

## The Transition from School to Work in Japan: Understanding the Increase in *Freeter* and Jobless Youth

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### 1. *Freeters* and the Jobless

Up until the early 1990s, a majority of young people in Japan entered the labor market as “regular employees” — that is, full-time workers with no fixed-term labor contract — immediately after graduation from a high school or university. The majority of firms considered these newly graduated young workers as cheap sources of labor with a high potential for training, and hired new graduates en bloc right after graduation. At the same time, personnel departments treated workers who joined the same company in the same year as “contemporaries,” in line with the seniority system, and utilized the mechanism of competition among such employees. These employment practices in the transition from school to workplace were synchronized with systematic support from secondary education, the whole constituting a comprehensive mechanism which allowed young people to achieve entry into the labor market steadily, without failure, and to be trained as professional workers and members of society.

Since the economic recession in the early 1990s, many companies have switched their employment strategies, hiring fewer new graduates while increasing the number of part-time employees with fixed-term labor contracts. This change in corporate behavior has undermined the traditional transition mechanism “from school to workplace.”

Among those in the stage of transition to the workplace, the first rather problematic workers include *freeters*. The latest *White Paper on the Labour Economy* estimated the number of *freeters* at 2.09 million, a twofold increase in the last decade. A different estimate was presented in the *White Paper on the National Lifestyle*, but this is because estimates are subject to different definitions. The definition of *freeters* is

ambiguous at any rate, but all definitions commonly include, as a major component, young people working on an *arubaito* (casual work) or part-time basis. The number of *arubaito* and part-time workers aged 15 to 34 (excluding married females) is estimated at 1.92 million, according to a 2002 *Labour Force Survey*.

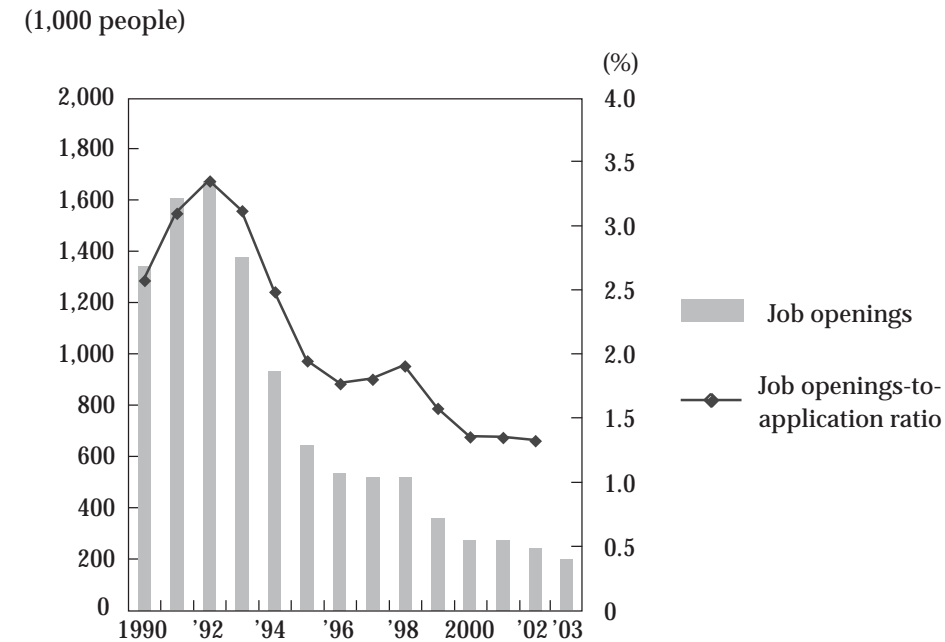
Another group in the throes of transition — more serious in the sense that *freeters* are, at least, working — is unemployed young people who are searching for work without success. The above-mentioned 2002 *Labour Force Survey* estimates the number of unemployed people between the ages of 15 to 34 at 1.68 million. In addition, there are quite a few young people who are identical to this group of unemployed people in the sense that they do not work, but they have given up job hunting and thus are no longer considered part of the labor market. The same *Labour Force Survey* also shows that the number of such young people outside the labor market, excluding students or those engaged mainly in housework, was 640,000. The rough estimate of young people who are in the crucial process of transition to workplaces was 4.2 million. Particularly remarkable is the increase in the number of those who have in effect withdrawn from the labor market. It is likely that the extreme difficulties encountered in job searching are making an increasing number of young people lose their motivation to find a job.

