

**Economic Crisis and Employment Issues in Japan –
Significance of the Global Jobs Pact for Japan**

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1. Introduction

The objective of this paper is to review the current status and ongoing shifts in the Japanese labour market and examine the application of several key points from the Global Jobs Pact, which was adopted by the International Labour Conference in June 2009, to employment policy in Japan.

Over the past decade, the labour market in Japan has drastically changed. Moreover, the Lehman Shock hit the market in 2008 amidst this change. The Japanese society is experiencing a structural change as well as an economic cyclical change. The question in such environment is how employment policy should be developed going forward.

Although there may be some discussions about the quantity and the appropriateness of various countermeasures, many possible actions have already been implemented by a number of governmental organizations, including the Minister of Health, Labour and Welfare in order to cope with issues in the current labour market. However, the problem with these actions is that they seem to be mere ad hoc or emergency solutions. How are Japanese organizations going to lead the employment market for the future? In other words, how are they thinking about employment strategies and employment policy rather than employment countermeasures? These are the questions that need to be answered.

In order to think about this issue, we will first take a look at the impact on Japanese employment of the financial crisis that was led by the Lehman Brother's bankruptcy. We will also look at how the Japanese labour market developed and changed over the long-term.

There are four aspects in the Global Jobs Pact that seem to be applicable and important to the Japanese employment conditions.

The first aspect is the proposal to think about an employment policy that focuses on vulnerable people. In Japan, it should include the issues of young workers, the support that should be provided to female workers, and the implementation of safety nets for all workers.

This leads to the second point. The Global Jobs Pact introduced the idea of integrating gender viewpoints in all measures. The positioning of this topic going forward should be discussed in the transformation of the labour market as well as in the daily lives of Japanese citizens.

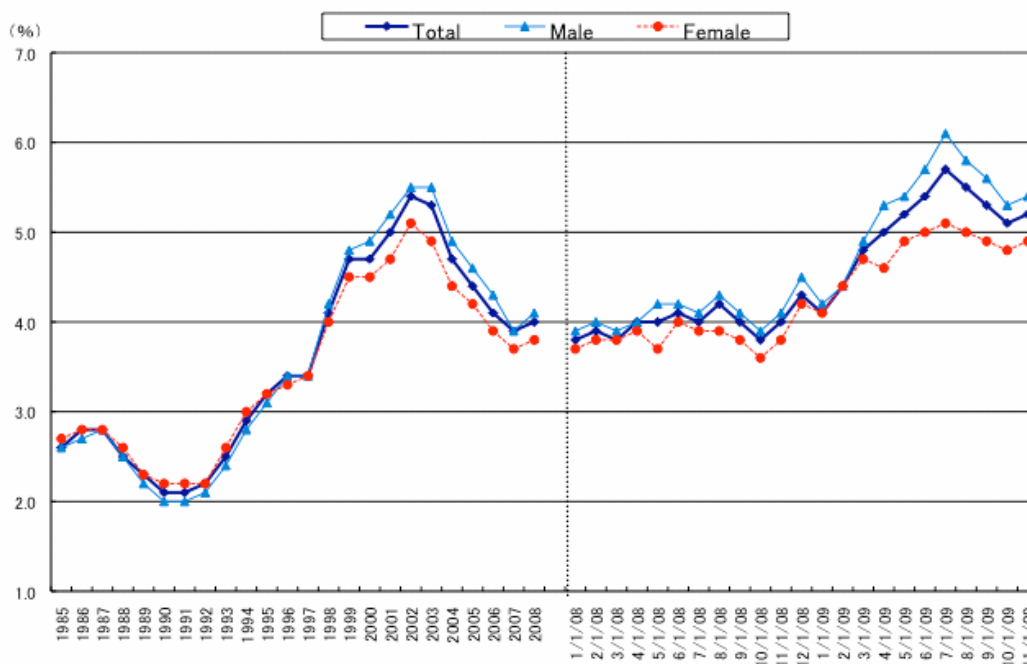
The third point is to pursue decent work for all, especially work that is meaningful for people to have. Problems with working hours and salary should be addressed. How do we improve the quality of work in addition to expanding the quantity of employment opportunities? Such structural employment policy-related issues should be thought through. The discussion should include not only the employment policy in a narrow definition, but also issues with the social security system and the tax system.

The final point is how to support businesses as well as middle-level organizations such as nonprofits in maintaining and creating employment. The roles that in-between entities such as nonprofit and societal organizations can play have not been discussed widely. With the crisis, conventional employment strategies and discussions have changed, partially due to a larger say by nonprofit organizations. If we look at other countries, employment creation by nonprofits or the roles that nonprofits play in job support such as employment support, are becoming more and more important.

2. Changes in Unemployment in Japan

It is important to understand the current employment status in Japan by looking at some statistics. Figure 1 shows the shift of the unemployment rate in Japan. It shows the long-term and the short-term analyses separately.

Figure 1: Shift in Unemployment Rate



First, the graph on the left side shows the movement of the annual data from 1985 to 2008. The unemployment rate was said to be stable and very low in Japan. Even if there was a downturn in the economic cycle, there was not much negative impact on the unemployment rate because employment was relatively well maintained. However, the Plaza Accord was closed in 1985 and there was a recession due to the appreciation of the Japanese yen. There was a slight increase in the unemployment rate then, but it declined from 1987. This was during the bubble economy period, which experienced a shortage of labour. As a result, the unemployment rate declined. When the economy bubble burst, however, the unemployment rate rose again. In 2002, it reached its worst level, 5.4% per annum. Although there was a slight recovery of the economy and an improvement of the rate after that, the Lehman Shock hit the market in 2008 and the unemployment rate picked up again.

