



Hints from the combination of labor economics, Social Sciences of Hope and Social Sciences of Crisis Thinking: Toward ways of working able to respond to abnormality and change

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Lessons from the 2008 Global Financial Crisis

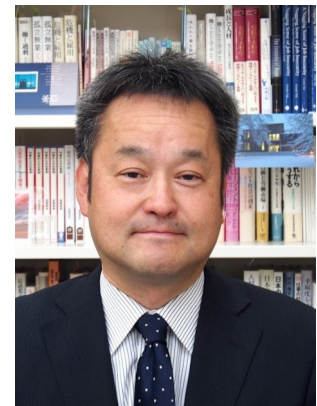
More than anything else, protecting the lives and health of people is necessary to respond to the COVID-19 pandemic. There is no room for argument in that regard. Based on this, many people are hoping they can secure employment that brings in the income needed to cover living expenses in the months ahead.

In term of employment, the possibility that this new crisis is more serious than the 2008 global financial crisis, defined by the iconic September 2008 bankruptcy of Lehman Brothers, is a concern given the rapid shrinkage of economic activities associated with the spread of COVID-19. During the 2008 global financial crisis, 950,000 jobs were lost in Japan in only a year, and the unemployment rate rose to 5.5% in July of 2009, matching the previous record high.

Of course, given that there are many differences between 2009 and the present, we should refrain from the ungrounded inflammation of anxieties. The unemployment rate just before the global financial crisis, when the economy was on the road to recovering from the long-term recession was around 4%, and the effective opening-to-application ratio was around 0.8 or 0.9. On the other hand, the unemployment rate in the period before the spread of COVID-19, was a low 2% and the trend was toward a labor shortage with an effective opening-to-application ratio of around 1.5, suggesting that there was potentially a strong ability to absorb employment.

According to the Financial Statements Statistics of Corporations by Industry, the internal reserves (accumulated profit) of companies stood at about 280 trillion yen in FY2008, but they were piled up to a record high of 463 trillion yen in FY2018. Low interest rate financing from financial institutions is also easier than before. For the time being, it is hard to imagine a situation like in the early 2000s where companies expelled a massive amount of surplus employment through voluntary and early retirement because of the enormous burdens placed on them by excessive debt.

However, a serious concern is that the employment contracts of fixed-term temporary workers will be terminated in large numbers on the grounds that the business performance of companies is



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rapidly deteriorating and future outlooks are uncertain. At the end of 2008, the tent city built for the jobless over the New Year's holiday in Tokyo's Hibiya Park attracted attention. Temporary workers living in dormitories on manufacturing sites lost their jobs and also their homes when their employment contracts were terminated. Again, there is the possibility that employment contracts will be terminated in many industries, such as the restaurant business, the hospitality industry and the tourism industry.

The Japanese government has already taken a bold course, implementing daring special measures including employment adjustment subsidies to prevent, as much as possible, the termination of employment contracts. The employment adjustment subsidies system offers financial help to employers who have been forced to reduce business activities for economic reasons in order to maintain employment through measures such as the temporary suspension of operations, training and the secondment of employees to other positions. At present, "economic reasons" is interpreted broadly, including the voluntary suspension of business due to requests from the national and local governments, in addition to the cancellation of reservations and the decrease in business due to fears of infection and rumors. The government included temporary workers who have not obtained employment insurance in the employment maintenance provisions of the special measures, in addition to relaxing the requirements for paying and raising the amount of assistance funds. During the 2008 global financial crisis the government limited benefits to only those who had employment insurance.

In FY2008, more than 2,100 job offers to new graduates were withdrawn. The special measures allow companies to include new graduates for the employment adjustment subsidies, and this may stave off the withdrawal of job offers to some extent. If job offers to university graduates are withdrawn, they will be able to receive individual support as they look for new employment from the job supporters (career counselors) in the New Graduates Support section of Hello Work, which did not exist during the 2008 global financial crisis. Compared to the "employment ice age" of the past, the current employment measures for young people are remarkably fulfilling.

The employment adjustment subsidies are paid from the employment stabilization fund, which comes from the insurance premiums paid by employers to prevent unemployment, increase employment opportunities and develop the capabilities of workers. Currently, the balance of the stabilization fund is about 1.3 trillion yen, which is more than was available in 2008.

In an emergency situation, the most important thing is to keep as many people as possible employed by fully utilizing the tools available, including the employment adjustment subsidies.

