

Article

Wage Compensation during Leave in the COVID-19 Crisis and Its Impacts on Workers' Careers¹

TAKAHASHI Koji

I. Background and objectives

The COVID-19 pandemic has prompted a sharp rise in the numbers of workers affected by the temporary closure of their place of work or reduction of their working hours (referred to here as “leave”) or both. This paper is an exploratory analysis of how workers' careers differ depending on whether they experienced leave during the period for which a national state of emergency was declared from April to May last year (2020) and what kind of wage compensation they received during that leave.² The analysis concludes that while those workers who received no wage compensation whatsoever while on leave do not show a tendency toward changing employers, said workers do show a strong tendency to become unemployed or “unoccupied” (which is used here to refer to those neither working nor looking for work).

One of the mainstays of Japan's measures for addressing unemployment during economic downturn is the Employment Adjustment Subsidy (EAS). The Labor Standards Act obliges employers to pay workers who are sent on leave from work for reasons attributable to the employer an allowance equal to at least 60% of their average wage (*kyūgyō teate*; “leave allowance”). However, it is not feasible for some employers to pay leave allowances without outside assistance. By supplementing the leave allowances that employers pay to workers, the EAS therefore maintains the employment of those workers sent on leave as well as securing their livelihood. On the other hand, there has for some time been criticism regarding misuse of the EAS

and the risk that it may be helping to sustain enterprises and industries that should have been eliminated by natural selection.

Said criticism is particularly focused on the idea that workers whose employers are unable to pay them a leave allowance will seek employment in growth industries and at enterprises that have the capacity to compete. Nevertheless, this is not to say that all workers who are unable to receive a leave allowance are able to successfully change employers in practice. There may be workers who leave their employment because they have lost their patience at not receiving leave allowances but are unable to find new employment and simply become unemployed. Some of those workers may even become unoccupied. While this paper does not necessarily seek to debate the pros and cons of revising the EAS, it aims to verify the effects that a shortage or lack of wage compensation during leave in the COVID-19 pandemic may be having on workers' careers, in anticipation that such analysis will provide insights that will serve as reference for such discussions.

The JILPT panel survey, explained in detail in Section II, drawn on in this analysis (see below) gathers detailed information from workers on their experience of leave and the kind of wage compensation they received during said leave in the period for which a national state of emergency was declared from April to May 2020, as well as their subsequent careers. Data from those survey responses is used to reveal whether workers who



were ordered to go on leave and yet received insufficient wage compensation show a tendency to change employers or a tendency to become unemployed or unoccupied.

II. Data and variables

This paper uses data from the first to fourth waves of the “JILPT Panel Survey on the Impact of COVID-19 on Work and Daily Life.” Note that the survey has been named the “Survey on the Impact that Spreading Novel Coronavirus Infection Has on Work and Daily Life” until the third wave. The study has built on the Rengo Research Institute for Advancement of Living Standards (RENGO-RIALS)’ “39th Short-Term Survey of Workers in Japan” (April 2020), by surveying the same respondents, in the first to fourth waves of JILPT panel surveys conducted in May, August, and December 2020 and March 2021. Although somewhat complex, the sampling method can be broadly described as a stratified sampling of respondents from an online survey company that matches the equal distribution of workers across Japan.³ The respondents of this analysis were employees of private enterprises as of April 1, 2020, who responded to the RENGO-RIALS survey and all of the four waves of the JILPT panel survey.

Let us look at the main variables used in this paper. Worker careers—the explained variables—consist of three categories: (1) people who continued to work at the same company from April 2020 to March 2021 (“continued to work at the same company”), (2) people who changed employers without experiencing being unemployed or unoccupied in the period from May 2020 to March 2021 (“changed employers”), and (3) people who experienced being unemployed or unoccupied in or after May 2020 (“experienced being unemployed/unoccupied”).⁴

