COVID-19 Pandemic and Non-standard Employees in Japan

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Abstract
This article aims to grasp the influence of the pandemic on standard and non-standard employees in Japan and clarify its disparity between them. In 2020, there was an imbalance between the slight increase in standard employees and the massive loss of non-standard employees in the labour market. Non-standard employees’ working hours were greatly reduced, often without allowances for absence, and hence their monthly income considerably diminished. As a result, their well-being also declined. Thus, the pandemic has affected employment, and its impact has been felt most strongly by non-standard employees. This does not mean that there is no discriminatory treatment of non-standard employees in firms. However, a closer look at the real picture reveals a variety of factors. In addition to the discriminatory treatment that is related to the Japanese employment system, a combination of managerial factors such as the shortage of standard employees, practical factors such as differences in wage systems, and the lack of sufficient information about the expansion of the coverage of the Employment Adjustment Subsidy, have placed non-standard employees at a huge disadvantage.

KEYWORDS
non-standard employees, Japanese employment system, labor shortage

1 | INTRODUCTION

1.1 | COVID-19’s uneven impact in the labor market

The coronavirus disease (COVID-19) pandemic has strongly affected Japan’s labor market. This article aims to grasp the influence of the pandemic on standard and non-standard employees in Japan, clarify the disparity in these influences, and discuss the reasons for them.
The real gross domestic product (GDP) in the second quarter of 2020 plunged dramatically throughout the world. According to the International Labor Organization (ILO), 17.3 percent of working hours and 495 million full-time equivalent employment positions disappeared worldwide during this period (ILO, 2020). In Japan, the real GDP growth ratio was −7.9 percent down from the previous quarter, the worst decline since the Second World War. However, Japan’s unemployment ratio stopped increasing at 3.1 percent in October 2020, although it had started rising after the pandemic began. The background to this relatively low unemployment ratio is thought to be the steps taken by enterprises to adjust working hours, prompted by ongoing labor shortages and generous government subsidies to enterprises to supplement allowance for workers who had been furloughed. Nevertheless, some segments of the labor force may have been influenced by the pandemic more than others. In this article, I focus on non-standard employees as a typical example of these victims in Japan.

Looking at worldwide trends, we start by asking which worker groups faced difficulties in terms of employment and labor during the spread of COVID-19. First, there were service sector workers (workers in service industries or service occupations). According to Mongey et al. (2020), workers working in high-physical-proximity jobs were economically vulnerable in the U.S.A. Adams-Prassl et al. (2020) point out that workers in the accommodation and food service industries suffered from high unemployment ratios in the U.S.A., the U.K., and Germany. The second group to feel such an impact are women. Alon et al. (2020) and Adams-Prassl et al. (2020) state that the fact that many women had left their jobs due to the increased burden of childcare was a feature of the COVID-19 crisis. The McKinsey Global Institute (2020) calculates that the ratio of job loss due to the pandemic was 1.8 times higher among women than men worldwide. The third group to be affected were are ethnic minorities. Groshen (2020) shows that Hispanic or Latino people were more likely to have their jobs disrupted during a crisis in the U.S.A.

In Japan, hardships faced by service sector workers in the realm of employment and labor are also reported. The Ministry of Internal Affairs and Communications’ Family Income and Expenditure Survey indicates there was a sharp decline in eating out and transportation related to leisure and travel. This led to a number of dismissals in the service sector (Ministry of Health, Labour and Welfare, 2020). It also led to a reduction in the number of working hours of employed workers to a large extent in this sector (Takahashi, 2020).

Some authors argue that women also face hardships in Japan as a result of the pandemic. Similar to the U.S.A., in addition to the tendency for them to be concentrated in the service sector (Kikuchi et al., 2020), female workers tend to be responsible for caring for children and elderly people. Therefore, female workers had to leave their jobs due to the temporary closure of schools and care facilities (Zhou, 2021). According to Zhou (2021), female workers were more likely to leave their jobs and become unemployed due to the spread of COVID-19 than male workers in Japan. Takahashi (2020) found that even when controlling for industry, occupation, and firm size, female workers’ working hours decreased significantly in May 2020.

In addition to the service sector and female workers, it was assumed that non-standard employees in Japan would be affected by the pandemic. In Japanese firms, there is a division of personnel management and differences of working conditions between standard and non-standard employees; thus, it was likely that the non-standard employees were especially badly affected by the crisis. In the following paragraphs, I explain the differences and disparities between standard and non-standard employees in Japan and discuss the consequences of the financial crisis in relation to non-standard employees. After that, I propose three hypotheses about the consequences of the pandemic, keeping in mind the differences in background from the financial crisis.
In advanced economies, non-standard employees, such as part-time workers, fixed-term contract workers, and dispatched workers, are to be found in more or less inferior positions in terms of their job stability, wage level, and opportunity for skills development, compared with standard employees (Kalleberg, 2018). In Japan, in particular, the gap between standard and non-standard employees is extremely large, because Japanese non-standard employees are found in the shadow of the Japanese employment system.

