

The issue of uninsured workers in construction industry in Japan

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ABSTRACT

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This research attempts to address the issue of uninsured workers in construction industry in Japan. One of the causes of non-participation in social insurance policy is the multi-layered system of the construction industry. There are two main problems with the multi-layered subcontracting structure in construction industry in Japan. One is the issue of intermediate exploitation where subcontractors are not paid legitimate wages and social insurance premium charged by the company. The second issue is that employees have been laid off and forced to become self-employed workers after the bubble economy collapsed in the mid- 1990s and the 2008 Lehman Shock. Previous research on labor protection and social insurance coverage are few and insufficient in Japan. The issue of uninsured workers has been researched in a practical way up to now, but has not been researched very much in an academic way. Labor economist Hippo [1], did not discuss in detail the issue of uninsured workers in construction industry, in his important studies on the multi-layered system. I would like to discuss this problem of the multi-layered system in construction industry in Japan theoretically and examine the actual condition of the uninsured workers today under the new government policy. This study employs a mixed method. Firstly, I look at the latest governmental surveys and statistics. Secondly, this study also interviews the officers of the Labors Union. This will allow me to identify the construction workers economic situation, especially uninsured workers' problem. This paper concludes that without fundamental change to the multi-layered system in construction industry in Japan, employment of younger people, retention of the construction workers and maintenance of construction quality will continue to be jeopardized.

Keywords:

Construction industry in Japan,
uninsured workers, multi-layered
system, social insurance policy, self-
employment workers, subcontractors

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1. Introduction

Firstly, this study relates to social insurance coverage in construction industry in Japan. In recent years, social insurance coverage rate amongst workers in construction industries has been lower than other industries. This is one of the main reasons why younger generations avoid getting employment

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in construction industries. This paper reviews some of problems faced in multi-layered subcontracting structure. It also provides a research framework that defines construction industries in Japan today. Additionally, this study contextualizes the issue of uninsured workers within the broader fields of studies, and sets the direction in terms of the problem statement, research objectives, limitations and significance of the study.

2. Background of the Problem

2.1 Landscape of Construction Industry in Japan

Many workers in the construction industry have been uninsured from social insurance policy. Those workers work for particularly small contractors or are self-employed. These self-employment workers are called generally "Hitori-oyakata" in Japanese. This section reviews the background of the problem of uninsured self-employed construction workers considering the state of human resource management and their working condition in the period after the collapse of the so-called bubble economy and rapid economic growth and construction boom. In the last 20 years, the number of construction workers decreased from its peak of 6,850,000 in 1997 to 4,980,000 in 2015. In particular, the number of skilled construction workers dropped drastically from 4,550,000 in 1997 to 3,310,000 in 2010, and the number has stayed the same until 2015.

Since the 2011 Great East Japan earthquakes and to prepare for the 2020 Tokyo Olympics, construction demand in the Tokyo metropolitan areas has increased. However, the construction industry is facing an aging and labor shortage issue [2]. However, if one were to look at the age composition of construction workers in 2015, the employees over 55 years old comprise 33.8% which is 4.6% higher than the total industry average (29.2%). On the contrary, the employees of 29 years old and younger comprise 10.8%, 5.4% lower than the average (16.2%). In addition, by the year 2015 of 5 million construction workers, 357,000 were 60 years of age or older, and 424,000 were 65 or older, who are expected to retire within the next 10 years. This poses an urgent task to bring younger workers into the industry.

2.2 Regulatory and Quality Assurance Framework

The construction industry strategy meeting, titled "For the regeneration and development of the construction industry strategy" was organized by the Ministry of Land, Infrastructure and Transport (MLIT) in 2011. The following agreements were made at the meeting:

- 1) Improvement of wages for construction workers through comprehensive countermeasures
- 2) Requirement of insurance registration for skilled workers [3].

As a result of the meeting, 3 laws were simultaneously amended to meet demands of construction workers on June 4, 2014. They are: 1) Public Project Quality Assurance Act; 2) Construction Industry Act; and 3) Act on Promotion of Bidding for Public Works and Properification of Contracts. These amendments were implemented mainly to improve treatment of construction workers, including the solution to the uninsured workers problem [4]. Despite these the MLIT political consideration, these attempts could not solve the problems completely. In other industries, there is also a serious shortage of young workers and serious issues on retaining and passing down the skills and experience to the younger generation. This trend is extremely severe in construction industry. It is difficult to understand why and how employment promotion measures initiated by the MLIT have not improved the situation. This study will focus on analysing the issue of uninsured

workers from the perspective of human resource management because it is believed that this is one of main problems faced in the construction industry.

2.3 Problem Statement

The issue of uninsured workers in the construction industry has become evident, and in particular social insurance subscription rate is low among workers in the bottom of the multi-layered subcontracting system. 84% of the construction companies subscribe to 3 types of insurance (pension, health care and employment) according to the MLIT (2011). On the other hand, on individual workers' level, 78% of the prime contractors, 55% of the secondary subcontractors and 44% of the third and below in the hierarchy subscribe to the above 3 types of insurance. It is believed that this is the structural problem of the multi-layered subcontracting system in Japan. With the new government regulation, uninsured subcontractors have been excluded from the construction sites. However, the issue of uninsured workers has had very little improvement.

