

More on Labor Market

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Issues

1. Impacts of the Global Financial Crisis 2008
2. Employment Protection
3. Students' Job Search

Impacts on Unemployment

- The Crisis 2008 had a even larger negative impacts on GDP of Japan and Germany than of USA.
- However, the rise in the unemployment rate is larger in US than in Germany or Japan.
- In terms of the unemployment rate, Japan's performance is almost the best.
 - The best player is Korea!

GDP and Unemployment

Table 1. The impact of the crisis on real GDP and unemployment: country experiences differ strikingly
Changes in GDP (in percent) vs. changes in Unemployment Rate (UR, in percentage points) in 2009

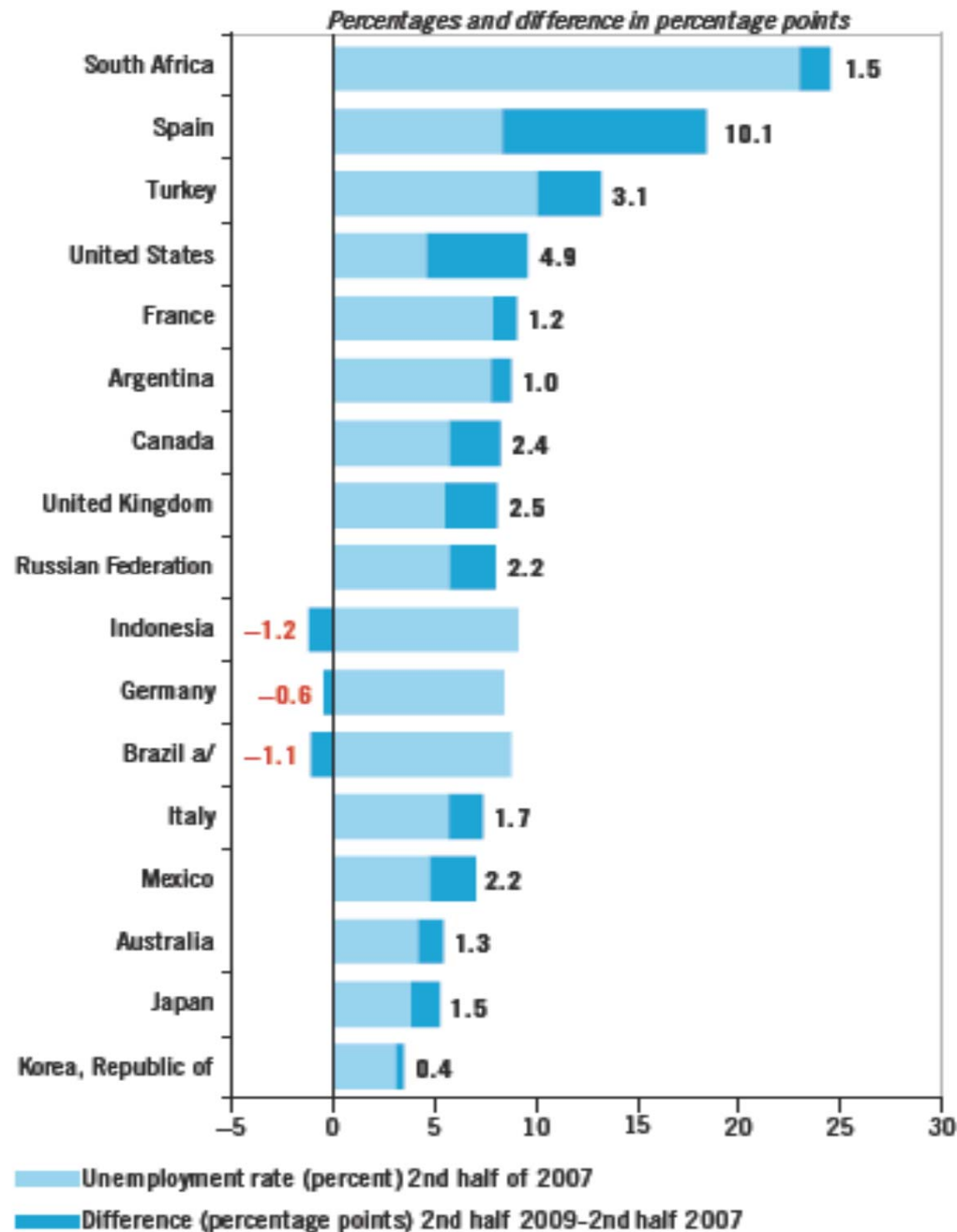
	Decrease in UR	Slight to Moderate increase in UR (from 0 to 1.5 pp.)	Strong increase in UR (from 1.51 pp. to 3.0 pp.)	Very strong increase in UR (more than 3.0 pp.)
Slower but positive GDP growth	Indonesia	Argentina Australia Brazil China Korea, Rep. Saudi Arabia		
Moderate GDP shock (from -2.5% to 0%)		South Africa	France	United States
Strong GDP shock (from -2.51% to -4.99%)			United Kingdom Canada	Spain Turkey
Very strong GDP shock (-5.0% and less)		Italy Germany Japan Mexico	Russian Federation	

Source: OECD and ILO based on official country estimates

Notes: Figures in brackets indicate real GDP change and unemployment rate change, respectively in 2009.

pp: percentage-point change.