The Japanese employment system consists of a firm-level mechanism that has been mainly developed in large manufacturing companies. Those who are called standard employees within each firm, enjoy the security of lifetime or long-term employment for life. However, non-standard employees are not seen as members of the firm and they are excluded from lifetime or long-term employment (Sugeno, 2002: 188; Inagami and Whittaker, 2005: 21). In a sense, Japanese employers have made use of non-standard employees to compensate for the rigidity in numerical flexibility imposed by the employment security of standard employees (Araki, 2002: 33). These features are clearly present in manufacturing industries, and are not so present in the service sector.

The insecurity faced by non-standard employees became apparent during the recession following the financial crisis. From the end of 2008 to 2009, a huge number of dispatched factory workers had their contracts canceled and sunk into poverty. The painful scene of the “Dispatched Workers’ Village,” where many unemployed people gathered and volunteer staff prepared meals in mid-winter, was broadcast on TV news and the internet and shocked the nation.

After that, the flow of public opinion changed. The financial crisis led to the defeat of the Liberal Democratic Party (LDP) in the 2009 election, and laws to protect non-standard employees started to be implemented. For example, the “from fixed-term to permanent” rule by the revision of the Labor Contracts Act and the re-regulation of the Worker Dispatching Act prevented companies from freely utilizing non-standard employees. Even after LDP was returned to power in 2012, the basic trend of labor policies that protect non-standard employees continued, as seen in the so called “equal work, equal pay” legislation in 2018.

Japanese non-standard employees have experienced a decade of changes in regulations. In addition, unlike the financial crisis, during the COVID-19 crisis, the service sector, which is outside the typical Japanese employment system, was most seriously affected. Given this situation, we need to know how the COVID-19 pandemic has affected non-standard employees and whether its impact on them has been different from on standard employees. Here, I postulate the three hypotheses.

The first hypothesis is that the impact of the pandemic on the labor market has been small. Unlike at the time of the financial crisis, Japan faced a huge labor shortage at the beginning of 2020. Thus, the decline in consumption caused by the pandemic would not necessarily affect employment. This is the most optimistic possibility.

The second hypothesis is that there was no disparity between standard and non-standard employees with respect to the impact of the pandemic, although the employment situation was affected by it to some degree. In other words, standard and non-standard employees were affected equally. This is because the pandemic primarily affected the service sector, not the manufacturing sector, in which the Japanese employment system originally developed. In this scenario we could also expect the number of permanent non-standard employees to increase, prompted by the revision of the Labor Contracts Act (Takahashi, 2017). This is a moderate view.

The third hypothesis is that the pandemic has affected employment, and its impact was felt most heavily by non-standard employees. Although the Labor Contracts Act has implemented the “from fixed-term to permanent” rule, it has not been long since the amendment was put in place. It is also possible that non-standard employees have become the victims of employment adjustment, apart from the Japanese employment system. In the service sector, such as the accommodation and food service industry, and the living-related services and amusement industry, employers recognize
that high turnover ratio of standard employees is an important problem in terms of skills development (Japan Institute for Labour Policy and Training, 2015). Thus, employers might retain precious standard employees and dismiss less important non-standard employees, which is a slightly different mechanism from the Japanese employment system. In any case, this is the most pessimistic view.

1.3 Outline of the article

The remainder of this article is organized as follows. In the following section, I provide an overview of the economy and employment in 2020 using official statistics. By comparing data with that in the financial crisis, I examine the influence of the COVID-19 pandemic on standard and non-standard employees, focusing on the amount of employment. In the third section, I analyze the work and lives of standard and non-standard employees who continued to work during the pandemic, putting emphasis on May 2020 when the nationwide state of emergency was in effect. In the next section, the influence of a prolonged pandemic on the life satisfaction of non-standard employees is reviewed. In the final section, integrating the findings resulting from the study I demonstrate the disparity of influence and discuss the reasons for such disparity.

2 ECONOMY AND EMPLOYMENT IN THE OFFICIAL STATISTICS

2.1 Macro indicators trends

In this section, we describe the changes in the number of standard and non-standard employees during the COVID-19 pandemic, including a comparison between this phenomenon and that of the financial crisis, based on published data from government statistics.

