

# Employment Safety Net and Japan's Unemployment Insurance System: Focusing on the Issue of Non-Regular Employment

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## Abstract

In this paper, first, the background of the exclusion of non-regular employment from the unemployment insurance system is clarified. On the one hand, in the 1990s, owing to the deterioration of the employment insurance finances, stricter eligibility requirements and benefits were introduced. However, with the increase in household-oriented workers in non-regular employment, problems also began to arise in its institutional design. On the other hand, triggered by the bankruptcy of Lehman Brothers, the 2010 amendment to the Employment Insurance Act relaxed the requirement for employment prospects to be 31 days or longer, and in 2011, the Job Seeker Support System was established. The Job Seeker Support System represented a new initiative for workers who are ineligible for employment insurance benefits.

Furthermore, the empirical analysis considered factors influencing the transition from non-regular to regular employment, including enrollment and receipt of employment insurance. Particularly, besides the impact of enrollment and benefit eligibility criteria of employment insurance, it became evident that transitions to regular employment were more likely to occur in sectors related to medical care, social insurance, and social security. This suggests an increased sense of labor shortage and demand in such sectors. In this regard, it is expected that investment in human capital, especially in education and training subsidies for medical and welfare fields, will play an increasingly significant role. It will also be necessary to develop education and training programs, including vocational training and education subsidies, which are conducted in conjunction with employment insurance.

With the increase in non-regular employment, the inadequacy of the employment safety net became a problem within the unemployment insurance system. However, the Lehman Brothers collapse served as a catalyst for changes in the structure of the unemployment insurance system. From the perspective of building an active labor market policy, in addition to income support, there is a demand for the expansion of the role of the unemployment insurance system in skill development and job retention. This expansion is seen as essential for laying the groundwork to alleviate the problem of working poverty.

Keywords: Employment Insurance, Employment Insurance Finances, Non-Regular Employment, Active Labor Market Policy

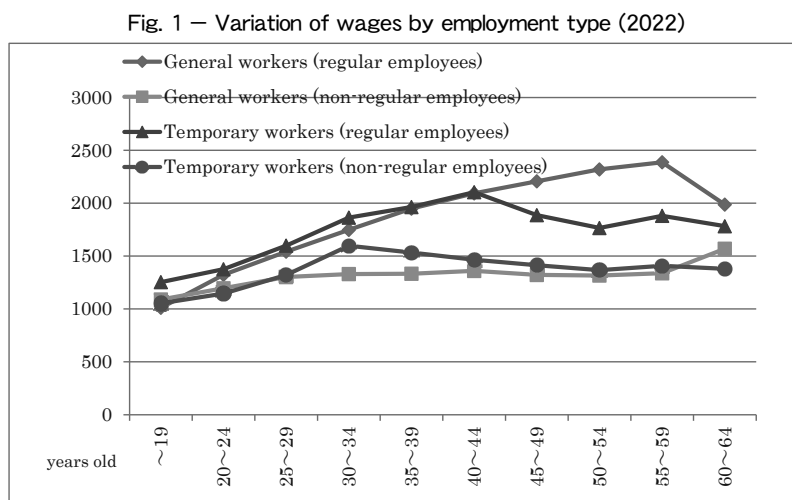
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## 1. Introduction

Since the 1990s, the increase in non-regular employment, particularly among young people, and the wage-benefit gap between regular and non-regular employment, as well as employment instability, have been a cause for concern. Figure 1 illustrates the wage curve by employment type, highlighting disparities between regular and other forms of employment. According to the Labor Force Survey, the proportion of non-regular employment, which was around 19% in 1989, increased to 37% by 2017. The breakdown of non-regular employment in 2017 was approximately 49% part-time, 20% temporary, 21% dispatched or contract workers, and 10% appointed or other forms. Additionally, there has been an increasing proportion of workers aged 65 and above, reaching nearly 20% in non-regular employment by 2017. Approximately 14% of workers in non-regular employment are involuntarily placed in such positions, with the age group of 25 to 34 accounting for the highest proportion at 22.4% [Takahashi, 2018]. On the contrary, since 2020, non-regular employment has decreased overall, but increased again in 2022.