The graph on the right shows the monthly data since January 2008. The unemployment rate that used to be relatively flat started rapidly increasing from September. The monthly shift in the unemployment rate during 2008 and 2009 indicates that the unemployment rate fluctuates quite a lot, even in Japan.

3. Turning Point in 1997-98: Employment by Gender

In this shift of unemployment, many researchers believe that the period during 1997 and 1998 was the turning point for the labour market in Japan. There were several factors that dramatically changed the Japanese labour market and made it significantly different from that of the past.

The first significant difference is in the unemployment rates of male and female workers. While the overall unemployment rate declined from 5.7 to 5.5 percent in August, the gap between men and women has become extremely large. As Figure 1 shows, the unemployment rate of men is rapidly increasing. Although it is also worsening for women, the rate of decline for women is comparatively better than that of men.

Conventionally, it was said that the increase in the unemployment rate of women was smaller when the economy declines. However, the reasons for the recent case have changed from those in the past.

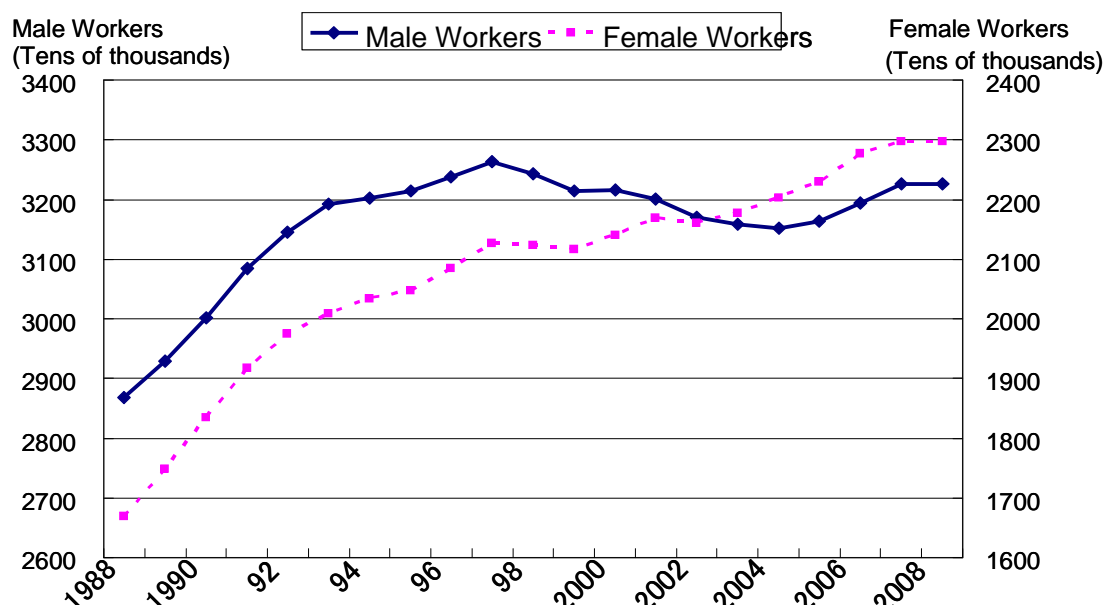
Traditionally, when the economy went into a recession, women were not able to find good jobs even when they looked for employment. This is the discouraged worker effect, which pushed women away from job searching to become non-labour participants. Once these women gave up looking for employment, they were no longer counted as the unemployed. It is important to note the difference between the term unemployment in a wider definition and that in a narrower, obvious sense. The discouraged worker effect in Japan is common, compared to other developed countries.

However, the labour force participation rate of women has not declined in this round of recession. It is rather flat, as shown in Figure 1. Instead, the labour participation rate of young people – those in their 20s – declined. This is where the hidden unemployment is taking place.

The question is how the unemployment rate for women managed to stay low. In addition, why has the unemployment rate of men significantly increased? It seems that labour demand is the cause rather than the labour supply. In other words, the industrial structure has been and is dramatically changing, in addition to a better utilization of female workers by individual companies.

Figure 2 shows the numbers of both male and female workers in companies. The movements of the numbers of male employees and female employees are significantly different. The number of male workers – although the relative size, which is based on the scale on the left, is larger – peaked in 1997. However, the long-term downturn of the Japanese economy led the decline in the total number of male employees. The graph also shows a slight pick-up with some recovery in the economy.

Figure 2: Shift in Employment by Gender



The number of female employees is shown by the scale on the right. Although the absolute number is smaller than that of male workers, the employment of female workers is continually increasing. There are some flat years, but the number of women employed is increasing overall.

The question is why this is happening. While many companies are trying to utilize more female workers, there is a dramatic change in the industry overall. As shown in Figure 3, total industry employment was 53.68 million. In 2008, ten years after that, the number reached 55.24 million: an increase of approximately 1.56 million overall.

However, the industrial structure has changed. The construction industry employed 5.48 million in 1998 and 4.37 million in 2008 with a decrease of 1.11 million. The manufacturing industry also used to employ 12.58 million but the number shrank to 10.77 million – a decrease of 1.81 million over 10 years. Employment declined by 3 million in the construction and manufacturing industries alone.