First, the main macro indicators are briefly described. The real GDP growth rate was −4.8 percent after the financial crisis, in the first quarter of 2009, and −7.9 percent when the pandemic hit in the second quarter of 2020. However, the unemployment rate in 2020 was lower than in 2009, and the pace of increase was slower in 2020. The economic shock was more severe in 2020, but its impact on employment was less than in 2009.

It can also be observed from the trend in the number of workers that the pandemic had a relatively weak impact on employment. At the worst point in 2009 (June 2009) there were minus 1.43 million workers (year-on-year) and at the worst point in 2020 (October 2020) it was minus 0.93 million.

One reason for the small decline in employment during the pandemic was the adjustment of working hours, promoted by ongoing labor shortages and generous subsidies via the Employment Adjustment Subsidy to enterprises that supplemented the leave allowance for workers who were furloughed. The change in the average working hours (year-on-year), led to a very large decline in May 2020 (−9.5%), especially for part-time workers (−13.4%). This adjustment of working hour was not available during or after the financial crisis.

2.2 Uneven losses in employment during the pandemic

The decline in the amount of employment during the COVID-19 pandemic was relatively small, but certain segments of employment may have experienced concentrated declines. Table 1 shows the changes in employment by gender and employment type. From this, we can see that the employment of women declined significantly. However, this is due to the fact that the number of non-standard employees had decreased significantly, and many women are non-standard...
employees. Thus, being a non-standard employee is more important than being a woman in the decline in employment in Japan.

Figure 1 shows changes in employment by industry and employment type. While many jobs in the manufacturing sector were lost, compared with the size of the industry, the decline in service sectors such as “accommodation, eating and drinking” and “living-related services and entertainment” was very large; and these industries fall outside the typical Japanese employment system. However, most of the decline in these industries was due to the decline in non-standard employees. Standard employees hardly decreased at all. Although these industries are not necessarily included in the typical Japanese employment system, being a non-standard employee is an important factor in the loss of employment during the pandemic.

In fact, when we look at changes in the number of employees by employment type (year-on-year) in Figure 2, we see that after the financial crisis in 2009, both standard and non-standard employees decreased in number, while in 2020, when the pandemic struck, standard employees

### Table 1

|                     | 2019 (April–September average) | 2020 (April–September average) | Change (real number) | Change (%) |
|---------------------|---------------------------------|---------------------------------|----------------------|------------|
| Total               | 56,680                          | 56,000                          | -680                 | -1.2       |
| Male                | 30,340                          | 30,030                          | -310                 | -1.0       |
| Female              | 26,335                          | 25,970                          | -365                 | -1.4       |
| Standard            | 35,120                          | 35,500                          | 380                  | 1.1        |
| Male                | 23,390                          | 23,450                          | 60                   | 0.3        |
| Female              | 11,725                          | 12,050                          | 325                  | 2.8        |
| Non-standard        | 21,565                          | 20,500                          | -1,065               | -4.9       |
| Male                | 6,950                           | 6,580                           | -370                 | -5.3       |
| Female              | 14,610                          | 13,920                          | -690                 | -4.7       |

Source: Labor Force Survey.

FIGURE 1 Changes in the numbers of employees by industry and employment type (2019–2020, 1000 people). Labor Force Survey. The difference between the April to September average in 2020 and the April to September average in 2019 is calculated.
increased slightly in number (since industries such as “information and communication” and “medical and welfare” experienced an expansion of demand amid the pandemic), and the number of non-standard employees decreased significantly.

Let us look at additional figures on the decline in non-standard employees. Figure 3 contrasts changes in the number of employees by employment type and changes in the number of employees by duration of employment contract in 2020 (year-on-year). From this, we see that the tendency for the number of standard employees to increase and the number of non-standard employees to decrease is stronger than the tendency for the number of permanent contract employees to increase and the number of fixed-term contract employees to decrease. In other words, the dividing line is not between permanent and fixed-term contracts, but between standard and non-standard employees.

In 2020, the year the COVID-19 pandemic struck, the economic shock was large, but its impact on employment was relatively small due to the adjustment for working hours. However, there was an imbalance in which non-standard employees decreased drastically, while standard employees increased slightly. Notably, the shrinkage of non-standard employees was observed outside of the typical Japanese employment system.
3 | WORK AND LIVES OF NON-STANDARD EMPLOYEES AMID COVID-19 CRISIS

3.1 | Outline and data

In this section, we show how the work and lives of standard and non-standard employees at work were affected, focusing on the period up to the summer of 2020, when the economic situation was at its most severe. Specifically, we describe the status of working hours, absence order and leave allowance, monthly income, and well-being (job satisfaction and life satisfaction).

