

Seeking to Realize Labor Mobility without Unemployment

- A Discussion between Government, Labor and Management -

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As Japan's economy and society undergo major changes, there is a need for a system that enables workers to move beyond the boundaries of their companies and industries into growth industries, finding employment based on their abilities and aspirations. However, Japan has been slow to transform itself into a society that encompasses dynamic employment frameworks suited to a global era. NIRA Forum 2023, "Theme 3: Vision for a Society that encompasses Dynamic Employment Frameworks: Toward 'Labor Mobility without Unemployment'" brought together experts from government, labor, and management in order to discuss this issue from multifaceted perspectives. The discussion ranged across a variety of areas, including, in addition to employment policy, the development of social infrastructure, national land policy, and regional industrial policy.

The chief focus in the discussion was the realization of "labor mobility without unemployment." It will be necessary to take a proactive perspective with regard to labor mobility, based on the viewpoint that the labor force should be able to move in the direction of higher wages with education for reskilling. The hurdles to voluntary job change need to be lowered in order to realize an environment in which workers can actively choose the jobs they want. This awareness of the issue was shared by both the management and the labor sides. On the other hand, the opinion was also expressed that "job-based employment" should be promoted while also carefully identifying growth areas and considering a variety of impacts. It will be important to develop a shared vision of what needs to be done to realize a society that allows labor mobility for those who desire it, a process involving not only industry, government, and academia, but also stakeholders in local communities.

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(In alphabetical order; titles and positions as of date of the Forum)

Japan's economy and society are undergoing a period of major transformation, involving, among other things, the increasing sophistication of industrial structures, the advancement of digitalization, and changes in lifestyles. There is a growing need to create mechanisms that enable workers to move beyond the boundaries of their companies and industries into growth industries, and find employment based on their individual abilities and aspirations.

NIRA held NIRA Forum 2023, entitled "Theme 3: Vision for a Society that encompasses Dynamic Employment Frameworks - Toward 'Labor Mobility without Unemployment'," in order to discuss the establishment of mechanisms able to promote labor mobility in Japan. Participants in the forum included experts in labor economics, business executives, a labor union leader, government officials, and representatives of think tanks, forming a group that encompassed industry, government and academia in addition to intermediary organizations. The moderator for the day was Yuri Okina (Chairperson of the Japan Research Institute and an Executive Vice President of NIRA), and the issues for discussion were proposed by Jiro Mizushima (a NIRA Adjunct Senior Fellow and Professor at Chiba University). This paper summarizes the discussions held on the day, and concludes with an overview of the future issues highlighted by the discussions (Note1).

Achieving Labor Mobility without Unemployment

Indicating that "labor mobility without unemployment," bringing together labor mobility and labor stability, is indispensable for realizing a society that encompasses dynamic employment frameworks, Professor Mizushima raised the following issues at the beginning of the session:

The level of sophistication and informatization of the industrial structure is today progressing rapidly, and the scope of activity in cutting-edge and growth sectors is expanding. Accompanying this trend is a shortage of human resources, and demand is increasing for workers to hone their skills and move into new sectors. However, it has been pointed out that Japan's low labor mobility limits opportunities for workers to demonstrate their abilities and restricts innovation. In order to change this situation, some argue that the country's system of employment should embrace mobility of employment, as is the case in Scandinavia and the Netherlands. However,



it is not sufficient to simply imitate examples from other countries. Rather, we need to discuss how to envision a society that encompasses dynamic employment frameworks with consideration of elements unique to Japan.

Looking at attitudes among workers, we find that a not insignificant percentage of workers in Japan are positive with regard to changing jobs. A NIRA survey shows that younger workers in particular are more willing to change jobs. In addition, the need for the acquisition of new knowledge and skills is not seen as a hurdle to changing jobs, and there is also evidence of a willingness to learn information technology-related knowledge, especially among young and mid-career workers. At the same time, the survey also showed that many workers desire stable employment.

