

FREE NO MORE

Japan's experiment in individualism in the workplace has resulted in imposed precarity for freeters

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Megumi, 29 years old, was told that her contract would not be extended and at the end of the month she had to leave the editorial office where she had worked as layout assistant for some eight months. "They told us that they had to cut staff due to the economic crisis," she remembers with a bitter smile. "I liked it there, the work, the people. But of course, it's the freeter that have to leave first when push comes to shove." Since then, she has been job-hunting, but this has proven to be a bit difficult...

Long gone are the Golden Days of the freeter. Towards the end of the Bubble Economy in the late 1980s, when they first appeared, these non-regular workers were spoiled by almost unlimited job options. Hopping between jobs, they would occasionally take time off and, provided they had earned enough money, would travel or just 'hang out' for a while. They wanted to be in charge of their own time, not obey the regimented dictates of a strict employer.

THE FIRST FREETER: PIONEERS OF FREEDOM AND INDIVIDUALITY

In contrast to the common Japanese salaryman, excessively

controlled by his company and characterized by long working hours, the freeter was celebrated by local media as innovative, free and individual. During the recession of the 1990s, however, this image began to change. Freeters were now regarded as wagamama, (selfish and lazy). Their 'anti-social' lifestyle was partly held responsible for the ongoing economic depression and, in some extreme cases, even condemned as 'Japan's ruin.'

With the new millennium, the public image of the freeter changed again. In recent debates surrounding increasing income inequalities and the end of the middle-class, freeter have tended to be seen as the victims of an increasingly deregulated labor market that forces them into precarious employment. This is a view that has grown even stronger in the course of the recent global financial crisis.

HEAVY INCREASE IN NON-REGULAR EMPLOYMENT

The notion that non-standard employment is no longer a rare phenomenon in Japan is supported by the numbers that reflect that the share of non-regular employees has risen to 34 percent since 2008, up from 15 percent two decades earlier. This is a striking figure considering that Japan has long been known as the land of lifelong and seniority-based



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employment. One of the reasons for this development lie in the afore-mentioned recession of the 1990s. After the bust of the speculative bubble, the Japanese economy experienced a massive downturn and many companies were forced to lay off employees. In comparison, non-regular employees were much easier to hire and fire. Also, this new brand of employee came at a much cheaper cost to the company. Payment tended to be lower and non-regular employees were not entitled to formerly common fringe benefits such as corporate housing and, more importantly, the biannual bonus payments which, when added together, could amount to up to the equivalent of five monthly salaries. Increased flexibility and decreased cost was an attractive combination that was difficult to compete with. The current economic crisis has only reinforced this new dynamic. Non-regular employees, especially the so-called *haken shain* (contract workers), were the first to be laid off by the companies.

Considering Japan's demographic shift to an aging society with a shrinking population due to its decreasing birth rate, as well as the increasing instability of the pension system, it is plain to see that the freeter problem does not simply constitute an individual problem for those affected by non-regular employment. It is instead a development with consequences for society as a whole.

The price freeters have to pay for their alleged freedom is high. With an average wage of 900 yen per hour, such a meager income makes it difficult for them to maintain even the most basic expenses. Despite similar working

hours, the income gap between freeters and regular employees is huge: A male employee holding a university degree, for instance, earns almost three times as much as his male freeter-counterpart, despite equal qualifications. As the worker's age increases, this gap broadens. A regular employee's income will rise on an annual basis while a freeter's salary generally remains the same regardless of time spent at the company. Additionally, freeter are entitled neither to paid holidays or pension rights, nor to the usual bonuses companies pay out twice a year. Therefore, it is almost impossible for a freeter to accumulate savings, let alone start a family. Only 50 percent of freeters have health insurance or make monthly pension payments, even though these payments are mandatory.

INVOLUNTARY FREEDOM

This unfavorable financial situation raises the question if, and in what sense, freeter can still considered to be 'free.' Do freeter really want to be free(ter)? Or are they simply unable to make the transition into permanent employment? According to an opinion poll conducted by the Japan Institute for Labour Policy and Training (JILPT), in 2006, 43 percent of freeter attempted switch to regular employment. However, the transition is not easy. Since the early 1990s, the number of available permanent occupations has decreased dramatically.

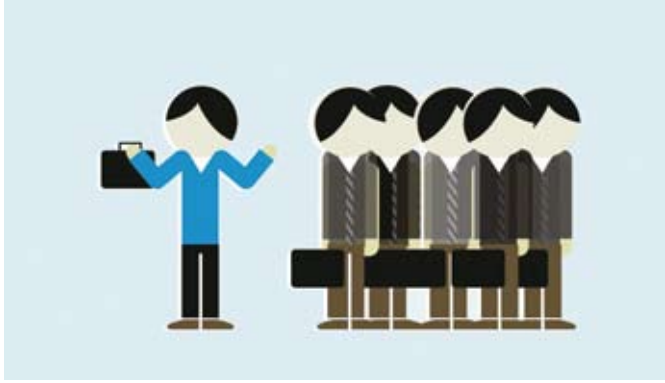
In recent times, many companies have sought employees who possess proven full-time employment experience and are therefore able to manage complex tasks without further training.



WHAT IS A 'FREETER'?