### 2. Background to the Increase in *Freeters* and Jobless People

#### 2.1 Changes in Labor Demand

The increase in the number of the young people described in the previous section is, firstly, attributable to the behavior of companies, *i.e.*, the labor demand side. Companies have been reducing their recruitment of new graduates. Above all, the figure for recruitment of high school new graduates, after reaching a peak of 1.67 million in 1992, shrank to one-eighth, 220,000, in 2003 (see Figure 1). On the other hand, recruitment of new university graduates saw a contraction of just about two-thirds of the figure at its peak (Works Institute,

**Figure 1. Changes in Labor Demand**  
(Demand for new high school graduates)



Recruit Co., 2002). This shows that the magnitude of decline in recruitment varies substantially with educational level. In line with this, observations indicate that both unemployment rates and the proportion of *freeters* in terms of age and educational level are higher among the younger generation and among those with lower educational levels. This reflects changing trends in the quality of workers required in industries (see Tables 1 and 2, and Figure 2).

Changes in labor demand are occurring not only in Japan. Since the latter half of the 1970s, many developed countries have experienced a rise in unemployment among young workers with lower educational attainment. This is attributable to a structural factor: with the scale of economies expanding worldwide, a transition to higher value-added industries can be seen in the more advanced countries, and the demand for higher value-added labor is greater in such countries. Put differently, younger workers with a lower educational level, since they have less accumulated skills and work experience, are only eligible for limited job opportunities.

**Table 1. Unemployment Rate by Educational Level** (%)

	Male		Female	
	1990	2001	1990	2001
Total	1.5	5.1	1.3	4.9
Junior high	2.2	7.4	1.1	5.3
Senior high	1.5	5.6	1.3	5.6
Junior college, Technical college	1.0	4.5	1.4	4.3
University, Graduate school	0.6	3.1	1.4	3.2

Source: Labour Force Survey.

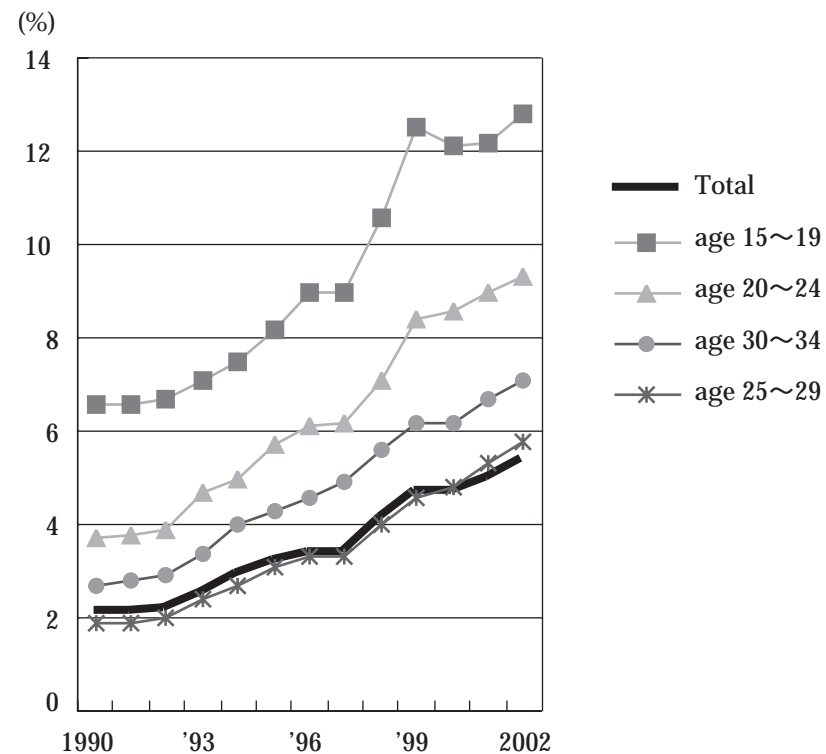
**Table 2. Trends in Percentage of Freeters** (%)