The data used here are based on the first (May 2020) and second wave (August 2020) of the “Panel Survey on the Impact of COVID-19 on Work and Daily Life” conducted by the Japan Institute for Labour Policy and Training (JILPT Panel Survey). The survey subjects were divided into employees of private enterprises or freelance workers as of April 1, 2020. In the case of the former, who are the focus of this analysis, subjects were allocated from respondents registered with an online survey company using stratified sampling by gender, age group, residential region, and standard/non-standard employee type (by 180 cells), based on data from the Employment Status Survey. The subjects of the analysis in this section are the 3,575 respondents who were employees of private enterprises as at April 1, 2020, and who did not quit their jobs until the second wave (August 2020). The basic profiles of the respondents are shown in Table 2.

3.2 | Working hours

During the pandemic, there was a significant adjustment in working hours. What can we learn from the survey about these changes? Figure 4 shows the working hours index (usual week before the pandemic equals 100) of standard and non-standard employees. From this we can see that in the second week of May, when the state of emergency was in effect nationwide, the working hour index was the lowest for both standard and non-standard employees, and there was a large gap between them.

Table 3 shows the results of the OLS regression, with the working hours index of the second week in May as the explained variable, employment type as the explanatory variable, and variables of personal attributes (gender, age, year of education, and breadwinner dummy) and work-related attributes (industry, occupation, firm size, and region) as the control variables. From this, we see that the working hours of part-time workers (“part-time/temporary”) and dispatched workers markedly decreased among non-standard employees. We also see that the working hours of non-standard employees decreased significantly, even when controlling for personal and work-related attributes. Incidentally, looking at the effects of personal and work-related attributes, working hours decreased significantly for women, young people, the “accommodation and food services,” the “education, learning support,” and the “services (not elsewhere classified)” industry, “sales” and “service” occupations, the Tokyo metropolitan area and the Kansai area.

3.3 | Order of absence and allowances for absence

How many people were furloughed and were paid a leave allowance during the period from the spread of COVID-19 to August? When employers temporarily reduce the number of scheduled working hours in Japan, they are obliged to pay leave allowance in accordance with the Labor Standards Act. Then, in order to protect these workers from dismissal, Employment Adjustment Subsidy is provided by government to employers to supplement the leave allowance. Through
In this system, employers are motivated to retain their employees while paying their leave allowance at times of recession. Table 4 shows the distribution of the “no absence order,” “absence order, with 50 percent or more allowance,” and “absence order, with less than 50 percent allowance.”

From this, we see that non-standard employees are more likely than standard ones to be furloughed. More importantly, we also find that the percentage of “absence order, with less than 50 percent allowance” is high among non-standard employees (11.9%), especially among part-time workers (“part-time workers/temporary workers”) (14.1%), while it is only 3.6 percent among standard employees.

### TABLE 2  Profile of standard and non-standard employees

|                         | Total | Standard | Non-standard | Total | Standard | Non-standard |
|-------------------------|-------|----------|--------------|-------|----------|--------------|
| N                       | 3575  | 2403     | 1172         | 9.0   | 13.1     | 0.5          |
| Male                    | 54.9% | 69.0%    | 26.0%        | 20.1  | 24.1%    | 11.8%        |
| Female                  | 45.1% | 31.0%    | 74.0%        | 25.4  | 24.6%    | 27.0%        |
| Age (years, average)    | 43.6  | 42.6%    | 45.6%        | 14.2  | 13.3%    | 16.0%        |
| Years of education      | 14.2% | 14.5%    | 13.6%        | 9.8   | 6.0%     | 17.7%        |
| Breadwinner             | 63.8% | 76.5%    | 37.8%        | 0.5   | 0.5%     | 0.5%         |
| Non-breadwinner         | 36.2% | 23.5%    | 62.2%        | 9.5   | 9.8%     | 8.8%         |
| Construction            | 5.4%  | 6.9%     | 2.3%         | 2.2   | 2.9%     | 0.8%         |
| Manufacturing           | 23.1% | 27.7%    | 13.7%        | 1.1   | 1.4%     | 0.4%         |
| Electricity, gas, heat supply and water | 1.5% | 1.6% | 1.2% | 4.0 | 2.2% | 7.6% |
| Information and communications | 5.4% | 6.9% | 2.2% | 3.1 | 1.5% | 6.2% |
| Transport               | 5.9%  | 7.2%     | 3.2%         | 1.2   | 0.5%     | 2.6%         |
| Wholesale and retail trade | 12.8% | 9.9% | 18.6% | 99 or fewer employees | 36.5 | 36.1% | 37.5% |
| Finance and insurance   | 5.4%  | 5.8%     | 4.4%         | 26.9  | 30.1%    | 20.5%        |
| Real estate             | 2.3%  | 2.5%     | 1.9%         | 27.2  | 30.6%    | 20.2%        |
| Accommodation and food services | 3.1% | 1.5% | 6.5% | Do not know (firm size) | 9.3 | 3.2% | 21.8% |
| Medical, healthcare and welfare | 13.5% | 13.7% | 13.1% | Tokyo metropolitan area (four prefectures) | 30.9 | 31.6% | 29.4% |
| Education, learning support | 3.3% | 1.5% | 6.9% | Kansai area (three prefectures) | 13.5 | 12.7% | 15.3% |
| Postal services, cooperative associations | 0.9% | 0.6% | 1.6% | Other regions | 55.6 | 55.7% | 55.4% |
| Services (not elsewhere classified) | 13.5% | 11.4% | 17.6% | Part-time/temporary | - | - | 71.5% |
| Other industries        | 3.6%  | 2.5%     | 6.1%         | Contract /entrusted | - | - | 19.9% |
| Do not know (industry)  | 0.4%  | 0.2%     | 0.7%         | Dispatched | - | - | 8.6% |

