

# Diversification of Modes of Work will Create a New Safety Net

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## Does Full-time Employment offer Security?

What modes of work should we look to, in order to ensure security and peace of mind? Consider this model: A person graduates from school and joins a company for which he or she works continuously as a full-time employee, salary increasing with years of service. If by some chance that company becomes bankrupt and this person loses their job, they will be protected by generous social security benefits. The ideal that Japan has sought up to the present is a society in which each individual is secure in their work, centering on this image of the “full-time employee.”

However, is this realistic? Will continuing to work for one company really guarantee one’s security into the future? How secure does being a full-time employee make one?

Today, the environment in which Japanese companies operate is undergoing significant changes, and large corporations are not exempt from these changes. Not long ago, few people could have predicted the extent of the sales slump that would occur in the television manufacturing industry, and the difficulties that Japanese electronics makers would face as a result. The main factors in the present changes in the business environment are structural changes in the global economy and changes in the speed of business due to the advancement of IT. The rapid economic development of emerging nations is serving as the central driving force in a massive reorganization of the entire global economic structure. No matter how outstanding the record of a Japanese company, we should not be surprised if it faces a business crisis if unable to respond to these changes. In addition, the development of the IT industry is also accelerating the speed of change in industries other than the IT industry itself. Given this, it is likely that no matter which industry one works in, in future the knowledge and abilities required will change at a fairly rapid pace.

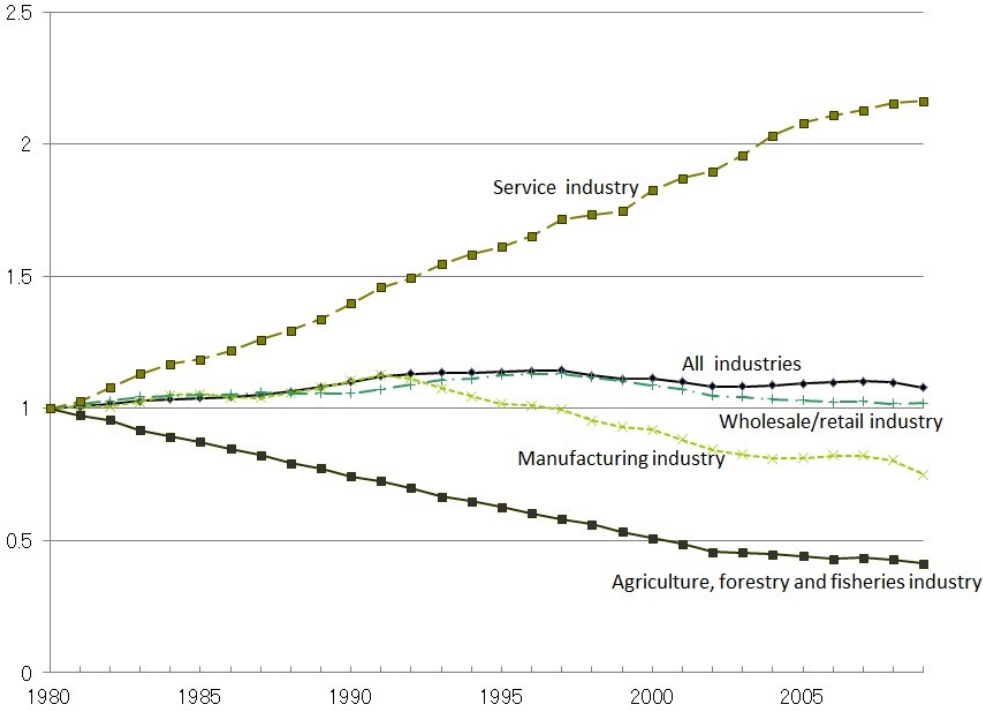
Amid these changes, no matter how firm a company’s business foundations, it will be unable to guarantee security for decades ahead. In fact, companies will not even be able to maintain the ability to retain large numbers of full-time employees as their workplaces close down (Figure 1).

This means that from now on, when we consider the appropriate direction for society and modes of work which offer a sense of security, we must assume the possibility that even the biggest companies might face restructuring or bankruptcy. In fact, many people in Japan are already aware of this possibility. Middle-aged and elderly full-time employees of large corporations are already facing the prospect of the restructuring or future bankruptcy of their companies due to a slump in their profits.