Figure 3: Shift in Employment by Industry

Year	Total	Construction	Manufacturing	Finance/ Insurance	Year	Healthcare/ Welfare
1998	5368	548	1258	238	2003	469
2008	5524	437	1077	159	2008	565
Change	+156	-111	-181	-79	Change	+96

This decline is hidden by the tertiary industry. In particular, increases are seen in employment in the healthcare and welfare services such as nursing care. The number of employees was 4.69 million, which increased by 960,000 to 5.65 million. When the size of employment of the healthcare and welfare industry and that of construction in 1998 are compared, the latter is bigger. However, the positions have flipped now and the healthcare and welfare industry employs 1.3 million more people than the construction industry in recent years. This is the large industrial structural change that occurred in the past decade.

Employment in the male-oriented industries, such as construction and manufacturing, has declined. On the other hand, the healthcare and welfare industry, in which women make up more than 80% of workers, has increased the employment figures. These changes in the industrial structure are reflected in the total employment trend of both genders.

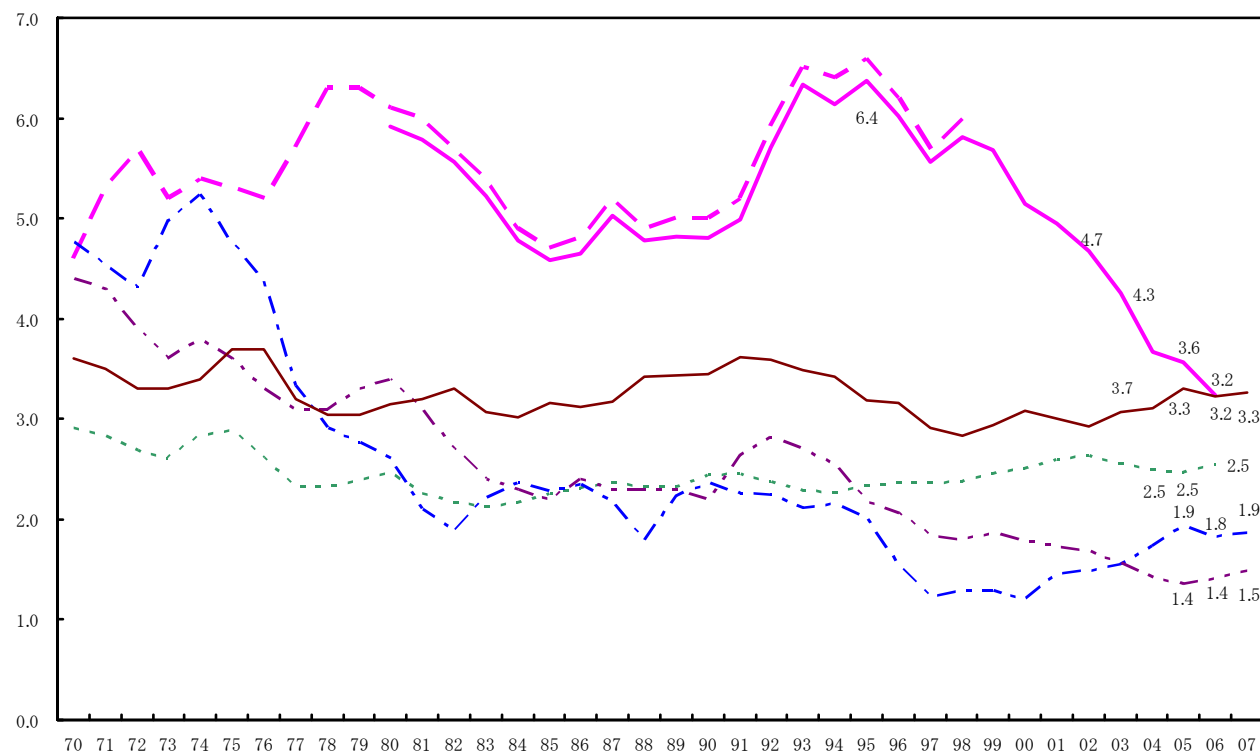
In the past, employment policies in a wider definition usually had the aim to create jobs by adding public works spending in the construction sector. Public works have been working and influential in creating regional jobs in construction. The current measures have the same purpose, but the target now is the sectors that will be necessary in the future such as healthcare and welfare rather than construction of roads and railways. In other words, the focus of the government's measures for employment creation has shifted.

This structural change in industry also reflects the change in gender roles. Conventionally, men were expected to work outside the home and women took care of their families and homes. In addition, at companies, men were the main labour force and women merely supported them. These were the conventional gender roles, and a norm in Japan. However, the need for a transformation has become clear around the world.

In the United States, the social participation of women increased dramatically from the 1970s. Women obtained the right to work while the responsibility of women for earning income became greater. Economists think that as the heads of households, typically male, lost jobs or earned less income, the need to revisit the gender roles increased.

Figure 4 shows the trend of public works spending in Japan relative to the total GDP. Jobs were created with the increase of public works spending in the late 1970s, the recessionary phase immediately after the first oil crisis. In the early 1980s, it stabilized to some extent due to the bubble economy.

