent unemployment. It is noteworthy that, at that time, the unemployment rate had soared from the one percent level that had been usual until 1974, to two percent from 1975 onwards.

An employment insurance system was established at the height of this large-scale employment adjustment. The most outstanding innovation of that system was the addition — to the existing unemployment benefit schemes — of a series of measures to prevent unemployment. Specifically, three new types of measures were established: measures to stabilize employment\(^2\), measures for human resource development, and measures related to workers' welfare. Out of these, the scheme that was put to most use in forestalling unemployment was the system of subsidizing employment adjustment that formed part of the employment stabilization measures. This scheme aimed to prevent a drop in those production and employment levels that were due to economic fluctuations. This was done by providing those business owners who were obliged to suspend business operations with assistance in areas such as allowances for business interruptions, subsidies for training and the other costs involved in transferring employees to related firms. More precisely, the Minister of Labour identified particular industries that were facing a fall in production and jobs, and subsidized a part of such allowances to firms in such industries upon request. As discussed in more detail in Section 4, the scheme to provide subsidies for employment adjustment later played a central role in employment measures that were undertaken.

2.5 The Second Oil Crisis and Two Strong-Yen Recessions

In 1978, when the economy was suffering from a recession due to the first strong-yen shock, a Temporary Law for Dealing with Redundant Workers in Specified Areas in Recession was enacted, thereby launching a subsidy scheme for workers who had lost their jobs in specified areas that were badly affected. In December of that year, the Ministry of Labour embodied its ideas on emergency employment measures in a New Employment Policy Program. The focus of this program was the creation of “employment development works,” with the aim of creating some 100,000 jobs.

More specifically, the plan involved “subsidies for developing the employment of middle-aged and elderly workers.” Through this strategy, if employers increased the proportion of such workers among their newly employed staff, or increased the number of such workers during periods specified by the Minister of Labour and in accordance with economic fluctuations, then the employers were subsidized for part of the wages paid to these newly-hired employees. The period of eligibility for the subsidy was one year for employees between 45 and 54 years of age, and one-and-a-half years for those between 55 and 64 years. The proportion of wages subsidized was high, at three-fifths (or, in the case of SMEs, four-fifths) of the total salary. The employment measures taken during the recessions caused by the second oil crisis and by the second strong-yen shock were extended and revised versions of the existing measures. As indicated below, a similar system was also adopted as...
part of a series of employment measures after 1998.

3.0 Five Employment Packages from 1998 and 2000
3.1 The First Employment Package (Emergency Employment Development Program of April 1998)

A financial upset in autumn 1997 set off a sudden economic recession. As the unemployment rate began to soar at the beginning of 1998, the government incorporated measures concerning employment into its comprehensive economic measures of April 1998. These were in the form of an emergency employment development program, which had a budget of ¥49.5 billion.

Broadly speaking, the program consisted of two parts: an extension of existing measures and a series of new measures. The former included a rise in the ratio of subsidies for employment adjustment, and a relaxation, in terms of the employees' age, of the conditions for employers hiring middle-aged and elderly workers who would receive subsidies. The new measures included an Education and Training Benefits System, commencing in December 1998, and — as a new job creation measure — an increase in the amount of money as subsidies to SMEs, to enable them to secure human resources. The subsidy scheme for training costs was epoch-making in that it directly subsidized individual workers, in contrast to the labor market training measures so far, which had been executed mainly through subsidies to organizations in charge of the training. Where the expansion of subsidies to SMEs was concerned, similar measures up until then had aimed at preventing employment. The expansion, however, was a positive approach to creating new jobs.

The Education and Training Benefits System that was introduced in December 1998 takes the form of a direct subsidy, with a maximum of ¥200,000, to individuals belonging to the employment insurance scheme, to help pay for various vocational training programs conducted by private firms. This can also be seen as a kind of voucher system. Because the subsidies are paid after completion of vocational training, actual payments started in March 1999. From March 1999 to August 2000, the number of recipients totaled 262,213, with males accounting for 144,605 and females for 117,608. Overall expenditure totaled ¥24.6 billion. If the utilization of the scheme by such a large number of workers resulted in an increase in the incentive to undertake vocational training, this would mean that the scheme had the desirable effect of increasing the level of human capital.