	1982	1987	1992	1997
<b>Male Total</b>	<b>2.4</b>	<b>4.0</b>	<b>4.4</b>	<b>6.4</b>
Age 15~19	7.8	14.8	15.7	24.4
Age 20~24	3.8	6.1	6.6	10.6
Age 25~29	1.7	2.5	3.0	4.4
Age 30~34	1.3	1.6	1.5	2.4
Junior high	4.3	9.1	12.3	15.6
Senior high	2.4	4.4	4.9	7.2
Junior college, Technical college	2.2	3.3	3.1	5.1
University, Graduate school	1.2	1.4	1.4	2.7
<b>Female Total</b>	<b>7.3</b>	<b>10.8</b>	<b>10.2</b>	<b>16.3</b>
Age 15~19	6.7	14.4	15.1	29.2
Age 20~24	6.1	8.9	9.2	16.9
Age 25~29	9.6	12.1	10.2	13.6
Age 30~34	10.5	13.4	10.8	14.3
Junior high	12.9	27.2	32.1	42.4
Senior high	6.5	10.7	11.1	20.0
Junior college, Technical college	7.3	8.2	6.9	12.1
University, Graduate school	8.0	8.9	6.8	9.6

Notes:

- (1) *Freeters* = Temporary or part-time employee with fixed-term labor contract, and unemployed people who want a temporary or part-time job.
- (2) *Freeter rate* = *Freeter* / employee, excluding executives and unemployed people who want one main job.

Figure 2. Trends in the Unemployment Rate by Age



Source: Labour Force Survey.

Despite this, Japan has enjoyed an international reputation as a country equipped with a smooth school-to-work transition mechanism that has kept the unemployment rate among young people low (Ryan, 1996; OECD, 2000). The mechanism referred to is the system of direct recruitment of new graduates; high schools in particular are responsible for job searching for their student graduates, serving simultaneously as job-hunting agents for the many students who wish to work after graduation. Under this system, firms actively provide the new workers with vocational training opportunities on the premise that they will continue working for them indefinitely. These cooperative activities between schools and firms have helped young Japanese acquire job skills and have served as an incentive for them to work. What is happening nowadays in Japan is that an increasing

number of young people no longer match this employment mechanism. It can be said that changes in employment practices among Japanese firms are bringing to the fore the limited number of employment opportunities young people have, already commonly observed in other advanced countries.

These changes in employment practices, on the other hand, have brought about an expansion of employment in the form of *arubaito*, part-time, and various other non-regular labor contracts. Already by the mid-1990s, business circles were emphasizing the need for a certain degree of flexibility in types of employment to ensure continued economic activity in a society in flux with an unpredictable future, and put forward the view that future Japanese-style business management would seek to make full use of non-regular employees hired on short-term labor contracts (Nippon Keidanren, 1995). The hiring of new graduates on the basis of long-term employment is now confined to a limited number, and businesses are increasing their percentage of non-regular employees, reflecting a change in their basic stance towards employment.

In conclusion, these changes in corporate behavior are the primary factor behind the increase in the unemployment rate among young people, and the increase in non-regular employees at the expense of regular employees.

## 2.2 Problems on the Labor Supply Side

At the same time, several problems have been pointed out concerning young people, including a tendency among high school and university students to not enthusiastically look for work and become *freeters* or do nothing after graduation, and a high number of young workers who quit their jobs voluntarily. Therefore, the high unemployment rate and the expansion of non-regular employment are probably attributable to changes in outlook and behavior among young people.

The Japan Institute of Labour (2000) monitored high school students residing in metropolitan areas to see if there was a common process whereby such students became *freeters*. The survey found that

about half of all *freeters* initially wished to get a job but were obliged to give up halfway. In the first case, this is attributable to a drop in the number of job offers, and also to institutional problems in the job allocation system for high school students. Job allocations are conducted at individual schools, and because firms make job offers to selected schools only, the number of offers is extremely low at certain other schools. (High schools located in large cities in particular are stratified in accordance with the difficulty of their entrance examinations, so that lower-grade comprehensive and commercial schools experience larger drops in the number of job offers.) Also, because schools systematically allocate job offers to job-seeking students in accordance with their academic performances and school attendance records, those with poor performances and attendance records naturally give up job-searching at an early stage and consequently stop seeking school career counselling. Until the early 1990s, the systematic job allocation system by firms and schools had effectively functioned for a smooth school-to-work transition, but currently the system has actually become an adverse factor, alienating quite a few students.