Figure 1. Selected G20 countries (17 countries): unemployment rate second half of 2009 compared with second half of 2007



Unemployment Rate
2007:

US: 5%;

Japan: 3.5%

Germany: 10%

Unemployment Rate
2009:

US 10%;

Japan 5%

Germany 9%

Employment Adjustment Subsidy (EAS)

- In 2009, Japanese Government spent 653 billion yen to financially support business to temporarily layoff their employees during the recession - in the sense that a portion of the layoff benefit is paid by the government.
- EAS does not force private business to maintain employment, since it is a financial support scheme for business that will expand employment once the recession is over.

Employment Adjustment Subsidy

雇用調整助成金の支給額



雇用調整助成金等支給決定状況 平成20年度～平成24年度【速報値】

	平成20年度 2008			平成21年度 2009					平成22年度 2010					平成23年度 2011					平成24年度 2012				
	支給決定 事業所数	対象者数	支給額（千円）	*****		対象者数	支給額（千円）		*****		対象者数	支給額（千円）		*****		対象者数	支給額（千円）		*****		対象者数	支給額（千円）	
					上乗せ分 額？			上乗せ分 額？		上乗せ分 額？			上乗せ分 額？		上乗せ分 額？			上乗せ分 額？		上乗せ分 額？			上乗せ分 額？
4月	43	1,214	34,691	7,609	92	534,759	3,341	13,804,158	68,529	14,821	1,065,938	156,517	33,807,342	41,130	11,780	477,862	108,955	13,964,016	31,293	11,300	406,735	108,327	10,560,583
5月	52	1,287	30,466	18,515	707	1,126,623	15,528	32,224,648	63,969	14,242	963,238	153,133	31,497,967	42,209	12,429	531,001	126,252	16,722,745	31,006	11,486	418,890	114,206	10,791,063
6月	61	1,532	37,208	33,645	3,315	1,857,277	57,532	54,081,890	77,981	18,899	1,133,672	204,026	37,712,869	48,144	14,874	764,098	181,009	26,298,699	31,181	11,531	424,305	118,133	10,825,775
7月	56	1,864	44,586	64,077	8,095	2,527,754	124,010	76,588,301	73,038	18,208	1,015,792	190,057	34,226,046	50,541	16,688	1,035,909	227,714	35,309,523	29,648	11,173	391,053	113,211	10,037,426
8月	86	2,099	43,819	77,840	12,304	2,501,112	169,916	76,059,744	73,691	19,505	967,442	200,025	33,783,733	57,616	18,955	987,035	244,725	32,511,063	—	—	—	—	—
9月	75	1,608	41,214	87,025	13,791	2,479,812	178,323	77,650,955	66,603	17,980	840,810	174,859	29,213,498	49,463	16,557	816,995	203,112	26,073,489	—	—	—	—	—
10月	103	2,409	53,935	96,400	16,189	2,270,549	192,564	73,557,536	62,075	16,616	773,635	162,956	25,820,798	45,840	16,018	654,047	172,241	18,788,362	—	—	—	—	—
11月	76	1,590	36,834	85,604	15,083	1,849,218	170,103	57,455,223	59,737	15,945	727,691	150,867	22,961,367	42,280	15,177	540,558	152,784	15,160,968	—	—	—	—	—
12月	83	2,716	49,683	90,853	15,478	1,838,246	174,836	59,659,160	56,613	15,189	676,002	142,863	21,547,039	38,281	13,904	488,454	141,650	13,552,446	—	—	—	—	—
1月	127	4,150	81,122	78,092	13,631	1,468,026	151,608	47,617,259	52,629	14,174	634,461	131,750	19,166,557	36,614	12,986	492,170	159,648	12,813,424	—	—	—	—	—
2月	461	21,583	499,907	72,288	12,670	1,370,934	139,428	40,813,469	49,832	13,280	618,568	128,211	17,580,661	35,627	13,019	494,414	133,547	13,114,211	—	—	—	—	—
3月	3,665	212,129	5,825,942	82,068	14,730	1,474,139	164,514	43,959,530	51,019	13,868	617,087	131,095	17,183,840	32,577	12,007	468,410	125,625	12,012,957	—	—	—	—	—
計	4,888	254,181	6,779,407	794,016	126,085	21,298,449	1,541,703	653,471,873	755,716	192,727	10,034,336	1,926,359	324,501,717	520,322	174,394	7,750,953	1,977,262	236,321,902	123,128	45,490	1,640,983	453,877	42,214,847

<http://www.mhlw.go.jp/stf/houdou/2r9852000002il5w-att/2r9852000002il8t.pdf>

- In March 2009 (H20), the EAS jumped due to the Lehman shock. The peak (77 billion) came in September 2009 (H21).
- The subsidy continued to decline until April 2011 (H23). The bottom was 13 billion.
- In March 2011 (H23), Japan was struck by the East-Japan Mega Earthquake, which raised the subsidy again.
- The second peak (35 billion) came in July 2011. In June 2012, the subsidy was 10 billion.