*Part-time workers,” “temporary workers,” “contract employees” and “entrusted employees” in this survey are names used in each firm. Generally, most “part-time workers” and “temporary workers” are known to be part-time workers; most “contract employees” and “entrusted employees” are known to be full-time fixed-term contract workers in Japan.*
3.4 | Monthly income

To what extent did the incomes of standard and non-standard employees fall? As Figure 5 shows, when the monthly income index for May is calculated using the normal month before pandemic as 100, we see that the monthly income of non-standard employees decreased more dramatically than that of standard employees.

Table 5 shows the OLS regression with the monthly income index of May as the explained variable, using the same framework as in Table 3. When we look at the effect of non-standard employees in Model (1), it is negative and significant. Incidentally, Model (2) shows that the monthly income index is especially low for part-time workers (“part-time/temporary”) and dispatched workers. In these employment types, the reduction in working hours is thought to have led to a decrease in these workers’ monthly income.

The effect of the non-standard dummy is also negative and significant in Models (3) and (4), which control for personal and work-related attributes. However, the absolute value of the coefficient decreased when the variables of work-related attributes were controlled. As in the case of the working hours index, industry, and occupation have a strong influence on the monthly income index.

Now, in light of the fact that the decline in the working hours index for non-standard employees was large and that non-standard employees tended to receive absence orders without enough allowance, controlling for the working hours index and the status of absence or allowance may change the results of the analysis. Table 6 shows the results of the OLS with the monthly income index of May as the explained variable. Model (1) reprints Model (4) in Table 5, and then the working hours index of the second week in May is added as an explanatory variable in Model (2); additionally, the status of absence order/allowance is added in Model (3).

When we control for the working hours index of the second week of May in Model (2), the absolute value of the coefficient for non-standard employees becomes smaller, but it does not reach zero. In Model (3), when we control for the status of absence or allowance, the absolute value of the coefficient for non-standard employees becomes much smaller, although it does not reach zero. In other words, the low monthly income index of non-standard employees is thought to be related to the fact that they were ordered absent, often without an allowance, in addition to having a great reduction in their working hours.
**TABLE 3**  OLS regression models of working hours index of second week in May