Elderly Employees Leaving the Workforce

As of early April 2020 when this is being written, statistics for understanding the overall employment situation at the end of FY2019 were being aggregated, and accurate information on the termination of employment contracts has yet to be published. The facts have probably been illuminated somewhat by the results of the March 2020 Labour Force Survey published by the Statistics Bureau of the Ministry of Internal Affairs and Communications on April 28.

In February 2020 when the COVID-19 pandemic was still at its initial stages, its impact on the overall labor market had not yet appeared, as the unemployment rate was 2.4% and the effective opening-to-application ratio was 1.45. However, looking at the statistics in more detail, we can see signs which foretell the coming impact: the elderly employee trends.

In the Labour Force Survey in 2019, there were 8.92 million elderly employees aged 65 or older, making up 13% of all employees. The number of elderly employees had increased 1.6 times the level of ten years ago, reflecting their hope to secure income other than their pensions, because many of them had no health problems. Those aged 65 or older had become valuable support for workplaces suffering during the labor shortage.

In February 2020, however, the brakes were applied to growth in the number of male employees aged 65 or older, which had continued to increase between 100,000 to 200,000 people year on year. Males aged 65 or older working as non-regular employees declined by 30,000 year on year, the first decline since 2014. When contracted employees were included, the decline reached 50,000.

Because of the spread of COVID-19, the elderly who are financially better off and those who are concerned about chronic diseases have begun withdrawing from employment, due to their own fear of infection, in addition to the unintended loss of job opportunities due to the termination of employment contracts. Given that the risks of COVID-19 increase with age, the exit of the elderly, who have been making up for the labor shortage, from the labor market will continue unless the pandemic comes to an end.

There is also the possibility that the withdrawal from employment will not be limited to the elderly. According to the Report on Employment Service from the Ministry of Health, Labour and Welfare (MHLW), the number of new applications for employment at Hello Work declined from the previous month in all age categories in February 2020. While the decline was the largest, 15.0%, among applicants age 65 or older, the overall number also decreased 8.3%. Given the risk of infection associated with going out, going out to search for a job is a difficult choice in itself, for everyone, regardless of age.

As COVID-19 spreads, workers terminating their own employment due to fears of getting sick will also become more prevalent, particularly among the elderly, beyond the termination of employment contracts by employers. Nevertheless, many of the working elderly and others continue to commute to work in fear for their health and exposed to the risk of infection.

Another difference from the 2008 global financial crisis is the sharp rise in part-time and casual workers who are students. In the July – September quarter of 2008, there were 1.06 million part-time and casual student workers between 15 and 24 years of age. It had doubled to 2.03 million by the October – December quarter of 2019. The number of students who must work to cover living expenses and tuition, rather than only earning extra money, has probably increased. These workers are impacted directly by the termination of employment contracts by their employers who have suspended operations or closed.

Depending on the situation, other measures such as needs-based exemptions or deferments of school fees also need to be fully considered for self-supporting students.

The Dissemination of Teleworking and its Challenges

Since FY2005, I and my colleagues at the University of Tokyo's Institute of Social Science, or the ISS have been conducting the Social Sciences of Hope study. The study is examining the background behind a society where many people have come to feel that there is no hope from the standpoint of social science.

In the mid-2000s when the study began, we asked what they hoped for, and Japanese people expressed their hopes for a job more than anything else. They hoped for stable high-paying jobs, jobs of their own, and they hoped to return to work after raising their children.

In the 2010s, as we experienced the global financial crisis and the Great East Japan earthquake, people saying that family was what they hoped for was a higher percentage of responses than those who hoped for jobs. They said that no matter how hard they worked, their efforts could all be for nothing in a moment due to changes in the external environment, that they are able to work only inside their families, and they felt that if their family wasn't safe, everything they did meant nothing. Many people had come to feel this way after experiencing repeated disasters.

After the COVID-19 emergency has been resolved, the number of people naming health as a source of hope will probably increase in many countries. When we previously asked people in developed countries about the things that gave them hope, the top three items were their job, family and health. I suppose that also in Japan, many people will value their health and the percentage of those who think that health is what they really want will increase across all generations, including the elderly.

In parallel with growing health consciousness, teleworking centering on working at home is likely to gain a foothold as a part of corporate business continuity plans (BCP) in the wake of COVID-19. From the beginning, the goal of the Japanese government in the Declaration on the Creation of the World's Most Advanced IT Nation and the Basic Plan for the Promotion of the Use of Public Data by the Private Sector was to make the percentage of companies that had introduced teleworking in 2020 be triple the 11.5% it had been in FY2012. This goal is unexpectedly close to achievement because of COVID-19.

