

Key topic

The Impact of COVID-19 on Employment and Labor

MHLW's White Paper on the Labor Economy 2021

On July 16, 2021, the Ministry of Health, Labour and Welfare (MHLW) published the White Paper on the Labor Economy 2021 which presents analysis under the heading “The Impact of COVID-19 on Employment and Labor.” As analysis of 2020 was postponed in light of the extensive impact of the COVID-19 pandemic on the labor economy and other such factors, this paper provides analysis of the labor economy over a two-year period—namely, 2019 and 2020. Provisional calculations set out in the White Paper estimate that the Employment Adjustment Subsidy (*koyō chōsei joseikin*; hereafter “EAS”) and the related Emergency Subsidy for Job Security (*kinkyū koyō antei joseikin*) have curbed the total unemployment rate by around 2.6 percentage points. The paper assessed that the support provided by the EAS and Emergency Subsidy for Job Security and other such employment measures (hereafter “EAS, etc.”) has played a significant role in protecting workers’ employment and livelihoods. On the other hand, the White Paper notes that the huge payouts are beginning to place a strain on finance of the employment insurance and highlights the need to address how such burdens should be handled. Looking at the implementation of telework, which has become more prevalent in the COVID-19 crisis, the White Paper indicates that enterprises and workers who had already been implementing telework prior to the onset of the pandemic—as opposed to those who first implemented telework during the initial declaration of a state of emergency from April to May, 2020—have a tendency for communication to be pursued more effectively and show higher percentages continuing to implement

telework after the initial state of emergency. It expressed anticipation that telework will take root as a style of working suited to the “new normal” and “new lifestyles” that develop in and after the COVID-19 pandemic.

Trends by industry differ from those of the 2008 financial crisis

The White Paper starts by analyzing the impacts of COVID-19 on employment and labor and other such aspects. Looking at the increase or decrease (difference with the same month of the previous year) in numbers of employed persons by industry, the analysis shows continuing steady increases in the numbers of employed persons in industries’ divisions such as the information and communications, medical, healthcare and welfare. In contrast, in industries such as accommodations, eating and drinking services, wholesale and retail trade, living-related and personal services and amusement services, the breadth of decline was significant.

Looking at increase or decrease (difference with the same month of the previous year) in numbers of employed persons by gender and by employment type, while 2020 saw a rise in the number of female regular employees, the numbers of non-regular employees—both male and female—have been declining, with a particularly considerable decrease in the numbers of female non-regular employees. In reference to these trends, the White Paper notes “differing aspects to those at the time of the 2008 financial crisis.”

Prominent impact on female non-regular employees

Looking at the rise and fall in numbers of non-regular employees by industries, there were significant declines in the numbers of female non-regular employees in accommodations, eating and drinking services, manufacturing, wholesale and retail trade, living-related and personal services and amusement services, and in the numbers of male non-regular employees in manufacturing. Looking at trends (differences with the same month of the previous year) in the numbers of unemployed persons (persons aged 15 or over without work who are seeking yet unable to find work) and non-labor force population by gender and relationship with the head of household, in the case of men, there was a marked rise in the number of unemployed persons among heads of household. In the case of women, among spouses of heads of household and heads of household there were comparatively significant increases in the non-labor force population from April 2020 onward and in the number of unemployed persons in the second half of 2020.

Considering these trends, the White Paper determined that the employment and labor situation in 2020 was marked by a considerable impact on the labor market, particularly around the period in which a state of emergency was declared. At the same time, it suggested that the increases in the number of unemployed people and the unemployment rate in December 2020 were merely moderate in comparison with those at the time of the 2008 financial crisis, and this was to some extent a result of enterprises' efforts to maintain employment—which are also related to ongoing personnel shortages that preexisted the pandemic—and the effects of related policies and other such factors. It also went on to note that given the considerable impact on the employment of non-regular workers—in particular, part-time work and side jobs (*arubaito*) pursued largely by women and students—the state of employment and labor in the pandemic is highly unpredictable and will continue to require close observation in the future.

