

Column

Diminished Non-regular Employment, Solid Regular Employment: What Impacts Did the “First Wave” of the COVID-19 Pandemic Have in Japan?

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In this column, I will present my personal views of the impacts that the “first wave” of novel coronavirus COVID-19 pandemic had on regular and non-regular employment in Japan based on the *Labour Force Survey* of January to June 2020 and the results of a questionnaire survey¹ conducted by JILPT (The Japan Institute for Labour Policy and Training) in June. It covers three main points. First, non-regular employment, which was the first to be affected by the pandemic, has not fully recovered as of the end of June. For that reason, the volume of employment comprised of both regular and non-regular employment has not returned to its pre-pandemic level. Second, regular employment meanwhile remains solid. The volume of regular employment continues at its pre-pandemic level as of the end of June. And third, despite non-regular employment’s past role as an “employment buffer,” the likelihood that companies will intentionally revise their employment portfolios (=move toward non-regular employment) is low so far as can be seen at the present time (as of early August), perhaps because of expectations of labor shortages.

Since March 2020, economic activity in Japan has been hurt in various ways by the COVID-19 pandemic, and this has had an effect on employment. Looking at how infections spread, the number of new cases began growing in March and grew to 720 new cases per day on April 11² In response, the government declared a state of emergency for the entire nation between April 16 and May 14 that, in effect, restricted economic activity. Specifically, this declaration served as a basis allowing prefectural governors to ask eating and drinking establishments,

entertainment facilities, and others to suspend business and request residents to refrain from going outdoors.

According to the *Labour Force Survey* of April, which was conducted during the state of emergency declaration, the unemployment rate at the end of April (seasonally adjusted data) stood at 2.6%, which was 0.1% higher than the previous month.³ This was not a high level by any means. However, the number of employed persons not at work rose precipitously.⁴ As a real number, this figure reached 5.97 million, which was an increase of 4.2 million compared to the same month of the previous year.⁵ Although it is unknown whether or not this was due to the Employment Adjustment Subsidy, which makes up for workers’ allowances for absence from work,⁶ it is evident that employment was not subjected to a major shock.

Leaving aside the question of whether the pandemic’s impact on employment was a “major shock” or not, did its impact extend to all workers equally? Within Japanese companies exist the classifications “regular employment” and “non-regular employment.” In my previous column in June,⁷ I pointed out that non-regular employees were more likely to separate from their jobs in April and May than regular employees, and that non-regular employees had larger decreases in their working hours than regular employees.⁸ This time, I shed light on the impacts that were felt in regular employment and non-regular employment when Japan was confronted with the COVID-19 pandemic’s first wave.



To begin, let us look at the values for “number of employed persons,” “number of employed persons not at work,” and “number of employed persons at work” by status in employment and type of employment. In the *Labour Force Survey*, “employed persons” consist of “employed persons not at work” and “employed persons at work.” Table 1 presents their real numbers, and Table 2 presents their differences in comparison with the same month of the previous year. What can be observed from these is that the total of employed persons increased in comparison with the same month of the previous year, until the March Survey. This was driven particularly by expansion in regular employment. There was a continuing strong labor demand in Japan prior to the COVID-19 pandemic.

The first effect of the pandemic to be understood under these circumstances was the above-mentioned increase in the number of employed persons not at work. Non-regular employees were the main component of this group. The number of non-regular employees not at work (real number) soared upward in the March Survey and reached 3 million in the April Survey. Moreover, in the April Survey, the number of employed persons in non-regular employment decreased by 970,000 in comparison with the same month of the previous year (hereinafter, “year on year”). Many non-regular employees separated from their jobs at this time. Later, in the May Survey, the number of non-regular employees not at work decreased while the numbers of employees at work and employed persons increased based on real numbers, and thus there were signs of a recovery in non-regular employment. However, looking at the June Survey, although the trend whereby employed persons not at work decreased and employed persons at work increased continued, employed persons fell by 10,000. In the end, the number of employed persons in non-regular employment decreased by 1.04 million year on year. If viewed from before the COVID-19 pandemic, the size of non-regular employment decreased.