Also, in a survey conducted by the Japan Institute for Labour Policy and Training (JILPT) in 2014, many of those with experience teleworking pointed out productivity and efficiency improvements as benefits. Companies and management that have hesitated to introduce teleworking measures with no definite reason will also feel that they were simply prejudiced after all, in many cases as the result of facing a situation with no other resolution, together with the changes of the times.

Incidentally, the University of Tokyo has also decided its lectures will only be online. While classes for FY2020 will be as initially planned, it has put this decision quickly into practice. Because this is an effort that lacked sufficient preparations, it has caused some confusion as it has been implemented. However, if it gains a foothold through trial and error, it should lead to a more diverse and flexible education system and greatly benefit both students and faculty.

Not just for classes, all staff have transitioned to working at home, in principle, and on-campus meetings, including faculty meetings, have also fully transitioned to the internet (as of April 6, 2020). If the national and local governments also fully transition to online meetings, this movement will quickly spread to the private sector and result in lots of transportation time and money saved.

Of course, there are some problems with teleworking. A new wage gap could arise between those who have been able to increase their productivity and wages per hour by teleworking and those who engage in operations where it is absolutely necessary to respond to needs and problems on-site or who work for a company where environments for information security and other needs are not established.

Moreover, effective teleworking requires an environment where workers can clearly separate work and other tasks and workers who can be self-organized and prevent unconsciously long working hours. Otherwise, there is the danger of a worst-case scenario of seeing teleworking not add to value per hour, but only to the consumption of potato chips and workers' waistlines, setting aside any hopes for health.

There is also the medium- to long-term challenge regarding the development of capabilities.

Professor Kuroda Sachiko at Waseda University is concerned that opportunities for on-the-job training (OJT) where employees receive guidance directly from their superiors and senior colleagues will decrease if the hours spent working places other than the workplace increase as a result of the spread of teleworking. The dissemination of teleworking also means that the self-development of worker capabilities using the time previously spent commuting will be more necessary than ever.

Are Workstyle Reforms Facing a Headwind?

Before the violent COVID-19 storm, both the government and companies had continued to seek new ways of working led by workstyle reforms and systems to support them. Currently, there may be a headwind blowing against this trend.

The government labor policy has transformed from the protection of the weak to something in line with a growth strategy. In the process, employment policy has also shifted from the maintenance of employment toward labor mobility without unemployment. There was a critical view of the employment adjustment subsidies that felt they could result in a life extension for “zombie corporations” that should exit the market given their chronically low productivity.

However, the employment adjustment subsidies are first a safety net based on mutual support among employers during this temporary economic crisis. They are not a blind measure for extending the life of declining companies. In fact, in the recent emergency situation, the essential role of employment policy, to protect jobs and lives, and its role in promoting growth, will be rediscovered. This will require a certain review of employment policy that has inclined excessively toward growth and labor mobility.

However, even if the government fully mobilizes policy to maintain employment, it is difficult

to protect all employment. The termination of employment contracts will not be a limited event. In this situation, the first target for labor adjustment will be those whose employment status is not regular employment, which is the same now as it was in the past.

The workstyle reforms have aimed to eliminate unreasonable disparities between the treatment of regular employees and temporary workers within the same company or organization based on the principle of equal pay for equal work. It is necessary for not only basic salaries but also bonuses, allowances and training opportunities to be based on an ability, contributions, position and job content, instead of differences in the type of employment. This should have been the first step toward eliminating unjustifiable disparities in treatment due to differences in workers' nominal designations in the workplace, and whether the employment is regular or irregular.

Nevertheless, when labor adjustment becomes unavoidable, temporary workers will still play a role as a buffer, and that is about to be seen again now. This outdated structure of the labor market which manages to operate at the expense of those who take unstable jobs will not change easily.

Those who were expected to be the leaders of the movement for flexible workstyles, diversity and innovation were the freelancers to whom business has been outsourced. This crisis occurred before discussions about safety nets for these workers, such as the securing of employment and compensation for the loss of earnings had ripened. Freelancers such as the sole proprietors with side jobs, who are said to be as many as 3 million people, still find themselves in a delicate environment, still preceded by expectations.