What these data reveal is that while workers are positive with regard to labor market mobility in itself, they are uncomfortable with the idea of an unstable and insecure society in which individuals are simply abandoned to look after themselves. In other words, there is a need to ensure both labor market mobility and job stability.

The concept presented at this session of the Forum was therefore "labor mobility without unemployment." In order to structurally incorporate this concept into Japanese society, it will be essential to discuss it from multifaceted perspectives, including reskilling, the secondary safety net, and innovation.

Expert Opinions: Put in Place Effective Reskilling and Safety Nets

In response to these issues raised by Professor Mizushima, two experts offered keynote addresses.

First, Professor Atsushi Sato of Hosei University gave the keynote address, "Issues in Japan from an International Comparative Perspective: Labor Mobility, Vocational Ability, and Recurrent Education," in which he pointed out the necessity for improvement of factors hindering career autonomy for Japanese people in the areas of education, labor, and transition between the two.

Professor Sato indicated that labor mobility can be divided into intra-enterprise mobility and inter-enterprise mobility. Intra-enterprise mobility refers to transfers and reassignments. This type of labor mobility is very common in Japan. Inter-enterprise mobility can be classified into two types. One of these is characterized by cooperation between government, labor, and



management; the three intervene to reemploy employees who will be laid off in new workplaces, as is the case in Denmark and Sweden. An intermediary organization may also be set up to carry out reskilling. The other type of inter-enterprise mobility is an employee voluntarily leaving his or her job. Characterized by the use of private-sector job placement organizations and training providers, this type of labor mobility is more common in countries such as the US and the UK.

Based on international comparison, Japan can be characterized as a country in which it is difficult for a worker to find further employment once unemployed. In Scandinavia, the UK and US, it has been observed that the rate of labor mobility is higher in proportion to the level of wages, labor productivity, and investment in skills. With regard to investment in skills, training regimens can be divided into four categories, depending on the degree of government and corporate involvement. These are: (1) the statist model, in which government involvement is high but corporate involvement is low; (2) the corporatist model, in which both government and corporate involvement are high; (3) the liberal model, in which both government and corporate involvement are low; and (4) the segmentalist model, in which government involvement is low but corporate involvement is high (Table 1).

Table 1: International Comparison by Training Regimen

	Statist model		Corporatist model		Liberal model		Segmentalist model
	Sweden	Finland	Denmark	Germany	UK	US	Japan
Active labor market spending as a percentage of government finances (%)	1.25	0.99	1.96	0.65	0.23	0.1	0.15
Proportion of unionized workers (%)	68.9	70	68.5	18.6	27.1	11.4	18.4
Collective bargaining level	Industry	Industry	Industry	Industry	Business	Business	Business
Percentage of enrollment in bachelor's degree courses at age 25 or above (%)	25.8	19.4	27.6	14.8	14.6	-	2.5
Long-term unemployment rate (%)	11.7	-	16.7	38.2	20.1	5.6	28
Labor productivity (US\$)	112.279		129.792	107.908	94.763	141.370	78.655

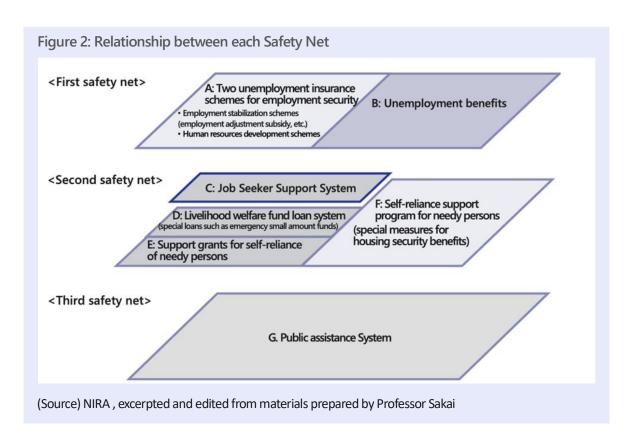
(Note) Labor productivity is the value created per worker in US dollars (purchasing power parity equivalent). (Source) NIRA, excerpted from materials prepared by Professor Sato