Especially notable since the 2000s has been the increasing trend of employment forms other than part-time and temporary work, such as dispatched workers. A significant theme in research on non-regular employment in Japan has been whether it serves as an entry point to precarious employment or a bridge to regular employment. For instance, Aizawa and Yamada (2008) reveal that individuals with higher educational levels are more likely to transition to regular employment, but extended periods in non-regular employment hinder this transition. Additionally, Okudaira et al. (2011) point out that working through dispatch labor results in lower rates of subsequent regular employment compared to working part-time or temporary jobs<sup>2</sup>. Furthermore, Shikata (2011)



Source: Ministry of Health, Labour and Welfare, “Basic Survey on Wage Structure” (Unit: yen)

<sup>2</sup> Koike (2012) points out that in the food service industry, a significant number of part-time workers are promoted to full-time employees.

highlights Japan's stringent regulations on regular employment compared to the Organisation for Economic Co-Operation and Development (OECD) average and the weaker regulations on temporary employment. While in European countries non-regular employment acts as a "bridge" to regular employment, in Japan, there is potential for it to become a "dead-end" situation where transitions to regular employment are less likely to occur. In this context, transitions from non-regular to regular employment in Japan mainly occur within internal labor markets. Men, if involuntarily non-regularly employed, are more likely to transition to regular employment within the same company. However, such an effect is not observed for women, and the likelihood of transitioning to regular employment at a different company decreases with longer tenures<sup>3</sup>.

Additionally, issues have arisen regarding the safety net surrounding non-regular employment. After the bankruptcy of Lehman Brothers, layoffs and contract terminations among non-regular workers increased, exacerbating employment instability. However, even within the unemployment insurance system, which serves as income support during periods of unemployment, there were cases where non-regular employment was excluded from the system owing to eligibility requirements. The inability to receive income support during periods of unemployment can hinder adequate job-seeking activities, increasing the likelihood of falling into unstable employment.

In contrast, Denmark and Sweden have adopted unique policies known as the "flexicurity approach," which facilitates active labor mobility and transitions of workers to high-productivity sectors. At the same time, in addition to high levels of unemployment benefits, this approach introduces active labor market policies<sup>4</sup> to promote the return of unemployed individuals to the labor market.

It is generally believed that generous unemployment benefits may reduce the intensity of job search activities among the unemployed. However, in Denmark and Sweden, by combining high levels of unemployment benefits with active labor market policies, efforts have been made to promote the return of unemployed individuals to the labor market and mitigate the negative effects of unemployment benefits.

Indeed, the role of the unemployment insurance system is crucial, particularly concerning the transition from non-regular to regular employment. Although there is not an abundance of quantitative research on the unemployment insurance system, Higuchi, Ishii, and Sato (2011)

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3 It is necessary to revisit the discussion regarding the strength of employment protection toward regular employment in Japan's labor market, which may lead to rigidity and hinder labor mobility. In the case of Denmark, it is true that increased labor mobility has been achieved through the fluidization of employment, but it is essential to note that this is based on the complementary relationship between robust social security and active labor market policies. In reality, there are cases indicating a trade-off between expanded flexibility and job security, such as high unemployment rates among young workers and low-skilled workers, as well as the proliferation of non-regular employment. The crucial point lies in balancing flexibility with a safety net, and it is important to be mindful that policies that lean toward guaranteeing flexibility may potentially contribute to the expansion of non-regular employment.

4 There are various types of employment policies, but the OECD categorizes them into two main groups—passive and active labor market policies. Passive labor market policies provide unemployment benefits and create opportunities for new employment through early retirement, while active labor market policies focus on reintegrating the unemployed into the labor market through services such as job counseling and vocational training provided by public employment services and training facilities.

examined the relationship between receiving employment insurance benefits and poverty alleviation. They revealed that unemployment benefits not only serve as income support during periods of unemployment but also increase the probability of subsequent employment through the accompanying job placement assistance. However, it is also noted that lower-income workers are less likely to enroll in employment insurance, highlighting a potential inadequacy of the system in supporting the working poor, who are often prevalent among non-regular workers.

Furthermore, from the perspective of active labor market policy, measures such as skill development and employment retention are necessary for non-regular employment. Kosugi (2010) points out the problem of a high proportion of young people in non-regular employment lacking opportunities for skill development, emphasizing the significant impact of off-the-job training and self-development in transitioning from non-regular to regular employment. Kosugi proposes establishing consultation, support, and skill development assistance tailored to the career exploration period of individuals in their 20s.

