

**Labor Market Adjustment to Globalization:
Long-Term Employment in the U.S. and Japan**

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Changes in the Global Economy

- Increased competition from lower-wage countries.
- Improvements in production technology.
- Improvements in information technology.
- Countries such as Korea, Mexico, Brazil, and China can produce higher quality goods.

Pressure on Japanese and U.S. Labor Markets

- Production with a skilled labor force.
- Long-term employment relationships historically an important feature.
- High wages paid.
- Expectations of workers based on earlier reality.

Need to Adjust Labor Force to Shifts in Demand

Example: Demand for a type of product Falls

- Workers must produce a different product.
- Form of adjustment differs between Japan and the United States.
- Form depends on structure of firms, institutions of the labor market, and social custom.

Labor Market Adjustment in the United States

- Most firms are not very diversified.
- Strong Employment-at-Will Doctrine.
- Generally accepted that firms can lay off workers.
- Fluid labor market with much turnover.
- Robust employment and population growth.

Labor Market Adjustment in the U.S. – Implications

- Firms lay off workers and do not promise new workers much employment security.
- Workers quit often and do not promise firms much continuity.
- Geographic, occupational, and industrial mobility.
- Large social and economic costs.

Labor Market Adjustment in Japan

- Many large firms are diversified.
- Strong employment protection
- Generally unacceptable for firms to lay off workers.
- More rigid labor market without much turnover.
- Very little employment and population growth.

Labor Market Adjustment Japan – Implications

- Firms do not lay off workers in great numbers.
- Firms reassign and “second” workers.
- Offer “regular” jobs only to a subset of the workers.
- Increase in alternative forms of employment.
- Increased segmentation of the labor force.
- Costs borne by “irregular” workers.

Things are Not as Different as they Seem

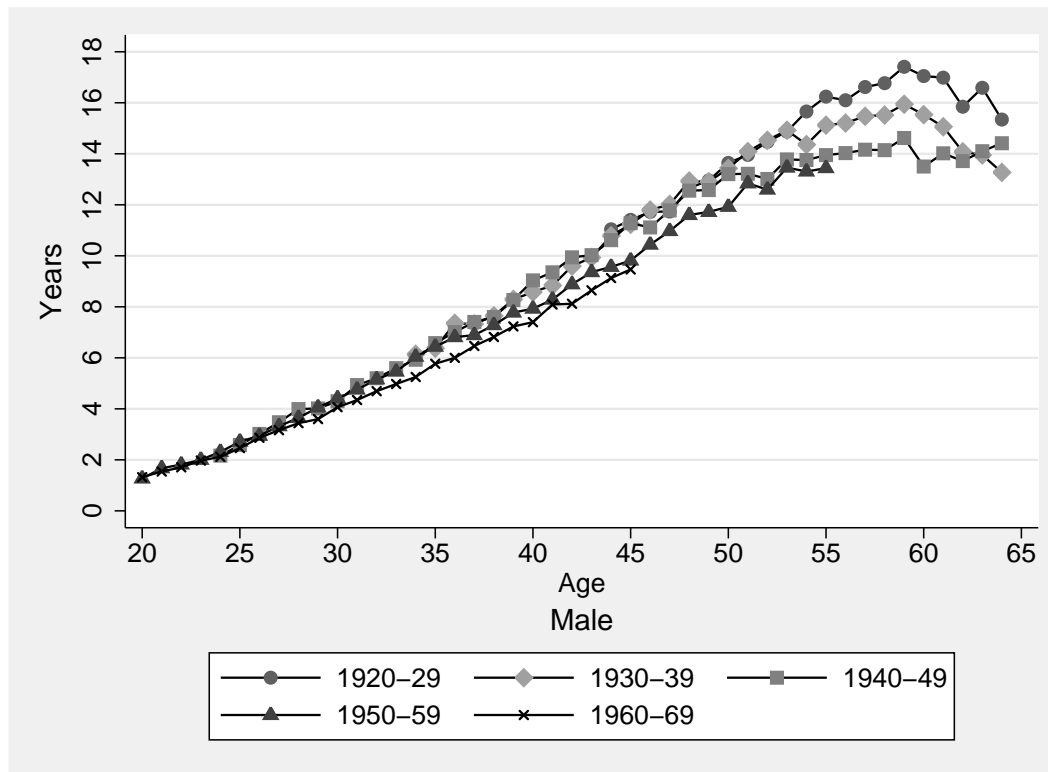
- A declining fraction of the workforce in both countries enjoy long-term employment in “good” jobs.
- There is no mandatory retirement in the U.S., but many jobs end before normal retirement age.
- There are mandatory retirement policies in Japan, and specify relatively young ages (60 maximum).
- In both employment relationships likely end early.