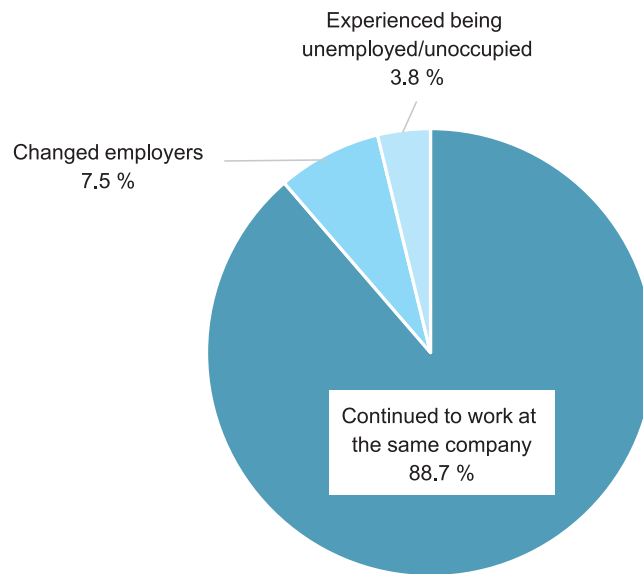
The explanatory variables are whether the respondents experienced leave, and the kind of wage compensation they received during said leave. The survey questionnaire firstly asked respondents whether they had at some point in the period from April to May 2020 been “ordered to take leave (be

on standby),” had their “daily working hours reduced to less than half the normal amount,” or their “monthly number of working days reduced in comparison with a normal month.” Those respondents to whom any of said three applied (i.e., people who experienced leave, categorized as “sent on leave” below) were asked to select from the following six options: “received normal wages,” “received at least 60% of normal wages,” “received less than 60% of normal wages,” “received government leave allowance (*kyūgyō shienkin/kyūfukin*),” “applying or intending to apply for government leave allowance,” and “did not receive any such payments (no wage compensation).”⁵ These six options were joined by the option “not sent on leave,” while the option “applying/intending to apply for government leave allowance,” for which responses were low, was incorporated into “received government leave allowance,” creating six categories of variable.

It should also be noted that as this article addresses the issue of cases in which workers voluntarily changed employers or became unemployed or unoccupied, those cases where workers clearly left their employment involuntarily—due to dismissal, termination of employment on expiration of the contract term, or other such reasons—are excluded.⁶ Moreover, as the focus is placed on the period of April to May—namely, whether workers experienced leave and the wage compensation they received during leave in that particular period—those cases in which workers clearly changed employers in April were also excluded. This led to a total of 2,445 cases that could be used in this analysis.

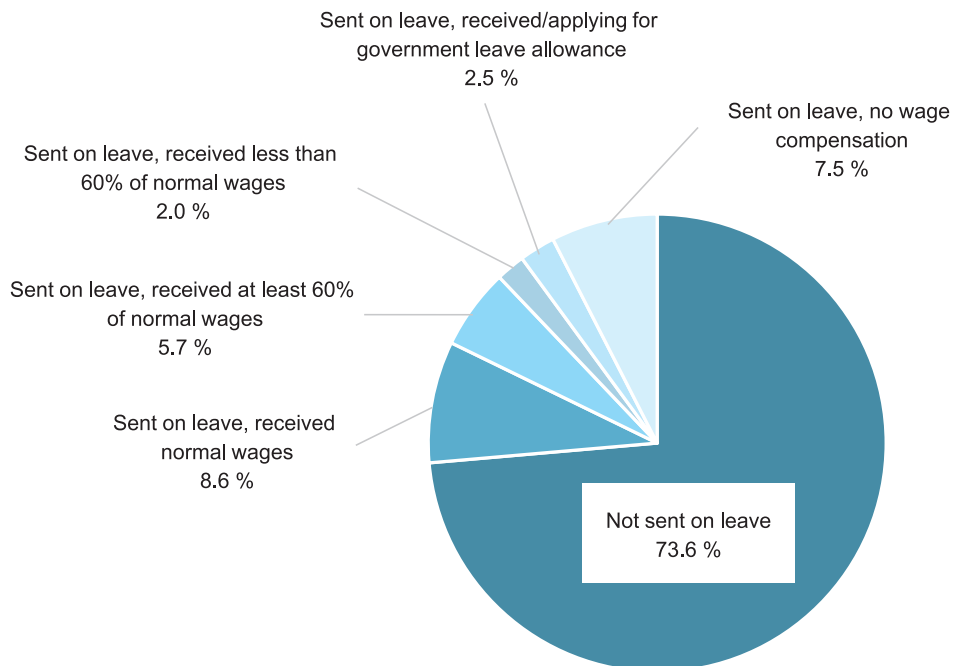
III. Analysis results

Figure 1 presents the careers of analysis subjects in and after May 2020. This shows that the percentage of people who continued to work at the same company is overwhelmingly high, at 88.7%, while the percentages of those who changed employers and those who experienced being unemployed or unoccupied were 7.5% and 3.8%, respectively.