GDP is not a good measure of
business cycle

- Narayana Kocherlakota,
President of Fed Minneapolis,
argues:
 - *Unemployment rate should
replace GDP as an appropriate
measure of business cycle.*

Aggregate risks should be shared evenly by all people

- *For example, consider the latest recession. During the four quarters from June 2008 through June 2009, per capita gross domestic product in the United States fell by roughly 4 percent.*
- *In a model with no asset market frictions, all people share this proportionate loss evenly and all lose two weeks' pay. Such a loss is certainly noticeable.*
- *However, I would argue that it is not a huge loss.*
- *Put it this way: This scale of loss means everyone in the United States ends up being paid in June 2009 the same (inflation-adjusted) amount that they made in June 2006.*

Imperfect Insurance

- *However, the models with asset market frictions (combined with the right kind of measurement from microeconomic data) make clear why the above analysis is incomplete.*
- *During downturns, the loss of income is not spread evenly across all households, because some people lose their jobs and others don't.*
- *Because of financial market frictions, the insurance against these outcomes is far from perfect (despite the presence of government-provided unemployment insurance).*

Concentration of risks is bad

- *As a result, the fall in GDP from June 2008 to June 2009 does not represent a 4 percent loss of income for everyone.*
- *Instead, the aggregate downturn confronts many people with a disturbing game of chance that offers them some probability of losing an enormous amount of income (as much as 50 percent or more).*
- *It is this extra risk that makes aggregate downturns so troubling to people, not the average loss.*

Unemployment rate is a better measure

- *This way of thinking about recessions changes one's views about the appropriate policy responses.*
- *Good social insurance (like extended unemployment benefits) becomes essential.*
- *Using GDP growth rates as a way to measure recession or recovery seems strained. Instead, unemployment rates become a useful (albeit imperfect) way to measure the concentration of aggregate shocks.*

Myths of EPL

(employment protection legislation)

- Japan is in the group with strong employment protection
 - *False.*
- Strong employment protection leads to a high unemployment rate.
 - *False.*
- Strong employment protection leads to a higher ratio of non-regular employment to regular one.
 - *True.*

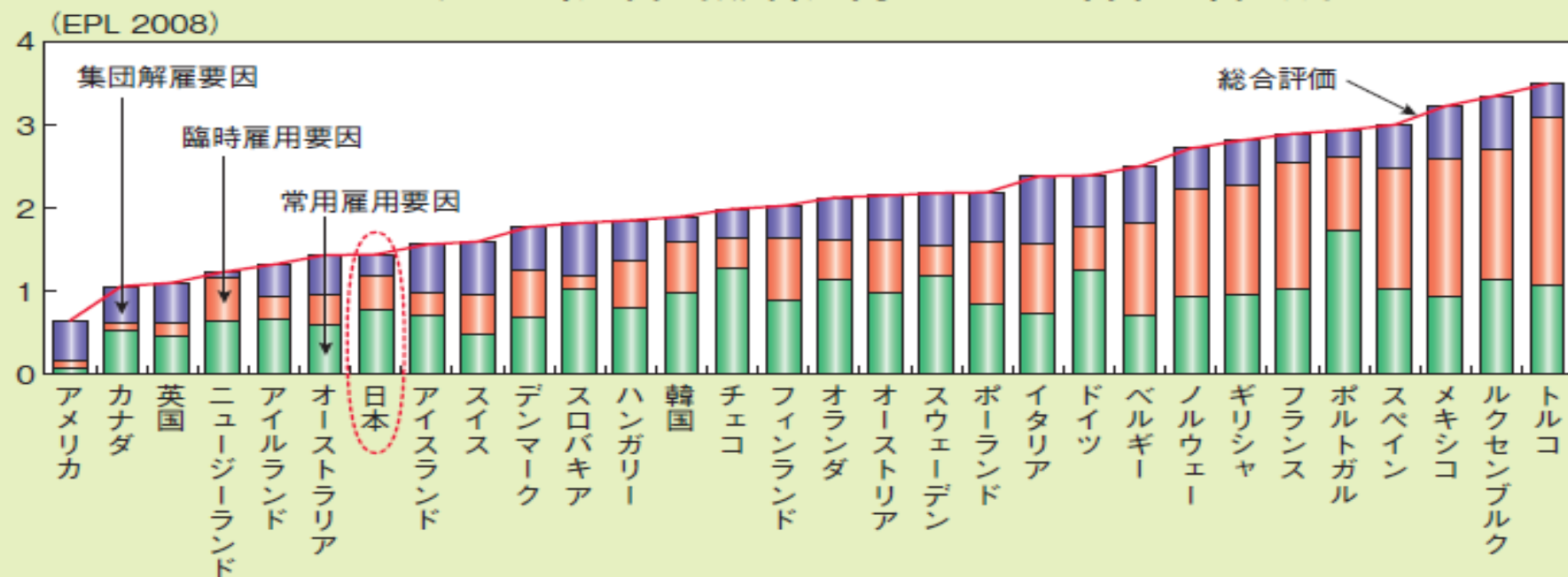
One More Myth

- Gap in EPL between regular and non-regular employment leads to a higher rate of youth unemployment.
 - *False.*
- Source: <http://www5.cao.go.jp/j-j/wp/wp-je09/pdf/09p03012.pdf>