However, some drawbacks to the scheme have been identified:

First, the amount of subsidy is small: ¥200,000 is not enough to receive proper vocational training. Compared with public training programs, which are free, the cost that individuals have to bear is too large.

Second, because the scheme is carried out under the employment insurance scheme, it applies exclusively to those who join the insurance scheme. This means that the self-employed, the long-term unemployed, and the jobless new graduates are not eligible for the subsidy. This, in turn, means that it will be necessary to modify the scheme, by measures such as tax benefits or scholarship systems, to make it available to workers who do not belong to the employment insurance scheme. In addition, it will be necessary to find out the extent to which the payment of the subsidy has increased the employability of the recipients.

3.2 The Second Employment Package (Emergency Economic Package, November 1998)

In 1998, an emergency package was drafted, with a total budget of ¥17 trillion, with the goal of creating one million new jobs and of stabilizing employment prospects. (The package, incorporating over ¥6 trillion of permanent tax deductions, was well over ¥20 trillion in total.)

Of the one million jobs, more than 370,000 were expected to be due to the job creation effect. The
figure was seen as a combination of the number of new jobs created through expansion of the GDP due to economic measures (as estimated by the Economic Planning Agency), plus 58,000 jobs resulting from job creation subsidies such as the Subsidy for Creating Employment and Securing Human Resources in Small and Medium-sized Enterprises. At the same time, the effect of employment stabilization measures was set at approximately 640,000 jobs.

About 700,000 out of the one million jobs were expected to be achieved via a Comprehensive Plan to Vitalize Employment, which has a budget of ¥1 trillion. The plan included, for example, undertakings to back up the creation of jobs and improve the business environment among SMEs; an extended duration of payments for unemployment benefits, while the unemployed in question were receiving vocational training; the extension of the period for which the Emergency Employment Development Program was effective; the reinforcement of measures to help middle-aged and elderly workers switch jobs, without an interval of unemployment, and become reemployed; and the extension of, and inclusion of, private vocational training institutes in public training programs for those white-collar workers who are unemployed and therefore obliged to change jobs.

At the same time, in order to respond flexibly to the employment situation and provide necessary employment opportunities for middle-aged and elderly involuntarily unemployed people, a Special Fund for Emergency Job Creation was established.

3.3 The Third Employment Package (Emergency Package of Employment Measures, June 1999)

In contrast to the previous two packages, the third one was an emergency package of employment measures that emphasized the potential effect of an increase in employment opportunities. This series of measures was designed to create some 700,000 new jobs. Key aspects of each of these measures for new jobs follow:

- **Special Grants for Creating Employment in the New and Growth Sectors (150,000 jobs)**
  
  It has been specified that these grants should be awarded to enterprises if they bring forward their plans to hire certain types of workers, such as middle-aged and elderly involuntarily unemployed, or if they conduct on-the-job or other practical vocational training.

- **Special Emergency Fund for Job Creation (200,000 jobs)**
  
  Regarding the subsidies financed by this special fund for assisting enterprises that plan to hire middle-aged and elderly involuntarily unemployed workers, the requirements for the scheme to come into effect in each local block have been relaxed so as to make it more effective.

- **Emergency Special Subsidies for Creating Local Employment (300,000 jobs)**
  
  A fund is to be set up in each prefecture and financed by special grants, with the amount of each to be determined by the level of unemployment and the population in the particular prefecture. With this, it is intended that local governments at prefectural or lower administrative levels should aim at creating employment opportunities, mainly via undertakings entrusted to private firms, non-profit organizations (NPOs) and others.

- **Special Subsidies for the Transfer of Human Resources (70,000 jobs)**
  
  The special subsidies are intended to contribute a portion of the wages for enterprises planning to hire workers who have been transferred from related firms or who wish to find reemployment, as well as a portion of the training costs for enterprises which transfer employees to — or accept employees from — related or affiliated enterprises. (At the same time, similar existing measures were modified. Eligibility for the Special Subsidies to Aid Middle-aged and Elderly Workers in Transferring was now, for example, extended to workers less than 45 years old.)