We must ask, then, whether the unemployed who will be produced by this restructuring and bankruptcy can be supported by social security. Looked at from the perspective of individual workers, generous social

security benefits are a desirable thing. However, this cannot be considered a realistic solution in these financially straitened times. Against the background of population decline and a significant consequent decline in the working population, there is simply no margin to enable a large population of the unemployed to be comfortably maintained in unemployment.

**Figure 1 Trends in number of employees by industry for Japan**



(Note) For each industry, the number of employees in 1980 is considered as 1.  
 (Source) Based on Cabinet Office statistics for gross domestic product classified by economic activity.

**Flexible Employment Conditions able to respond to Changes are Essential for Society as a Whole**

Under these conditions, what is demanded is the creation of a safety net which does not rely upon employees clinging to their companies, which are after all inherently unstable entities, but which rather functions flexibly in response to the specific environment in which each individual finds him or herself.

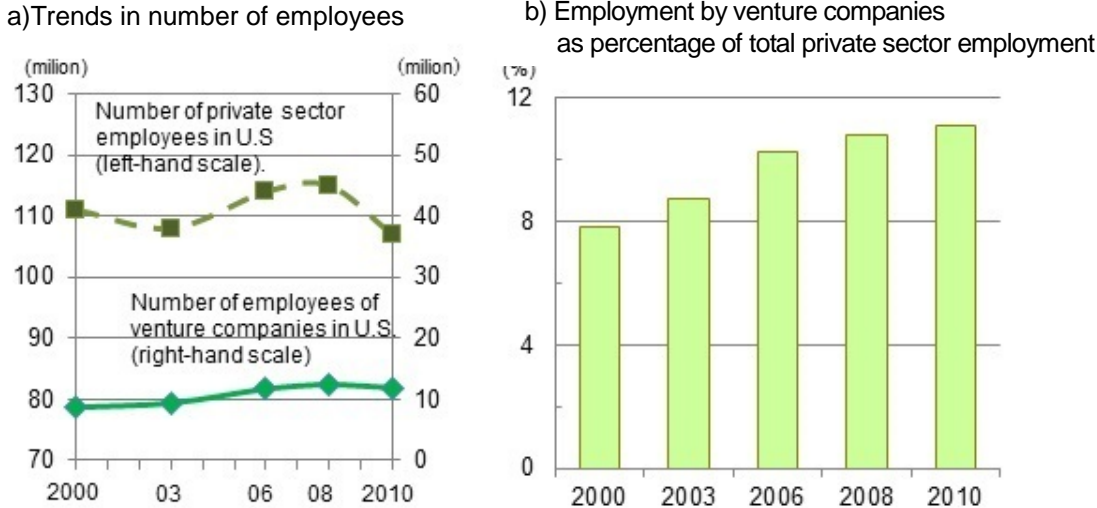
In order to achieve this, it will be essential to create structures, not only within companies, but throughout society as a whole, ensuring that people of all ages have access to the type of knowledge and skills required at any given time. And in addition, it will be necessary for us to create a society that will enable individuals to choose the right workplace and mode of work for their specific age, and to be secure in their lifestyle, even if they do not continue to work for a single company for an extended period.

**Japanese Society must diversify its Modes of Work**

The “full-time employee” mode of work which has held sway up to the present is inherently one-sided, and cannot be considered to be suited to contemporary society, with its diversification of value systems. Unless we increase the diversity of modes of work, we will not be able to realize labor and lifestyle choices which are suited to the individual.

For example, an increased rate of establishment of venture businesses will be essential for Japan in future. And in addition to this increased activity on the part of for-profit venture businesses, it is also likely that the number of people wishing to work for non-profit organizations (NPOs) and non-governmental organizations (NGOs) which seek to contribute to society will increase (Figures 2 and 3).

**Figure2 Role of venture companies in U.S. labor market**



(Source) Based on data published by the National Venture Capital Association and U.S. employment statistics.

**Figure 3 Salaried employees of non-profit sector as percentage of total working population**

Country	Percentage	Country	Percentage	Country	Percentage
Holland	9.21%	Australia	4.43%	Norway	2.69%
Belgium	8.62%	Austria	3.84%	Finland	2.42%
Ireland	8.28%	France	3.70%	Italy	2.26%
Israel	6.61%	Germany	3.54%	Sweden	1.74%
U.S.A.	6.28%	<b>Japan</b>	<b>3.19%</b>		
U.K.	4.84%	Spain	2.82%	<b>Average of advanced countries</b>	<b>4.65%</b>

(Notes) 1. Religious organizations are not included. 2. 1995-2000 data is employed.  
 (Source) Based on data published by the Johns Hopkins University Center for Civil Society Studies

Venture businesses do not simply advance innovation, but are also important in expanding employment<sup>1</sup>. Even if each company employs only a limited amount of people, assuming that one company creates employment for 10 people, the number of jobs created will be 10 times the number of companies; the launch of a large number of companies would therefore have a significant impact on employment. However, in Japan at present the psychological hurdles to establishing a venture company upon graduation from university are fairly high. Venture companies are inherently risky, and the fact is that many ventures fail. However, in Japan's employment system, focused as it is on full-time employment, it is difficult for individuals who have tried and failed to then find employment in a normal private sector company.