Note: People who left employment involuntarily were excluded from tabulation. Same applies to the following figures and tables.

Figure 1. Career types of workers in and after May 2020 (N=2,445, %)



Note: "Received/applying for government leave allowance" represents the sum of "received government leave allowance" and "applying/intending to apply for the government leave allowance." Same applies to the following figure and tables.

Figure 2. Whether workers experienced leave and the wage compensation received during said leave (N=2,445, %)

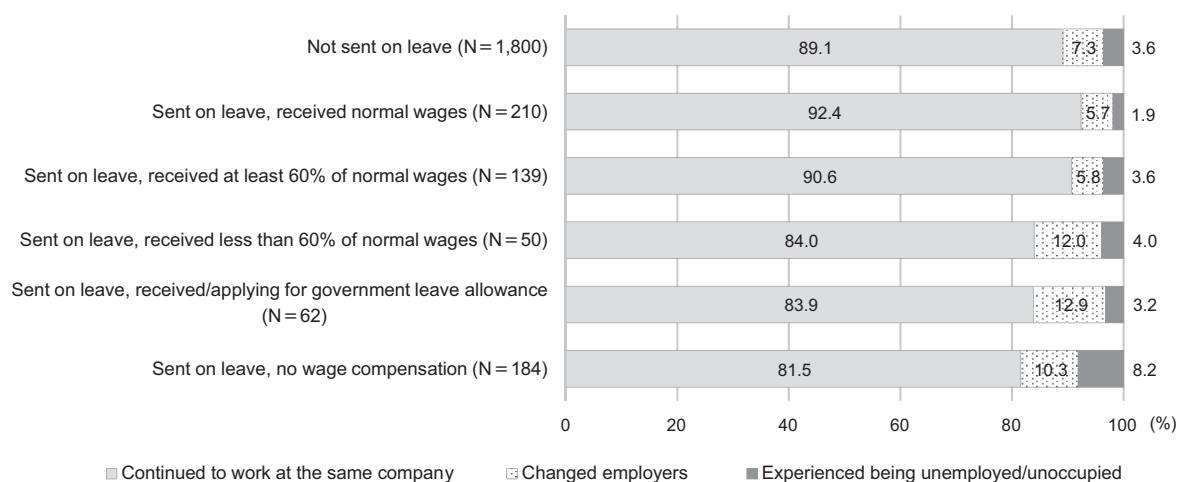


Figure 3. Workers' career types by whether workers experienced leave and the wage compensation they received during said leave

Figure 2 shows whether respondents experienced leave in the period from April to May 2020 and the kind of wage compensation they received during said leave. This shows that 73.6% of all subjects did not experience leave. Looking at those who *did* experience leave, on the other hand, the percentage of those who responded that they had received normal wages was highest, at 8.6%, followed by the percentage of those who responded that they had been sent on leave with no wage compensation, at 7.5%. It can therefore be suggested that wage compensation received by workers during leave in the COVID-19 pandemic is polarized between these two extremes.

Figure 3 shows how workers' subsequent careers differ according to whether they experienced leave and the kind of wage compensation they received during that leave. This reveals that among those who did not experience leave and those who experienced leave but received at least 60% of normal wages, the percentage of those who continued to work at the same company is high, at around 90%. In contrast, in the case of those who received less than 60% of normal wages and those who received/are applying for government leave allowance, the percentage of those who changed employers is relatively high at over 10%, and among those who did not receive any such payments (no wage compensation) both the percentage of those

who changed employers and the percentage of those who experienced being unemployed or unoccupied are relatively high.⁷

This brings us to the question of what kind of effects experiencing (or not experiencing) leave and the kind of wage compensation received during leave had on workers' subsequent careers when the attributes of the individual respondents and their workplaces are controlled for. Table 1 presents the results of a multinomial logistic regression analysis, for which the explained variables are workers' career types, the explanatory variables are whether a respondent experienced leave and the kind of wage compensation received during that leave, and the control variables are gender, age, educational attainment, whether the respondent is responsible for earning a livelihood ("breadwinner"), and employment type (Model 1). The base category is people who continued to work at the same company.

From this analysis, it can be inferred that for those not receiving any form of wage compensation despite having been sent on leave there is a tendency toward becoming unemployed or unoccupied which is significant at the 0.05 level. On the other hand, whether workers experienced leave and the kind of wage compensation received during said leave cannot be said to influence the tendency to change employers.