Figure 4: Shift in Public Works Spending by GDP by Country



Note: Japan- National Economic Accounting (Based on Japanese fiscal year), Other countries-OECD National Accounts (Based on calendar year). Source: Ministry of Finance Website

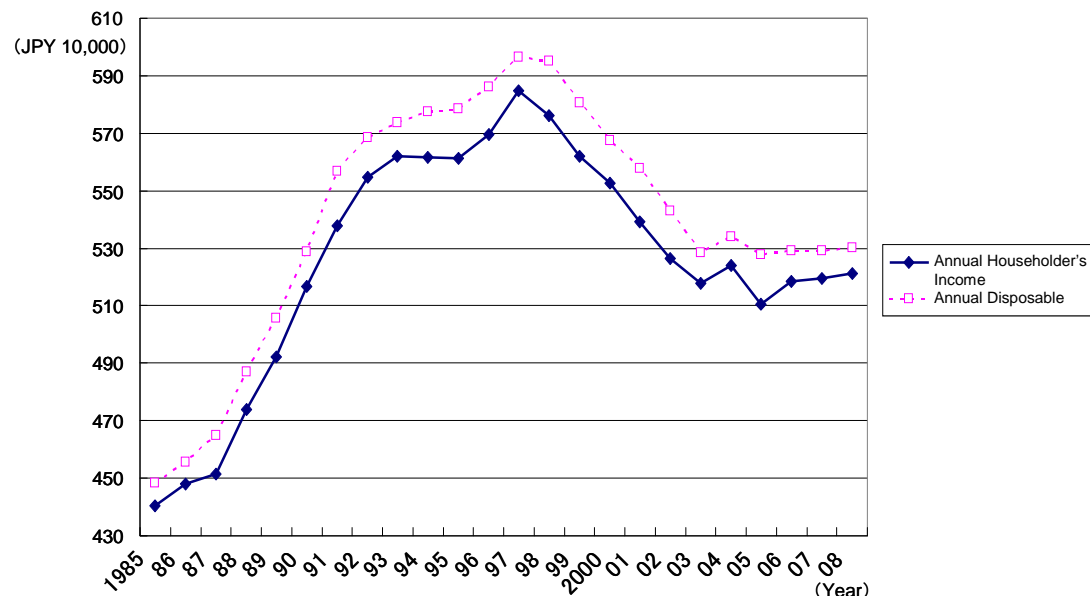
In the 1990s, the government expanded fiscal spending once again to create jobs through public works spending. The government played a direct role in creating employment. However, the government has decreased public works spending since the late 1990s. The public works spending used to be above 6% of GDP but it is now only a little over 3%. The current ratio is approximately half of what it used to be and the economic stimulus package is expected to drastically change accordingly.

Figure 4 also shows the shifts in public works spending amongst various developed countries. In the 1970s, the levels of public works spending as a percentage of GDP were not so different amongst these countries. However, each country started spending less, resulting in such large differences with Japan whose rate was still relatively high.

In this process, other countries experienced a decline in the construction industry as well, and lost employment – especially in rural areas – became a major challenge. The kinds of recovery measures taken then included development of rural areas or creation of employment in those areas. The changes in the amount governments spent on public works reflect the shift in their mindsets from only having short-term economic stimulus to implementing more long-term strategies. We could say that Japan postponed this until the late 1990s.

When we think of an employment policy, we tend to focus on companies. However, it is also important to look at households and the changes they experienced. Figure 5 shows the head of household's income. How did the nominal income trend move? The bold line shows the annual income of a head of a household.

Figure 5: Shift in Household Income (Annual)



You see a significant decline after the peak in the mid- to late-1990s, when the average income of a head of a household was 5.85 million Japanese yen. This figure then dropped to 5.1 million yen in the mid-2000s, a decline of 750,000 yen or 15%.

In order to make up for this gap, women's participation in the labour market – especially part-time working housewives – increased. This is the change on the labour supply side. As mentioned earlier, in a conventional economic downturn, women were pushed out of the labour market and became dedicated housewives. However, the opposite is happening now.

Since last year many people, especially those with young children, are increasingly willing to work, resulting in an emerging issue of long waiting lists for childcare facilities. This is a reflection of the transformation as well. It seems that we are in a new era where the stability of men's employment no longer guarantees a sense of security for families.

4. Diversification of Employment Styles

Another change that the Japanese labour market saw in the late 1990s was the shift in people's mindset regarding maintaining employment and restructuring companies during tough times. The Japanese financial institutions fell into a chaotic state after going through the last financial crisis, the previous Asian currency crisis. The Hokkaido Takushoku Bank and the Yamaichi Securities Company went bankrupt, which triggered major changes.

In the late 1990s, Nippon Keidanren's (Japan Business Federation) then-chairman, Mr. Okuda, made various statements regarding the employment practices of Japanese business owners. One of the most famous quotes was "The management who cannot maintain employment should cut their stomach (*hara-kiri*) and die." On the other hand, he also mentioned, "The Japanese economic community is changing. How did the society respond to companies that conducted restructuring or a reduction of their headcount? They used to think that those companies were doing so badly that they had to eliminate employment. But after 1997 and 1998, the reverse started happening. In other words, when companies announced restructuring, the stock prices went up. If companies said that they would maintain employment, people thought that there was no hope for reconstruction and as a result their stock prices went down." The relationship between the stock price and the restructuring of a company started to change drastically from this point onward.