Things are Very Different

- Long-term employment has been and remains much more common in the Japan than in the U.S.
- Part-time employment, particularly for women, has become much more common in Japan than in the United States.

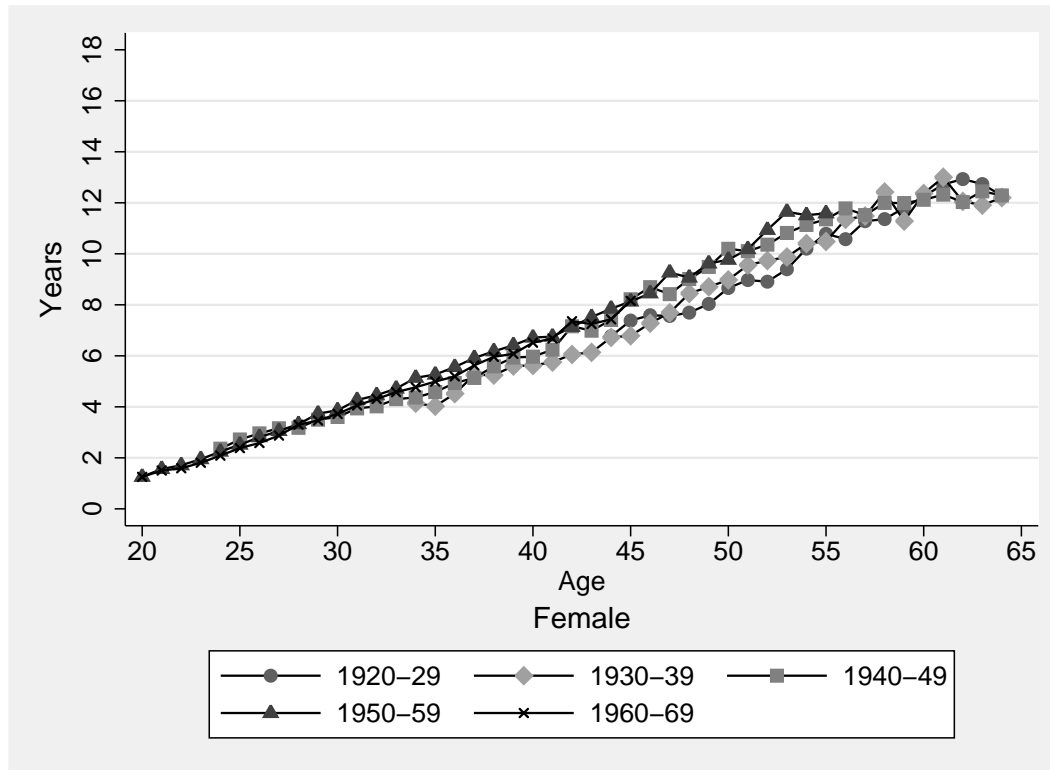
Trends in Job Mobility in the U.S.