On the other hand, the number of employed persons in regular employment was increasing year on year until the April Survey, but then fell by 10,000

in the same comparison in the May Survey. There were therefore concerns that the pandemic’s effects were beginning to appear, albeit somewhat delayed. However, in the June Survey, their number increased by 300,000 in the same comparison, and, even in real numbers, increased by 270,000 in comparison with May. In parallel with this, the unemployment rate (seasonally adjusted data) also rose to 2.6% in the April Survey and to 2.9% in the May Survey but fell to 2.8% in the June Survey. In other words, if we look at non-regular employment, this category was the first to bear the role of an employment buffer in response to widespread requests for business closures and voluntary business suspensions, and became subject to adjustments of working hours and personnel numbers. Its volume of employment had not returned to its original level at the time of the June Survey. Consequently, the volume of employment comprised of both regular and non-regular employment has not returned to its pre-pandemic level. On the other hand, if we look at regular employment, which began to show the pandemic’s effects in May, this category is demonstrating stability, at least insofar as can be seen from its volume of employment at the time of the June Survey.

Incidentally, companies and regular employees benefitted from non-regular employees, who served as an employment buffer in the sense that they delayed the timing of employment adjustment and lessened the degree to which it was implemented. In light of this, how are companies looking at their employment portfolios for the coming years? Figure 1 shows the relationship between companies’ expectations for recovery in their own performance and their future orientation vis-à-vis the use of human resources that was taken from “Survey on the Impacts that COVID-19 Has on Company Management,” a survey JILPT conducted in early June (only a portion of response options was extracted).⁹

Looking at the “total” on the far left, “will raise the percentage of regular employees” (16.0%) is higher than “will raise the percentage of part-time workers, temporary workers, and contract employees” (5.1%) and “will raise the percentage

Table 1. Number of employed persons, number of employed persons not at work, and number of employed persons at work by status in employment and type of employment (real numbers, 10,000 people)

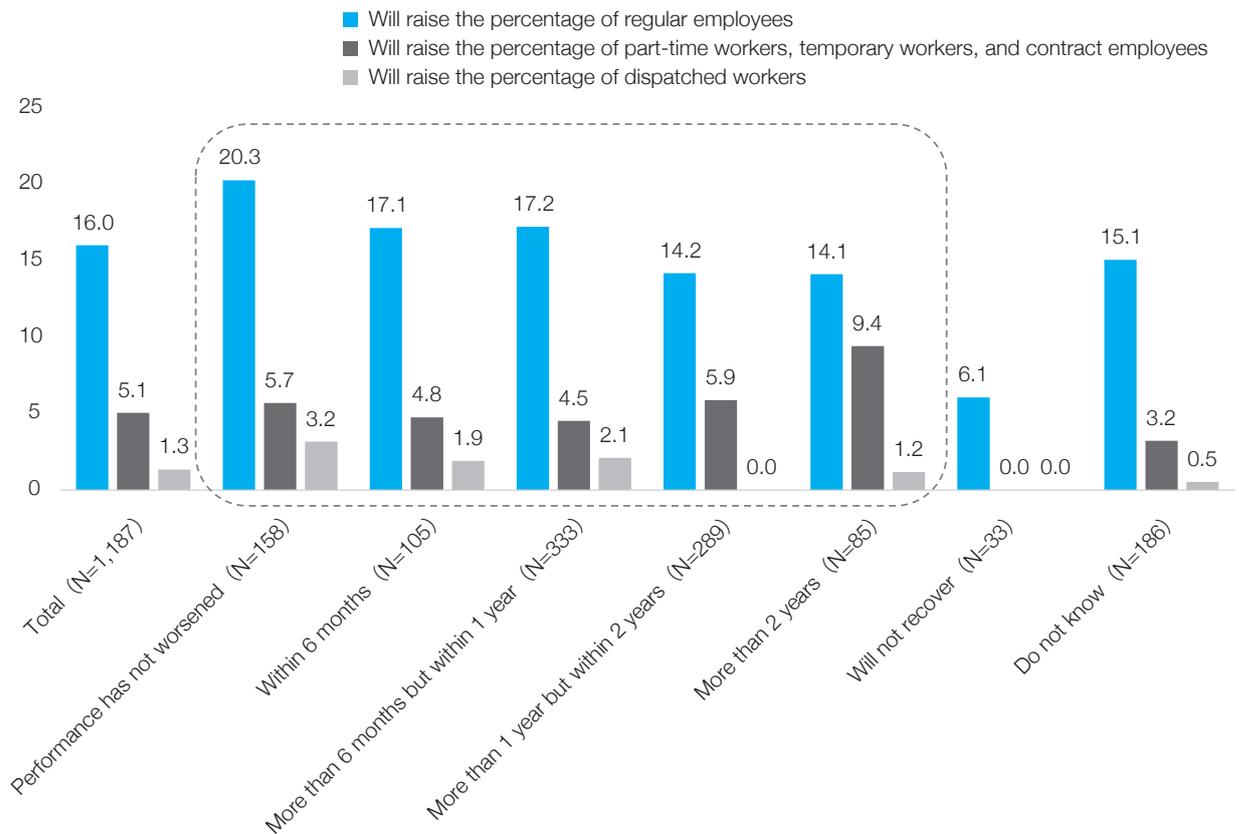
	Employed persons not at work (among employed person)				Employed persons at work (among employed persons)										
	Total	Self-employed	Executive	Regular employee	Non-regular employee	Total	Self-employed	Executive	Regular employee	Non-regular employee					
January 2020	6,687	628	352	3,516	2,149	194	31	8	82	67	6,493	597	344	3,434	2,083
February	6,691	626	337	3,530	2,159	196	27	7	86	70	6,494	600	330	3,444	2,088
March	6,700	650	352	3,506	2,150	249	27	7	89	118	6,451	622	346	3,418	2,032
April	6,628	662	341	3,563	2,019	597	70	23	193	300	6,032	592	318	3,370	1,719
May	6,656	695	340	3,534	2,045	423	57	19	126	209	6,232	638	320	3,408	1,836
June	6,670	694	323	3,561	2,044	236	34	10	83	99	6,434	660	313	3,478	1,945