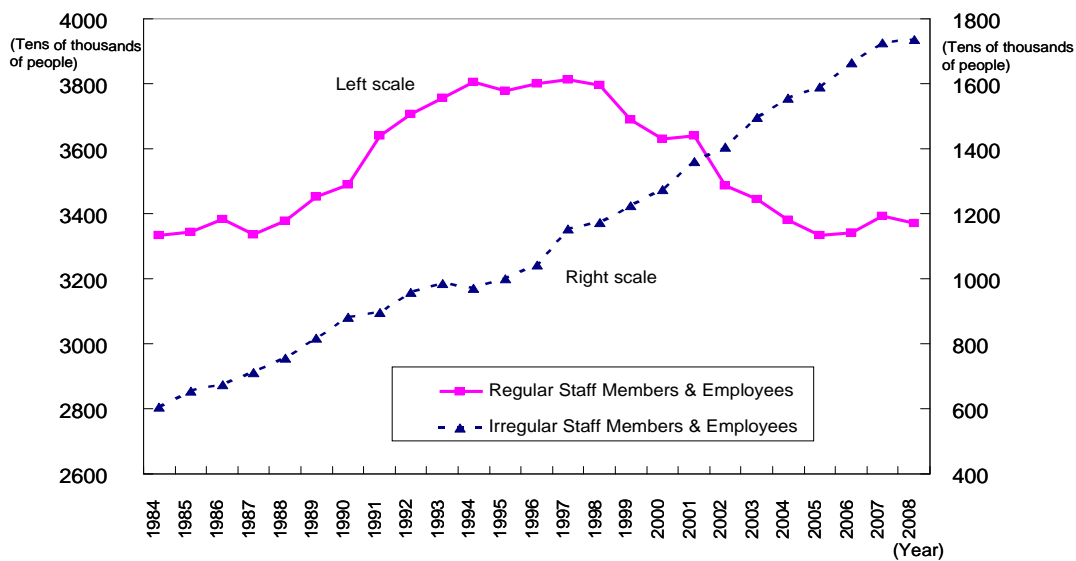
I believe this was the globalization effect. The conventional indirect financing by the main banks, which was the main channel of funding for companies, switched to a direct financing system using the issuance of equity and bonds. Additionally, the equity holdings by foreign investors increased dramatically from 1998. Against this backdrop, the mindset of Japanese toward employment and that of the foreign stakeholders started to shift.

Triggered by this trend, many Japanese business owners started saying that they, of course, would want to maintain employment and not let go of people. However, the question was whether the economic situation allowed them to do so. This was where the dilemma existed. Unfortunately, the Lehman Shock occurred amidst this dilemma.

One of the solutions Japanese business owners implemented to cope with the economic instability was to utilize irregular workers. According to Figure 6, the number of irregular workers, one of various types of employment styles, was 11 million in 1997 when the number of regular workers was at its peak. It has now increased to 18 million.

Did this occur at each workplace or did it happen through the change in the industrial structure? Quantitative analyses tell us that in Japan it was both. The number of irregular workers in sectors such as healthcare and welfare, wholesalers, and retailers increased. The higher ratio of irregular employment in those sectors impacted the overall composition. At the same time, every industry is experiencing an increase of irregular workers in general.

Figure 6: Shift in Regular and Irregular Employment



Influenced by this structural change in the labour market, the speed of employment adjustment also rapidly accelerated in Japan. Figure 7 shows the employment adjustment function that our research lab discovered. We calculated the time that is required to resolve the excess in employment when it happens.

Figure 7: Accelerated Employment Adjustment

	Time Required for Dissolving Excess Employment
1980-1997	2.9 years
1998 and after	2.2 years

Up until the turning point of 1997, it took 2.9 years to resolve excess employment. This means that it took 2.9 years for the impact that the decline in demand had on the economy to be resolved in the labour market. This number is 1.2 years for the United States and 3 to 4 years in Europe.

However, once irregular workers, especially fixed-term contract and dispatched workers, enter the market and adjustments become easier, the time required to resolve the excess employment is shortened. The data after 1998 shows that the number is shortened to 2.2 years, which means that the employment adjustment is much easier under the current environment. Then the Lehman Shock occurred. Immediately after September 2008 when this happened, the unemployment rate rose. Many people had already lost jobs in October, November and December.

While the number of irregular workers increased, the gaps in various employment conditions, especially the hourly wage, for regular and irregular workers were not addressed by society. Companies and households had always assumed that the husband was the head of the household who earned the main income and the wife supplemented the gap by taking on part-time jobs. Since most of the irregular workers were these housewives who took on part-time jobs, society did not need to question the gap in employment conditions.

However, the composition of irregular workers now includes not only these housewives, but also young people. Moreover, the group includes both student part-time workers and those who take on fixed-term contract jobs after graduating from school. Unfortunately, their situation does not usually improve and they often do not have permanent jobs even when they reach their 30s. Many people used to say that this was just the new mindset of the new generation. However, it does not necessarily seem to be only the mindset change any more. The decline of the overall labour demand and the structural set-up seem to be stimulating this type of trend.

After the Maekawa Report came out in Japan, the shortening of working hours became one of the national goals. The target was to reduce the average annual working hours to 1,800 hours and various measures were taken to achieve this. Measures to shorten the weekly working hours to 40 hours were also implemented. As a result, the total actual working hours, which had reached 1,900s in 1993, were shortened to 1,800 hours. On the surface, it seems that the government's goals were attained.

However, it is important to note that the working hours shown in Figure 8 are the total actual working hours, which include those of part-time workers. It is possible that the higher proportion of irregular workers reduces the total working hours even though the regular workers' working hours did not change. In fact, according to the "Monthly Labour Statistics Survey", the total annual working hours of only regular and full-time workers dropped slightly in the 1990s, but it actually increased after this. If that is the case, the drop that is shown is due to the increased proportion of part-time workers and it was not because of the reduced working hours of full-time employees, a better working environment, or a better quality of employment.

What is the situation in the current crisis? Looking at employment trends by gender, employment of female workers only declined by 200,000 in the current crisis. On the other hand, the employment of male workers dropped by 700,000 and this is reflected in the increase in the unemployment that we saw earlier. As seen in the annual analysis earlier, the long-term trend in which the employment of men declines while that of women increases is evident in the current recession.