| Explained variable: Working hours index of the second week in May | Model (1) | Model (2) | Model (3) | Model (4) |
|---------------------|-----------|-----------|-----------|-----------|
|                     | B         | S.E.      | B         | S.E.      | B         | S.E.      | B         | S.E.      |
| Non-standard        | −6.266    | 0.915**   | −5.884    | 1.051**   | 3.454     | 1.122**   |
| Employment type (ref. standard) |           |           |           |           |           |           |           |           |
| Part-time/temporary | −6.435    | 1.030**   |           |           |           |           |           |           |
| Contract/entrusted  | −3.009    | 1.761†    |           |           |           |           |           |           |
| Dispatched          | −12.379   | 2.607**   |           |           |           |           |           |           |
| Female              | −3.200    | 1.030**   | −3.580    | 1.103**   |
| Age                 |           |           | 0.170     | 0.040**   | 0.126     | 0.041**   |
| Education (years)   | −0.073    | 0.220     | −0.095    | 0.236     |
| Breadwinner         | −1.093    | 1.068     | −1.267    | 1.047     |
| Industry (ref. manufacturing) |           |           |           |           |           |           |           |           |
| Construction        | 1.855     | 2.252     |
| Electricity, gas, heat supply, and water | 5.471     | 3.573     |
| Information and communications | 1.691     | 2.118     |
| Transport           | −0.833    | 2.348     |
| Wholesale and retail trade | 0.592     | 1.744     |
| Finance and insurance | −4.779   | 2.146*    |
| Real estate         | −2.978    | 2.967     |
| Accommodation and food services | −16.643   | 2.871**   |
| Medical, healthcare and welfare | 4.718     | 1.659**   |
| Education, learning support | −7.202   | 2.616**   |
| Postal services, cooperative associations | 8.077     | 4.525     |
| Services (not elsewhere classified) | −9.784   | 1.678**   |
| Other industries    | −0.776    | 2.481     |
| Do not know         | 2.488     | 7.160     |
| Occupation (ref. clerical workers) |           |           |           |           |           |           |           |           |
| Explained variable: Working hours index of the second week in May | Model (1) | Model (2) | Model (3) | Model (4) |
| --- | --- | --- | --- | --- |
| | **B** | S.E. | **B** | S.E. | **B** | S.E. | **B** | S.E. |
| Managerial workers | | | | | | | | |
| Professional and engineering | 0.614 | 1.385 | | | | | | |
| Sales | | | | | | | | |
| Service | | | | | | | | |
| Security | | | | | | | | |
| Production/skilled | | | | | | | | |
| Transport and machine operation drivers | | | | | | | | |
| Construction and mining | | | | | | | | |
| Carrying, cleaning, and packaging | 0.597 | 2.410 | | | | | | |
| Other occupations | | | | | | | | |
| Do not know | 0.780 | 4.197 | | | | | | |
| Firm size (ref. 1,000 or more employees) | | | | | | | | |
| 99 or fewer employees | 0.005 | 1.135 | | | | | | |
| 100–999 employees | 0.638 | 1.162 | | | | | | |
| Do not know | 2.741 | 1.728 | | | | | | |
| Region (ref. other regions) | | | | | | | | |
| Tokyo metropolitan area (four prefectures) | | | | | | | | |
| Kansai area (three prefectures) | | | | | | | | |
| Constant | 89.451 | 0.524** | 89.451 | 0.524** | 85.096 | 3.859** | 91.448 | 4.529** |
| N | 3,575 | 3,575 | 3,575 | 3,575 | | | | |
| F-value | 46.863** | 18.827** | 15.325** | 9.372** | | | | |
| Adjusted R-square | 0.013 | 0.015 | 0.020 | 0.076 | | | | |

**P < 0.01, *P < 0.05, †P < 0.1. (ref.) denotes the reference group.**
How does the reduction in working hours, the lack of an absence allowance, and a decrease in their monthly income affect the well-being of non-standard employees? Figure 6 shows the changes in job satisfaction and life satisfaction compared with the level before the pandemic.

**TABLE 4**  Absence orders and absence allowances (%) for employees

|                         | N     | No absence order | Absence order, with 50% or more allowance | Absence order, with less than 50% allowance |
|-------------------------|-------|------------------|--------------------------------------------|--------------------------------------------|
| Standard                | 2,403 | 89.1             | 7.3                                        | 3.6                                        |
| Non-standard            | 1,172 | 78.9             | 9.2                                        | 11.9                                       |
| Part-time/temporary     | 838   | 77.3             | 8.6                                        | 14.1                                       |
| Contract/entrusted      | 233   | 86.3             | 8.2                                        | 5.6                                        |
| Dispatched              | 101   | 75.2             | 16.8                                       | 7.9                                        |

**FIGURE 5**  May monthly income index (usual week before pandemic equals 100)

**TABLE 5**  OLS regression models of monthly income index of May (1)

| Explained variable: Monthly income index of May | Model (1) | Model (2) | Model (3) | Model (4) |
|------------------------------------------------|-----------|-----------|-----------|-----------|
|                                                 | B         | S.E.      | B         | S.E.      | B         | S.E.      | B         | S.E.      |
| Non-standard /C0                                | -8.099    | 0.737**   | -8.288    | 0.845**   | -5.600    | 0.906**   |
| Employment type (ref. standard)                 |           |           |           |           |           |           |           |           |
| Part-time/temporary                             | -10.140   | 0.827**   |           |           |           |           |           |           |
| Contract/entrusted                              | -1.560    | 1.414     |           |           |           |           |           |           |
| Dispatched                                      | -6.256    | 2.093**   |           |           |           |           |           |           |
| Personal attributes                             | ✓         | ✓         |           |           |           |           |           |           |
| Work-related attributes                         |           |           |           |           |           |           | ✓         |           |
| Constant                                        | 92.890    | 0.422**   | 92.890    | 0.420**   | 82.618    | 3.104**   | 93.289    | 3.657**   |
| N                                                | 3,575     | 3,575     | 3,575     | 3,575     | 3,575     | 3,575     | 3,575     | 3,575     |
| F-value                                          | 120.692** | 51.406**  | 31.986**  | 11.045**  |
| Adjusted R-square                               | 0.032     | 0.041     | 0.042     | 0.090     |

**P < 0.01, * P < 0.05, † P < 0.1. (ref.) denotes the reference group.**

**3.5  |  Well-being (job and life satisfaction)**

How does the reduction in working hours, the lack of an absence allowance, and a decrease in their monthly income affect the well-being of non-standard employees? Figure 6 shows the changes in job satisfaction and life satisfaction compared with the level before the pandemic.
The question was asked in August 2020, and the respondents reported their level of satisfaction at the time of question and that before the pandemic. From this, we can see that many non-standard employees had decreased levels of satisfaction.