  In addition, the number of workers covered by the Project to Aid Middle-aged and Elderly Workers Finding Employment was increased by another 100,000.
3.4 The Fourth Employment Package (The Second Supplementary Budget for Fiscal Year 1999, November 1999)

As the fourth package, the implementation of employment measures with a commitment of ¥273.9 billion was incorporated in the fiscal 1999 supplementary budget. The contents of the package are outlined below. It is important, however, to note first of all that most of the money went to making-up deficiencies in the employment insurance fund, and that this was followed by measures to support business start-ups among SMEs. In this sense, Japan's employment policy at this stage can be said to have shifted from employment maintenance to employment creation. At the same time, this series of employment measures included a newly allocated component of the budget to measures affecting young people, though the amount of money committed to this was small. The package included:

- job creation and stability measures via assistance in business start-ups among SMEs and the reinforcement of their basic business standing: ¥65.7 billion. They include:
  (1) the creation of employment opportunities by supporting business start-ups of SMEs: ¥51.4 billion (the Special Grant for the Creation of Local Employment in SMEs)
  This refers to measures to financially support SMEs with regard to the costs of human resource development, personnel management and related issues, when they hire new employees. The amount of the grant would vary, in accordance with the number of workers to be hired, and within a range of ¥7.5 million (four to nine workers) to ¥15 million (20 or more workers).
  (2) the expansion and stabilization of employment opportunities by reinforcing the basic business standing of SMEs: ¥14.3 billion

- measures to create employment opportunities and assist workers in finding employment: ¥33.7 billion. They include:
  (1) job creation measures targeting specific regions: ¥32.1 billion (Grant to Encourage Reemployment for Workers Leaving Jobs in Specified Areas and Subcontracting Firms)
  This refers to measures to give grants to enterprises that employ — on a temporary or regular basis — workers who have given up jobs in designated areas, or in firms that are engaged in subcontract work. The amount of the grant can range from ¥100,000 to a maximum ¥600,000 per month.
  (2) measures to secure employment opportunities for care workers: ¥0.5 billion
  (3) measures to assist new graduates and other young people in finding jobs: ¥0.5 billion
  (4) measures to assist disabled people in finding jobs: ¥0.3 billion
  (5) reinforcement of the information systems at Silver Human Resource Centers: ¥0.3 billion

- measures to shorten unemployment periods and establish safety nets: ¥172.8 billion. They include:
  (1) measures to secure safety nets for unemployment: ¥170.9 billion, in order to:
    (a) compensate for the deficiency in employment insurance funds for paying unemployment benefits
    (b) make up for the deficiency in funds for paying allowances to encourage job taking
  (2) measures to encourage prompt and smooth job finding via the introduction of computers: ¥1.9 billion (1,000 personal computers)


In May 2000, in response to persistently high unemployment rates and an increase in the number of unemployed among new university graduates, the government announced a fifth package of employment measures. A summary of key factors follows:

- skills development: in stronger cooperation with technical and other schools, measures have been included to expand vocational training for young people who have quit jobs, to help them to become reemployed (targeting over 140,000 workers)
- job creation (totaling 350,000):

Measures have been included to help SMEs recruit workers when they plan to start a new business or enter a new business field (targeting 100,000 workers, and with half of the wages of up to six workers to be subsidized).

Measures have been included to help enterprises in the health care service sector recruit workers (targeting 30,000 workers, and with half of the wages of up to six workers to be subsidized).

Measures have been included to help in the compliance of undertakings which have been delegated by local public bodies to private firms or the like, to create and fill temporary or emergency job openings (with undertakings taking advantage of funds created with subsidies totaling ¥200 billion to the prefectures, and targeting 150,000 workers).

Measures have been taken to give grants to employers in 15 recently established or growing sectors that accelerate their plans to hire workers (targeting 70,000 workers and with subsidies of ¥700,000 per worker). Workers who are receiving vocational training, as well as jobless new graduates, have been added to the scheme, and the age limit has been relaxed to 59.

Safety nets to become effective across the country when the unemployment rate exceeds five percent: measures to support employers who take on new workers when the unemployment situation worsens (the expected number of workers targeted by the measure is 90,000 at an unemployment rate of five percent or above, with subsidies of ¥300,000 per worker).