In Japan, the unemployment insurance system includes provisions such as education and training subsidies to support skill development. Additionally, within the Job Seeker Support System, assistance is provided to workers ineligible for employment insurance benefits, incorporating elements of active labor market policy. To alleviate working poverty, not only improvements in the treatment of non-regular employment but also enhancements in relief during unemployment through the unemployment insurance system and the expansion of various systems incorporating elements of active labor market policy are necessary [Takahashi, 2018].

The remainder of this paper is structured as follows. The next section will provide an overview of the unemployment insurance system, while the third section will organize discussions and empirical analyses regarding the transition from non-regular to regular employment. The concluding section will summarize the institutional challenges of Japan's unemployment insurance system as an employment safety net for non-regular employment and outline future prospects.

## 2. Outline of the unemployment insurance system

### (1) Characteristics of the unemployment insurance system

People typically sustain their livelihood by gaining income through the labor market. However, in a capitalist economy, the risk of losing one's livelihood owing to unemployment exists, making it necessary to establish a safety net for times of unemployment. In Japan, the unemployment insurance system is considered to fulfill this role, but looking back at its history, the reform of this system seems to have been constrained by insurance finances [Takahashi, 2017]. Since the fiscal deficit in insurance finances emerged from fiscal year 1994 onward, numerous reforms have been implemented to tighten eligibility conditions in response. On the contrary, since fiscal year 2003, insurance finances have turned into surplus, leading to some relaxation of eligibility conditions. Nevertheless, the system has struggled to adequately address issues such as layoffs among non-regular employees, especially in the aftermath of the bankruptcy of Lehman Brothers. Consequently, the role of the unemployment insurance system as an employment safety net has once again come

under scrutiny.

It is worth noting that, when looking at the preceding research on the unemployment insurance system and employment issues during this period, many studies have focused on the issue of moral hazard, debating the merits of the system. Representative studies in Japan include those by Ohtake (1987) and Mizuno (1992), which theoretically analyzed the relationship between unemployment benefits and unemployment rates to point out that a clear correlation could not be confirmed.

Furthermore, an unemployment insurance system is a mechanism whereby individual economic entities prepare for future risks by bearing the cost of insurance premiums, thus monetizing the uncertainty of the labor market [Ueyama, 1997]. Additionally, the unemployment insurance system has two significant characteristics: 1) its public nature and 2) its function as a built-in, automatic stabilizer for the economy. Having a public nature means that it targets many people, and the income support provided during unemployment directly affects the livelihood of the insured individuals, necessitating sound fiscal management and appropriate administration. The function of economic stabilization refers to accumulating insurance premiums during prosperous times and utilizing these reserves during economic downturns to maintain the living standards of the unemployed, thereby stabilizing the economy.

The government provides the unemployment insurance system publicly owing to the aforementioned public nature and economic stabilization function. Another reason for it being a public social insurance system is the problem of adverse selection. If the unemployment insurance system were operated by private insurance companies, adverse selection could potentially be mitigated through monitoring of subscribers and adjustment of insurance premiums. However, incomplete monitoring or the occurrence of benefit payments exceeding premium income could make it difficult for private insurance companies to sustain their operations [Yamada, 2015].

It can be said that, in Japan, there was not much correlation between the unemployment insurance system and moral hazard. This could be for several reasons. One of the background factors is Japan's unique employment system, which has long-term employment practices at its core. As a result, the role of the welfare system was primarily focused on healthcare and pensions in the later stages of life. This led to the unemployment insurance system having a relatively small fiscal size, and there was little room for moral hazard to occur [Takahashi, 2017].

## **(2) Current status of the unemployment insurance system**

The unemployment insurance system was established in 1974, replacing an unemployment insurance scheme. Employers who hire workers are required to enroll in the system, with funding derived from shared contributions between employers and employees, as well as government subsidies. The system comprises two main programs: Unemployment Benefits and Employment Insurance Two Services.

The Unemployment Benefits program is classified into various types such as job applicant benefits, which provide income support during unemployment; job placement incentives for early re-employment; educational training benefits, which subsidize participation in training courses designated by the Ministry of Health, Labour and Welfare; childcare leave benefits; and family care

leave benefits. These benefits aim to provide income assistance during periods of absence from work and promote continuous employment.