- Use CPS data on length of Employment from 1973-2005.
- Mobility Supplements in 1973, 1978, 1981, 1983, 1987, 1991, 1996, 1998, 2000, 2002, and 2004.
- Pension and Benefit Supplements from 1979, 1983, 1988, and 1993.
- Contingent and Alternative Employment Arrangement Supplements from 1995, 1997, 1999, 2001, and 2005.



Mean Tenure – Males by Age and Birth Cohort

- Age specific mean tenure for U.S. men has declined.
- Age 50 – 13.4 years for 1930-39 birth cohort
- Age 50 – 11.9 years for 1950-59 birth cohort



Mean Tenure – Females by Age and Birth Cohort

- No systematic change in mean tenure for females.

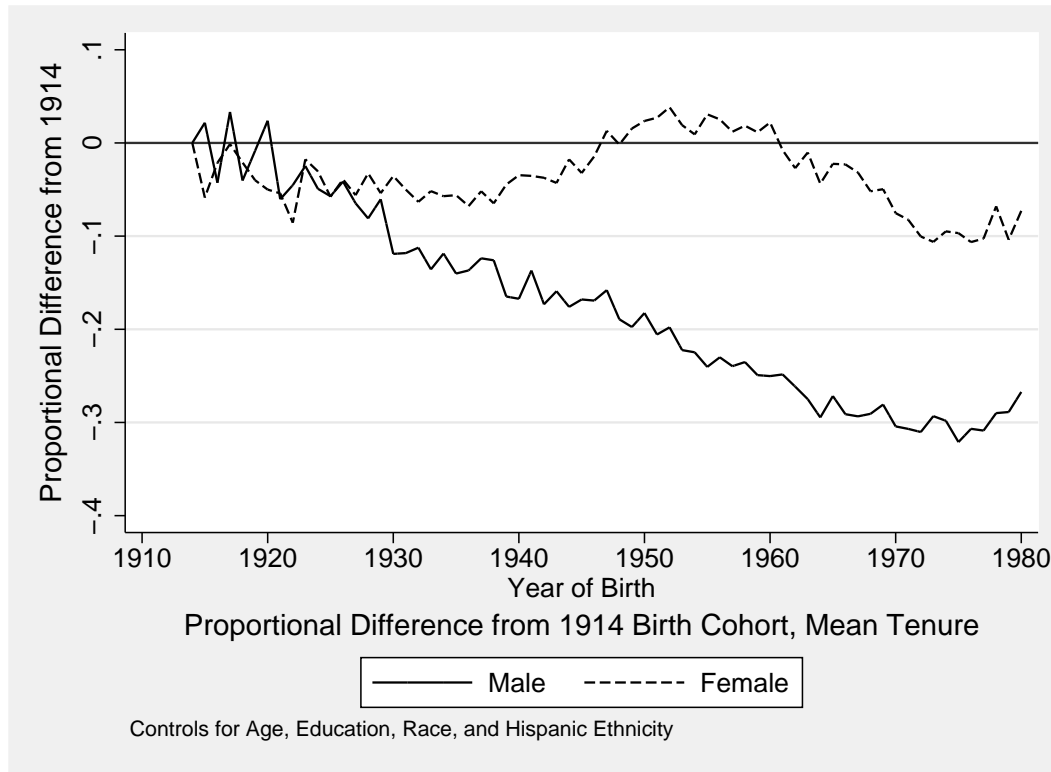
Year	All	White NonHisp	Nonwhite NonHisp	All Hisp	White Hisp	Nonwhite Hisp
1995	0.095	0.030	0.187	0.506	0.509	0.492
1996	0.100	0.032	0.226	0.494	0.493	0.510
1997	0.109	0.032	0.232	0.516	0.518	0.484
1998	0.117	0.035	0.240	0.517	0.516	0.526
1999	0.111	0.033	0.222	0.495	0.498	0.448
2000	0.121	0.038	0.239	0.517	0.514	0.585
2001	0.129	0.039	0.261	0.522	0.520	0.557
2002	0.130	0.040	0.270	0.528	0.527	0.543
2004	0.142	0.042	0.280	0.531	0.538	0.439
2005	0.141	0.037	0.275	0.538	0.545	0.439
All	0.119	0.036	0.244	0.517	0.519	0.495

Note: Based on data for not self employed workers 20-64 years of age from 10 CPSs covering the period from 1995 to 2005.