Higher Payments Amount of the EAS, etc. than 2008 financial crisis levels

In the COVID-19 crisis, efforts to support maintaining and continuing employment have entailed the adoption of extensive special measures in the emergency response period (April 1, 2020, onward), which include raising the upper limit on the daily subsidy amounts and the subsidy rates of the EAS, and the implementation of the Emergency Subsidy for Job Security to subsidize compensation for workers not covered under employment insurance.

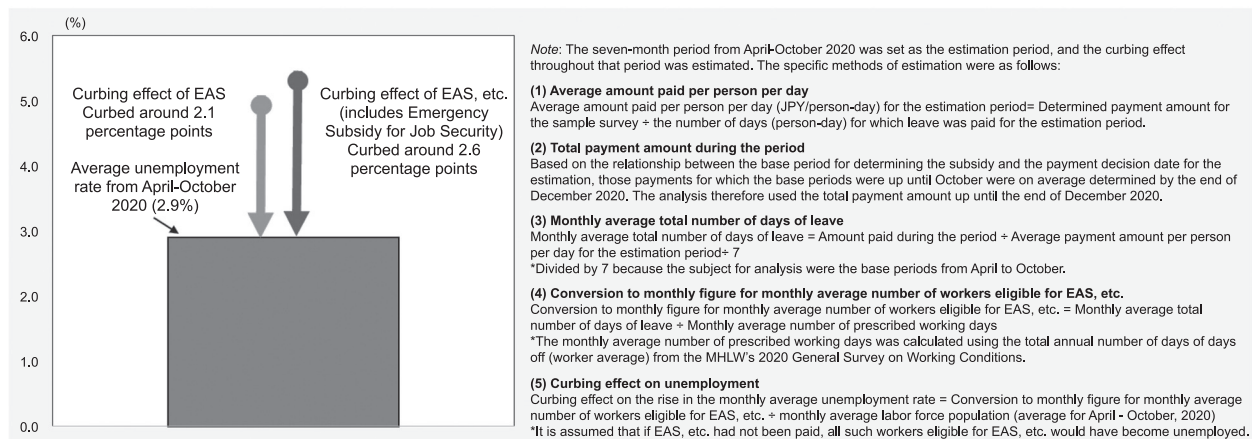
Looking at the monthly trends in the amount of EAS, etc. that was determined to be paid, both the highest monthly amount and the pace of increase in the determined payment amount exceed those in the 2008 financial crisis. At its peak in August 2020, the determined payment amount reached around 570 billion JPY, and payments have since continued at a higher level than those in the 2008 financial crisis.

Necessity of addressing the state of the fiscal burden

The White Paper estimates the curbing effect of the EAS, etc. on the unemployment rate. These estimates show that the payment of the EAS, etc. (which, while calculated according to certain assumptions that preclude a simple comparison due to the necessity to maintain a considerable margin) is projected to have curbed the unemployment rate between April and October 2020 by 2.6 percentage points (Figure 1).

The White Paper notes that provisional calculations estimate that the curbing effect of the EAS on the unemployment rate in the 2008 financial crisis was, even at its highest level, around one percentage point. It surmises that in the current crisis the support provided to enterprises in the form of special measures for the EAS has played a greater role in maintaining employment than that provided in the 2008 financial crisis.

On the other hand, the huge EAS payouts are beginning to place strain upon the finance of the employment insurance, due to the marked decline in the balance of the employment stabilization fund,



Sources: Estimates by the Office of the MHLW Director-General for General Policy and Evaluation based on data published by the MHLW on the actual payments of EAS, etc., a sample survey conducted by the MHLW's Employment Security Bureau, the MHLW's General Survey on Working Conditions, and the Labor Force Survey (basic tabulation) by the Statistics Bureau of the Ministry of Internal Affairs and Communications.

Figure 1. Curbing effect of EAS, etc. on the unemployment rate

which funds the EAS, and the balance of the reserve fund for unemployment benefits and similar benefits, which is being loaned to the employment stabilization fund to finance the EAS. The White Paper also noted the impending need to address how these burdens are handled in the future.