Japan can be categorized as regimen (4), i.e., a model in which a person holds a single career for a lifetime using skills acquired through training in a company. Further learning at universities and other institutions is not the norm, and companies tend not to value skills learned in school, resulting in a low level of career autonomy among the Japanese. Improving the intertwined environment of new graduate hiring, intra-company transfers, late promotions, and the weakness of the link between work and education will be essential for the development of recurrent education.



Next, Professor Tadashi Sakai of Hosei University gave a keynote address entitled "The Second Safety Net: Expectations for the Job Seeker Support System," in which he pointed out the need to strengthen support for job seeking by non-regular workers and others not covered by the employment insurance system. Professor Sakai's points are discussed below.

In recent years, the number of people who do not have employment insurance, or who do not meet the conditions for receiving it, has been increasing. These people do not receive unemployment benefits when they lose their jobs. The "second safety net" exists to help such people. The "second safety net" is a "patchwork" of multiple systems that form a safety net to fill in the gaps in employment insurance (the first safety net) and public assistance (the third safety net), depending on the needs of each individual (Figure 2). The idea of provision of benefits without in all cases requiring contributions emerged in the wake of the global financial crisis in 2008, and has been further developed since then. One such program is the Job Seeker Support System, which, in addition to job training, offers income security depending on the situation.



However, the number of users of the Job Seeker Support System has not increased as much as expected, even during the COVID-19 pandemic. Why is this the case? While it is significant that the number of unemployed has been controlled by government policies, at the same time, the



use of other elements of the secondary safety net, such as the livelihood and welfare funds loan system, has increased significantly, and this alone therefore does not explain the situation. There may therefore be certain issues in the system itself.

After pointing this out, Professor Sakai additionally discussed the difficulties of job seeker support policies.

The training courses that attract the most applicants do not necessarily achieve the highest employment rate. Courses that offer high rates of employment due to chronic labor shortages, such as courses in the medical and nursing care fields, are less popular. Therefore, simply responding to individual needs will not achieve the desired labor mobility for the society and economy.

Next, Mr. Junichi Okazaki, President of the Industrial Employment Stabilization Center of Japan, which has worked at realizing labor mobility without unemployment in recent years, made the following remarks concerning the importance of creating a mechanism for worker-led career advancement.

The most successful type of temporary transfer program conducted by the Center (transfers conducted while employees remain with their companies) has been an "employment adjustment type," which has provided support to workers in industries such as the airline and travel industries, in which employees experienced a significant temporary decline in work over the pandemic period, by transferring them to other companies to provide employment rather than them being laid off. Recently, the number of transfers promoting "active involvement by senior employees" has been increasing. This type of transfer sees employees in their late 50s who are approaching the age limit for a position in one company being transferred to another company on a trial basis; if the company and the transferred employee are mutually satisfied, the transfer is made official.

The future focus of the Center will be on "future-oriented" temporary and permanent transfers. While company-initiated transfers for purposes such as the acquisition of new technologies or entry to new fields have long been in place, the Center wishes to increase the number of worker-initiated transfers into the future. The Center seeks to ensure that temporary transfers and dual/secondary employment are utilized by workers in order to realize their desired career advancement or career change.