The other half of the students who chose to become *freeters* are those who in practice did not think about their future career or can not make up their minds what to do. In theory, school career counselling aims to help students achieve an understanding of the nature of various occupations, and also of themselves, and form ideas about the meaning of work. But in practice, school counselling has merely acted like a job placement agency, finding ways for graduating students to exit school. So long as students followed the routine set by their school, they succeeded in getting a job without thinking about their own career or the path they wished to follow. Perhaps the traditional employment mechanism for high school graduates was excellent in that it did not let students fall into the unemployment pool after graduation. But in another sense it did not develop an understanding of the value of various occupations among individual students. The recent changes in labor market conditions affecting these high schools are beginning to highlight the deficiencies of the mechanism.

Now let us look at how high school students see the situation. The same survey asked students the major reasons why they choose to become *freeters*. Many answered “because I have no idea what kind of jobs suits me,” or “I have other things I would like to do.” Both answers reflect a “what I would like to do” approach, *i.e.*, an emphasis on self-realization in an individual’s working career (see Table 3). On the other hand, however, somewhat different tendencies appear when

**Table 3. Why High School Students Become *Freeters*** (%)

	Main reason			MA
	Total	Male	Female	Total
Total (N=)	100.0 773	100.0 296	100.0 432	100.0 773
I have other things I would like to do	22.8	28.7	18.8	33.8
I have no idea what type of job suits me	14.9	17.9	12.7	38.3
Higher education is expensive	8.0	6.4	9.0	41.4
My parents do not approve of higher education	4.8	3.7	6.0	22.5
I have not had a good job offer	8.3	5.4	10.4	40.1
I have not been hired as a regular employee	3.0	1.4	4.2	12.4
<i>Freeters</i> have more free time than regular employees	6.2	4.1	7.4	42.8
<i>Freeters</i> take relationships more easily than regular employees	0.1	0.0	0.2	16.8
<i>Freeters</i> can switch jobs more easily than regular employees	0.5	0.7	0.5	18.6
I need money immediately	6.3	5.1	7.2	43.1
<i>Freeters</i> have higher incomes than regular employees	0.5	0.7	0.5	9.1
My results were not good enough to go onto higher education	2.6	4.4	1.4	26.8
I did not want to continue my education	3.2	3.4	3.2	27.6
If I like the work, being a <i>freetier</i> is okay	7.2	4.1	9.3	33.2
Some of my friends are <i>freeters</i>	0.1	0.0	0.2	9.2
Other reasons	5.8	6.4	6.0	4.7
NA	5.6	7.8	3.0	1.0

reviewing the results of a questionnaire asking individuals to select only one answer among a number of choices. The answers most frequently chosen are “*freeters* have more free time than regular employees,” and “I want money immediately.” What is more, a factor analysis was conducted on the results which found that those who chose one of these two answers tended at the same time to choose “*freeters* take relationships more easily than regular employees,” and “*freeters* can switch jobs more easily than regular employees.” This shows the wish among *freeters* to be more free and easygoing, and to earn money without excessive efforts (see Table 4).

The desire to seek self-realization in one’s job is likely to intensify as society becomes more affluent. A preference for a free and easygoing life can be seen as a wish to avoid roles and responsibility as a member of society; the failure here to guide the next generation properly is a serious problem for us, that is, society as a whole. The point of facilitating the school-to-work transition between schools and businesses is not only forming vocational ability and encouraging the will to work, but also fostering the resolution to become, henceforth, a member of society, that is, a working adult.

### 3. Problems concerning *Freeters* and the Jobless

Under the circumstances affecting the labor supply-and-demand relationship, an increasing number of young people neither work nor go onto higher education after graduation, becoming unemployed or doing nothing but working simply on an *arubaito* basis. Then, what is the problem with new graduates not landing a proper job but remaining *freeters* or doing nothing?