International Comparison of Employment Protection Legislation (EPL)

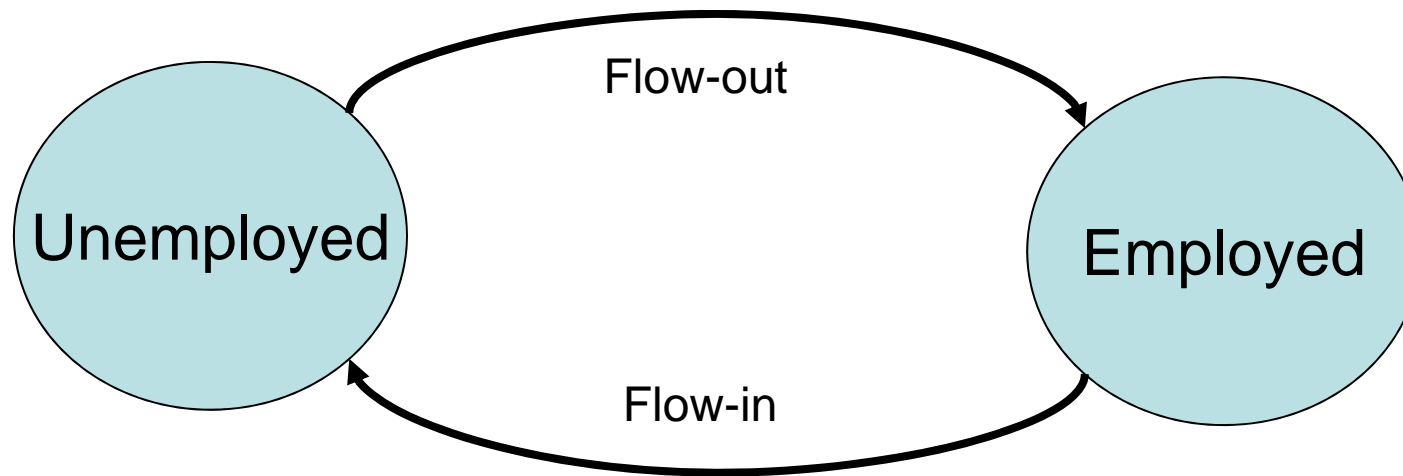
第3-1-12図 雇用保護指標の国際比較

アングロサクソン諸国は低く大陸欧州諸国は高めであるが、日本はその中間に位置
(1) OECD 諸国による雇用保護指標の比較
アングロサクソン系は低く欧州系は高めであるが日本は中位以下



Japan is in the group with weak employment protection legislation.

