

# Youth Employment in Japan's Economic Recovery: 'Freeters' and 'NEETs'

**Kosugi Reiko**

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By Kosugi Reiko

Following the onset of Japan's economic recession in the early 1990s, the number of company positions available for prospective high school and university graduates dramatically declined, and young Japanese ceased to enjoy the favorable situation, that had long prevailed in which the great majority of job seekers were able to become permanent employees of companies. At the same time, there was a great increase in the number of young people who were engaged in unstable forms of employment, such as temporary or part time work, and who are known as "freeters."

The term "freeter" was first coined in the late 1980s when the economy was booming, and it originally referred to young people who refused to become permanent employees, instead engaging in temporary or part time work. Many of these hoped eventually to become professionals in the worlds of music or the theatre and the like. At first the problem of "freeters" was seen as a problem concerning a shift in young people's attitude to work.



The freeter generation

However, after the recession began in the early 1990s, the number of young people who could not find permanent employment increased, and many were forced to accept temporary employment. Such people also referred to themselves as "freeters." A third group consisted of young people who deferred choosing a profession because they were unsure what they wanted to do, also engaged in temporary work. They too called themselves "freeters." According to surveys taken in recent years, the number of those who are "freeters" in the original sense of the word occupies no more than 10-20% of all young people. As this

situation became evident, understanding of the “freeter” problem shifted from the attitudes of young people to employment difficulties.

Since 2000, with increase in the number of young people who did not enter the labour market even after having left education, the term NEET (not in education, employment or training) was introduced from Great Britain. Some interpreted this as a reflection of the severity of the labour market, while others viewed it as a failure to foster young people’s desire to acquire skills or find a profession, including the ability to interact with others. Again, although this problem had existed for some time, it had not attracted society’s interest. In other words, there had always existed high school dropouts who failed to make the transition to regular Japanese-style employment. In short, a problem that had long been ignored was now recognized as something that had to be tackled.

The Japanese government has grappled with youth employment problems since 2003. With the Japanese economy showing signs of recovery, more companies have announced plans to hire new graduates. However, this is unlikely to end the problems of youth employment. The following problems will remain: (1) opportunities for stable employment will continue to be limited among the less educated; and (2) the increase of ‘freeters’ and ‘NEETs’, many of them now in their late 20s and early 30s, poses generational problems.

### **Differences in Employment Opportunities based on Educational Attainment**

Freeters and NEETs are deviations from the basic school-to-work transition model in Japanese society, in which students become full-time tenured employees upon graduation and are trained in companies to become full-fledged workers.

The process of the school-to-work transition in Japan has typically been viewed as an entry-point into long-term employment. Until the beginning of the 1990s, regardless of educational level, a special labour market existed for fresh graduates. Almost all of those who sought employment, whether male or female, were employed as permanent employees in full-time positions without a fixed term. However, it was assumed that men would work until retirement, whereas it was assumed that women would work for some years in either clerical or manual jobs and then leave employment for marriage and children. The typical pattern for these women was reentry into the labour market some years later, taking jobs as low-wage part-time workers. The fact that most women reentered the labour market as part timers was due, first of all, to the division of labour in the home, where women were responsible for most of the housework and child rearing. Moreover, in a society which had developed strong “internal labour markets,” there was only a very limited market for those who wished to gain permanent employment later on.

Because of the difficulty of embarking on a career later in life, the act of finding employment upon graduation was a major event, one that could determine the whole of one’s life. Taking a position in a company was of greater importance for men because it was assumed that it would lead to long-term employment. But even for women, who anticipated leaving work after a few years, it was very important. One reason for this was that the workplace very often provided them with opportunities to find a marriage partner.

It is those who miss this chance to “acquire a position” who become “freeters” and “NEETs.”

Freeters and NEETs at present are men and unmarried women between the ages of 15 and 34, a group that has been aging with the general population. According to government

statistics, in 2002 there were about 2,500,000 freeters and 650,000 to 850,000 NEETs in Japan. Both freeters and NEETs are on the increase.

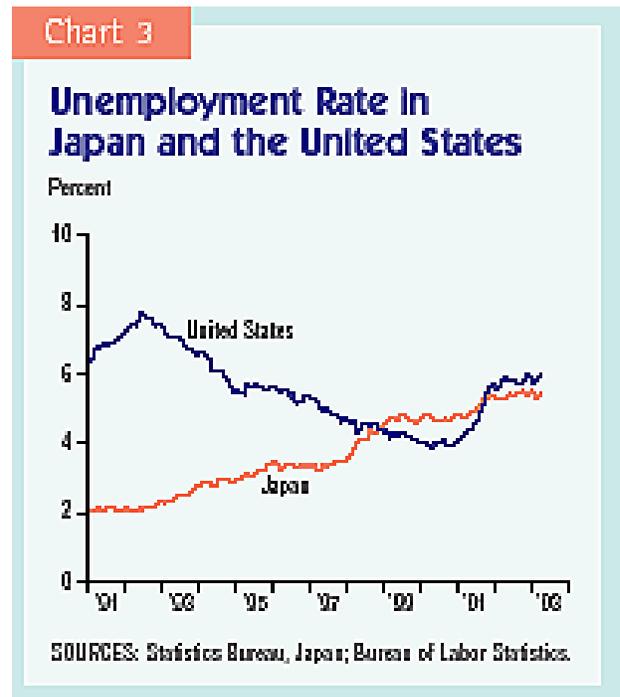
An examination of their backgrounds based on government statistics suggests that they are primarily drawn from the less educated. The same trend has become increasingly prominent among the “officially unemployed”.