The most desirable system for young people would be if they did not need to experience joblessness after graduation, but were able to obtain a long-term job opportunity with no fixed-term contract. With secured employment, one has a long-term prospect for one’s career, and can acquire skills and knowledge steadily. One can also expect financial support from his/her employer for investment in ability development. What is more, secured employment helps one to con-

Table 4. Why High School Students Become *Freeters* (factor analysis)

	Free and easygoing	Higher educational expenses	Hard to find employment	Dislike studying	Self-realization
<i>Freeters</i> can switch jobs more easily than regular employees	0.756	0.001	0.105	0.005	0.146
<i>Freeters</i> take relationships more easily than regular employees	0.754	-0.024	-0.042	0.064	0.186
<i>Freeters</i> have more free time than regular employees	0.678	0.030	0.000	0.234	-0.053
<i>Freeters</i> have higher income than regular employees	0.505	0.062	0.030	0.187	-0.194
I need money immediately	0.414	-0.015	0.374	0.095	-0.115
My parents do not approve of higher education	-0.032	0.845	0.005	0.007	-0.031
Higher education is expensive	0.075	0.840	0.025	-0.026	0.044
I have not had a good job offer	0.065	0.043	0.739	0.161	0.022
I have not been hired as a regular employee	0.015	0.015	0.719	-0.102	0.057
I did not want to continue my education	0.152	-0.200	0.069	0.720	-0.125
My results were not good enough to go onto higher education	0.034	0.045	-0.046	0.605	0.312
If I like the work, being a <i>freeter</i> is okay	0.139	0.094	0.281	0.512	-0.170
Some of my friends are <i>freeters</i>	0.212	0.042	-0.066	0.415	0.201
I have no idea what type of job suits me	0.081	0.073	-0.026	0.066	0.821
I have other things I would like to do	0.086	0.134	-0.435	-0.059	-0.517
Distribution	2.140	1.503	1.498	1.468	1.240
Explanation rate	0.143	0.100	0.100	0.098	0.083

struct stable human relationships, making it easier to establish him/herself as a professional. There will be good prospects to increase one's income, which subsequently enables one to stand financially on one's own and to design one's own life. A disadvantage of a working life realized along these lines, on the other hand, stems from the fact that the system has young people acquire jobs en masse. Simultaneous employment of large groups may seem efficient, but it sometimes treats lightly or even ignores individual wishes, so that things proceed without a proper consensus of individuals. Consequently, although the system produces stable job opportunities, a large number of people actually quit their jobs at an early stage. Moreover, firms also tend to conduct mass management of new employees, so that the latter cannot put their young, fresh imaginations to use, but tend to be over-timid, and are obliged to wait for 10 to 20 years until they are appointed to key posts.

The advantages of employment are in a way a mirror image of the disadvantages of not getting a proper job. First, such disadvantages include the failure to accumulate vocational ability. Working on an *arubaito* or part-time contract basis does not, in many cases, lead to the acquisition of skills, in that many duties are a repetition of temporary assignments; thus workers lack good opportunities to attain ability and skills while they are still young. Secondly, there is no prospect for career formation. Experience as an *arubaito* or part-time worker hardly counts when the individual later wishes to get a job on a regular basis, and the gaps between such workers and regular employees in terms of pay rises and promotion are tremendously wide. Third, working as an *arubaito* does not offer a secure place in society. Conscious concerns deriving from this can lead to intensified uneasiness, or even an identity crisis. Fourth, not working on a regular basis makes financial independence impossible and designing an individual life difficult. Wages are low, the possibility for pay hike is minimal, and it is likely there will be no social security or insurance coverage. Then, does becoming a *freeter* solve the problems of remaining a regular employee? The answer depends on the individual. Quite a few people choose to be *freeters* in order to make "what they really want to do" come

true, but in fact few realize this ambition through their experience as *arubaito*. Of course, there are some people who strategically work on an *arubaito* basis with a challenging spirit. But when it comes to the question of whether they can engage in *arubaito* work with inventive ideas and responsibility, only a small number of such workers actually do so — although there are a certain number of young *freeters* who manage to set up their own businesses (see Figures 3 and 4).