EPL and Unemployment

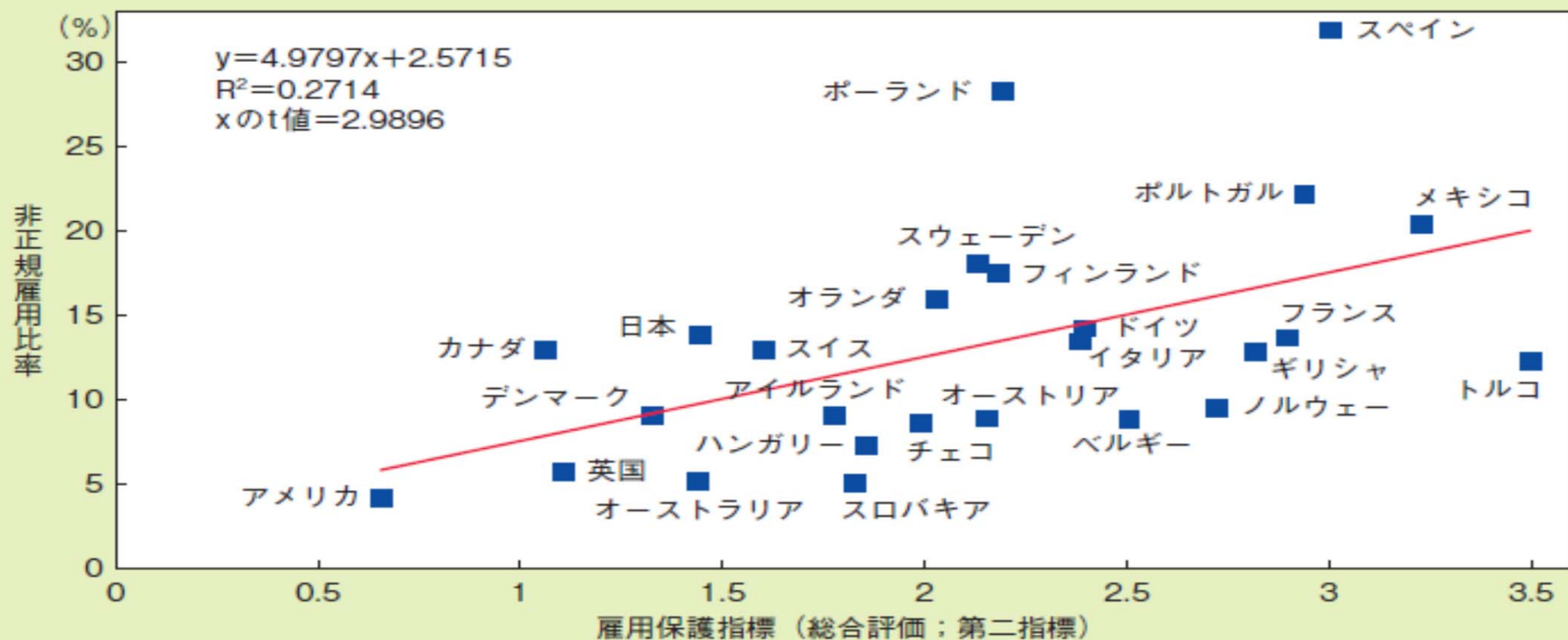


- EPL reduces the flow-in to unemployment.
- But it makes the labor market less attractive to employers, which reduces the flow-out as well.
- Therefore, the whole effect is ambiguous.

EPL and Non-regular Employment

第3-1-13図 雇用保護規制の度合いと非正規雇用比率

解雇規制の強い国では非正規雇用比率が高い傾向



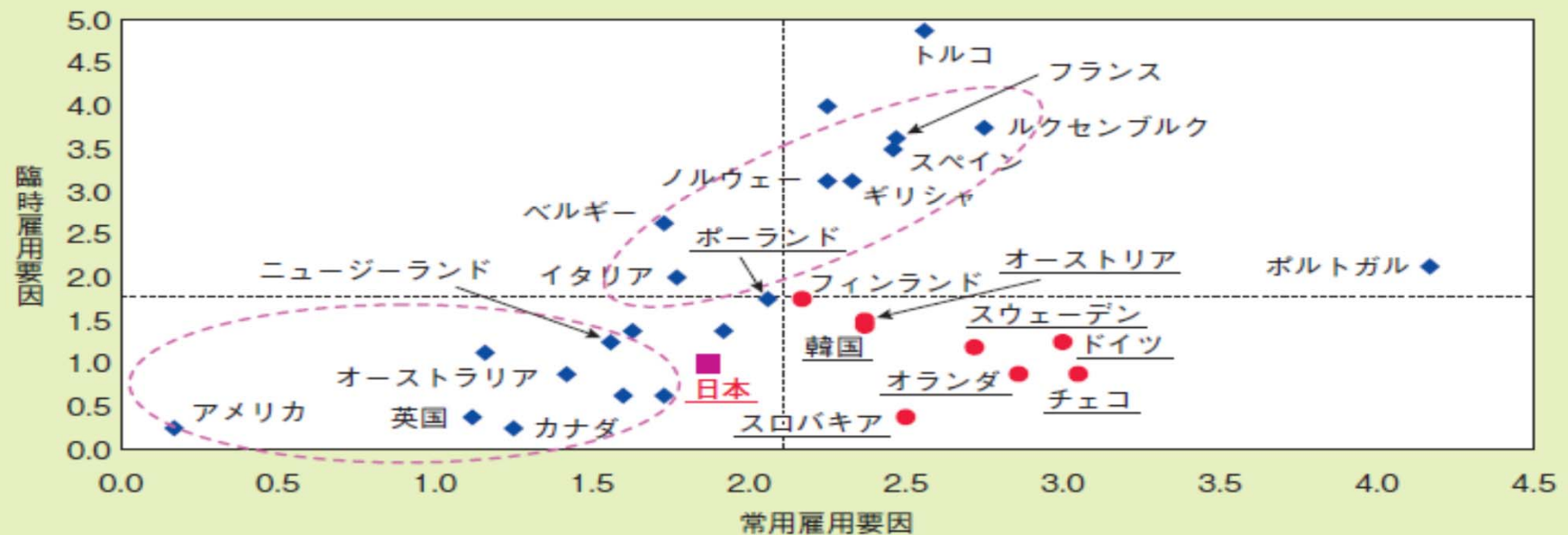
With strong EPL, the ratio of non-regular employment tends to be high.