Table 7 shows the results of the OLS using the changes in job satisfaction and life satisfaction (a nine-point score) as dependent variables, in the same manner as Tables 3 and 5. From this, we see that the decline in the well-being of part-time workers ("part-time/temporary") was large. Moreover, even after controlling for personal and work-related attributes, the decline in the well-being of non-standard employees was still significantly larger than that of standard employees.

What are the factors that explain this decline in the well-being of non-standard employees?

Table 8 shows an OLS model that includes the working hours index, the "absence order, with less than 50 percent allowance" dummy, and the monthly income index as explanatory variables, in addition to those in Model (4), in Table 7. This shows that the decline in well-being of non-standard employees can be explained by the reduction in working hours, receiving an absence order without an adequate allowance, and a decrease in their monthly income.

In this section, we identified the impact of the COVID-19 pandemic on the work and lives of standard and non-standard employees when the situation was at its worst. The analysis shows that the working hours of non-standard employees were greatly reduced, often without allowance for absence order, and hence their monthly income considerably diminished. As a
result, the well-being of non-standard employees also declined. In addition, these effects were felt particularly strongly by part-time workers.

### 4. Outline and data

In the previous section, we focused mainly on the events of May 2020, when the economic shock was at its most severe. After that, the COVID-19 pandemic continued until at least the
fall of 2021 (the time of submission of this article). In this section, I clarify the situation of non-standard employees in the context of the prolonged pandemic.

The data used here are the first (May 2020), second (August 2020), third (December 2020), fourth (March 2021), and fifth wave (June 2021) of the JILPT Panel Survey. The subjects of the analysis in this section are the 2,255 respondents who were employed by private enterprises as at April 1, 2020, and who responded to all five waves.

### 4.2 Long-term employment losses of non-standard employees

Before analyzing the JILPT Panel Survey data, we examine the changes in the total number of standard and non-standard employees compared with January 2020, using the Labor Force Table 8  OLS regression models of change in satisfaction levels (2)

| Explained variable: Change in job satisfaction level | Model (1) | Model (2) | Model (3) |
|----------------------------------------------------|-----------|-----------|-----------|
| Non-standard                                       | B         | S.E.      | B         | S.E.      | B         | S.E.      |
| Working hours index of the second week in May      | 0.004     | 0.001**   |           |           |           |           |
| Absence order with less than 50% allowance         | 0.006     | 0.001**   |           |           |           |           |
| Monthly income index of May                        | 3.575     | 3.575     | 3.575     |           |           |           |
| Constant                                           | -0.594    | 0.144**   | -0.175    | 0.135     | -0.739    | 0.148**   |
| N                                                  | 4734**    | 6.230**   | 5.136**   | 4.734**   | 6.230**   | 5.136**   |
| Adjusted R-square                                  | 0.036     | 0.050     | 0.040     |           |           |           |

| Explained variable: Change in life satisfaction level | Model (1) | Model (2) | Model (3) |
|------------------------------------------------------|-----------|-----------|-----------|
| Non-standard                                         | B         | S.E.      | B         | S.E.      | B         | S.E.      |
| Working hours index of the second week in May        | 0.003     | 0.001**   |           |           |           |           |
| Absence order, with less than 50% allowance          | -0.473    | 0.059**   |           |           |           |           |
| Monthly income index of May                          | 3.575     | 3.575     | 3.575     |           |           |           |
| Constant                                             | -0.507    | 0.160**   | -0.170    | 0.151     | -0.566    | 0.165**   |
| N                                                    | 4.234**   | 5.114**   | 4.140**   | 4.234**   | 5.114**   | 4.140**   |
| Adjusted R-square                                    | 0.032     | 0.040     | 0.031     |           |           |           |

**$P < 0.01$, *$P < 0.05$, †$P < 0.1$.**
Survey (Figure 7). The data show that the number of non-standard employees has been rising and falling after falling in April 2020, but it has not recovered completely. The labor market for non-standard employees shrank due to the spread of COVID-19 in the spring of 2020 and remained the same in 2021.