The Employment Insurance Two Services program is divided into ability development and employment stabilization. While some benefits under this program, such as employment promotion and education and training, do not rely on national funding, in Employment Insurance Two Services, the insurance premiums borne by employers is the source of funds.

Regarding government subsidies, the portion covered by the national treasury varies, with job applicant benefits (job applicant benefits for general insured persons (basic allowance)) receiving one-fourth, and childcare leave benefits and family care leave benefits receiving one-eighth. However, since the 2007 employment insurance reform, the subsidy rate has been reduced to 55% (13.75% for general job applicant benefits) [Takahashi, 2023]. Moreover, in 2011, the Job Seeker Support System was established to provide job training and partial income support to workers who are ineligible for unemployment insurance benefits. This system is funded equally by insurance premiums and government subsidies (although it is temporarily set to 55%). It serves as a new support system for workers excluded from the unemployment insurance system, such as those in non-regular employment.

Furthermore, fluctuations in the economy can lead to changes in employment insurance finances, prompting revisions to the insurance premium rates. Surpluses in expenditures and income from Unemployment Benefits are accumulated as reserve funds, or in the case of the Employment Insurance Two Services, as employment stabilization funds. Economic fluctuations, such as the deficit in employment insurance finances since 1994 due to the collapse of the bubble economy, and the depletion of employment stabilization funds following the Lehman Brothers collapse, have highlighted the challenge of securing funding for employment insurance. Whether the operation should primarily rely on insurance premiums or whether substantial financial support from the government should be considered is a matter of debate. This is an important issue to consider when contemplating the expansion of the safety net for non-regular employment.

In Denmark and Sweden, high levels of unemployment benefits are complemented by active labor market policies. However, the situation in Japan is different. According to Yamada (2015), Japan's unemployment insurance system exhibits a redistributive institutional design where lower-income individuals receive higher replacement rates from employment insurance. However, as pointed out by Uzuhashi (2010), although the benefit amount of Japan's employment insurance is at the OECD average level, the duration of benefits is shorter, lasting no more than one year, making it the shortest among OECD member countries. Furthermore, Sakai (2012) attributes the decrease in male employment insurance recipients to an increase in long-term unemployment resulting in the termination of benefits for those who have reached the end of their benefit period, as well as a decrease in unemployment from regular employment. Additionally, Shimauchi (2021) raises concerns about the exclusion of multi-job holders engaged in part-time and temporary work from the system, as well as the lengthy benefit restriction period (three months) for those who quit their jobs voluntarily.

The changes in eligibility requirements due to revisions in the employment insurance system can

be summarized as follows: initially, in 1984, the criteria included age; in the 1989 revision, age, insured period, and working hours were added; and from 2000 onward, the criteria became more complex, including age, insured period, working hours, and reasons for leaving employment [Takahashi, 2023]. The background to these changes in eligibility requirements was primarily to address the issue of moral hazard. Particularly, regarding reasons for leaving employment, there was an intention to tighten the eligibility requirements for those who left voluntarily. In addition to concerns about the duration of benefits, there were issues with the exclusion of long-term unemployed individuals and those in non-regular employment from the system. Specifically, for non-regular employment, the requirement of “expectation of employment for one year or more” posed a problem. Therefore, in the 2009 revision of the Employment Insurance Act, this was relaxed to “expectation of employment for six months or more,” and in the 2010 revision, it was further relaxed to “expectation of employment for 31 days or more,” aiming to strengthen the safety net function for non-regular workers and enhance the financial foundation of employment insurance, considering the harsh employment and unemployment situation. Additionally, in 2011, the Job Seeker Support System was established to reassess the safety net function for non-regular employment.

### **3. Transition from non-regular to regular employment and the role of employment insurance**

#### **(1) Previous research**

This paper focuses on the role of the unemployment insurance system in the transition from non-regular to regular employment, and empirical analysis was conducted. First is the introduction of previous studies on the transition from non-regular to regular employment. Genda (2008) confirmed that specialized skills in fields such as healthcare and welfare, as well as employment experience within the same company for two to five years before leaving non-regular employment, favor the transition to regular employment. Aizawa and Yamada (2008) revealed that higher educational attainment makes it easier to transition to regular employment, but longer periods of non-regular employment make the transition less likely. Furthermore, Shikata (2011) demonstrated that, for men, involuntary non-regular employment makes transitioning to regular employment within the same company easier, but such effects are not observed for women. Regarding transitions to regular employment in different companies, the probability decreases with longer tenures.