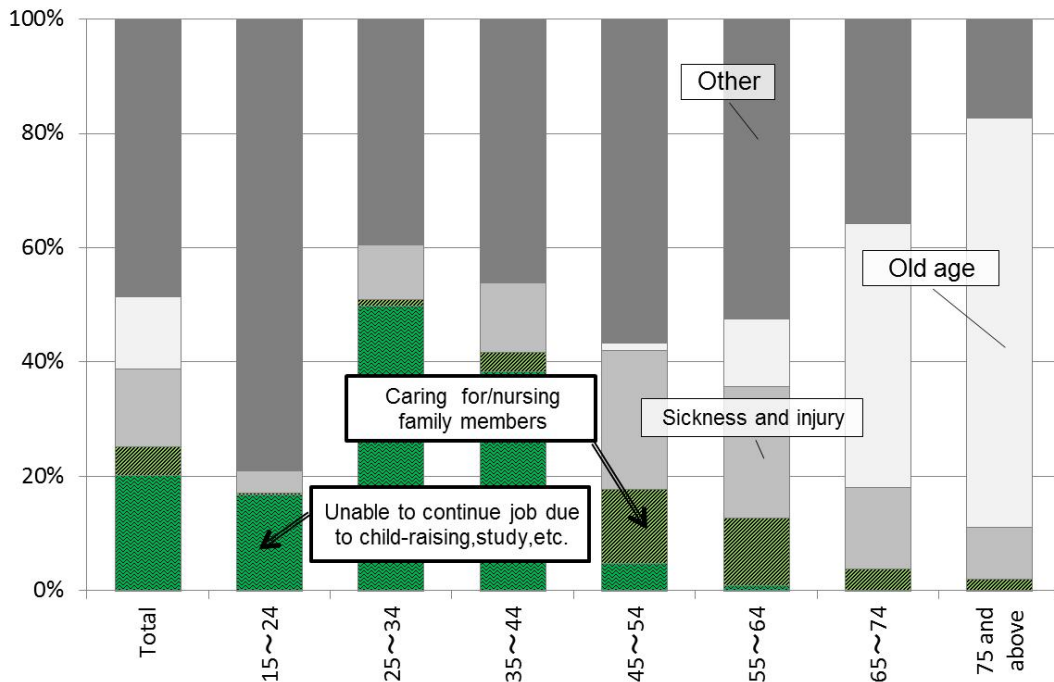
In addition, rather than continuing in operation indefinitely, it is not uncommon for NPOs and NGOs to terminate their activities when the social problem which was their focus has been resolved to some extent, and to then move on to different activities. It is also rather difficult for ex-employees to find further employment in this situation.

Taking these facts into consideration, in attempting to actively support venture businesses and NPOs/NGOs, it will be crucially important to ensure that ex-employees will be able to find another workplace or another satisfying arena for their activities if the venture fails or the NPO/NGO ceases operation. If this is not the case, many individuals will be averse to risk, and will not take up the challenge of venture businesses or NPOs/NGOs, or, assuming that they do establish a business, will restrict themselves to an extremely narrow range of activities. We must revise the structures that insist that a mode of work is not "regular" or "legitimate" unless it involves ongoing employment with the same company, and create greater diversity in terms of modes of work and periods of work.

The necessity for child-raising and homecare represents another major point (Figure 4). In a society facing population decline, it is absolutely essential that we create an environment in which it is possible for parents to raise children in the manner they desire, and which ensures at the same time that both parents are able to work without sacrificing their ability to contribute to the raising of their child<sup>2</sup>. To this end, it will be necessary to create a society in which a parent is able to return to satisfying employment even after raising a child to the age of six, the age of entry to elementary school, or 15, the age at which schooling is no longer mandatory, and to provide mechanisms that ensure that such life choices and modes of work are also considered to be "regular."