Moreover, the impacts of the control variables

Table 1. Determinants of workers' career types (Model 1) (Multinomial logistic regression analysis)

Model 1 (Individual attributes controlled for)	Changed employers		Experienced being unemployed/unoccupied	
	B	S.E.	B	S.E.
Sent on leave, received normal wages (ref. not sent on leave)	-0.240	0.314	-0.753	0.525
Sent on leave, received at least 60% of normal wages	-0.382	0.380	-0.226	0.479
Sent on leave, received less than 60% of normal wages	0.240	0.455	-0.196	0.744
Sent on leave, received/applying for government leave allowance	0.467	0.398	-0.422	0.739
Sent on leave, no wage compensation	0.286	0.265	0.628	0.306 *
Female	-0.109	0.191	0.170	0.266
Age	-0.017	0.007 *	-0.017	0.010
University graduate or higher	-0.082	0.167	-0.188	0.237
Breadwinner	0.445	0.196 *	-0.106	0.256
Non-regular employee	1.085	0.185 **	1.174	0.257 **
Constant	-2.324	0.389 **	-2.867	0.530 **
N		2,445		
Chi-square		92.286 **		
Nagelkerke R-square		0.065		

Notes: 1. The base category is people who "continued to work at the same company."

2. ** $p < 0.01$; * $p < 0.05$; † $p < 0.1$. (ref.) denotes the reference group.

3. Employment type (non-regular employee) refers to the employment type as of April 2020.

seem to indicate that the younger a worker the more likely they are to change employers, and that breadwinners are more likely to change employers, while non-regular employees have tendencies both toward changing employers and becoming unemployed or unoccupied.⁸

Table 2 shows the same multinomial logistic regression analysis with industry⁹, occupation¹⁰, and size of enterprise included in the control variables in addition to gender, age, educational attainment, whether the respondent is the breadwinner, and employment type (Model 2).

This indicates that, although only significant at the 0.1 level, workers who are on leave but not receiving wage compensation are, as expected, more likely to become unemployed or unoccupied. On the other hand, as seen in Model 1, it cannot be said that whether a worker has experience of leave and the kind of wage compensation received during that leave have an impact on a worker's tendency to change employers.

Looking at the control variables, the age, whether the respondent is the breadwinner, and non-regular employee variables have exactly the same effect as seen in Model 1. In terms of industries,

workers in the accommodations, eating and drinking services (hereinafter referred to as "accommodation and food services") and medical, health care and welfare industries tend to change employers, while in terms of occupations, transport and machine operation drivers tend to become unemployed or unoccupied, and in terms of size of enterprise, on the whole workers in large enterprises tend to continue to work at the same company.

The above analysis highlights being on leave but not receiving wage compensation as an issue. Let us therefore, for reference, analyze what types of people tend to find themselves in such a situation. Here we should also note that, accurately speaking, said situation arises due to the overlap of both "experiencing leave" and "not receiving leave compensation," but for simplification, a binomial logistic regression analysis is used to reveal which types of people tend to find themselves "on leave but not receiving wage compensation."

The explained variables are the "sent on leave, no wage compensation" dummy used in Table 1 and Table 2, and the explanatory variables are gender, age, educational attainment, whether the respondent was a breadwinner, employment type, industry,

Table 2. Determinants of workers' career types (Model 2) (Multinomial logistic regression analysis)