The growing difficulty of younger and less educated youth to find stable employment is common in many advanced countries. The transition towards knowledge industries in the globalizing economy, which requires the concentration of demand for workers with higher education, serves as a backdrop. The increase in youth unemployment observed in many countries between the late 1970s and 1980s seems to have been caused in part by this economic transition.

In Japan, however, a system in which companies trained young employees remained intact, and this shielded Japanese youth with secondary and higher education from unemployment during a period of industrial transition. In the 1990s recession, however, firms began to restrict this training and became more selective in hiring new graduates. As a result, the number of youth failing in the school-to-work transition increased sharply, and it is they who comprise the population of unemployed, freeters, and NEETs. In short, youth lacking specialized education and drop-outs (from high schools and colleges) bear the brunt of employment problems in the transition.

In fact, the number of positions available for prospective high school graduates declined sharply, and at the beginning of the 1990s it dropped to one eighth of previous levels, while on the contrary, the number of positions available for prospective university graduates, even at its worst, only dropped by one half. At

present, the latter has recovered to levels comparable to those of the first half of the 1990s. The demand for workers with lower educational backgrounds, however, has remained low.



Unemployment patterns in Japan and the US

Why did Japanese companies reduce the number of fresh graduate employees? It was not only because of the recession, but also reflected changes in Japanese employment practices. That is, many Japanese companies have reduced the number of permanent employees to whom fixed-term contracts do not apply, both for reasons of economy and in order to adapt more easily to changes in the business environment. The increase in the number of “freeters” reflects in part the flow of younger workers into those positions that had previously been largely carried out by older women.

The gap in working conditions, especially in levels of pay, between regular and irregular forms of employment in Japan is very large. As most of those employed in temporary or part-

time labour were older women, a deep-rooted belief in the gendered division of labour delayed the formulation of countermeasures to this gap. Moreover, opportunities for employees to develop professional skills greatly depend upon the form of employment. Companies invested in programs designed to improve the skills of permanent employees. It has been pointed out that in the 1990s companies became increasingly selective in their investment in developing the skills of permanent employees, while little investment was made in skill-building for temporary or part-time employees. The problem of this gap has attracted much attention as a result of the increase in the number of “freeters.”

Moreover, with the decline in the number of high school graduates, access to higher education has become more dependent on the financial resources of parents than the abilities of their children. Higher education in Japan is comprised of a higher percentage of private educational institutions than in many other advanced countries. This means that parents have to pay quite high fees.

So, the tendency for parents’ income to determine a child’s educational level, and educational level to determine the type of employment, and the type of employment to determine the opportunity to gain added skills, has clearly been strengthening. This tendency for rigid division by social class should be stopped.

### **Freeters and NEETs as the Children of Baby Boomers**

The population of freeters and NEETs has been aging since the problem first emerged, one measure of its increasing pervasiveness and longterm character. In 1992, 60% of NEETs fell within the age ranges of 15 to 24, but in 1997 60% fell within the age ranges of 20 to 29, and in 2002 60% fell within the age ranges of 25 to 34. In other words, the core group of NEETs

and freeters has been aging, revealing that this is not simply a youth issue.

During the period in which the baby boomers’ children experienced the school-to-work transition, companies changed their recruitment policies, becoming more selective. But this is no longer simply a youth problem. The people of this generation, comprising the ‘core’ of the freeters and NEETs, have aged while remaining freeters and NEETs.

There are two major problems here. First is the fact that once someone becomes a freeter or a NEET it is extremely difficult to become a regular employee with benefits and longterm employment prospects. While Japanese companies still view new graduates as the primary source of recruitment, they have expanded recruitment to include those in mid-career, in their search for trained individuals who become regular workers. However, mid-career recruitment tends to be limited to those with work experience as full-time employees in other companies. Freeters who have held only part-time work have little prospect of securing such jobs. In Japanese companies there is a large gap not only in wages and benefits, but also in the range of responsibilities between regular full-time employees and short-term and part-time employees. NEETs, who are not even in the labor force, have even less prospect of securing such jobs. Given Japan’s rigid age norms for employment, it becomes extremely difficult for freeters and NEETs to become regular full-time workers as they reach their late 20s and 30s.

The second problem in breaking out of this pattern is that many freeters and NEETs live with their parents. NEETs, especially, pose problems of permanent dependence. Since their parents are baby boomers who will soon be retiring, the time is approaching when NEETs, who will then be in their forties and fifties, may end up living off their parents’ old-age pensions. But if significant numbers of the

younger generation do not shoulder the cost of the welfare system, and as the number of those on welfare rises as some pensions fail to cover the livelihood of two generations, the system itself will be jeopardized. There is no time to waste before taking action to promote the independence and employment of this young generation.

### **Japanese employment practices, Freeters and NEETs**

Phenomena such as prolonged school-to-work transition, increasing unemployment, continued unstable youth employment and nonparticipation in labor markets, can all be found among advanced countries. However, given Japan's smooth school-to-work transition based on life-time employment practices in core enterprises, the phenomenon is new here.

Lifetime employment once promised many employed by powerful companies training, safety and security. With the prolonged recession since the 1990s, many firms reduced lifetime employment and expanded employment opportunities for long-term, full time

employment among mid-career employees. But "mid-career recruitment" essentially involves hiring experienced managers who have already gained a track record with at least one other company. It offers no new opportunities for NEETs or freeters.

At present, the number of positions available for new university graduates is increasing in step with the recovery of the economy, but the urgency of dealing with youth employment has in no way diminished. It is necessary to develop paths to assist unemployed youth and part-timers to develop skills and find jobs that will make it possible for them to gain greater income and form a family. This need not mean returning to the Japanese-style employment pattern centering on permanent employment, but at a minimum it would require equal treatment for regular and part-time workers, and increased opportunities to acquire professional skills outside of companies.

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