Emotional burdens prominent in the COVID-19 crisis

Drawing on the JILPT's "Survey on the Actual Conditions of Working in the COVID-19 Pandemic (Worker Survey)," the White Paper also pursues analysis regarding workers who have been expected to continue working during the pandemic, with a focus on those in the medical, care services, and retail industries.

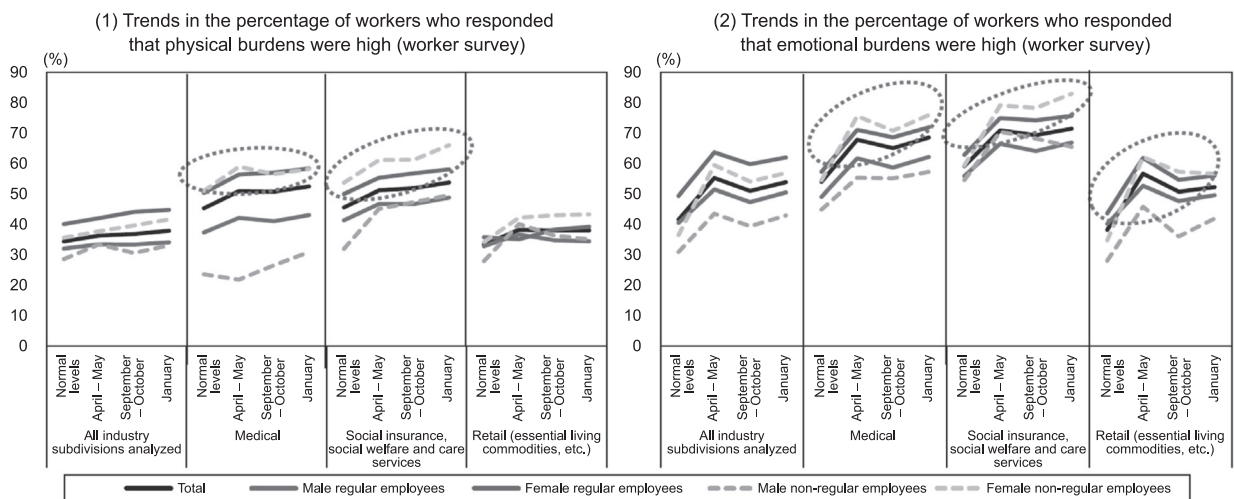
Looking by industry chronologically at the percentages of workers who responded that they experienced high physical and emotional burdens, in the medical and the social insurance, social welfare and care services industries, where both physical and emotional burdens were typically (that is, prior to the onset of the pandemic) at higher levels in comparison with other industries, there were increases in April-May 2020 and in January 2021. Looking at emotional burdens, the increases are prominent in all of these industries, such as the

increase in April-May 2020 in the retail (essential living commodities, etc.) industry subdivision. It should also be noted that the percentages who responded that the burdens were high, with regard to both physical and emotional burdens, are higher among women than among men for both regular employees and non-regular employees (Figure 2).

Infection countermeasures contribute to rise in job satisfaction

Looking at the relationship between job satisfaction and the measures pursued by workplaces to tackle the spread of infection, in the event that "compliance with industry-based guidelines," "increasing and enhancing the organization of employees," and "accommodating shifts according to requests from individuals" have been implemented on an ongoing basis, the percentages of workers whose "sense of satisfaction gained through work" increased are generally higher in comparison with cases in which such measures were not implemented at any point.

It is conceivable that due to the prolonged impact of the COVID-19 pandemic, the workplaces are facing continuously severe conditions. The White Paper expects enterprises and institutions to ensure workers to be able to maintain the motivation



Sources: The Office of the MHLW Director-General for General Policy and Evaluation’s own tabulation based on the JILPT “Survey on the Actual Conditions of Working in the COVID-19 Pandemic (Worker Survey)” (2021).

Notes: 1. Figure (1) shows the sum of those who responded “extremely high” and those who responded “high” in response to the question “What was the extent of the physical burdens of your work in each period?”

2. Figure (2) shows the sum of those who responded “extremely high” and those who responded “high” in response to the question “What was the extent of the emotional burdens of your work in each period?”