Weighted by CPS final sample weights. N=418,178.

Proportion Immigrants in U.S. Employment, 1995-2005

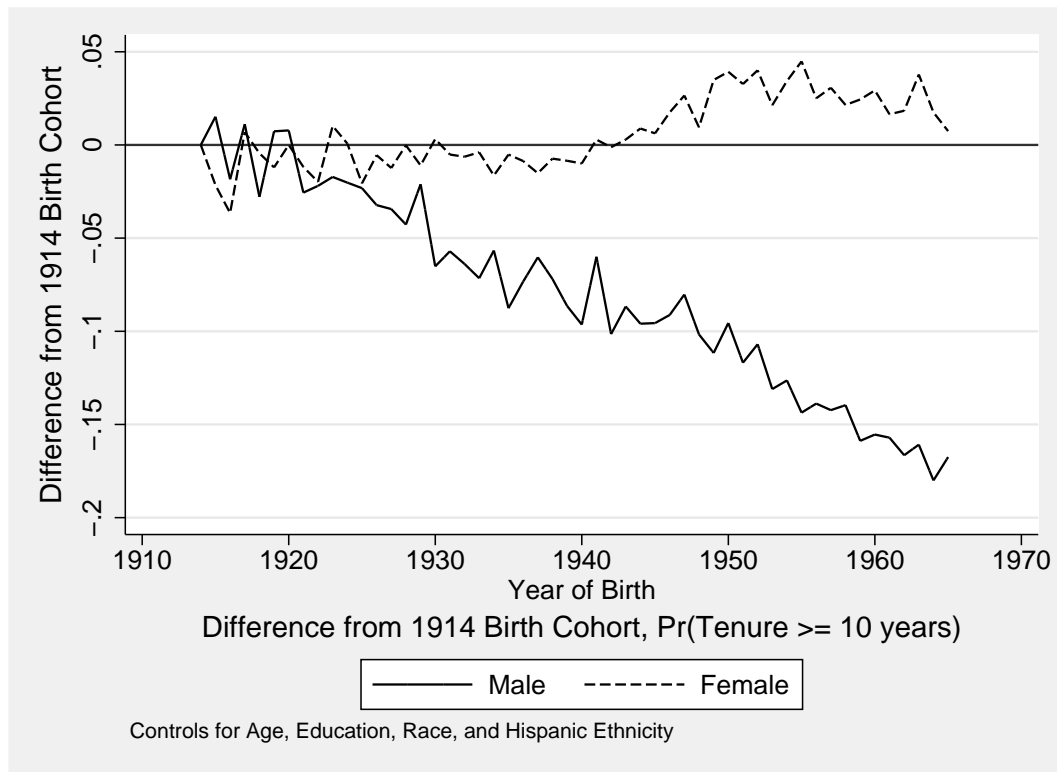
- Immigrant share has increased substantially.
- Over half of Hispanics are immigrants.
- Very few white non-hispanics are immigrants.



$$\ln(T_{ijk}) = \alpha_1 NW_i + \alpha_2 H_i + ED_i \gamma + C_j + A_k + \epsilon_{ijk} \quad (1)$$