Comparing these studies, it is evident that they reach contrasting conclusions regarding the impact of tenure in non-regular employment on the transition to regular employment. Moreover, while discussions mainly focus on transitions within the same company, distinctions between transitions via job changes should be noted. In the former case, tenure and skill accumulation within the company are likely to favor the transition to regular employment, while in the latter, especially in the case of non-regular employees who stayed away from the labor market owing to job loss, factors such as the previous employment form, industry, and skill development inside and outside the company, as well as whether social security systems facilitate the transition, play crucial roles in the analysis. Takahashi (2019) identified that transitions to regular employment are more likely

to occur in medical, insurance, and social security-related industries, while Takahashi (2021) showed that utilizing the education and training benefit system increases the likelihood of transitioning from non-regular to regular employment.

## (2) Empirical analysis

In this paper, the data used are from the “Japan Panel Study of Employment Dynamics, 2022,” conducted by Recruit Works Institute from January 6 to 31, 2022<sup>5</sup>. The purpose of the survey is to elucidate the actual employment and non-employment situations nationwide and their changes. The survey targeted men and women aged 15 and above nationwide, with a total sample size of 44,605. The survey asked about the current employment status as of December 2021 and the previous employment status for those with past employment experience. Employment statuses included “regular employees,” “part-time and temporary workers,” “employees from worker dispatch agencies,” “contract employees,” “commissioned employees,” and “others.” “Regular employees” were categorized as regular employment, while other employment statuses were categorized as non-regular employment<sup>6</sup>. In this paper, a binary logistic regression analysis is conducted with a dummy variable as the dependent variable. The dummy variable takes a value of 0 for respondents whose previous employment status was non-regular employment and whose current employment status is also non-regular employment, and 1 for respondents whose current employment status is regular employment.

In the survey, regarding the enrollment status in employment insurance, responses such as “I was paying employment insurance premiums myself (it was deducted from my salary),” “I was receiving unemployment benefits,” and “I was not enrolled and did not receive benefits” were provided. The response “I was not enrolled and did not receive benefits” was coded 1, representing “not enrolled in employment insurance and did not receive benefits,” and included as an explanatory variable<sup>7</sup>. Furthermore, explanatory variables such as personal attributes, economic status, employment status, and changes in industry before and after changing jobs were included.

The basic statistics of explanatory variables disaggregated by gender are presented in Table 1. Regarding employment insurance, approximately 20% were not enrolled or had not received benefits, with a lower proportion among women compared to men. This could be attributed to women being less likely to be the primary earners in the household, resulting in a higher incidence of non-enrollment.

The estimation results are presented in Table 2. Mainly, regarding employment insurance, non-regular employment without enrollment or benefit receipt experiences tended to have a lower probability of transitioning to regular employment compared to non-regular employment with enrollment or benefit receipt experiences. The factors considered to contribute to this include being

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5 The data for this secondary analysis, “Japan Panel Study of Employment Dynamics, 2022, Recruit Works Institute,” was provided by the Social Science Japan Data Archive, Center for Social Research and Data Archives, Institute of Social Science, The University of Tokyo.

6 “Others” were excluded from the analysis.

7 “I don’t know” was excluded from the analysis.