There are a number of significant aspects to the employment package of May 2000. It includes measures for jobless new graduates, and ensures that this kind of measure — which had previously been disproportionately targeted at middle-aged and elderly people — is now aimed more evenly at a wider age range. Such modifications reflect the seriousness of unemployment amongst young people. There is also a significant shift in emphasis from employment maintenance policies to employment creation and the improvement of employability. This includes such attributes as an increase in subsidies to firms that hire workers, and the expansion of vocational training programs.

3.6 Progress with the Emergency Package of Employment Measures which Came into Effect in Spring 1998

It is important to ensure an ongoing and rigorous examination of the effectiveness of these five packages of employment measures, since their inception in 1998. At this stage, and as a prelude to any strict evaluation and analysis of the policies, we can examine the extent to which the government's emergency package of employment measures (initiated in the spring of 1998) has in fact been put into practice. Table 1 shows the situation regarding each measure.

Table 1: Progress of the Implementation of the Governmental Emergency Package of Employment Measures (as of September 2000)

<table>
<thead>
<tr>
<th>Measures</th>
<th>Budget and targeted increase in jobs</th>
<th>Actual results</th>
<th>Ratio of target achieved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special Grants for Creating Employment in the New and Growth Sectors (August 1999 – August 2000)</td>
<td>Approx. ¥90 billion, 150,000 jobs</td>
<td>4,463 people (as of September 14, 2000. Subsidies applied for: 8,633)</td>
<td>Ratio of jobs actually achieved: 2.9%; Ratio of applicants to targeted numbers: 5.75%</td>
</tr>
<tr>
<td>Special Emergency Grants for Job Creation (January 1999 – March 2002)</td>
<td>Approx. ¥60 billion, 200,000 jobs</td>
<td>2,806 people (as of September 14, 2000. Subsidies applied for: 4,019)</td>
<td>Ratio of jobs actually achieved: 1.4%; Ratio of applicants to targeted numbers: 2.0%</td>
</tr>
<tr>
<td>Special Subsidies for the Transfer of Human</td>
<td>Approx. ¥40 billion, 300,000 jobs</td>
<td>6,077 people (as of September 14, 2000)</td>
<td>Ratio of jobs actually achieved: 8.7%; Ratio of applicants to targeted numbers: 5.75%</td>
</tr>
</tbody>
</table>

http://www.jil.go.jp/bulletin/year/2000/vol39-12/05.htm 2006/02/21
Table 1 shows that the ratio of targets achieved out of the 1999 emergency package of employment measures, which was intended to increase jobs by 700,000, turned out to be fairly low. The Special Grants for Creating Employment in the New and Growth Sectors, the Special Emergency Grants for Job Creation, and the Special Subsidies for the Transfer of Human Resources were all central features of the special grants to create jobs, which were promoted as a new direction for employment policies.

The Special Grants for Creating Employment in the New and Growth Sectors were established to provide for those employers in new and growing industries who sped up their plans to hire — as regular employees via the Public Employment Security Offices — workers qualified to be covered by this grant, with ¥700,000 to be granted per worker. The scheme initially confined eligibility for workers aged 30 to 59 years, and who had lost their previous jobs involuntarily. In May 2000, however, the lower age limit of 30 years was removed, and eligibility was extended to cover those who were receiving vocational training and who had failed to get a regular job after graduation.

Under the Special Emergency Grants for Job Creation scheme the employer is to be granted ¥300,000 per worker, under the following conditions: when (on a quarterly basis) a particular regional unemployment rate exceeds 5.4 percent for two successive periods, or when the nationwide unemployment rate exceeds 5.0 percent, if an employer hires as regular employees — via the Public Employment Security Offices — workers between 45 and 59 years old who had lost previous jobs involuntarily. Employers are not eligible, however, if they have recently dismissed employees. By September 2000, the scheme had been put into effect in Okinawa Prefecture, the Kinki district, and Hokkaido.

The Special Subsidies for the Transfer of Human Resources are designed to facilitate smooth transfer and to prevent dismissal of workers by defraying the training costs for firms, which are then obliged to transfer their employees to non-affiliated firms.

In actual fact, the scheme of the Special Grants for Creating Employment in the New and Growth Sectors had achieved a mere three percent of the targeted number of workers by the time one-third of the planned period of execution had passed. The Special Emergency Grants for Job Creation had achieved only 1.4 percent of the total aim and the Special Subsidies for the Transfer of Human Resources had achieved approximately eight percent of the target. The subsidy for direct employment by local governments has, however, been spent approximately as planned, and will create some 230,000 new jobs over two years.