Mean Tenure

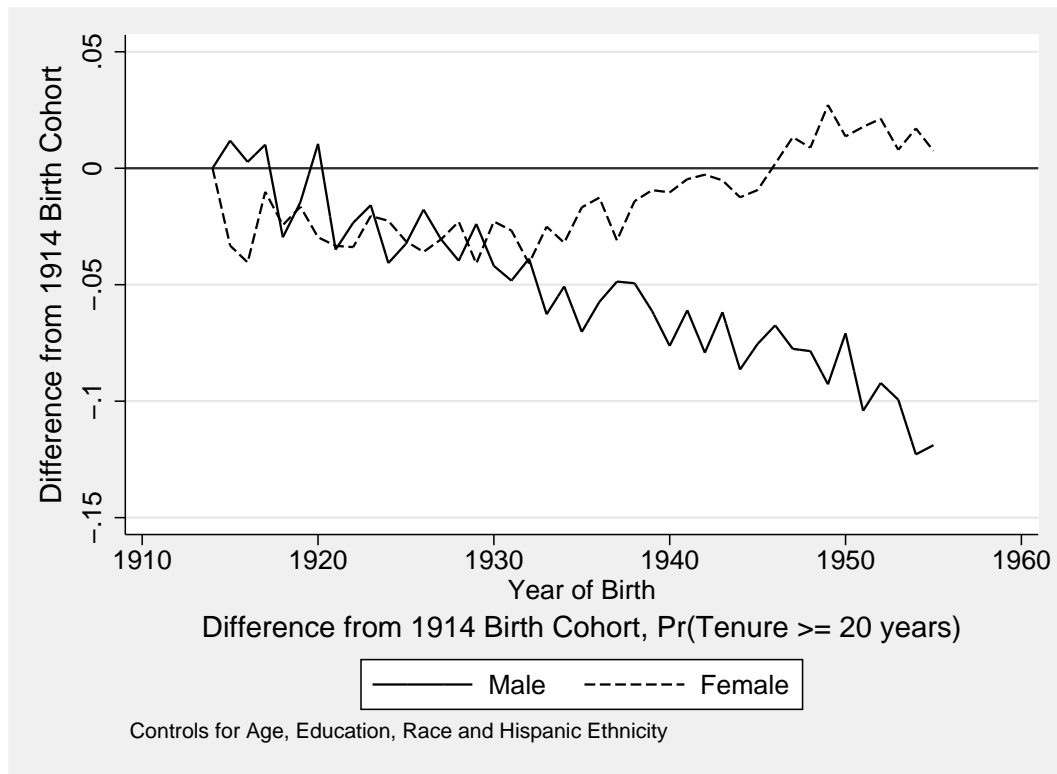
Proportional Difference from 1914 Birth Cohort



$$Pr(T_{ijk} \geq 10) = \alpha_1 NW_i + \alpha_2 H_i + ED_i \gamma + C_j + A_k + \epsilon_{ijk} \quad (2)$$

Probability Tenure ≥ 10 , Age 35-64

Difference from 1914 Birth Cohort



$$Pr(T_{ijk} \geq 20) = \alpha_1 NW_i + \alpha_2 H_i + ED_i \gamma + C_j + A_k + \epsilon_{ijk} \quad (3)$$