A question-and-answer session was next held to allow response to the two keynote addresses and Mr. Okazaki's comments. First, with regard to reskilling within companies, Osamu Tanaka,



a Senior Research Fellow in the Ministry of Finance's Policy Research Institute, expressed the concern that companies, having thoroughly inculcated workers in their organizational culture through on-the-job training would then become unable to respond flexibly when faced with new situations. To prevent this from happening, Mr. Tanaka indicated the necessity for workers to be temporarily transferred to new companies when they are young, and to undergo fundamental retraining in their late 40s and early 50s. With regard to government programs, Mr. Okazaki also pointed out that while there are systems already in place that can be used for reskilling, such as the Training and Education Benefits system, few people are willing to use them. In response, Professor Sato and Professor Takashi Kihara of Dokkyo University pointed out that in order to increase the number of users of this system, it will be necessary for companies and society more generally to acknowledge the results of recurrent education. Professor Kihara also argued that it would be appropriate to grant qualifications at the national level.

The Management Perspective: Supporting Worker-driven Career Development

Next, from the management side, Mr. Akiyoshi Koji, Vice Chair of the Japan Business Federation (Nippon Keidanren) and Chairman of the Board of Asahi Group Holdings, Ltd. presented the following views on the need for workers to engage in their own career development and the necessary direction for Japan's system of employment to help companies maintain international competitiveness.

First, worker mobility is a means, not an end. What is needed for the sustainable growth of Japan's society and economy, and above all for the benefit of the lives of its people, is an increase in the labor participation rate of diverse human resources and the smooth movement of labor to growth industries. Japanese society as a whole must become more positive with regard to labor mobility.

One leading to the realization of smooth labor mobility will be worker-led career development. Career development solely within the same company, through long-term or lifetime employment, has adverse effects. Workers become less motivated to increase their employability and fail to acquire skills that would enable them to respond to changes in markets and the industrial structure, with the result that they become undesirable in the market. To overcome this, companies and managers need to encourage workers to take side jobs or concurrent jobs. Other priority measures might include the development and upgrading of skills, and the enhancement of job matching functions.



In addition, companies must work to break out of the current situation, which is seeing the significant decline in the international competitiveness of Japanese companies and industries. In order to generate innovation and increase productivity, it will be essential to attract human resources with diverse abilities, skills, and values. The diversification of hiring methods is to be hoped for, including expansion of year-round recruitment, the hiring of experienced workers, the alumni recruitment of workers who have resigned (Note 2), and referral hiring (Note 3). Further, efforts should be made to establish in-house employment systems. In particular, it will be necessary to move toward a hybrid type of employment that incorporates the benefits of both job-based employment and membership-type employment (Note 4).

The Labor Union Perspective: Linking Growth of Productivity to Changes in the Structure of Employment

Following this, Mr. Akihiko Matsuura, President of UA Zensen, made the following points regarding "labor mobility without unemployment," indicating that it would be desirable to realize labor mobility based on the voluntary decisions of individual workers.

The opinion of labor union representatives was that labor mobility is a necessary requirement, but we must also protect the dignity of labor, increase opportunities and options, and provide employment that allows workers to be secure in the conviction that they will be able to work until retirement. As we become a society with a rapidly declining population, it will be necessary to produce goods and services with less labor input. In doing so, productivity gains must be fully reflected in wages, and fair prices for goods and services must be realized to enable investment in further increases in productivity. The realization of a virtuous cycle between prices and wages has long been a subject of discussion, but the primary concept in such discussions has been to first increase productivity and then to raise wages based on this increased productivity. However, we will not make progress if we insist on this order of procedure. We should give consideration to a flow in which wages are raised first, following which companies are urged to increase their productivity.

Given the necessity for a dramatic increase in productivity, labor unions recognize the need for the mechanization of work and labor mobility over the medium- to long-term. However, we must be careful not to polarize the labor force in the face of structural changes that leave us unsure as to what will remain as work to be performed by human workers. Securing employment is the first requirement, but it is not enough to simply have jobs; it will be necessary to protect the dignity of labor in the jobs that workers perform.