The net outcome, therefore, is that the employment measures planned to create 700,000 jobs have produced few results, apart from the 300,000 jobs created by the public works projects of local governments.

It should be mentioned that the problems affecting the Special Grants for Creating Employment in the New and Growth Sectors and the Special Emergency Grants for Job Creation lie partly in the restriction that eligible workers must be found jobs by the Public Employment Security Offices. If the proportion of jobs in new and growth industries among jobs available at the Public Employment Security Offices...
Security Offices is small, then it is a logical consequence that the efficiency rate of the scheme would remain low, even though those industries have been creating many jobs.

On the other hand, the subsidy for public works projects executed by local governments has a steady effect in increasing employment. Even so, it is necessary to consider whether such projects are actually useful to society.

4.0 The Employment Adjustment Subsidy

Since 1975, the employment adjustment subsidy has played a central role in Japan's employment policies. Unfortunately, however, there is as yet no academic study that has examined the contribution of the subsidy to increasing employment and reducing unemployment in Japan. This section, therefore, presents quantitative features of the subsidy with the data currently available.

4.1 Changes in the Amount of Payments

Figure 1 shows trends in the amount of allowance (in actual terms) in the case of business interruptions, which constitutes a part of the employment adjustment subsidy scheme. Presented alongside this is the ratio of those enterprises that benefit from the subsidy to all manufacturing enterprises covered by the Survey on Labour Economy Trend. These data show that the trends in the amount of subsidy and the ratio of enterprises receiving the subsidy are closely correlated. It seems possible that the employment adjustment measure has become an incentive for firms to choose business interruption rather than dismissal of their employees. Under circumstances where employment adjustment is exercised due to a temporary business recession, employment maintenance relying on subsidies will prevent the human capital from depreciating, bring an upward shift in productivity when the economy turns around, and contribute to new job creation.

On the other hand, if allowance for business interruptions is allocated to firms in industries which are in recession due to economic structural reasons and are thus experiencing a decrease in labor demand, then the subsidy may actually slow down the process of structural adjustment, and hinder an appropriate distribution of workers among industries. These two possibilities suggest a trade-off relationship between preventive measures for unemployment in the short term, and job creation measures in the long term.
4.2 The Employment Adjustment Subsidy and Job Creation

Whether or not the employment adjustment subsidy has contributed to stable job creation has not as yet been empirically studied, and this is partly because — until recently — data related to the issue have remained inaccessible. However, Shinozuka (1999) has made use of internal Ministry of Labour sources, and carried out a statistical regression analysis examining the relationship between the amount of subsidy payments in industries and the number of regular employees in such industries.

Her conclusion from her study was that there is no correlation between the two factors. However, a true investigation of the correlation between the amount of subsidy payments and job creation would require an analysis of the relation between the former and the growth rate of employees by industry. In line with this, Figure 2 shows a scattergram across industries for the amount of employment subsidy per worker (in real terms according to consumer price index) and the annual average growth in the number of employees. In the scattergram, there is a marked negative correlation between the two factors. During the period surveyed, the industry with the highest amount of payments per worker was the textile industry, followed by the metal industry. This implies that the employment adjustment subsidy does not necessarily result in either a reduction in dismissals due to temporary economic recessions, or to job creation in industries benefiting from the subsidy. Rather, it can be said that the subsidy serves to financially support industries where jobs are disappearing.
A strict policy evaluation will be required to examine the extent to which the employment adjustment subsidy has prevented unemployment and how much it has contributed to job creation, in comparison with other, alternative employment policies. Unfortunately, this paper only demonstrates the fact that, in the last nine years, it has worked as a measure to subsidize industries with waning job capacities rather than those creating more jobs. Such policy evaluations should be conducted by means of a comparison with trends in employment and unemployment in the economy as a whole, assuming there were no such subsidies. For this purpose, it is to be hoped that precise data concerning the employment adjustment subsidy will be disclosed.

5.0 Conclusions
This paper has surveyed a history of employment policies in postwar Japan, and has analyzed the chief features of the five packages of employment measures since 1998. Measures for unemployment immediately after the war relied largely on public works projects. Basically, such measures have been maintained ever since, and the emergency package of economic measures that was launched in November 1998 followed in the same direction.