Model 2 (Individual attributes and workplace attributes controlled for)	Changed employers		Experienced being unemployed/unoccupied	
	B	S.E.	B	S.E.
Sent on leave, received normal wages (ref. not sent on leave)	-0.197	0.320	-0.737	0.532
Sent on leave, received at least 60% of normal wages	-0.446	0.387	-0.304	0.489
Sent on leave, received less than 60% of normal wages	0.102	0.472	-0.428	0.765
Sent on leave, received/applying for government leave allowance	0.404	0.408	-0.438	0.750
Sent on leave, no wage compensation	0.205	0.274	0.551	0.318 †
Female	-0.170	0.209	0.138	0.291
Age	-0.016	0.008 *	-0.015	0.010
University graduate or higher	-0.001	0.178	-0.177	0.251
Breadwinner	0.493	0.200 *	-0.136	0.261
Non-regular employee	1.005	0.203 **	1.005	0.285 **
Construction (ref. Manufacturing)	-0.065	0.440	-0.265	0.685
Information and communications	0.083	0.403	0.680	0.525
Transport	0.087	0.430	-0.163	0.621
Wholesale and retail trade	-0.111	0.351	-0.265	0.487
Finance and insurance	0.205	0.422	-0.129	0.624
Real estate	-0.124	0.643	-0.702	1.083
Accommodation and food services	0.946	0.458 *	0.221	0.657
Medical, health care and welfare	0.582	0.325 †	-0.396	0.552
Education, learning support	0.343	0.443	0.584	0.554
Services (not elsewhere classified)	0.270	0.321	0.064	0.457
Other industries	-0.120	0.424	0.088	0.519
Managerial workers (ref. Clerical workers)	-0.199	0.374	-0.502	0.654
Professional and engineering workers	0.255	0.263	-0.204	0.405
Sales workers	0.068	0.299	0.199	0.388
Service workers	-0.140	0.326	0.159	0.409
Production/skilled workers	-0.028	0.372	-0.684	0.590
Transport and machine operation drivers	0.406	0.590	1.186	0.708 †
Carrying, cleaning and packaging workers	0.568	0.369	0.647	0.458
Other occupations	0.052	0.363	-0.232	0.526
99 or fewer employees (ref. 1,000 or more employees)	0.437	0.216 *	0.569	0.328 †
100–999 employees	-0.010	0.237	0.567	0.344 †
Do not know	0.395	0.296	0.731	0.389 †
Constant	-2.817	0.510 **	-3.288	0.701 **
N		2,445		
Chi-square		137.443 **		
Nagelkerke R-square		0.095		

Notes: 1. The base category is people who "continued to work at the same company."

2. ** $p < 0.01$; * $p < 0.05$; † $p < 0.1$. (ref.) denotes the reference group.

3. Employment type (non-regular employee), industry, occupation, and size of enterprise refer to those as of April 2020.

occupation, and size of enterprise. The results are presented in Table 3.

This shows that non-regular employees and workers in the accommodation and food services industry are more likely to be on leave but not receiving wage compensation. The effect of the accommodation and food services industry is

particularly significant. While the various adverse conditions suffered by workers in the accommodation and food services industry in their working lives during the COVID-19 pandemic have already been addressed in Takahashi (2021b), it can be suggested that this research has succeeded in uncovering another source of disadvantage.

Table 3. Determinants of being “on leave but not receiving wage compensation” (Binomial logistic regression analysis)

	B	S.E.
Female	0.124	0.210
Age	0.002	0.008
University graduate or higher	0.060	0.177
Breadwinner	-0.081	0.192
Non-regular employee	0.440	0.199 *
Construction (ref. Manufacturing)	-0.388	0.480
Information and communications	-0.213	0.447
Transport	-0.327	0.473
Wholesale and retail trade	0.079	0.333
Finance and insurance	0.451	0.375
Real estate	0.199	0.568
Accommodation and food services	1.146	0.416 **
Medical, health care and welfare	-0.756	0.431 †
Education, learning support	0.298	0.421
Services (not elsewhere classified)	0.430	0.302
Other industries	-0.062	0.403
Managerial workers (ref. Clerical workers)	-0.347	0.372
Professional and engineering workers	0.063	0.289
Sales workers	-0.282	0.300
Service workers	0.128	0.305
Production/skilled workers	0.540	0.331
Transport and machine operation drivers	0.513	0.633
Carrying, cleaning and packaging workers	0.444	0.380
Other occupations	0.255	0.361
99 or fewer employees (ref. 1,000 or more employees)	0.148	0.211
100–999 employees	-0.010	0.228
Do not know	0.144	0.296
Constant	-3.023	0.501 **
N		2,445
Chi-square		59.198 **
Nagelkerke R-square		0.058

Notes: 1. ** $p < 0.01$; * $p < 0.05$; † $p < 0.1$. (ref.) denotes the reference group.

2. Employment type (non-regular employee), industry, occupation, and size of enterprise refer to those as of April 2020.

IV. Key insights

The analysis in this paper revealed that workers who are on leave but not receiving wage compensation tend to voluntarily become unemployed or unoccupied. It is conceivable that workers may leave their employment with a company without having secured new employment if they are feeling impatient about not receiving their wages or distrusting of a company that would treat them in such a way. It must, however, be noted that this effect was significant to only a 0.05 or 0.1

level and therefore, statistically speaking, cannot necessarily be described as a robust result. Nevertheless, this analysis result can be described as robust in the sense that it is consistent with previous research, which suggests that the tendency for workers to become unemployed or unoccupied is not prompted by leave itself but by decline in monthly income (Takahashi 2021a: Table 2 (3)).