Japan's proposed "green transformation" is changing the nation's industrial structure, and has forced us to take labor mobility into consideration. In response to the concept of "labor mobility without unemployment," labor unions take the stance that employment mobility realized through the voluntary choice of individual workers is desirable. Surveys of students conducted by labor unions have shown that close to 80% wished to work until retirement. First, it will be essential to change workers' thinking regarding changing jobs; in order to do so, it will be important to make the process of changing jobs both secure and appealing. This would make it possible to offer workers opportunities and options. In addition, we would like to emphasize that the labor union side does not believe that the transition to job-based compensation for workers is an absolute necessity. It is also the case that job-based employment is still vaguely defined, and we are concerned about whether it will actually lead to "labor mobility without unemployment."

Government Initiatives and Related Discussion

(1) Challenges presented by the Transition to Job-based Employment

Next, representatives of the Cabinet Secretariat, the Ministry of Health, Labor and Welfare, and the Ministry of Land, Infrastructure, Transport and Tourism joined the discussion and offered their views based on their individual perspectives and the status of current government initiatives.

First, Mr. Takatoshi Miura, Secretariat of New Form of Capitalism Realization Headquarters, Cabinet Secretariat, presented the following ideas in addition to the basic concept of realizing structural increases in wages through reskilling, introducing job-based compensation, and facilitating labor mobility.

The discussion regarding what will be necessary for the realization of structural increases in wages has only just begun at the Secretariat. Consideration will be given to job-based personnel selection and job-based compensation, which are common overseas, in a form suited to the actual conditions of individual companies, to help ensure that they function in Japan. When the parameters of a job are defined and the skills required for that job are outlined, we will realize a relearning process that sees workers studying to acquire the relevant skills of their own volition. It will be important in this to think from the worker's perspective.



In response, Mr. Okazaki pointed out that when discussing these issues, all parties involved must be in agreement as to which occupational fields they have in mind and in which areas labor mobility is necessary for the development of Japan's economy and society. With regard to this, Professor Sato stated that in Japan, it is the middle management level that has not realized employment mobility, and explained that it is characteristic of Japan that managers have an extremely broad range of duties and important roles, making it difficult for them to change jobs. Mr. Matsuura also expressed the concern that the phrase "job-based compensation" may be used as an expedient means of lowering the wages of older workers.

(2) Obstacles to the Promotion of Side Jobs or Concurrent Jobs

Next, Mr. Nobuyuki Yumi, Director of the General Affairs Division of the Ministry of Health, Labour and Welfare's Employment Security Bureau,, who oversees employment policy, introduced the Ministry's initiatives, including "visualization of the labor market."

The Ministry's "job card" is a tool that provides proof of information such as an individual's education history and work experience, and expectations are high on the management side for its efficacy. In addition, the dissemination of information such as salary levels, necessary qualifications and experience, and company information for each occupation under consideration is expected to contribute to voluntary reskilling and the encouragement of workers to seek to change their jobs. These measures will be promoted as important for the facilitation of labor mobility toward jobs that offer higher wages.

With regard to the promotion of the voluntary mobility of workers, Mr. Miura stated that from the perspective of facilitating worker-driven career development and labor mobility, it is important for workers to experience different jobs while remaining in their main job, and for this purpose, the working of side jobs or concurrent Jobs should be promoted; at the same time, he also indicated that large Japanese companies may not allow their employees to take on secondary jobs because they are worried about the loss of those employees, especially among young workers. In response, Mr. Koji indicated that while large companies are introducing systems enabling their employees to take on secondary employment, the complexity of calculating and managing working hours based on the obligation to take health considerations into account represents a bottleneck. He expressed the opinion that it may be necessary, from this perspective, to consider making this the responsibility of the individual worker.

Mr. Okazaki pointed out that many companies are reluctant to allow their employees to take on side jobs or concurrent jobs for fear of losing human resources, but the focus should not be on



holding on to human resources but on whether it is possible to encourage the individual worker to flourish. Professor Shigenori Shiratsuka of Keio University pointed out that it is important for companies to change their mindset, becoming companies that workers seek out and creating attractive workplaces by increasing labor productivity.