Personal concerns directly reflect concerns in society as a whole. An expanding mass of workers with insufficient vocational ability will be a concern in that it lowers the technological level of the country as a whole. The presence of young people with no future prospects could undermine the vitality of society and also serve as a destabilizing factor. What is more, it could also lead to the inability to sustain the social security system, and might even jeopardize the renewal of society itself. And the fact that young people with lower educational attainments lack access to stable employment opportunities also carries the possible risk of widening or perpetuating the current gap.

Figure 3. Annual Income: Regular Employees vs. *Freeters* (200 to 249 annual workdays; 20 to 24 years old)

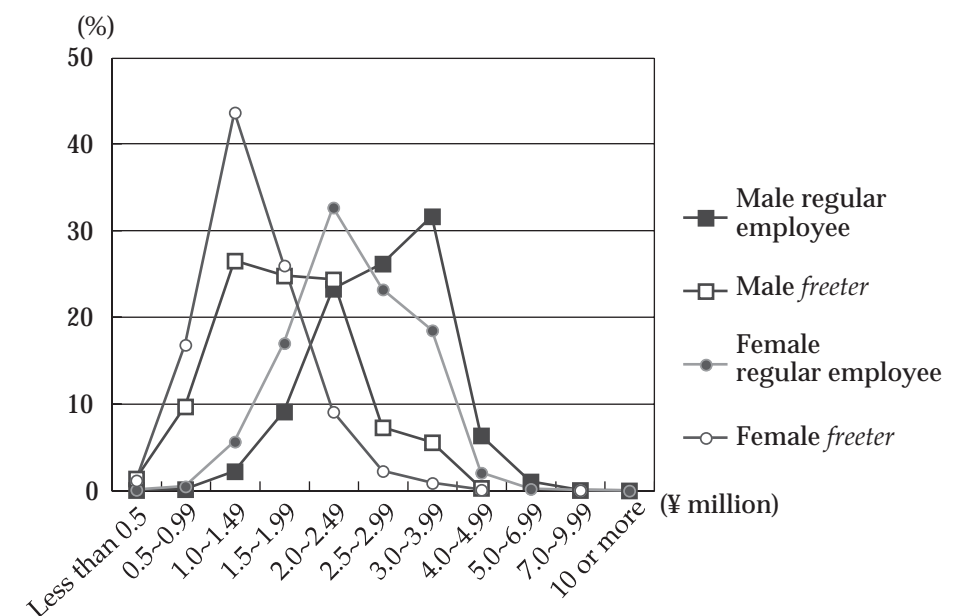
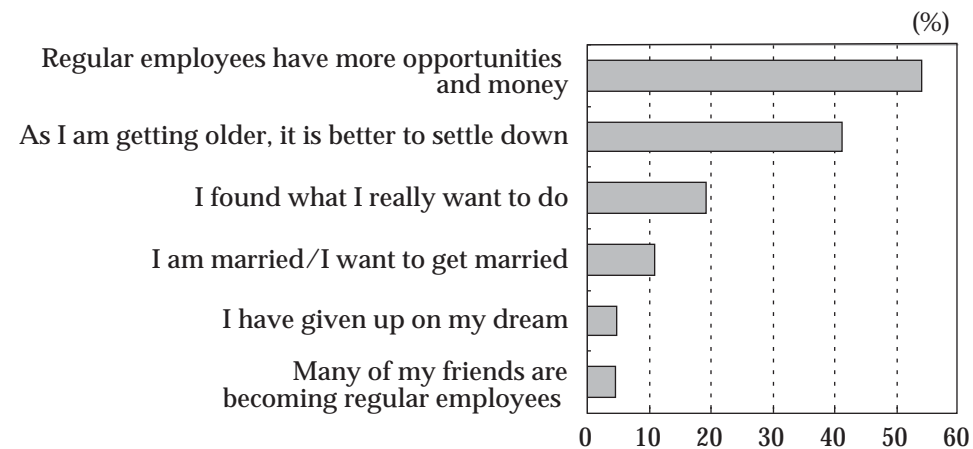


Figure 4. Why *Freeters* Want to Become Regular Employees

#### 4. Measures to Tackle the Problems

What is important, I believe, is to tackle the issue of *freeters* as part of the fundamental issues of society as a whole, that is, how to guide the next generation. From the perception that the Japanese traditional mechanism for training new generations no longer functions, we must construct a new mechanism to reinforce the conventional way.