To summarize the conclusion of this analysis, it was revealed that workers who received no wage compensation whatsoever during their leave do not show a tendency to change employers but show a

strong tendency to become unemployed or unoccupied. Looking at this analysis result from a different angle, it can be suggested that providing workers with some form of wage compensation while they are on leave may not prevent them from changing employers but help to prevent them from voluntarily becoming unemployed or unoccupied. It is therefore thought that at least to that extent, in cases where enterprises are unable to pay workers their normal wages or a leave allowance during leave it is advisable to endeavor to compensate workers for their wages as far as possible using every available means—such as the EAS and the “emergency subsidy for job security” (*kinkyū koyō antei joseikin*, the corresponding system for students in side jobs and other such workers not insured under the unemployment insurance program), or the government leave allowance.

It is also necessary to note that this paper has focused on the short-term careers of individual workers, as opposed to the trends in labor turnover on a macro level or long-term scale. Cases of workers who left employment involuntarily were likewise excluded from this analysis. And yet, while this paper’s findings are therefore not intended to directly sway the course of deliberations on revising the EAS,¹¹ the discovery that wage compensation during leave in the COVID-19 pandemic may not have prevented workers from changing employers but has prevented them from becoming unemployed or unoccupied as a result of voluntarily leaving their employment is unquestionably a point that should be referenced in such discussions.

1. There are various types of wage compensation that have been provided while workplaces have been temporarily closed or working hours have been reduced due to the COVID-19 pandemic. These include: (1) Workers receive their normal wages, (2) Workers receive a leave allowance, and (3) Workers receive the government leave allowance, among others. These are collectively referred to here as “wage compensation during leave in the COVID-19 crisis.”

2. While it may not necessarily be referring to the same type of leave as addressed here, data from the Ministry of Internal Affairs and Communications’ *Labour Force Survey* reveal that the numbers of workers who did not work even one day in the final week of the month totaled 5.97 million persons in April 2020 and 4.23 million persons in May 2020. See Takahashi

(2020).

3. See JILPT (2021) for a detailed survey implementation.

4. Specifically, firstly, people whose response to the question on employment status for each month from May 2020 onward indicated that they had at any point been unemployed or unoccupied were classified as “people with experience of being unemployed or unoccupied.” Secondly, of those who did not experience being unemployed or unoccupied, those who “did not experience job separation or resignation at all” during the period from April to March the following year were classified as people who “continued to work at the same company.” Thirdly, of those who did not experience being unemployed or unoccupied, people who “were separated or resigned from their previous job and subsequently entered employment with a new employer” during the period from April to March the following year were classified as “people who changed employers.” When doing so, those who were clearly known to have changed employers in April were excluded from analysis.

5. Government leave allowance refers here to the government’s support fund and allowance for the leave forced to be taken under the COVID-19 pandemic. Under the government leave allowance system, the government directly pays the equivalent of the leave allowance for workers who have been confronted with the temporary closure of their place of work and/or reduction of their working hours but have not received the legally prescribed allowance for leave in the pandemic.

6. In concrete terms, those who experienced either “dismissal from company,” “termination of employment on expiration of the contract term,” or “unemployment as a result of employer’s business suspension/discontinuation or bankruptcy” due to impacts related to the COVID-19 pandemic, were excluded from analysis.

7. The trend that among those who did not receive any such payments there was a high percentage of those who experienced being unemployed/unoccupied is also apparent if regular workers and non-regular workers are aggregated separately. Among regular workers, the percentage points of those who experienced being unemployed/unoccupied was 2.2% overall, while the percentage points among those who did not receive any such payments was 4.2%, and among non-regular workers was 7.3% overall, and 12.5% among those who did not receive any such payments.

8. The effects of the control variables are as revealed in Takahashi (2021a).

9. Industry categories with less than 50 cases (“electricity, gas, heat supply and water,” and “postal services, cooperative associations,” and “do not know”) were incorporated into the “other industries” category.

10. Occupations with less than 50 cases (“security workers,” “construction and mining workers,” “do not know”) were incorporated into the “other occupations” category.

11. For reference, see Kobayashi (2021) and Sakamitsu (2021), which draw on data from the questionnaire survey of enterprises to address the characteristics of enterprises using the EAS and the impacts of the EAS.

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TAKAHASHI Koji

Senior Researcher, The Japan Institute for Labour Policy and Training. Research interest: Non-regular employment.

<https://www.jil.go.jp/english/profile/takahashi.html>