Source: From Ministry of Internal Affairs and Communications, *Labour Force Survey (Basic Tabulations)*. The same applies to Table 2.

Note: Because there were respondents whose "status in employment is unknown" among each of "employed persons," "employed persons not at work (among employed person)" and "employed persons at work (among employed persons)," the totals of the four classifications of "self-employed," "executive," "regular employee," and "non-regular employee" do not match the "total." The same applies to Table 2.

Table 2. Number of employed persons, number of employed persons not at work, and number of employed persons at work by status in employment and type of employment (year on year, 10,000 people)

	Employed persons not at work (among employed person)				Employed persons at work (among employed persons)										
	Total	Self-employed	Executive	Regular employee	Non-regular employee	Total	Self-employed	Executive	Regular employee	Non-regular employee					
January 2020	59	3	27	42	▲ 5	8	4	1	5	▲ 2	52	▲ 2	25	37	▲ 3
February	35	▲ 25	18	44	2	19	5	0	8	8	16	▲ 29	19	36	▲ 7
March	13	▲ 40	19	67	▲ 26	31	4	0	▲ 2	27	▲ 18	▲ 45	20	69	▲ 53
April	▲ 80	▲ 32	▲ 2	63	▲ 97	420	48	16	113	240	▲ 498	▲ 81	▲ 18	▲ 51	▲ 337
May	▲ 76	▲ 2	▲ 11	▲ 1	▲ 61	274	40	12	57	161	▲ 351	▲ 42	▲ 24	▲ 58	▲ 222
June	▲ 77	9	▲ 21	30	▲ 104	90	18	4	14	48	▲ 167	▲ 9	▲ 25	16	▲ 152



Source: Prepared by the author from JILPT, “Survey on the Impacts that COVID-19 Has on Company Management” (conducted in June 2020). Note: Excluded from aggregation were 106 companies that responded “Do not know” with regard to their continuation of future business and some other responses.

Figure 1. Companies’ orientation vis-à-vis the use of human resources when viewed in terms of their expectations for recovery in business performance (Multiple responses allowed [only a portion of response options extracted], %)

of dispatched workers” (1.3%). As labor shortages are considered to continue for the long term, few companies are considering weathering the pandemic by intentionally switching the personnel structure to higher percentages of non-regular employees.

Here, attention should be given to the following fact. As can be seen by the area enclosed by the dotted line, the percentages of companies responding “will raise the percentage of regular employees” decreases and the percentages of those responding they will raise the percentage of non-regular employment (e.g., part-time workers, temporary workers, and contract employees) rises the longer that companies think that performance recovery will take. Additionally, while omitted from the

figure, companies that responded “will promote outsourcing” accounted for 7.8% of the “total” and 11.8% of “more than two years.” That this option exceeds the likelihood of switching to non-regular employment through part-time workers, temporary workers, contract employees, dispatched workers, and the like also demands attention. It is unclear here what specifically is meant by “outsourcing.” Depending on the forms that outsourcing takes (and if intermediate ways of working that are positioned between employment and self-employment are well borne in mind), it may have an impact on real employment portfolios.