Gap in EPL between Regular and Non-regular Employment

第3-1-15図 常用雇用と臨時雇用の保護程度の差と失業リスク

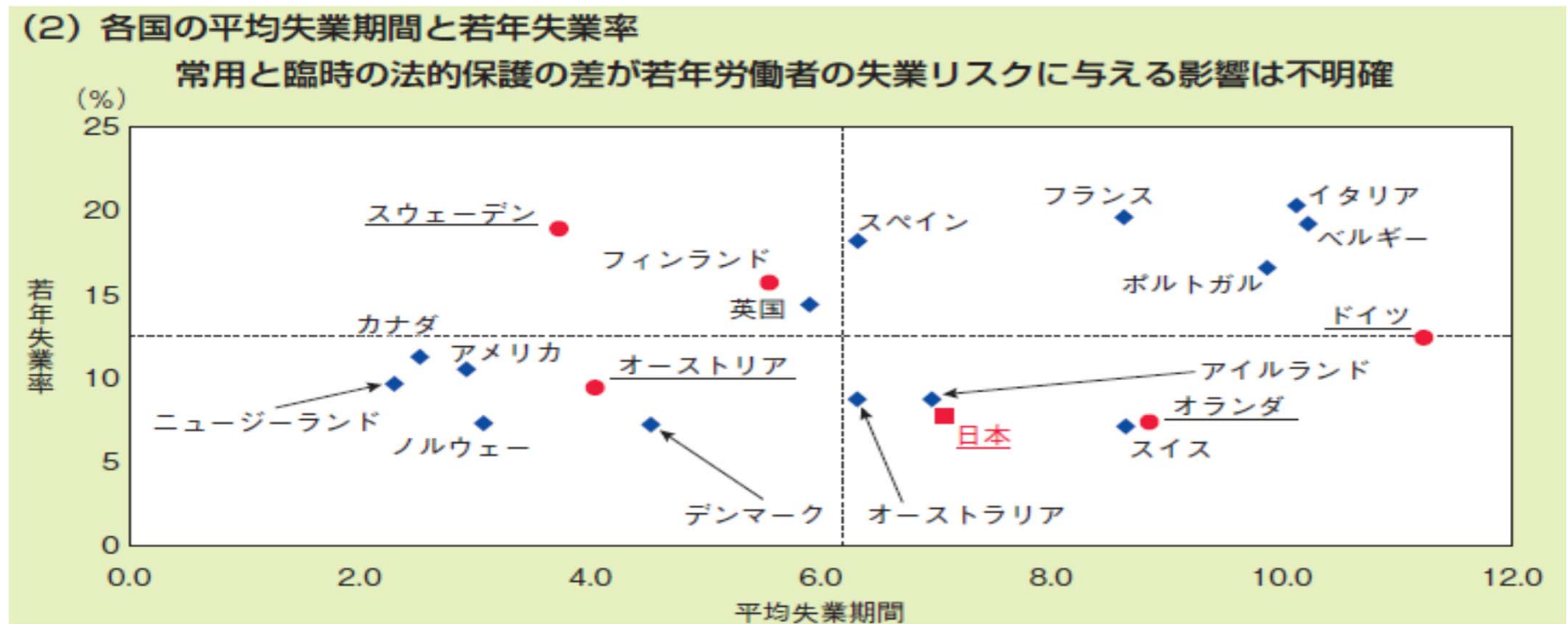
(1) 各国の雇用保護指標の常用雇用要因と臨時雇用要因

アングロサクソン諸国は両方とも低く、大陸欧州諸国は両方とも高い



Those countries with red points have strong EPL in regular employment, but not in non-regular employment. Japan is in the group with weak EPL in both the categories.

Gap in EPL does not matter



The red points of Figure (1) are scattered in Figure (2), which implies that there is no significant influence of the gap in EPL between regular and non-regular employment on youth unemployment rate and the duration of unemployment.

Students' Job Search

- Mass Media focuses on the difficulty for the university/college students to find a job.
- Japan has a special job matching mechanism between students and firms, which is unique to Japan.
 - Job search is concentrated in the last year of the undergraduate schooling.
 - Graduation is not an advantage but a handicap – you must get a job offer before graduation, otherwise you would face an even more difficult situation.
 - Many students who have received no job offer in *their* job opening season, tend to postpone the graduation until the next year. (留年)

Job search schedule

- September -> December: Students start collecting information and participating in seminars offered by firms. (就活)
- April: Large firms interview students. Successful students obtain job offers by the end of April, or before the Golden Week - May Holidays. (内定)
- October 1: Official ceremonies to make formal job offers to students. (内定式)
- March: commencement (卒業式)
- April 1: You *enter* your company (入社式)

Large Gap among students in *Shukatsu* (就活)

- Students of prestigious universities (former imperial universities, Waseda, Keio, etc.) get job offers relatively easier than students of other universities.
- Even within the same university, some successful students get (multiple) job offers than other unsuccessful students.