4.3 | Life satisfaction in the prolonged pandemic

Figure 8 shows the change in life satisfaction levels of standard and non-standard employees at the time of each wave compared to before the pandemic, using the JILPT Panel Survey. This shows that the levels of satisfaction of both standard and non-standard employees are improving, and that the gap between standard and non-standard employees is narrowing gradually. As time passes from the period when the economic shock is severe, the gap between standard and non-standard employees is thought to be fading.

Nevertheless, even at June 2021, some people still experienced a decline in life satisfaction. Figure 9 shows the change in life satisfaction levels compared to before the pandemic by employment type as of April 2020, and by employment status as of June 2021. Although the sample size of “not at work” is small, we can see that the decline in life satisfaction of former non-standard employees who are not at work is deeper than others.

In summary, amidst the prolonged pandemic, the dissatisfaction of non-standard employees at work gradually eased. However, as the labor market for non-standard employees continued to be reduced, the dissatisfaction of former non-standard employees who have lost their jobs has not dissolved.
FIGURE 8 Change in life satisfaction levels of standard and non-standard employees (satisfaction level of “before pandemic” equals zero). “Standard” and “non-standard” indicate the employment types of respondents as of April 1, 2020.

FIGURE 9 Decline in life satisfaction levels by employment types as of April 1, 2020 and employment status as of June 2021 (satisfaction level of “before pandemic” equals zero). “Standard” and “non-standard” indicate the employment types of respondents as of April 1, 2020.
This article argues that there has been a disparity in the impact of the COVID-19 pandemic on standard and non-standard employees. In the second section, we examined basic trends in economy and employment. In 2020, when the COVID-19 pandemic struck, the economic shock was greater than during the financial crisis, but the reduction in the volume of employment was smaller due to the adjustment of working hours. Nevertheless, there was an imbalance between the slight increase in standard jobs and the massive loss of non-standard jobs. Moreover, the imbalance happened outside the typical Japanese employment system.

In the third section, we looked at the impact of the pandemic on the work and lives of standard and non-standard employees, mainly in May 2020, when economic shock was the most severe. Non-standard employees’ working hours were greatly reduced, often without an allowance for absence order, and hence their monthly income was greatly reduced as well. As a result, the well-being of non-standard employees also declined. In addition, these effects were felt particularly strongly by part-time workers.

In the fourth section, we examined the situation of non-standard employees in the prolonged pandemic. We found that the dissatisfaction of non-standard employees at work gradually eased. However, as the labor market for non-standard employees remained diminished, the dissatisfaction of former non-standard employees who have lost their jobs has not been dissolved.

In conclusion, the third of the three hypotheses presented in the first section, that the pandemic will affect employment, and its impact will concentrate on non-standard employees, seems to be valid. Although the impact on the volume of employment was smaller than that after the financial crisis, the number of workers during the pandemic also decreased, so it can be said that there was a definite impact on employment. In addition, non-standard employees were struck harder in terms of the amount of employment and the impact on their work and lives.

Why did the job cuts concentrate on non-standard employees? In the service sector, which was more severely affected by the pandemic than the manufacturing sector, the Japanese employment system has not been widely adopted. Hence, the practice of long-term employment of standard employees is not prominent. Nevertheless, it is probably because these companies did not want to lose standard employees in the midst of a severe labor shortage that they reduced the number of non-standard employees. This is a slightly different mechanism from the one used during the financial crisis, when the Japanese employment system theoretically operated in the manufacturing industry.

Regarding non-standard employees who continued to be employed, why were their working hours reduced, resulting in a decrease in their monthly income? Here, I would like to remind readers that the working hours and monthly income of part-time and dispatched workers were greatly reduced. What they have in common is that they work on an hourly basis. Hence, it would have been easier to reduce the number of working hours from the perspective of wage calculations. In contrast, “contract employees” and “entrusted employees,” who often work on a monthly salary basis, have seen smaller decreases in both working hours and monthly income.

For part-time workers in particular, “absence order, with less than 50 percent allowance” also seemed to have had an impact on the decrease in monthly income. One reason for this may be the discriminatory treatment of non-standard employees within each firm. However, in the past, those who worked less than a certain number of hours per week were not eligible for the Employment Adjustment Subsidy (EAS). Despite the fact that part-time workers have become eligible for EAS during the pandemic, many firms may have failed to apply for it due to the lack of sufficient information.

Again, this does not mean that there is no discriminatory treatment of non-standard employees in each firm. However, a closer look at reality reveals a variety of factors at play. In
addition to discriminatory treatment related to the Japanese employment system, a combination of managerial factors such as retention of precious standard employees, practical factors such as differences in wage systems, and the lack of sufficient information about the expansion of EAS coverage, have accumulated to place non-standard employees at a huge disadvantage.

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