

17 July 2020 (No. of pages: 1)

Japanese report: 16 Jul 2020

Sudden Changes in Employment and Income Due to COVID-19 Crisis

Attention must be paid to declining student income, no hiring of temporary workers, and increase in employment mismatch

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Summary

- The employment and income environment changed dramatically in April and May due to the sharp decline in labor demand caused by the spread of COVID-19. Looking at employment-related statistics, many corporations seem to be making efforts to maintain employment by largely adjusting working hours. Nevertheless, it is the decline in income that we should be aware of in this context. Even after the expansion of the Employment Adjustment Subsidy, there are still workers who have not received leave allowances.
- Looking at total working hours by age group, the decline was conspicuous in the younger group in April and May. The COVID-19 crisis had a major impact on the employment of young people, and as a result, the income situation of young people worsened more than other age groups.
- As employment adjustment progresses further, temporary employees and other fixed-term contract employees are forced to leave their jobs. Because temporary and contract employees are often "irregular" but are also often the heads of households, unexpected termination of employment tends to be directly linked to poverty as recorded on a household-by-household basis. In light of the recent sharp increase in the employment conditions DI according to the BOJ Tankan, there is a possibility that the cessation of the hiring of temporary staff may be fully implemented by the end of 2020.
- Japan's economy has suffered a significant deterioration, and the longer it takes to recover, the more the risk of employment adjustment increases for fixed-term contract employees, permanent employees, and other indefinite-term contract employees. The employment adjustment risk is particularly high in the service industry, where profitability has declined due to the practice of social distancing. There is a possibility that job mismatches may increase because people who leave the service industry cannot easily change jobs to other industries where they lack of skills.

Attention

This report is a summary translation. The official document is only in Japanese.