Figure 8: Shift in Total Hours Worked



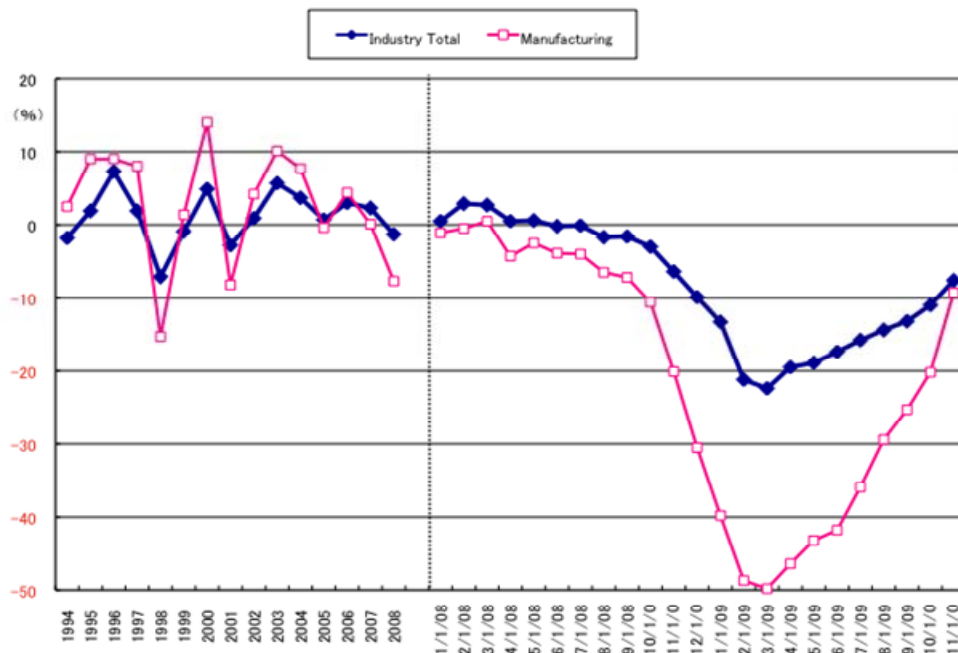
Source: Ministry of Health, Labour and Welfare “Monthly Labor Statistics Survey” (Over 30 people)

What are the working hours like at present? Figure 9 shows the year-to-year change of overtime hours for business enterprises with five or more regular workers or employees. The lines show the total industry and the manufacturing sector, respectively. While they used to show a slight decline or be flat, they rapidly declined after the Lehman bankruptcy happened. In manufacturing, the overtime hours were shortened to 50%, as if they tried to absorb the shock in demand by shortening overtime hours. Employment did decrease, but the speed of employment adjustment, in terms of the number of people affected, was not so rapid in Japan compared to the United States. The impact of the crisis is not seen in the form of unemployment, but it reduced working hours.

One of the reasons behind this phenomenon is the change that was made to the conditions for companies to qualify for receiving subsidies. The previous conditions for receiving subsidies for employment adjustments were stringent: subsidies were provided if employment was maintained by shortening the working hours within the prescribed criteria. However, the conditions were relaxed to allow companies to receive subsidies by shortening even the overtime working hours. With the more lenient conditions for receiving the subsidies, there has been a decline in overtime hours up until February or March of 2009, though working hours have picked up a bit since then.

I believe the maintenance of employment should be assessed not only from an economic perspective, but also from a human rights perspective. In other words, individuals feel worthwhile and energetic by securing places to work. Job loss not only has an economic impact but is an issue related to human rights. Therefore, policies to maintain employment are extremely important. That being said, it is also important to address the issue of relatively long working hours even with the decline of 50% or the issue of perpetual long working hours.

Figure 9: Shift in Year-to-Year Change in Overtime Hours (Institution size: more than 5 regular workers)



Source: Ministry of Health, Labour and Welfare “Monthly Labor Statistics Survey”

5. Safety Nets and Unemployment Insurance in Japan

The next theme is safety nets or unemployment insurance. With the diversification of employment styles, it is important to revisit how safety nets are working. In thinking about safety nets, we should also consider what to do about employment insurance for irregular workers, who now number 18 million.

Figure 10 shows numbers of unemployed people who do not receive unemployment benefits, and the results are rather shocking. The number you get after subtracting this figure from 100% represents those that are covered by the unemployment benefit. For example, Brazil has 93% people who are not covered. In other words, only 7% are receiving the unemployment benefit, while in China only 16% are covered.

According to the statistics for Japan, 77% are not receiving the unemployment benefit and only 23% of the unemployed are receiving it. This number is calculated by taking the difference between the number of unemployment based on the labour force research and the number of beneficiaries taken from the employment insurance statistics. These numbers indicate that Japan has the lowest ratio of people receiving available unemployment benefits to the number of people unemployed amongst the listed developed countries.