Following the revision of the employment insurance system in 1975, Japan's employment policy began to aim at the maintenance and stabilization of employment, principally through an employment adjustment subsidy. This policy curbed a rise in unemployment in the short term, but - in the longer term - there is a possibility that it may hinder job creation if the subsidy goes to industries suffering from structural recessions.

After 1998, the policy initially took the form of employment maintenance measures and demand management policy, but in 1999 it began to include, also, measures aimed at job creation and at structural reforms such as the revision of labor laws.

Meanwhile, measures for dealing with structural unemployment that results from changes in industrial structures have been carried out for many years, although they have been limited to certain
areas. In the initial stages, such measures targeted workers who had lost their jobs in the coal mining industry or at U.S. military bases. The measures taken then to encourage job switching from the waning coal mining industry will be helpful in exploring solutions to the current structural unemployment. Particularly useful aspects of the measures include their emphasis on vocational training, and the encouragement of shifts to other areas. Even so, the economic situation has substantially changed since then. First of all, at the time when the transfer of coal mining workers became an important issue, workers in Japan were relatively young; and it is easier for younger people to switch jobs than for older people, in that the return from investment in training for new jobs is higher for the former. Secondly, Japan was experiencing high economic growth at that time, and there was a pressing demand for labor, primarily in the manufacturing sector.

In fiscal 1959, for instance, 351 people were reemployed through official reallocations over a wide area. Of these, the highest proportion, 51.2 percent, were taken on in the manufacturing sector, particularly in the metal-machinery industry. Next came the 32.9 percent who moved to the construction sector. In fiscal 1960, the measure covered 4,808 workers who were reallocated to similar sectors in similar proportions. Nonetheless, it is said that quite a few people persisted in remaining in mining workers’ housing near abandoned mines and relied on social welfare, thus causing problems concerning the qualification for social security handouts.

With a population that is now aging, with low economic growth, and with a changing industrial structure due to technological innovation, it should be clear that launching employment measures in response to structural changes is no easy task.

Mention should be also made of the measures taken since the 1970s and aimed at job security for middle-aged and elderly workers. Employment subsidies confined to particular age groups have a substantial biasing effect on labor demand. In the past, unemployment among young people was not seen as a serious problem, but nowadays this age group shows the highest rate of unemployment. It is true that unemployment among middle-aged and elderly workers is an important issue in so far as loss of jobs directly affects their lives where such factors as the cost of educating their children and repaying housing loans are concerned. However, the issue of educational costs should be handled by expanding scholarships, and the difficulty in repaying home loans and similar questions should be dealt with by flexible measures such as providing more and better public housing, and a system for fixed-term rental housing. Such issues should be considered separately from employment policies. The creation of a social environment may, however, provide a context within which middle-aged and elderly unemployed people will willingly accept jobs at the wage levels currently offered by the actual labor market. It can also be concluded that the 2000 package of employment measures, which was basically prompted by increased unemployment among young people and now covers a wider range of age groups, is a desirable trend.

Future tasks should include a strict empirical analysis examining the effects of the policies outlined in this article. This series of employment policies have provided various types of subsidies. However, it can hardly be said that a thorough investigation has been made of the effectiveness of such subsidy measures. There is an urgent need to disclose related data and to carry out a scientific investigation on that basis.

References:


Notes:
* I am most grateful for data and other material provided by the Employment Policy Division of the Ministry of Labour. This paper is based on Ohtake (2000), with substantial additions and revisions.
(1) The accounts in this section are much indebted to Takanashi (1995, 1999).
(2) Known as “Employment Improvement Undertakings” when first established.
(3) Drawn up on the basis of Ministry of Labour sources concerning employment adjustment subsidies by industry between 1990 and 1998, and data concerning regular employees in business establishments with five or more regular employees, by industry, (given in the Monthly Labour Survey). Notice that the scale on the vertical axis is logarithmic.
(4) Of course, there is a possibility that cyclical shock has not been completely eliminated in a sample of a relatively short term of nine years.
(5) With regard to measures for coal miners who lost their jobs, I have referred to Koshiro and the Research Institute for Advancement of Living Standards, ed. (1995, pp. 313-315).