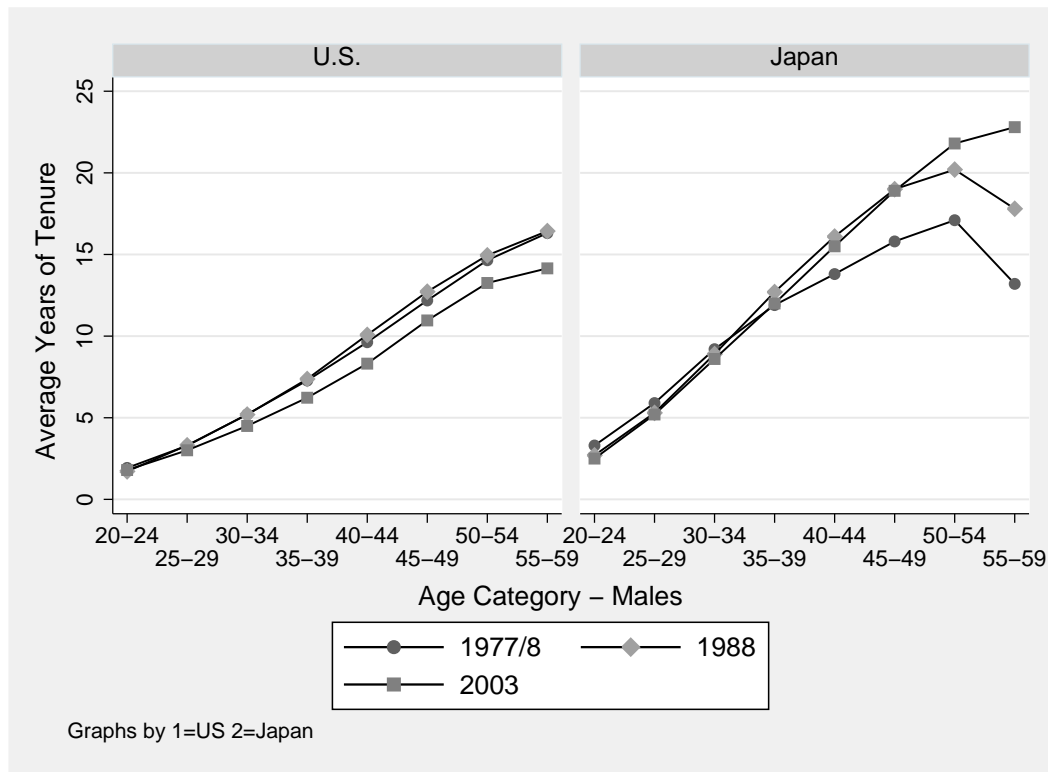
Probability Tenure ≥ 20 , Age 45-64

Difference from 1914 Birth Cohort

Job Tenure in Japan

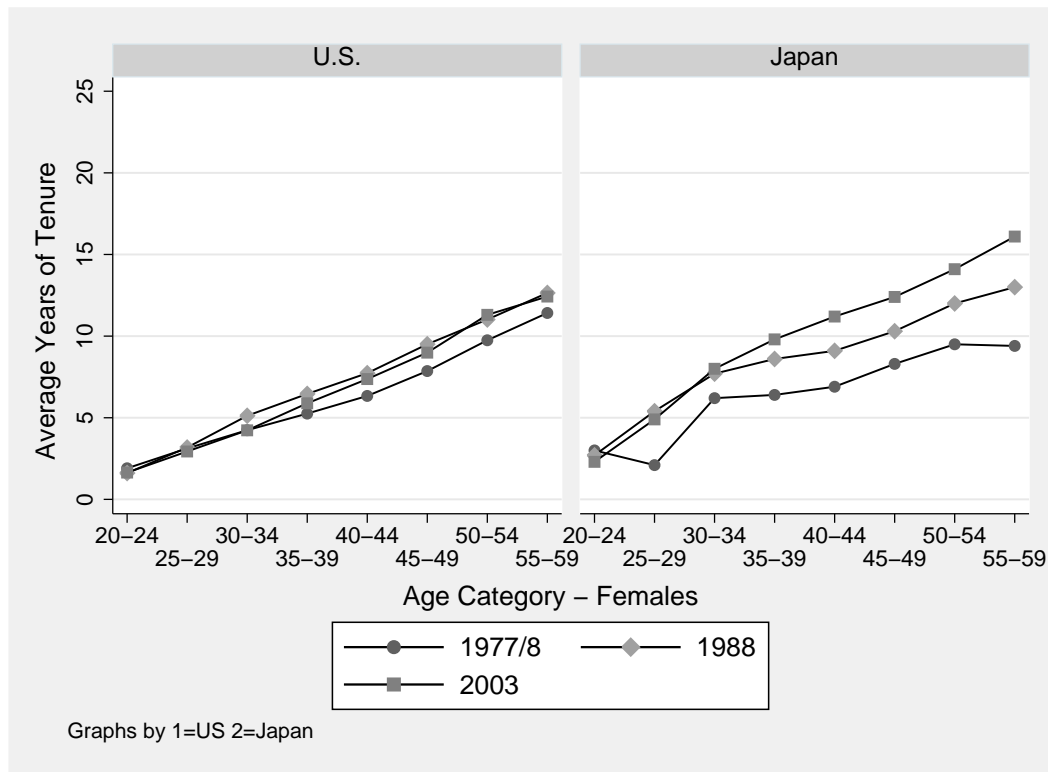
Some Simple Comparisons

- Individual level data not available to me.
- Use published tables and aggregate statistics.
- Use tabulated data from Japanese Wage Censuses on average tenure of full-time workers. (Rebick, 2005)