Currently, in light of the lessons learned from the 2008 global financial crisis, a support program for job seekers that has enabled job seekers without employment insurance to receive free job training and benefit money, depending on requirements, has been set in place. There are also other systems such as the Living and Welfare Fund Loan Program for those having trouble with living expenses and the Housing Security Benefit to help people pay rent. Freelancers should collect wisdom and experience to tide them over during this emergency while utilizing the existing systems as well.

As the headwind pushes back, a major concern is the resurgence of the gender division of labor. The sudden government request to temporarily close school across the board posed new work–life balance challenges to the parents and guardians of school children. If it becomes necessary to stay close to children horrified and upset by the uncertain situation, mothers will end up forced to suspend their careers or unilaterally doing the housework in many double-income households. If this situation is prolonged, it is also conceivable that an atmosphere accepting the fixed gender division of labor where women who are wives and mothers should take care of the family as a matter of course will resurge throughout society. The victims of family anxiety such as the stress of raising children and domestic violence due to restrictions on going out are women in many cases.

The unwanted dual structure of the labor market, divided by the type of employment and gender, etc. will be reinforced by COVID-19. The seriousness of workstyle reforms beyond simple whitewashing, that aim for reforms that enable everyone to choose diverse ways of working and look toward a better future is now being tested.

Message from the Social Sciences of Crisis Thinking

Since FY2016, and following the aforementioned Social Sciences of Hope and a subsequent study on governance, the ISS has been carrying out a project called the Social Sciences of Crisis Thinking. The goal is to examine how society and individuals respond to crises based on a multi-disciplinary knowledge of social sciences, unlike risk management theory based on natural sciences. The study results were published in the article *Kiki-taio no shakaigaku* in the *Social Sciences of Crisis Thinking*, Vol. 1 and 2, edited by Genda Yuji, Iida Takashi from the Institute of Social Science at the University of Tokyo, published by the University of Tokyo Press in 2019. Social Sciences of Crisis Thinking provides some suggestions even for the COVID-19 crisis.

In past conflicts with China over natural resources in short supply, such as tuna, saury and rare earth metals, the distortion of facts in the absence of an accurate understanding based on data was often observed. Even in the present circumstances, a key to overcoming the crisis is society's ability to share a common awareness and behaviors like avoiding contact with the other people, etc. by distinguishing the crises existing in fact from crises only created by statements ungrounded in reality.

From the qualitative analysis of numerous international crises in the past, including the Cuban missile crisis, it was discovered that serious situations could be avoided if decisions were made with a grace period of about five to eight days. A piece of practical wisdom for emergencies based on historical fact is that we should specify a grace period of about a week for decisions in order to appropriately deal with emergency situations so they will be neither premature nor too late without falling into a group mentality that rules out outside opinions.

In the examination of political thought, the ancient Roman Republic's system of appointing a dictator in a crisis is noteworthy. It was characterized by the dictator being a political office appointed through predetermined legal procedures and the performance of the dictator would be strictly examined after his term. After the COVID-19 crisis has ended, a proper evaluation must be made to see if the emergency measures taken and the judgment of the executors was appropriate.

In the Social Sciences of Crisis Thinking, bricolage is pointed out by social anthropologist Claude Lévi-Strauss, as an act that creates new value by reevaluating and reconstructing materials on hand. Bricolage, an act of trying to manage with the things on hand using fragmentary tools and signs as a clue, is the opposite of engineering, which executes plans steadily with materials lined up and delicate designs based on the latest information. It also parallels negative capability that withstands helpless situations by readily bearing them. Bricolage and negative capability are probably concepts that should be widely shared now.

Finally, I would like to share some words from Professor Koike Kazuo, a labor economist who passed away in 2019. Professor Koike pointed out, together with Professor Inoki Takenori and others, the importance of the ability to respond to abnormality and change within a workplace as the source of the competitiveness of Japan's postwar economic growth. Frontline workers have been mastering intellectual proficiency by working to improve their skills and learn from each

other in long-standing competition while rotating through a wide range of jobs, facing persistent crisis and innovation. Japanese-style employment systems with features such as long-term employment and age-based remuneration have also been established as a mechanism to encourage the acquisition of abilities to respond to abnormality and change in solid workplace organizations, called internal labor markets.

The keywords “response to abnormality and change” offer valuable insight for not only overcoming the COVID-19 crisis but also for future ways of working. Ways of acquiring the ability to respond to abnormality and change, not just within close workplace groups but also in society as a whole, has now been tested.

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