(3) Innovation from the Regions

Finally, Mr. Sachio Muto, Director of the Housing Economics and Legislation Division of the Ministry of Land, Infrastructure, Transport and Tourism's Housing Bureau, indicated the importance of innovation at the regional level, telling us that continuing growth is essential to the realization of labor mobility without unemployment.

Based on Joseph Schumpeter's concept that innovation is a new combination of elements, what is important in sites of innovation is spatial proximity enabling people to meet. Face-to-face interaction encourages creative activity, as exemplified by "innovation zones," which bring together research facilities and the physical necessities for human life within a restricted area. What will be necessary will be to create zones that concentrate businesses and research institutions, in addition to providing housing, offices, and retail outlets, within a radius of 400 meters.

In response, Ms. Kumiko Bando, Governor of the Japanese Red Cross Society, noted that currently, rural areas do not provide sufficient opportunities for reskilling, and indicated the importance of realizing labor mobility in a form that would encourage innovation in rural areas. Ms. Bando also pointed out that given the ability to telework from rural areas and the diversification of work styles, including freelance work, measures should be considered that would make the most of individual abilities and bring those abilities into new areas. Professor Mizushima also expressed concern that if young workers are bound to low-wage jobs in the medical / nursing care field, an area in which needs are growing in rural areas, it might lead to an even greater outflow of population from Japan's regions. He expressed hope for innovation in rural areas, taking into consideration how to utilize cutting-edge technology to improve the quality of labor and realize desirable care for the recipients of nursing care.



To conclude - A Vision for Employment

As Professor Sakai indicated, no matter which perspective we take, what we envision is a society in which those who desire mobility in employment should be able to change their jobs. The participants in this session of the Forum shared the view that rather than avoiding the question of labor mobility, it will be necessary to view it positively, adopting the viewpoint that it is possible for workers to move in the direction of higher wages as a result of reskilling. Worker-led labor mobility is an important means towards realizing a form of employment in which workers independently choose their jobs, potentially also leading to the realization of a society that features a dynamic employment market.

It was impressive that both the management and labor union sides in this session of the Forum recognized the need for labor mobility. The labor union representative indicated the importance of increasing the employability of workers, in particular through the development of skills, given changes in the industrial structure. However, while the management side had high expectations for job-based employment, including hybrid employment, the labor union side was cautious with regard to job-based employment, given uncertainty as to whether it would lead to labor mobility without unemployment.

Based on the discussions held in this session of the Forum, the issues that need to be addressed in order to move workers into growth areas can be divided into three categories: first, efforts in the area of reskilling and encouraging the transition to job-based employment, with consideration of AI and other cutting-edge innovations; second, the creation of an environment that raises the level of human resources, promoting the proactive development of a wide range of workers in preparation for job transition, including also those who wish to change jobs; and third, the establishment of a safety net for those in difficult circumstances, especially in the transition to their next job. It will be important to address these issues simultaneously.

We must also remember that employment mobility is highly regional in nature. In addition to industry, government, and academia, it will be important to include local stakeholders in developing a shared vision of what needs to be done to realize a society that enables labor mobility for those who desire it.



Note

- [1] NIRA Forum 2023 "Theme 3: Vision for a Society that encompasses Dynamic Employment Frameworks: Toward 'Labor Mobility without Unemployment" was held on February 4, 2023 at Akasaka Intercity Conference Center.
- [2] A system in which former employees who have reached the age limit for their position are rehired.
- [3] A method which sees employees introducing their friends and acquaintances for selection and hiring.
- [4] "Job-based" employment refers to a form of employment in which employees can choose to work with limited duties, work locations, and working hours. By contrast, "membership-based" employment refers to the traditional Japanese employment system, characterized by en-masse hiring of new graduates, long-term and lifetime employment, seniority-based wages, and in-house development of human resources.



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