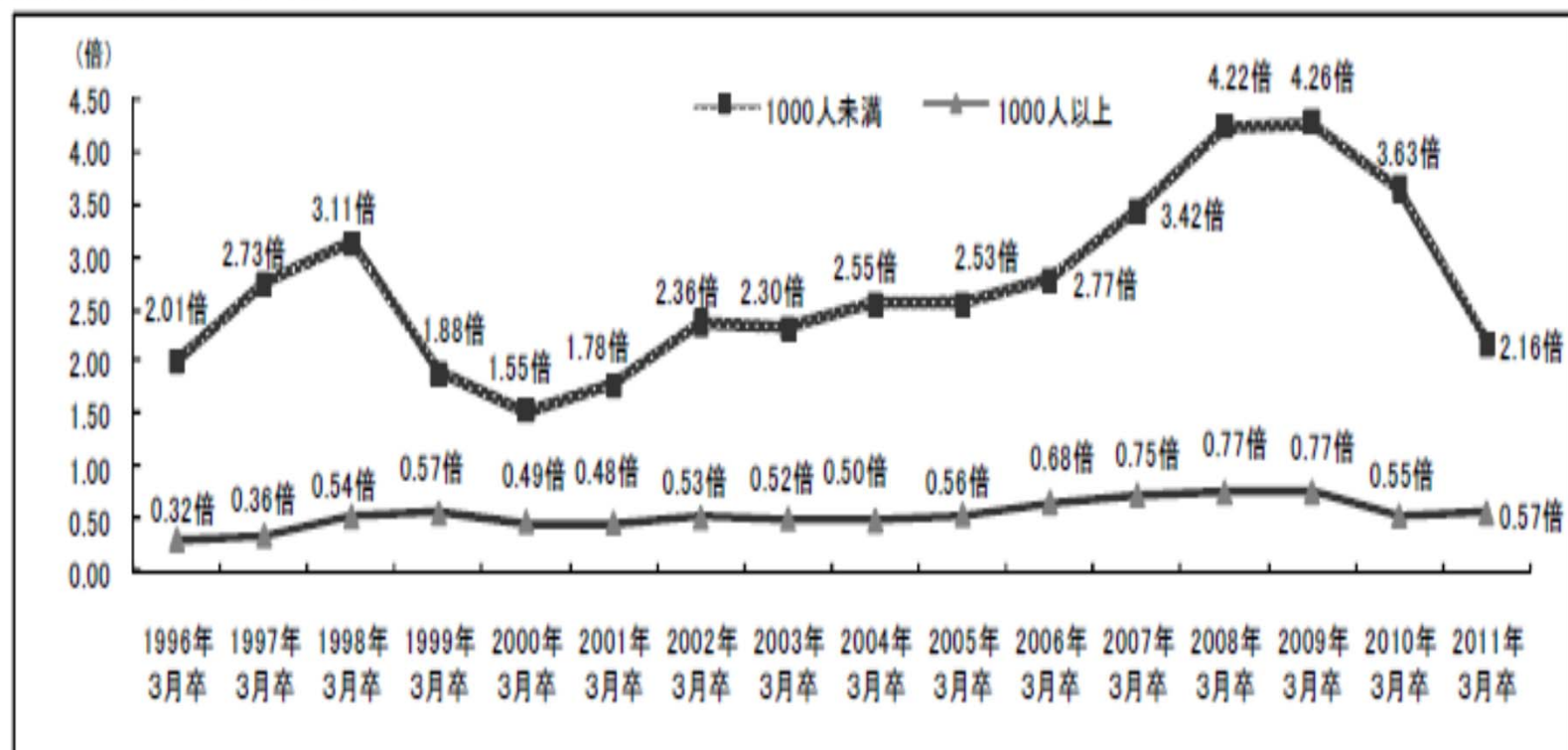
Mismatches

- Students, no matter how ranked your university is, want to get hired by large firms.
- Large firms want to make offers to students of the prestigious universities only.
- Internet has enabled enormous number of students to apply for popular, large firms.
- Selection is a hard process: Large firms neglect application from students of non-brand universities.
- Students of non-brand universities can get job offers relatively easily, if they apply for small and medium-sized firms. But they don't, when they start job search.
- The gap between job vacancies and applicants is quite persistent over time.

Labor market tightness
(有効求人倍率)

$$\theta = \frac{\text{job vacancies}}{\text{applicants}}$$

■従業員規模別求人倍率の推移



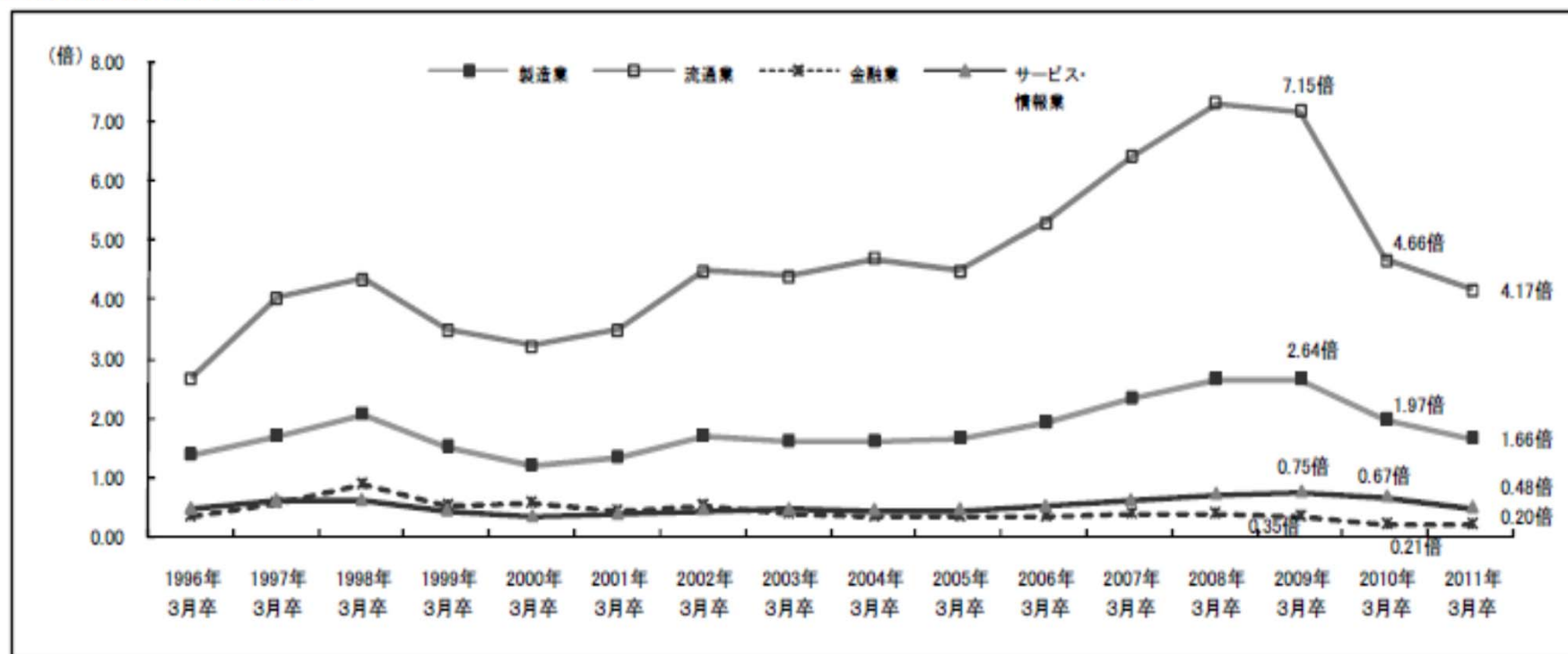
求人倍率	1996年 3月卒	1997年 3月卒	1998年 3月卒	1999年 3月卒	2000年 3月卒	2001年 3月卒	2002年 3月卒	2003年 3月卒	2004年 3月卒	2005年 3月卒	2006年 3月卒	2007年 3月卒	2008年 3月卒	2009年 3月卒	2010年 3月卒	2011年 3月卒
全体	1.08倍	1.45倍	1.68倍	1.25倍	0.99倍	1.09倍	1.33倍	1.30倍	1.35倍	1.37倍	1.60倍	1.89倍	2.14倍	2.14倍	1.62倍	1.28倍
1000人未満	2.01倍	2.73倍	3.11倍	1.88倍	1.55倍	1.78倍	2.36倍	2.30倍	2.55倍	2.53倍	2.77倍	3.42倍	4.22倍	4.26倍	3.63倍	2.16倍
1000人以上	0.32倍	0.36倍	0.54倍	0.57倍	0.49倍	0.48倍	0.53倍	0.52倍	0.50倍	0.56倍	0.68倍	0.75倍	0.77倍	0.77倍	0.55倍	0.57倍