An increasing number of employees will also face the necessity of taking leave from their employment in order to provide home care as Japan's population ages<sup>3</sup>. Where this type of care differs from child-raising is in the fact that the period for which it will continue is not known. Given this, many individuals facing the issue of home care have no choice but to give up their employment rather than taking leave. If these people are unable to find reemployment after an extended period of absence from work, it will represent a considerable loss for society in a situation in which the working population is declining.

**Figure 4 Reasons individuals wishing to work do not seek employment (By age)**



(Source) Based on data in Employment Status Survey (2007).  
Published by Statistics Bureau, the Ministry of Internal Affairs and Communications

### Misconceptions in relation to Limited Term Employment

One problem of the current system is the fact that employment contracts which are regarded as “regular” are contracts which do not stipulate a time limit for employment. This fact can be considered to be relatively reasonable if one regards lifetime employment as the only normal mode of employment. However, if the diversified modes of work discussed above also come to be regarded as normal modes of work, then clearly it will be necessary for our thinking to encompass more diverse forms of “regular” employment.

Under the present circumstances, changing companies is a considerable risk, and the majority of employees are therefore in a position in which they must cling to their position in their present company (even if, for example, they face risks from restructuring or the bankruptcy of the company).

The accelerating pace of change in the social and business environments brings with it the increasing possibility that skills and knowledge that have been serviceable up to the present will rapidly become obsolete. There is an increasing risk that abilities which have previously been functional will not be useful in the society of the future. If we grant this, then it is surely clear that relying exclusively on one’s present company is no fundamental guarantee of security. In addition, if employees continue to rely exclusively on individual companies, those companies will be forced to continue to guarantee high wages to large numbers

of employees, thereby increasing their risk of bankruptcy or restructuring.

In order to correct this situation, it will be essential to ensure that employees are able to acquire the abilities which will enable them to respond to their new environment when they seek employment in a new company, and for this it will be necessary to provide opportunities even for relatively elderly employees to acquire useful knowledge and skills. This must be the nature of the social safety net from now on.

In major companies, this type of thing is already happening in the form of employee education and training. However, this is clearly not enough. Considering Japan as a whole, the number of companies able to conduct this type of training is extremely limited, and the economic margin enabling it to be provided is steadily declining even at major companies. Another problem is the fact that education and training provided by existing companies is limited to the provision of knowledge and the development of skills related to the existing industry.

At present the full-fledged development of an employee's skills occurs perhaps between the ages of 35 and 40, but against a background of extensive social change, it will be essential for employees to continue in productive employment until the age of 75. Ideally, what is necessary is a system enabling workers to fundamentally renew their skills and knowledge at any age.

### **Towards Limited Term Employment as “Regular” Employment**

The use of limited term employment contracts does not necessarily imply a mode of work corresponding to irregular employment today. We should ensure that it will still be possible to establish long-term employment contracts or continuing employment contracts.

The problem with regard to irregular employment as it exists today is not that it is limited-term, but that it represents a significant restriction on the establishment of continuing employment contracts. Because of this, there is a conspicuous decline in incentive to increase employees' skills on the part of employers. Employment contracts which do not specify time limitations are regarded as “regular”; if ongoing employment was offered to an irregular worker, there would be a feeling that their status should be regularized. However, because in reality there is a considerable gap between ongoing irregular employment and “regular” unlimited term employment, most companies choose not to regularize the former, and as a result the employment is not ongoing and the employee does not develop skills.

However, if we examine whether there is sufficient development of skills even among employees engaged in regular employment, we once again find considerable cause for doubt. Many companies are facing declining margins, and in circumstances in which it is not clear when even regular employees will leave their employ, more than a few are forgoing large-scale investment in their employees.

We can therefore no longer content ourselves with the simplistic view that limited term employment presents issues which do not exist in the case of unlimited term employment. What is necessary is to create a society in which, no matter what the type or period of employment, the employee is able to acquire skills

and gain abilities which will serve him or her well in the future.

Overall, in today's Japan, investment in increasing skills is being handled rather poorly. The situation as it is makes it impossible to respond to changing social and business environments. Before this results in major problems, we must be more proactive in preparing the ground for a system enabling working individuals to receive further education.

### **Enabling the Extension of Comparatively Long-term Limited Term Employment Contracts**

In order to do so, it will first be necessary to construct a system enabling the unproblematic extension of comparatively long-term limited term employment contracts. As part of this, it will be essential to establish a very carefully elaborated system enabling further education and the acquisition of new skills. It would be virtually impossible to accomplish this within the confines of individual companies. It will also demand the active use of education provided by universities, graduate schools, and other educational institutions.