- Data for 5-year age categories at three points in time (1977, 1988, 2003).
- I create comparable U.S. data from the CPS.



Average Tenure by Age Category – Males

- Decrease in mean tenure in United States.
- Increase in mean tenure in Japan.



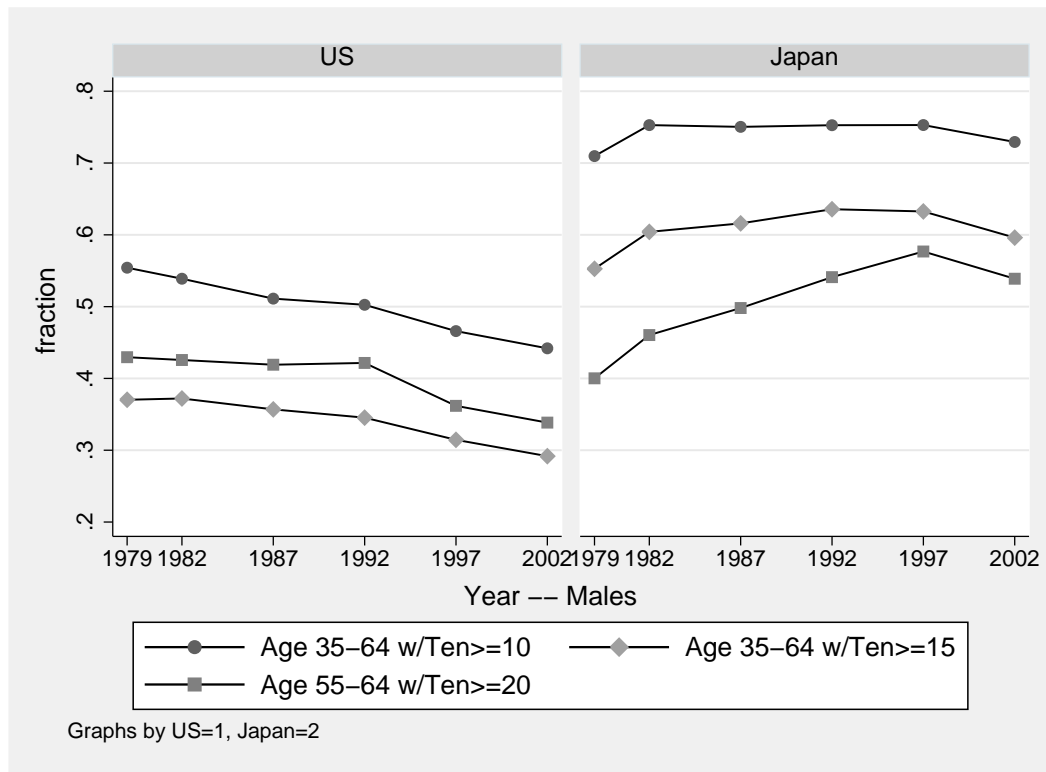
Average Tenure by Age Category – Females

- Little change in mean tenure in United States.
- Increase in mean tenure in Japan.