Figure 10: Ratio of People without Unemployment Benefits to the Unemployed by Country (Japan, Canada, US, Germany-December 2008, France-The third quarter of 2008, UK-September-November 2008, China-December 2008 in urban areas)

Brazil	93%
China	84%
Japan	77%
US	57%
US (according to Congressional reports)	42%
Canada	57%
UK	40%
France	18%
Germany	13%

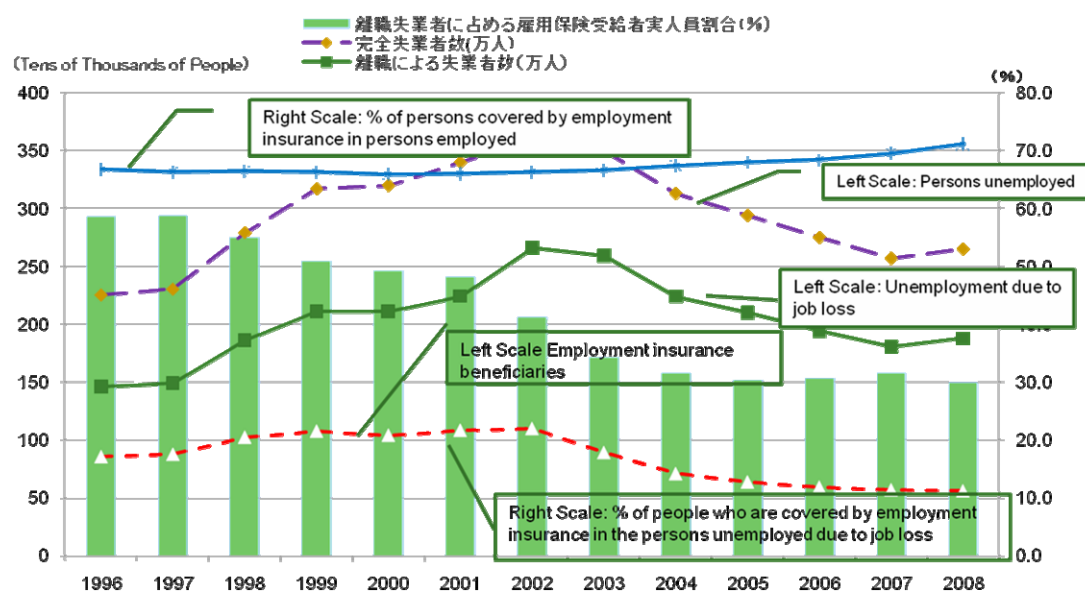
In the United States, only those who became unemployed through lay-offs that were caused by employers are eligible for unemployment insurance. Those who became unemployed through both permanent lay-offs and temporary lay-offs qualify to receive benefits in many states since the cost of unemployment insurance is fully covered by employers. Nevertheless, 57% are not receiving benefits. This means that a higher percentage of people in the United States are receiving the unemployment benefits than in Japan.

In France and Germany, 82% and 87% of unemployed workers, respectively, are receiving benefits. These figures not only include unemployment insurance, but also unemployment assistance. Through the unemployment assistance system people can receive benefits that are paid from general tax revenues even if they were not enrolled in any employment insurance plans. In the UK, France, and Germany, it can be assumed that there are many beneficiaries of this unemployment assistance. I believe Japan should discuss the possibility of implementing such a system in order to cope with the current situation.

Figure 11 “Unemployment, Unemployment due to Job Loss, Employment Insurance Beneficiaries and Ratio of Employment Insurance Beneficiaries to the Unemployed due to Job Loss” shows the trend of subscribers to employment insurance packages and that of those who received unemployment benefits, based on the Japanese statistics.

The largely steady blue line shows the percentage of employment insurance coverage among all employees in non-governmental companies. It does not include public servants because they are not under the employment insurance scheme, but includes irregular workers. We can see that approximately 70% are covered, but 30% have not subscribed to employment insurance although they are employed.

Figure 11: Unemployment, Unemployment due to Job Loss, Employment Insurance Beneficiaries and Ratio of Employment Insurance Beneficiaries to the Unemployed due to Job Loss



Source: Ministry of Internal Affairs and Communications Statistics Bureau "Labor Force Survey", Ministry of Health, Labour and Welfare "Employment Insurance Project Statistics"

Note: Beneficiaries represent the number of people who are receiving the basic package. For 2008, the monthly average calculated based on the number of people included through November is used.

My view is that the ratio is relatively well maintained for the diversification of the employment styles and the rapid increase of irregular employment. The requirements for subscriptions have been relaxed and the minimum annual income, which used to be set at 900,000 Japanese yen, has been abolished. In addition, the criteria which used to only include those who had a potential of employment for more than one year was relaxed to include all those employed for more than six months, starting this April. Overall, the subscription conditions have been quite generous in responding to the diversification of employment styles.

On the other hand, the green bars show the percentage of people who have benefited from the insurance system amongst the unemployed. In 2008, the ratio of beneficiaries of employment insurance to the unemployed due to a job loss was 30%. You can see that it has rapidly declined. From 1996 to 2000, approximately 50% among the unemployed benefited from the insurance. After that, some changes to the unemployment insurance system and to its operation were implemented. In addition, the government shortened the payout period of such benefits. This resulted in an increased number of people unemployed beyond the payment period. These changes are believed to be influencing the decline.

Looking at this graph, I believe we need to create a guarantee system in which people can rely on safety nets if needed and re-challenge by taking advantage of the benefits that are available to them. However, it is crucial to keep in mind that many countries are facing a seemingly contradictory dilemma between avoiding people's moral hazards and providing an environment where workers can work feeling safe and secure.