3. In Figures (1) and (2), “typical levels” refers to those in and before January 2020, “April to May” refers to April to May 2020, “September to October” refers to September to October 2020, and “January” refers to January 2021.

Figure 2. Trends in the percentages of workers who responded that the emotional and physical burdens were high

with which they approach their work even in such conditions. Given the abovementioned finding in the relationship between job satisfaction and the infection prevention measures pursued by workplaces, the White Paper indicates that workplace measures to prevent infection could ensure workers’ higher satisfaction and motivation to work when implemented as comprehensive measures for improving their working environment such as flexible working styles and their working conditions such as appropriate remuneration. The White Paper suggested that the enterprises and institutions will be expected to ensure that communication is pursued between workers and management and in doing so engage in measures that satisfy workers as far as possible.

Anticipated spread of telework

The White Paper summarizes that it anticipates that telework, which has become more widespread as a result of the COVID-19 pandemic, will take root in Japan as a working style suited to the “new normal” and “new lifestyles” that develop in and

after the COVID-19 pandemic, and as a new working style that can provide any worker with the chance to raise their productivity through an effective approach to when and where they work.

The White Paper draws on the JILPT Panel Survey on the Impact of COVID-19 on Work and Daily Life (3rd wave)¹ and the Survey on the Impact of COVID-19 on Enterprise Management (February 2021 Survey)² to analyze workers who have adopted telework as means of pursuing their work. Looking at the levels of enterprises and workers continuing telework by timing at which the telework began, the analysis shows that the percentages continuing telework are higher among those enterprises and workers who were implementing telework prior to the COVID-19 pandemic, in comparison with those enterprises and workers who began teleworking during the pandemic.

Looking at telework in terms of indicators of productivity and other such aspects based on workers’ responses (workers were asked to gauge telework between 0 and 200, if working in an office

is 100), while average values for the “productivity and efficiency” and “fulfillment and satisfaction” of telework were lower than working in an office (100), those workers who had experience of telework prior to the pandemic, in comparison with workers who were teleworking for the first time during the pandemic, tended to have a higher average value for the indicators and lower breadth of decline in the indicators. Looking at the reasons for ceasing to implement telework—excluding factors such as the nature of the work and impact of infection or other such factors beyond the control of enterprises and workers—there were issues that could be tackled through personnel management measures, such as addressing the ways in which work is conducted when teleworking and developing environments for telework. This trend is high among the percentage of workers who responded that they began teleworking during the declaration of a state of national emergency in April to May 2020. The enterprise survey also shows high percentages of enterprises who see said points as issues to address.

The percentages of workers who responded that they felt that when teleworking, work can be carried out with “clarity regarding scope of duties and deadlines,” “freedom to make one’s own decisions about one’s work,” “clarity regarding evaluation criteria” were all higher among workers who had experience of telework prior to the pandemic, in comparison with those who first began teleworking during the pandemic. Those workers who agreed that the above aspects were possible in telework tend to have a slightly higher average value for the indicator of “fulfillment and satisfaction,” when compared with those workers who did not.

Likewise, the percentages of workers who, when asked about the state of development of the environment in which they telework, responded that they are “well-equipped for teleworking” are higher among those workers who had experience of teleworking prior to the pandemic, in comparison with those who first began teleworking during the pandemic. Workers who selected the above response have a higher average value for the indicator of “fulfillment and satisfaction,” when compared with