Needless to say, feeling optimism or despair from the results of monthly surveys or one questionnaire

survey is to be avoided at all costs. Moreover, the views I have presented here are based on data that were available at the time of writing.¹⁰ The number of COVID-19 cases began skyrocketing again from the beginning of July, and thus predicting where the economy will go has become even more difficult. Given these trends, it is possible that constraining pressure will intensify for not only non-regular employment but also regular employment, and that more companies will consider revising their employment portfolios.

1. “Survey on the Impacts that COVID-19 Has on Company Management,” conducted in June 2020 by JILPT. The survey targeted 3,000 companies that are registered with an online survey company. Valid responses were received from 1,293 companies (valid response rate of 43.1%). See a press release for the survey’s implementation and preliminary results at [https://www.jil.go.jp/english/special/covid-19/index.html\(summary in English\) and https://www.jil.go.jp/press/documents/20200716.pdf](https://www.jil.go.jp/english/special/covid-19/index.html(summary%20in%20English)and%20https://www.jil.go.jp/press/documents/20200716.pdf) (in Japanese).

2. Because the rising number of new cases of April decreased significantly in the latter half of May, the time between April and May when new cases increased is generally called the COVID-19 pandemic’s “first wave” in Japan. The number of new cases subsequently remained low in June but then suddenly rose in July, recording 1,580 on a day at the end of July. This increase that began in July is called the “second wave.” Data on the number of new cases are from NHK’s “Tokusetsu Saito: Shingata Koronairusu” (Special website: The novel coronavirus), <https://www3.nhk.or.jp/news/special/coronavirus/> (in Japanese).

3. The survey asks about the situation in the final week of each month. Therefore, a reference to a particular month’s survey in this column (e.g., the “April Survey”) indicates the situation in the final week of that month.

4. In the *Labour Force Survey*, “employed person not at work” refers to, “among the persons with jobs but not at work during the reference week, (1) employee who did not work during the

reference week but who received or expected to receive wage or salary, or (2) self-employed worker who did not work during the reference week and whose absence from work has not exceeded 30 days.” It should be noted that “employed person at work,” which is the counterpart to “employed person not at work,” refers to “[a person] who worked for pay or profit, or worked as unpaid family workers for at least 1 hour during the reference week.”

5. See “Statistical Indicators” in *Japan Labor Issues* vol. 4, no. 27 (November-December 2020, this issue) for changes in the unemployment rate and number of employed persons not at work.

6. The government significantly relaxed requirements for payment of the Employment Adjustment Subsidy in response to the COVID-19 pandemic. However, there are some who believe that this did not help protect workers, particularly those at SMEs, due to the complexity of subsidy application procedures. See Keiichiro Hamaguchi, “The Employment Adjustment Subsidy and New Assistance for Temporary Leave,” *Japan Labor Issues* vol. 4, no. 27 (November-December 2020, this issue).

7. For more details, see Koji Takahashi, “Decreased Working Hours and Impact on Wages: A Look Back at the Novel Coronavirus’s ‘First Wave’ in Japan,” *Japan Labor Issues* vol. 4, no. 26 (October 2020): 2–9, <https://www.jil.go.jp/english/jli/documents/2020/026-01.pdf>.

8. Here, “regular employee” refers to a worker class called “regular employee” or something approximating that in companies, while “non-regular employee” refers to worker classes called “part-time worker,” “temporary worker,” “contract employee,” “*shokutaku* (entrusted worker),” “dispatched worker” and the like. In general, regular employees are beneficiaries of long-term stable employment, human resources development, and wage systems that support them, while non-regular employees tend not to receive such benefits.

9. The question concerning expectations for performance recovery was “We would like to know your views concerning your prospects for the future (i.e., after the state of emergency declaration is lifted). When do you anticipate that your business performance will recover and return to its previous level? Or do you think it will not recover?”

10. This column was submitted on August 7, 2020. Accordingly, available statistical data were limited to those obtainable from surveys conducted until the end of June, 2020.

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<https://www.jil.go.jp/english/profile/takahashi.html>