Today, Japan's declining birthrate is making it difficult for any university to ensure a sufficient number of students. Under these conditions, the idea of accepting middle-aged and elderly individuals for further education and assisting them in the development of appropriate skills and abilities should have considerable merit for universities. If individuals who had previously developed skills while working for companies were employed as teachers and in other educational positions, the system would also function as a direct stimulus to employment.

Naturally, it would not be desirable for all development of skills to take place outside the company. To some extent at least, there are abilities which it is not possible to acquire without working in a company, and fields in which it is necessary to gain experience in a company. From this perspective also, it will be essential to allow diverse modes of work, such as employment for a trial period, or temporary dispatch to another workplace at the request of the employee.

### **Creating a Standard Flow for Employment Contracts**

Even under the present circumstances, it should be possible for individuals who feel the necessity to do so to quit their jobs, no matter what their age, and reenter university in order to seek new skills. However, to leave work and return for further education on one's own initiative, while the majority of other people continue working, involves considerable costs, including the psychological resistance entailed. In order to promote such major lifestyle changes in Japanese society as a whole, it will be necessary to introduce a certain measure of systematization, and to create mechanisms which encourage the majority of people to take such a course.

One measure which might be considered as a response to this issue is to treat employment contracts

which do not specify a time limit as 20-year contracts; if the continuation of employment over a longer period, for example 40 years, is judged to be necessary, this could be organized on the basis of an explicit long-term limited term contract. If the use of a cutoff point of 20 years became part of the standard template contract (the default contract), it might be possible to create a basic employment structure of 20 years of employment followed by reentry to education, enabling large numbers of people to leave work to learn new skills without any psychological resistance. However, education entails expenses, and in the short term it might be necessary for the government and private companies to bear the burden of these educational expenses to a certain extent. However, prior to this, it would be essential to expand the range of educational institutions and educational opportunities, as indicated above. If 20 years was also regarded as the standard cutoff point for reentry to education on the side of the providers of educational programs, we could expect a market of considerable size to develop, making it easier to offer programs.

Naturally, it would also be possible, if both sides involved were in agreement, for an employee to extend their term of employment rather than taking the opportunity for further education. It should also be noted that the scheme under discussion here is not intended to rule out the possibility of long-term employment for 30 or 40 years from the very beginning. Limited term contracts would simply be effective for the period stated in the contract, and continuing employment should also be recognized under this system.

### **The Ultimate Purpose is to enable Every Person to Work with a Greater Sense of Engagement**

The adoption of a scheme of this type would make it possible to create a foundation enabling workers to select the workplace that they consider desirable between the ages of 20 and 40, 40 and 60, and 60 and 75. At the risk of repetition, I am not suggesting that this necessarily means that at the end of each specific period it would be necessary for workers to change their places of work, or to find a new job. Depending on the workplace, and depending on the type of work, there will of course be cases in which it is desirable both for an individual worker and for society that the individual continues doing the same job in the same place until the age of 75. I am not suggesting that in such cases workers should be forced to change their jobs.

However, realistically speaking, it is also a fact that large numbers of workers desire to change their place of work, their mode of work, or their skills for a variety of reasons; perhaps their workplace no longer suits them, their skills no longer suit their working environment, or they simply want to do a different job. It is necessary to break out of the present situation, in which such people stay where they are and maintain the status quo due to anxiety over change. Offering these people the type of workplace that they desire, and creating an environment enabling them to pursue the work that they choose with a greater sense of engagement: This is the type of safety net that the government should provide. If it is not provided, then Japan's working population will decline rapidly, and we will be unable to realize a vigorous and forward-looking society.



## Notes

1. A presentation by the Ministry of Economy, Trade and Industry at the 2nd Roundtable on the Green Sheet Market of the Japan Security Dealers Association indicated that the number of employees employed by venture companies in their initial start-up phase had increased significantly, and was having a considerable job-creation effect.
2. According to a 2011 Tokyo Metropolitan Government survey looking at responses to the Equal Employment Opportunity Law and the Revised Child Care and Family Care Leave Law and other aspects of corporate employment management for male and female employees, only about 25% of workplaces are fully provided with the maternal protection systems stipulated by the Labor Standards Law and the Equal Employment Opportunity Law. The survey also found that 80% of workplaces do not encourage male employees to take childcare leave, and almost 60% do not provide support for female employees who have taken childcare leave to return to work.
3. The same survey also indicates that nearly 40% of workplaces have employees with family members requiring care.

### Profile of Noriyuki Yanagawa:

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