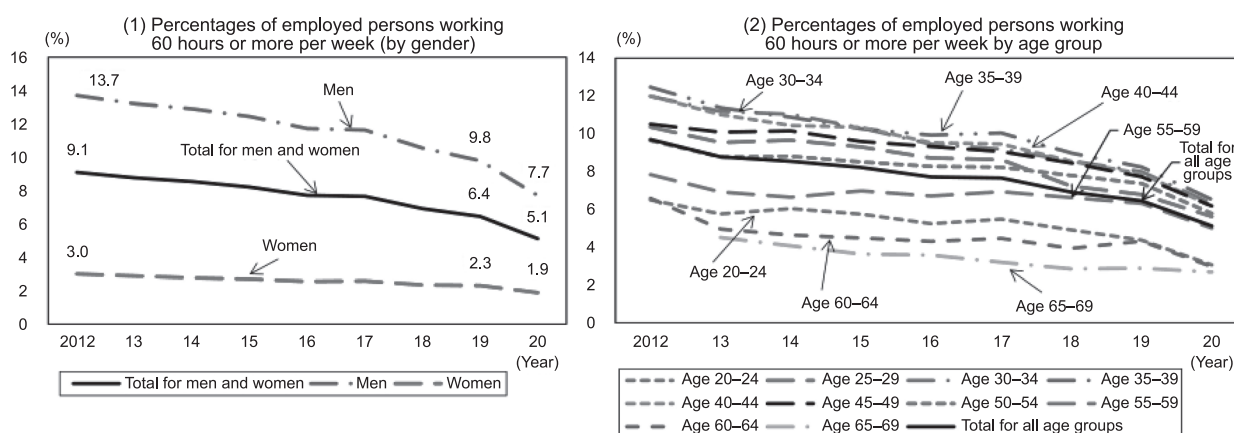
those workers who did not.

Based on these analysis results, the White Paper notes that workers who were teleworking prior to the pandemic have better conditions in terms of productivity and efficiency when teleworking, work-life balance, and the fulfillment and satisfaction they enjoy through work, and thereby have a greater sense of the benefits of telework. Addressing the reasons behind this greater sense of the merits of telework, the paper suggests that while it is necessary to account for the fact that enterprises that had implemented telework prior to the onset of the pandemic may be able to pursue telework with greater ease due to the nature of their business and other such factors, it may reflect the product of the efforts of such workers to pursue telework effectively as they worked to overcome various issues in their experiences of telework.

Noting that there are cases in which telework may be possible even in industries and for occupation types for which it would at first glance be considered difficult to pursue, the White Paper suggests that “in some cases it may be useful to fundamentally readdress the work content, rather than necessarily selecting the work that will be pursued in teleworking on the assumption that a worker will continue to pursue their existing duties.” The White Paper also went on to note the importance of management measures to allow telework to be implemented effectively, such as ensuring that workers are able to pursue sufficient work-related communication while teleworking, defining in advance the criteria upon which work will be evaluated, clearly informing workers about the scope of their duties and deadlines, and allowing workers the freedom to make judgements regarding their own work.

Decline in working hours prompted by work style reform

Aside from addressing the impact of the COVID-19 pandemic, the White Paper also analyzes the progress of work style reform. With the provisions introduced under the Work Style Reform Act, such as the introduction of an upper limit on overtime



Source: Compiled by the Office of the MHLW Director-General for General Policy and Evaluation based on the Labor Force Survey (basic tabulation) by the Statistics Bureau of the Ministry of Internal Affairs and Communications.

Notes: 1. The figure shows the percentage of people working 60 hours or more per week within the total number of people *not* employed in agriculture and forestry (excluding people on leave).

2. Percentage of 2012 by age group ((2) above) is calculated with the number of workers, instead of the number of employees.

Figure 3. Percentages of employed persons working 60 hours or more per week

work (enforced in April 2019 for major enterprises, and in April 2020 for small and medium-sized enterprises) and ensuring that workers take five days of annual paid leave per year (enforced in April 2019), working hours declined in 2020 across all age groups. The percentages of employed people working 60 hours or more per week are also decreasing, particularly among men (Figure 3). Meanwhile, the rate of taking annual paid leave rose significantly in 2019 across all sizes of enterprise.

Looking at wages, due to the enforcement of the Working-Style Reform Act's provision regarding

equal pay for equal work (that is, the eradication of unreasonable differences in pay between employment types; enforced in April 2020 for major enterprises and April 2021 for small and medium-sized enterprises) and other such factors, bonuses and other allowances paid to part-time workers have risen despite the impact of the pandemic in 2020.

1. For summary of the survey results, see <https://www.jil.go.jp/english/special/covid-19/survey/documents/20210118.pdf>.
2. For summary of the survey results, see <https://www.jil.go.jp/english/special/covid-19/survey/documents/20210430.pdf>.