出典： リクルート・ワークス(2010)「大卒求人倍率調査(2011年卒業)」

Gap based on Firm Size

- The labor market tightness for the small and medium sized firms remains higher than 2, although mass media say that job search is a hardship.
- On the contrary, the labor market tightness for large firms stayed as low as 0.5.
- The gap is highly persistent.
- If students apply for small and medium-sized firms, they would get job offers much more easily.

■業種別求人倍率の推移



求人倍率	1996年 3月卒	1997年 3月卒	1998年 3月卒	1999年 3月卒	2000年 3月卒	2001年 3月卒	2002年 3月卒	2003年 3月卒	2004年 3月卒	2005年 3月卒	2006年 3月卒	2007年 3月卒	2008年 3月卒	2009年 3月卒	2010年 3月卒	2011年 3月卒
全体	1.08倍	1.45倍	1.68倍	1.25倍	0.99倍	1.09倍	1.33倍	1.30倍	1.35倍	1.37倍	1.60倍	1.89倍	2.14倍	2.14倍	1.62倍	1.28倍
製造業	1.37倍	1.71倍	2.05倍	1.53倍	1.21倍	1.35倍	1.69倍	1.62倍	1.59倍	1.63倍	1.93倍	2.33倍	2.64倍	2.64倍	1.97倍	1.66倍
流通業	2.67倍	4.04倍	4.34倍	3.50倍	3.19倍	3.48倍	4.49倍	4.39倍	4.69倍	4.49倍	5.29倍	6.38倍	7.31倍	7.15倍	4.66倍	4.17倍
金融業	0.35倍	0.54倍	0.87倍	0.52倍	0.54倍	0.44倍	0.49倍	0.40倍	0.35倍	0.35倍	0.35倍	0.37倍	0.39倍	0.35倍	0.21倍	0.20倍
サービス・ 情報業	0.46倍	0.61倍	0.61倍	0.43倍	0.33倍	0.37倍	0.44倍	0.45倍	0.44倍	0.45倍	0.50倍	0.61倍	0.72倍	0.75倍	0.67倍	0.48倍

出典： リクルート・ワークス(2010)「大卒求人倍率調査(2011年卒業)」

Gap based on industry

- Manufacturing and distribution retailers are always unpopular for students.
- Finance and information service are always popular.
- In short run, students should apply for unpopular industries. Then they can get job offers soon.
- In the long-run, should the government induce unpopular industries to exit and encourage popular industries to grow?

Japan's unemployment problem is not so serious as to attract international sympathy!

- Japan's 5% unemployment rate is explained by structural factors by 4%, by demand factors by 1%.
- We could reduce the unemployment rate by 1% through removing structural barriers, and by another 1% through increasing aggregate demand, down to 3% as a total.
- Unemployment rate is higher than 5% in most of the advanced countries except Japan.
- Unemployment in EU and US is around 10%.
- Therefore, Japan's complaints about the rapid appreciation of Yen does not attract international attention and sympathy.