2.4 Significance of the Study and Limitation

This research will contribute to creating better employment opportunities for construction workers in Japan. Specifically, previous studies of labor protection on social insurance coverage has not addressed the uninsured workers problem. In the future, this research on uninsured workers would contribute to solving the worker shortage issue and quality control management in the construction industry, as well as maintaining safety on construction sites. Scope limited to working condition in construction workers in Japan

2.5 Point of view from Economizing on Labor Costs

Labor studies scholar, Hippo Yasuyuki [1] regarded the double-layered subcontracting system as a deep rooted problem in construction industry in Japan. While Hippo's examination and analysis focuses on the pre-bubble era (1980s-mid-1990s), this research will discuss the multi-layered system in contemporary Japan taking consideration of certain economic and historical circumstances. One of the most critical issues facing construction workers is the low enrollment rate in workers' compensation insurance, health insurance, social insurance, pension and retirement funds. The low enrollment is caused by the high legal welfare expense, which was 9.5 percent of the total monthly salary [1] which should be paid by the employers. About half of the employers refused to pay the insurance cost for their employees because it was considered as a burden that they could get rid of in order to make profits. Hippo [1] however, did not discuss the issue of uninsured workers in construction industry, in his important studies on the multi-layered system. This is where I intervene with a particular focus on uninsured workers. Therefore, it is important to be addressed in this current study.

Shibata Teppei [7]'s empirical research argues that multi-layered subcontraction with low growth rate led to the increasing poverty among self-employed workers ("hitori oyakata" in Japanese) while general contractors and the huge capital exploit contract workers on multiple levels. According to this research conducted between the 1970s and 1990s, one of characteristics of "hitori oyakata" is that they have become more vulnerable as subcontractors rather than independent workers in relation to the general contractors and in their actual working condition.

2.6 Research Design

This research aims to improve social insurance policy that reduces the number of uninsured workers in construction industry in Japan. The aim can be achieved through the following objectives:

- 1) To identify the limitation on the existing labor protection practice in construction industry;
- 2) To analyze social insurance coverage of the multi-layered employment system; and
- 3) To propose an improved social insurance policy to the management of the construction companies.

This research will use a mixed method. Firstly, it will review the latest governmental surveys such as the ones conducted by the Ministry of Land, Infrastructure, Transport and Tourism. Secondly, interviews with Labours Union officers will be conducted on construction workers' economical situation, in particular, the issue of uninsured workers.

3. Results and Discussion

3.1 Results

Constructions work is associated with 3D (Dirty, Dangerous and Demeaning), which has prevented workers from entering the industry. Nevertheless, during the high economic growth (1980s-mid 1990s) due to high salary and reward because of the construction boom, the industry attracted many workers. Most of the workers were directly employed by the construction companies who also paid for their insurance fee. However, with the economic recession, many of these workers have now become "non-regular workers" who have been excluded from the insurance protection. Today, the issue of uninsured workers is becoming more serious and needs urgent scholarly attention.

3.2. Discussion

To solve the problem of uninsured workers resulting from the multi-layered subcontracting structure, by 2018, the new regulation prohibiting workers without insurance to work in sites will be fully implemented and the workers must be secondary subcontractors or above by principle. However, eradicating the multi-layered system is not an easy task because Japanese construction industry prospered with the system that ensures interests and profits of the major construction companies. Although the new regulation would not allow workers below secondary subcontractors by principle, it is extremely difficult to make a steady progress in reality because Japanese construction industry has developed with the strict multi-layered system involving 3rd, 4th and 5th level-subcontractors for decades.

From the perspective of the contractors, the payment from major companies had been too small to enroll themselves in the social insurance program which have left them uninsured for years. Now, the new regulation is trying to exclude those who cannot afford the insurance from construction sites. Although it is technically possible for them to be enrolled in social insurance, in order to do so, they must pay what they have missed in the last 2 years (one time or by installments), -the large cost that can lead the closure of the business. Even after the economic recovery, young construction workers did not return to the industry because of poor working conditions. "Injuries and lunch are on your own," a popular saying, describes the working conditions of construction workers. In addition, "you must learn the skills and techniques just by watching your seniors" (little to no

mentorship) and “it usually takes at least 10 years to be considered as ‘decent’ (patience) are also popularly known facts about construction industry, which young people find extremely difficult and not worthy. These narratives demonstrate the structure of poor working conditions in the construction industry and so-called 3D (dirty, dangerous and demanding) work. Considering all these circumstances, it is not surprising that very few young people are willing to become construction workers despite various measurements implemented by the government.

4. Conclusion

The author argues that the multi-layered subcontracting structure is too complex to be resolved immediately. There are two main problems with the multi-layered subcontracting structure. One is the issue of intermediate exploitation (so-called “pin-hane” in Japanese) where subcontractors are not paid legitimate wages. As subcontractors, they do not have a company to pay for their insurance, and they cannot afford to enroll in the insurance program themselves, which in effect leave them uninsured. The second issue is that employees have been laid off and forced to become self-employed after the bubble economy collapsed in the mid-1990s and the 2008 Lehman Shock. In response to the recession, the employers outsourced workers only when necessary. As a result, non-regular employment has become dominant and their employment continues to be unstable. This, the increase of non-regular workers who are outside of the protection of companies, is the root cause of the issue of uninsured workers.

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