

## In Japan, the social safety net fails

By Martin Fackler

International Herald Tribune, February 8, 2009

OITA, Japan: Koji Hirano said his “mind went blank” with disbelief when he and other workers at a Canon digital camera factory in this southern city were suddenly called into a cafeteria in late October and told they were being laid off.

The shock turned to fear when they were also ordered to vacate their employer-provided apartments, a common job benefit here. With no savings from his monthly take-home pay of as little as \$700, he said, he faced certain homelessness.

“They were going to kick us out into the winter cold to die,” said Hirano, 47.

The economic crisis has spread joblessness and distress across the world, and Japan has been no exception — with output plunging at historic rates, the unemployment rate rose to 4.4 percent in December from 3.9 percent the month before. But what has proved more shocking has been the fact that so many of those laid off have been so vulnerable, with hundreds and perhaps thousands finding themselves cast into the streets.

Hirano and the others laid off by Canon are part of a new subclass of Japanese workers created during a decade of American-style deregulation. As short-term employees they have none of the rights of so-called salarymen or even the factory workers for Japan’s legions of small manufacturers.

To make matters worse, they can expect little in the way of unemployment or welfare benefits. In Japan, a country with little experience of widespread unemployment until recently, there is an inadequate safety net for laid-off workers.

According to the Japanese Labor Ministry, about 131,000 layoffs have been announced since October. Of those, only about 6,000 were culled from the majority of Japanese workers who hold traditional full-time jobs, which are still often held for life. The overwhelming majority — some 125,000, the ministry says — are so-called nonregular workers, who are sent by staffing agencies or hired on short-term contracts with lower pay, fewer benefits and none of the legal protections against layoffs of regular full-time employees.

Hirano and other former temporary workers at Canon were allowed to stay in their apartments for a few extra months after a public outcry reached all the way to the prime minister. But others have not been so lucky. Over the New Year holiday some 500 disgruntled former temporary workers made homeless by layoffs built an impromptu tent city in a Tokyo park adjacent to the Labor Ministry.

As never before, the global downturn has driven home how a decade of economic transformation has eroded Japan’s gentler version of capitalism, in which companies once laid off employees only as a last resort.

“This recession has opened the nation’s eyes to its growing social inequalities,” said Masahiro Abe, a professor at Dokkyo University who specializes in labor relations. “There is a whole population of workers who are outside the traditional support net.” Until a decade ago, nonregular workers accounted for less than a quarter of Japan’s total work force, and included subcontractors and others outside the lifetime employment system as well as students or homemakers working part-time jobs at restaurants or convenience stores.

But the number of nonregular workers took off after an easing of labor laws in 1999 and again in 2004 allowed temporary workers to work on factory lines and in other jobs once largely restricted to full-time workers. During Japan’s economic recovery in this decade, companies added millions of less expensive temporary employees while continuing to reduce overall numbers of full-time staff.

Today, 34.5 percent of Japan’s 55.3 million workers are nonregular employees, including many primary breadwinners for households, according to the Internal Affairs Ministry.

Under the nation’s traditional company-centered social welfare system, created after World War II, companies were expected to look after employees until retirement and beyond, serving as the main conduit for pensions and other benefits, and keeping jobless rosters empty by not laying off workers.

Even the limited government job-loss benefits were devised with lifetime employees in mind. To receive unemployment insurance, for instance, workers must have held the same job for at least a year, effectively excluding most temporary workers, whose contracts can be as short as two months. This has left at least half of Japan’s 17.8 million nonregular workers ineligible for unemployment aid, say labor experts and Labor Ministry officials.

According to the Organization for Economic Cooperation and Development, Japan spends about 0.3 percent of its gross domestic product on unemployment benefits, far below Western European countries and about the same as the United States, which tolerates far more social dislocation and poverty than Japan.

According to labor experts and Labor Ministry officials, Japan needs to revamp the system to fit a

more dynamic labor market in which not all jobs are held for life, and to prevent layoffs from being so financially devastating.

“Japan’s social safety net has failed to keep up with changes in the labor market,” said Yusuke Inoue, a section chief in the Labor Ministry’s bureau of stable employment. “We must build a safety net that suits this more deregulated working environment.”

After a public outcry, Tokyo has promised to expand unemployment benefits to those who have worked six months or more. The government has also tried to shore up the traditional system by pressuring companies to elevate more nonregular workers to full-time status, with Prime Minister Taro Aso telling companies in December that “regular employment is best.”

Some of the first layoffs to gain national attention were at two Canon factories in Oita, where some 1,100 temporary workers were let go, including Hirano.

As a temporary worker, Hirano was technically the employee of a staffing agency, and not of the factory where he worked. As a result, Canon executives even refused at first to accept a letter written by him and other laid-off temporary workers asking for their jobs back, Hirano said. After 30 minutes of discussion in front of the factory’s gate, the executives finally took the letter, he said. He said he never got a response.

In a written response to questions from The New York Times, Canon said it had underestimated the difficulties faced by the laid-off temporary workers in the economic downturn and would offer them more

aid, including help in staying longer in their apartments.

Hirano and other laid-off temporary workers said their annual pay was about \$22,000 a year, below what many labor experts call Japan’s poverty line of \$25,000 a year.

To make ends meet, even when employed, Hirano said he usually cooked a small stew of cabbages and carrots every night in the tiny kitchen in the corner of his one-room apartment. He added chicken to the stew only on days it was on sale at the supermarket, he said.

Hirano and others said they had applied for a dozen jobs each, with no luck in the current market. With their meager savings running out, they said, they had applied for welfare a half dozen times in two months, only to be rejected by officials who said they were not trying hard enough to find new employment. The officials said the former workers were ineligible for unemployment support because they had worked at Canon less than a year.

Just in case he gets kicked out of the apartment suddenly, Hirano has packed most of his belongings in a half dozen cardboard boxes that sit in a corner of his room, next to an unmade futon and a table covered in résumés.

Hirano and his co-workers said they felt betrayed. They said that they had believed that if they worked hard, Canon would reward them with an offer of direct employment, at higher pay.

“We did our best, so Canon should have taken care of us,” said one 32-year-old laid-off worker who was so ashamed of his situation that he asked that only his family name, Murakami, be used. “That is the Japanese way. But this isn’t Japan anymore.”