Table 1 – Descriptive statistics

	Overall		Men		Women	
	Average	Std. Dev.	Average	Std. Dev.	Average	Std. Dev.
Not enrolled in employment insurance/No benefits	0.217	0.412	0.126	0.332	0.254	0.435
Woman	0.716	0.451				
Has spouse dummy [Age (base: ≥ 50 years)]	0.490	0.500	0.259	0.438	0.583	0.493
20–29 years	0.085	0.279	0.085	0.279	0.085	0.279
30–39 years	0.289	0.453	0.414	0.493	0.239	0.427
40–49 years	0.347	0.476	0.326	0.469	0.355	0.479
[Education (base: High School or lower)]						
Graduated from vocational school	0.174	0.379	0.171	0.377	0.175	0.380
Junior college/Technical college graduate	0.159	0.366	0.026	0.160	0.211	0.408
College or higher	0.262	0.440	0.349	0.477	0.227	0.419
[Employment type (base: Contract/Temporary)]						
Part-time/Temporary	0.580	0.494	0.395	0.489	0.653	0.476
Dispatched worker	0.217	0.412	0.246	0.431	0.205	0.404
[Years of service (base: 5 years or more)]						
≤ 1 year	0.314	0.464	0.353	0.478	0.298	0.458
1–2 years	0.267	0.443	0.286	0.452	0.260	0.439
3–4 years	0.153	0.360	0.157	0.364	0.151	0.358
[Previous job type (base: Sales)]						
Manufacturing	0.197	0.398	0.280	0.449	0.164	0.371
Life infrastructure/Transportation/Communications	0.156	0.363	0.260	0.439	0.115	0.319
Services	0.316	0.465	0.269	0.444	0.334	0.472
Medical/Social insurance/Social security	0.123	0.329	0.051	0.219	0.152	0.359
[Current job type (base: Sales)]						
Manufacturing	0.209	0.407	0.283	0.451	0.180	0.384
Life infrastructure/Transportation/Communications	0.161	0.367	0.273	0.446	0.116	0.320
Services	0.290	0.454	0.245	0.430	0.307	0.462
Medical/Social insurance/Social security	0.148	0.355	0.064	0.245	0.181	0.385
[Company size (base: 500 employees or more)]						
< 30 employees	0.252	0.434	0.193	0.395	0.275	0.447
30–500 employees	0.432	0.495	0.473	0.500	0.415	0.493
N	3946		1117		2829	

Table 2 – Estimation results

	Overall		Men		Women	
Not enrolled in employment insurance/No benefits	0.076	(0.013) ***	0.085	(0.023) ***	0.074	(0.017) ***
Woman	0.470	(0.043) ***				
Has spouse dummy [Age (base: ≥ 50 years)]	0.834	(0.069) **	5.926	(1.072) ***	0.407	(0.043) ***
20–29 years	1.032	(0.165)	1.990	(0.628) **	0.731	(0.141)
30–39 years	1.654	(0.177) ***	3.029	(0.690) ***	1.348	(0.182) **
40–49 years	1.289	(0.131) **	2.120	(0.489) ***	1.052	(0.128)
[Education (base: High school or lower)]						
Graduated from vocational school	1.292	(0.141)	0.871	(0.142)	1.176	(0.157)
Junior college/Technical college graduate	0.922	(0.114) **	1.202	(0.248)	1.335	(0.182) **
College or higher	0.991	(0.099)	1.158	(0.454)	0.943	(0.132)
[Employment type (base: Contract/Temporary)]						
Part-time/Temporary	0.441	(0.044) ***	0.687	(0.117) **	0.443	(0.060) ***
Dispatched worker	0.440	(0.052) ***	0.385	(0.074) ***	0.500	(0.078) ***
[Years of service (base: ≥ 5 years)]						
≤ 1 year	0.872	(0.093) **	0.651	(0.129) **	0.894	(0.123) *
1–2 years	1.263	(0.136) **	0.916	(0.189)	1.274	(0.174) *
3–4 years	1.156	(0.148)	0.718	(0.173)	1.292	(0.201)
[Previous job type (base: Sales)]						
Manufacturing	1.141	(0.156)	1.161	(0.304)	1.167	(0.199)
Life infrastructure/Transportation/Communications	0.940	(0.133)	0.864	(0.219)	0.896	(0.168)
Services	1.082	(0.129)	0.927	(0.221)	1.136	(0.165)
Medical/Social insurance/Social security	1.002	(0.167)	0.550	(0.222)	1.071	(0.203)
[Current job type (base: Sales)]						
Manufacturing	1.692	(0.231) ***	1.468	(0.374)	1.979	(0.343) ***
Life infrastructure/Transportation/Communications	1.686	(0.248) ***	1.646	(0.425) *	1.754	(0.346) ***
Services	1.499	(0.197) ***	1.628	(0.423) *	1.610	(0.263) ***
Medical/Social insurance/Social security	3.280	(0.531) ***	3.266	(1.385) ***	3.746	(0.710) ***
[Company size (base: ≥ 500 employees)]						
< 30 employees	1.898	(0.203) ***	1.588	(0.324) **	2.352	(0.318) ***
30–500 employees	1.341	(0.123) ***	1.052	(0.166)	1.641	(0.197)
Constant term	0.706	(0.135) *	0.426	(0.165) **	0.378	(0.085) ***
Log likelihood	-2023.994					
pseudo R-sq	0.187		0.200		0.198	
N	3946		1117		2829	