In 1987, the magazine *Recruit from A* coined the term 'freeter,' a combination of the English word 'free' and the German word 'Arbeiter' (worker) to label a new, freelance type of worker. According to the Ministry of Health, Work and Welfare, freeters are generally between 15 and 34 years-old, and work in part-time employment (so-called *arubaito*). They are neither enrolled in any kind of job training, nor are they full-time housekeepers. Since the beginning of the 1980s, the number of freeters had quadrupled from 500,000

to 1.8 million in 2007. Depending on the respective definition, the group is thought to encompass more than 4 million workers in Japan. Among employees between the ages of 15 and 34, around 20 percent work as freeters. This group is not only increasing in number, but also growing older. While in the late 1980s, the majority of freeters were in their early 20s, in 2004 more than half of them were over 25 years old. The official age limit of 34 no longer makes much sense due to the fact that freeters in their 40s are no longer an exception to the rule.



IN THE CASE OF JAPAN, THE PARTICULAR SITUATION OF DEMOGRAPHIC CHANGE MUST ALSO BE TAKEN INTO ACCOUNT. IN THE NEAR FUTURE, JAPAN WILL MOST LIKELY FACE A LABOR SHORTAGE AS THE WORKING AGE POPULATION (20-64 YEARS) IS FORECAST TO SHRINK BY 4.1 PERCENT BETWEEN 2008 AND 2020.

The average freeter's work experience, on the other hand, is rarely seen as valuable. In another survey carried out by the JILPT in 2001, 30 percent of interviewed companies stated that the fact that a potential employee had previously worked as a freeter indeed had a negative influence on his chances of being hired. Freeters, according to the companies, were irresponsible, hard to integrate into the company and were likely to quit suddenly.

The fact that the freeter lifestyle might not be as attractive as initially thought has spread to young first-time employees. According to a survey conducted on a yearly basis by the Japan Productivity Center, in 2009 only 21 percent

of new company employees were in favor of working as a freeter while still young, compared to 54 percent in 1990. A need for financial security and long-term job stability seems to have regained importance over individuality and flexibility. Accordingly, 55 percent of this year's new employees expressed their desire to remain at the same company until retirement. This was an increase of 35 percent from 2000.

CHEAP BUT UNRELIABLE?

From the post-war era until the late 1980s, the Japanese system of lifelong employment and seniority-based wages has contributed to the success of Japan's corporate infrastructure. Unconditional commitment and devotion, endless unpaid overtime and absolute loyalty used to be the cornerstones of a system that no longer seems to function. The Japanese company – the *kaisha* – used to be seen as a kind of extended family. Companies would hire new employees right after their graduation from high school or university and train them within the company. Employees could gain different experiences and expertise in various sectors of the company through job rotation. Through this system, tacit knowledge and special skills could be acquired on the job and passed on directly.

The increasing use of non-regular employees though, might in the long run, endanger the existing system. Loyalty is decreasing while job changes are on the rise.

The longevity of corporate employment is no longer assumed and many companies now risk losing the experience and knowledge of their workers at any given moment.

Furthermore, differing incentive structures often create tension between regular and non-regular employees; as a consequence, the work atmosphere suffers. In the *kaisha*-family, the non-regular employees must indeed feel like disadvantaged orphans in comparison to the *seishain*, the regular employees.

This is surely not beneficial for the overall productivity of an enterprise. But even for the *seishain*, the situation is not as agreeable as it used to be, due to increased pressure from global competition and the current financial crisis. On the other hand, the advantages companies get out of splitting their staff into regular and non-regular employees cannot be denied, be it cost saving, thanks to cheaper non-regular workers, or flexibility in recruiting and dismissing staff based on momentary needs and economic trends. The U.S. system has shown that economic success can be possible without – or because of – lifelong employment. Nevertheless, U.S. companies also seem to be aware of the fact that the success of an enterprise is closely related to its employees and to the working environment. Recent studies have shown that sudden dismissals and departures have a negative impact on overall employee performance. Robert Sutton and Jeffrey Pfeffer, professors at Stanford University, have been arguing for years that treating employees well will benefit the company in the long run. This also includes fair and transparent recruitment policies.

The Japanese enterprise YKK, a world market leader, can be considered a pioneer in this respect. Tadahiro Yoshida, YKK founder's son and CEO, has made 'fairness' one of his leading principles

and considers it fundamental, especially when it comes to recruiting. He even thinks of it as the key to YKK's fast global expansion. In the case of Japan, the particular situation of demographic change must also be taken into account. In the near future, Japan will most likely face a labor shortage as the working age population (20-64 years) is forecast to shrink by 4.1 percent from now until 2020 and another staggering 26.5 percent between 2020 and 2050. Indeed, according to a report by the Cabinet Office, the Japanese labor force might shrink from 66.57 million in 2006 to 42.28 million by 2050.

Whereas companies once relied on cutting employees as a means of restructuring up until just a few years ago, by now many of them must worry about a potential shortage of workers due to a decreasing population combined with baby-boomers reaching retirement age. This should strengthen the negotiating position of potential employees, as well as inspire companies to create more regular employment in order to boost employee retention company-wide. What this new dynamic may reveal is true imperative behind the freeter phenomenon: Have they deliberately picked their current, less than optimum, working situations, or will they rapidly, and gratefully, accept the promise of regular employment after all? **1**



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