Probability of Long-Term Employment in Japan

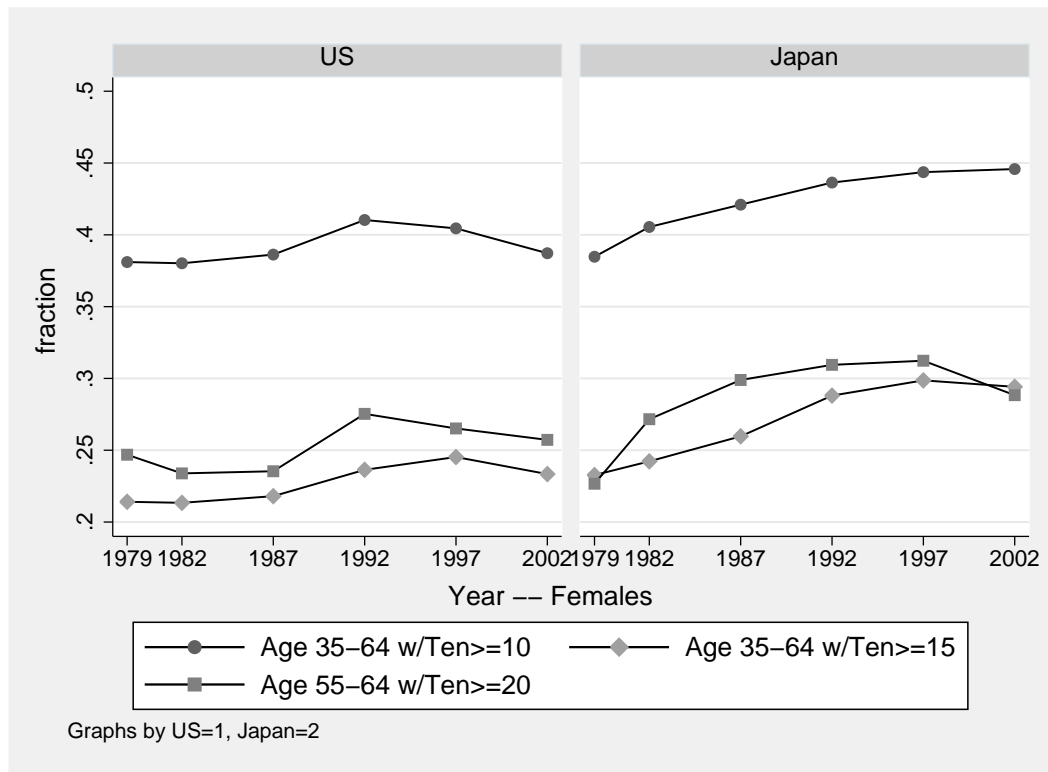
Some Simple Comparisons

- Use tabulated data from Japanese Employment Status Surveys
- Data for three age categories and seven tenure categories at six points in time (1979, 1982, 1987, 1992, 1997, 2002).
- I create comparable U.S. data from the CPS.



Fraction Long-term Jobs, by Year – Males

- Decrease in long-term jobs in United States.
- Increase in long-term jobs for older workers in Japan.
- Due to increase in retirement age in Japan.



Fraction Long-term Jobs, by Year – Females

- No change in long-term jobs in United States.
- Increase in long-term jobs in Japan.

Increased Part-Time Employment in Japan

- Japan 1990: 12.6 percent part-time.
- Japan 2001: 19.1 percent part-time.
- United States 1991: 14.4 percent part-time.
- United States 2002: 13.0 percent part-time.

Increased Part-Time Employment in Japan Concentrated Among Females

- Japan 1980: 19.3 percent of females part-time.
- Japan 2002: 39.7 percent of females part-time.
- United States 1981: 22.6 percent of females part-time.
- United States 2002: 20.9 percent of females part-time.

Is There Convergence in the Future?

- Both economies are experiencing similar stresses in some ways.
- Both labor markets are adjusting relative to their historical modes of operation.
- The effect is similar in the two labor markets. –
Less job security.
- There has been a declining emphasis on “regular” long-term employment relationships.