The first thing to tackle is building a mechanism to develop vocational ability. In this country where Japanese-style employment practices and the hiring system for newly graduated workers complemented each other, schools play a role in providing basic and fundamental abilities, whereas businesses in general have treated only regular employees as real employees, offering off-the-job training and conducting systematic reallocations as one means of training. Not only do people without jobs have no such opportunities, opportunities to develop vocational ability are limited for *arubaito* and part-time workers. Then what can serve as a substitute and offer vocational training opportunities for such non-regular workers? Vocational training or educational institutions may have to play a greater role. As training that takes place at the workplace is effective, measures to provide intern type job opportunities might also be useful. Or, if labor demand

is very limited — as it is currently — the development of vocational ability can be realized by working at non-profit organizations, or by participating in volunteer activities. Particular attention must be paid to heightening the “employability” of a group of young people with low educational attainment.

In tandem, it is important to set up counselling services offering, among other things, vocational guidance and counselling, and information about jobs. It will be essential to assist individuals in designing their future careers, to help them draw up programs that indicate appropriate steps in their vocational careers and methods of skill formation, and to provide continuing incentives. It is of course desirable that these should be undertaken through career counselling at schools while young people are still in school, but at the same time, it is also necessary to provide such services outside schools for the benefit of graduates and students.

The third issue concerns the mechanism for evaluating vocational ability. The hiring of workers other than newly graduated students — that is, mid-career recruitment — is in many cases conducted according to the work experience of applicants. In this case, however, “experience” exclusively suggests experience acquired while the workers in question were regular employees. Thus job-searching young people who are currently non-regular employees are treated as if they had no work experience. The labor market for regular employees is barred to them. If the diversification of employment patterns is to be encouraged, a system of assessing work experience and ability in a fair manner, whatever the employment pattern, is needed. Indeed, some firms with a rather high proportion of non-regular employees have already adopted personnel management systems whereby qualifications acquired on the basis of non-regular employment are rightly evaluated, and which at the same time seek to improve the vocational ability of such workers. Taking society as a whole, the further diversification of employment patterns will require, I believe, such measures be taken for better overall efficiency.

More concretely, the idea of introducing vocational certificates covering the preliminary level may be of use. Also, as provisional meas-

ures, job placement systems and counselling services linking job offers and seekers should be reinforced. Under such measures, firms looking for new workers would issue job advertisements according to various competency levels required for the jobs, while job seekers would sort out their own experience and skills into competency levels enabling them to objectively view their own ability and take steps to make up any inadequacies. It is vital to improve the functioning of intermediate agencies to help in these processes.

Another issue concerns the career advice given to future workers, that is, students. When most students wishing to work after graduation were actually able to get a job, the transition from school to work was trouble-free even if the individuals concerned had no control over their own career formation. Now that the direct employment of new graduates is no longer the sole path into the labor market, individuals require greater ability to think about their own career courses.

It would be effective to provide internship opportunities in workplaces and for a wide range of other experience in collaboration with business circles. The actual methods would vary depending on the targeted pupils and students. At the primary school level, pupils should experience something that makes them aware that they are members of society, whereas at a later stage, when students are in specialized educational courses, they may apply their knowledge in an actual work setting. This type of education cannot be achieved without the cooperation of businesses. Because the goal of such projects is to breed future members of society, the business world has a natural responsibility here.

Another vital issue is related to the coordination of assistance in job searching and the role of schools. The existing mechanism whereby a school-to-work transition is achieved needs to be revised to include young people who are slow in making the transition. At the moment, there are some support systems for young people, such as “Young Hellowork.” The more aggressive youth have taken advantage of this system, but the more passive ones are being left behind. As the existing framework for the transition has been undermined, masses of young people have lost their way to employment. The important

thing here, I believe, is to find a way of furnishing leads towards assistance in job-searching for such young people in advance — while they are still in school and thus approachable — and to build up organizations and methods of assistance which young people feel they can rely on.

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