(Note) The left column shows the odds ratio, and the values in parentheses in the right column represent the robust standard errors. \*\*\*, \*\*, \* indicate significance at the 1%, 5%, and 10% levels, respectively.

in a favorable position in terms of employment or being able to receive benefits during periods of unemployment, ensuring livelihood during unemployment, and being able to conduct sufficient job search activities<sup>8</sup>. In the case of women, the transition to regular employment tended to be less likely, suggesting that it may be challenging, while there may be a higher incidence of household supplementary non-regular employment such as part-time and temporary work.

Additionally, for both genders, transitions to regular employment were more likely among the younger age group of 30–39 years and in small-scale enterprises. While no significant results were obtained regarding the industry of the previous job, both genders showed a higher likelihood of transitioning to regular employment in the current industry, particularly in the fields of healthcare, social insurance, and social security. For women, transitions to regular employment were more likely in all industries, whereas for men, significant results were only obtained in the healthcare, social insurance, and social security fields. This suggests a heightened sense of labor shortage and increased labor demand in these industries. In this regard, investments in human capital, particularly in the healthcare and welfare sectors through education and training benefits, are expected to play a significant role. It is also necessary to establish vocational training and education programs, such as those provided alongside employment insurance, to meet these needs.

#### 4. Conclusion

With the increase in non-regular employment, concerns have arisen regarding the wage– benefits disparity compared to regular employment, as well as the instability of employment. Particularly, whether non-regular employment serves as a gateway to unstable employment or a bridge to regular employment has become a significant issue, addressed in numerous domestic studies. The transition from non-regular to regular employment has been subjected to various examinations. Additionally, the shortcomings of the safety net for non-regular employment have brought attention to the institutional design of the unemployment insurance system.

In this paper, the background that led to the exclusion of non-regular employment from the unemployment insurance system was first introduced. In the 1990s, owing to the deterioration of employment insurance finances, stricter eligibility requirements and benefit conditions were implemented, but with the increase in workers primarily engaged in household activities in non-regular employment, problems began to arise in the institutional design of the system. On the contrary, prompted by the bankruptcy of Lehman Brothers, the 2010 revision of the Employment Insurance Act relaxed the requirement of expected employment from one year to 31 days or more, and in 2011, the Job Seeker Support System was established. This represented a new initiative as a support system for workers who are ineligible for unemployment benefits.

Furthermore, the empirical analysis revealed that those engaged in non-regular employment without enrollment or benefit experience in the employment insurance system were less likely to

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<sup>8</sup> Non-regular employees who are not enrolled in employment insurance may include part-time and temporary workers, which could serve as supplementary income for households.

transition to regular employment compared to non-regular employees with enrollment or benefit experience. The fact that being enrolled in employment insurance increases the likelihood of migrating to regular employment can be attributed to factors such as being in an advantageous employment position or the possibility of receiving benefits during unemployment periods, which ensures livelihood security and enables sufficient job search activities. Additionally, for both genders, transitions to regular employment were more likely among younger age groups, and in terms of post-transition industries, the medical, social insurance, and social security sectors were most common. This suggests a higher demand and shortage of labor in such industries. Therefore, it is believed that investments in human capital in the medical and welfare fields through education and training benefits are becoming increasingly important. It is also necessary to develop training programs such as vocational training and education provided in conjunction with employment insurance.

With the increase in non-regular employment, the inadequacy of the employment safety net became a problem within the unemployment insurance system. However, prompted by the bankruptcy of Lehman Brothers, changes have been observed in its structure. From the perspective of building an active labor market policy, there is a growing need for the expansion of the role of unemployment insurance system not only in providing income support but also in enhancing its capacity for skills development and employment retention. This expansion is seen as crucial for paving the way to alleviating working poverty.

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