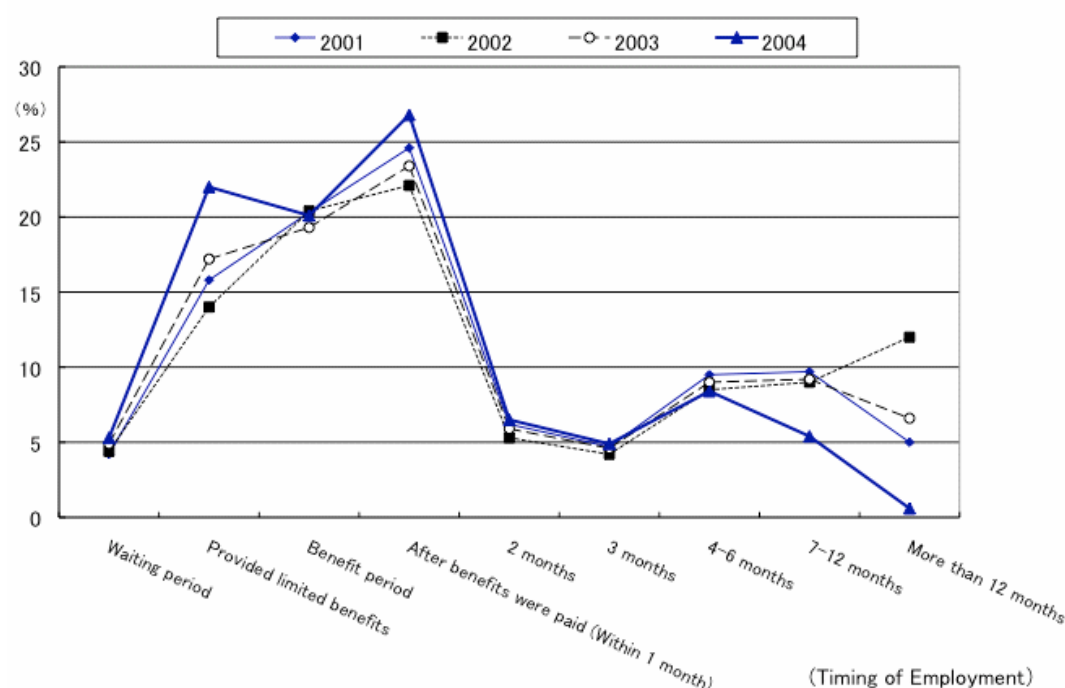
Various reform measures have been introduced in different countries. For example, the replacement rate, the percentage of unemployment benefit to the income that the beneficiary had from his previous job, is high in the beginning. However, it starts to decline as time passes. This should discourage people from staying unemployed for an extended period and motivate them to start receiving training for future reemployment. Requiring such conditions in order to qualify to receive unemployment benefits was one measure that some countries took to make the system work appropriately. Japan will need to revisit this unemployment benefit scheme and even the unemployment assistance system and think through how to cope with them.

One question is whether the problems would be solved if we extended the payment period of unemployment benefits. Figure 12 shows the timing of re-employment for those who qualified for unemployment benefits from 2001 to 2004. Since the scheme has not changed much since then, these numbers should work for this analysis. According to this statistics, 5% of the unemployed were re-employed during the waiting period before the benefits started to be paid out. Some may have had applied for the unemployment benefit, but they started working again before receiving anything. Those who start working again while they are receiving the benefits are included in the following category. Those who leave their jobs voluntarily only qualify to receive benefits over three months. Hence, if they started working during this three-month period, they would be included in this category. What is more informative is the period after the payment is completed.

You can see that approximately one quarter of people started working within one month after the one-year payment period – the maximum payout period which is now defined as 330 days – was over. Those who started working while they received the benefit were relatively low. This means that there is a possibility that the number of people like this will increase if the payout period of unemployment benefits were simply extended without changing any other parts in the system.

In other words, the extension of the payout period could lead to the extension of the unemployment period. How can we balance avoiding moral hazards and providing social security needs? There are a number of possible schemes: reducing payment while extending the payment period, and having various qualification criteria in order to qualify for benefits. The government has already started examining these strategies in order to revisit and improve the current system in Japan.

Figure 12: Employment Status of People Eligible to Receive Unemployment Insurance (All Ages) [Fiscal Year 2001-2004]



Source: Ministry of Health, Labour, and Welfare Association for Employment Insurance Fundamental Issues "Organizing Discussions on Employment Insurance Scheme" 2006

Note: Composition ratio assuming that the total number of people with jobs is counted as 100. For fiscal year 2001, data was collected in October 2003. For fiscal years 2002 through 2004, data was collected in December 2005.

6. Conclusion - Implication of the Global Jobs Pact for Japan

Based on what we reviewed regarding the labour market in Japan, the question is what the Global Jobs Pact proposed by the ILO means to this country.

First, it is apparent that the impact of the Lehman Shock was a significant social event. It became a big turning point for individuals, households, companies, and Japanese society. It also led the change in mindset change that gender equality should be realized through various measures and employment policies. Another core focus should be the achievement of a work-life balance for all workers. On the foundation of a good work-life balance, we can expand the quantity and quality of work to achieve gender equality as well as equality between regular and irregular workers. The Global Jobs Pact can be interpreted in the Japanese context in this manner.

Secondly, we should think about the function and the value of middle-level organizations, such as nonprofits and societal organizations, while maintaining the function of job placement services by “Hello Work” (public social security offices). In Europe and the United States, nonprofit organizations are creating 3 million people’s jobs which provide 10 million people’s annual income. We should not only consider support for private-sector companies, but also think about how to position those middle-sector organizations that are neither private nor governmental in this market-based society.

What the government can do now is to provide support for those who visit public employment service offices. The question is how we can create a system in which supporters can proactively visit the homes of unemployed people and in which motivated and competent people find workplaces where they feel safe and secure.

Thirdly, a transformation of the employment insurance system is necessary. In particular, we should take the second level of safety net, an unemployment assistance system, into consideration.

Various measures are already being implemented in different forms. Needless to say, these are important and will most likely lead to productive outcomes. On the other hand, it is crucial that we think about what kind of long-term changes are necessary in the labour market and what we should do about our people’s livelihoods.