

Changes in Japan's Labor Market Flows due the Lost Decade

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23rd Annual East Asian Seminar on Economics

Taipei, June 15, 2012

Japanese Economy Facts

- We all know general facts about **Japan's output**
 - It is one of the richest countries in the world
 - It had high output growth up to the 1990s
 - It suffered a deep and prolong recession in the 1990s - Lost Decade
- **Labor market** facts are less well known
 - Low unemployment rate
 - Very stable employment relationships
- Very little is known about **worker flows**
 - Low separation rates
- Especially how they **changed due to the Lost Decade**

Question of the Paper

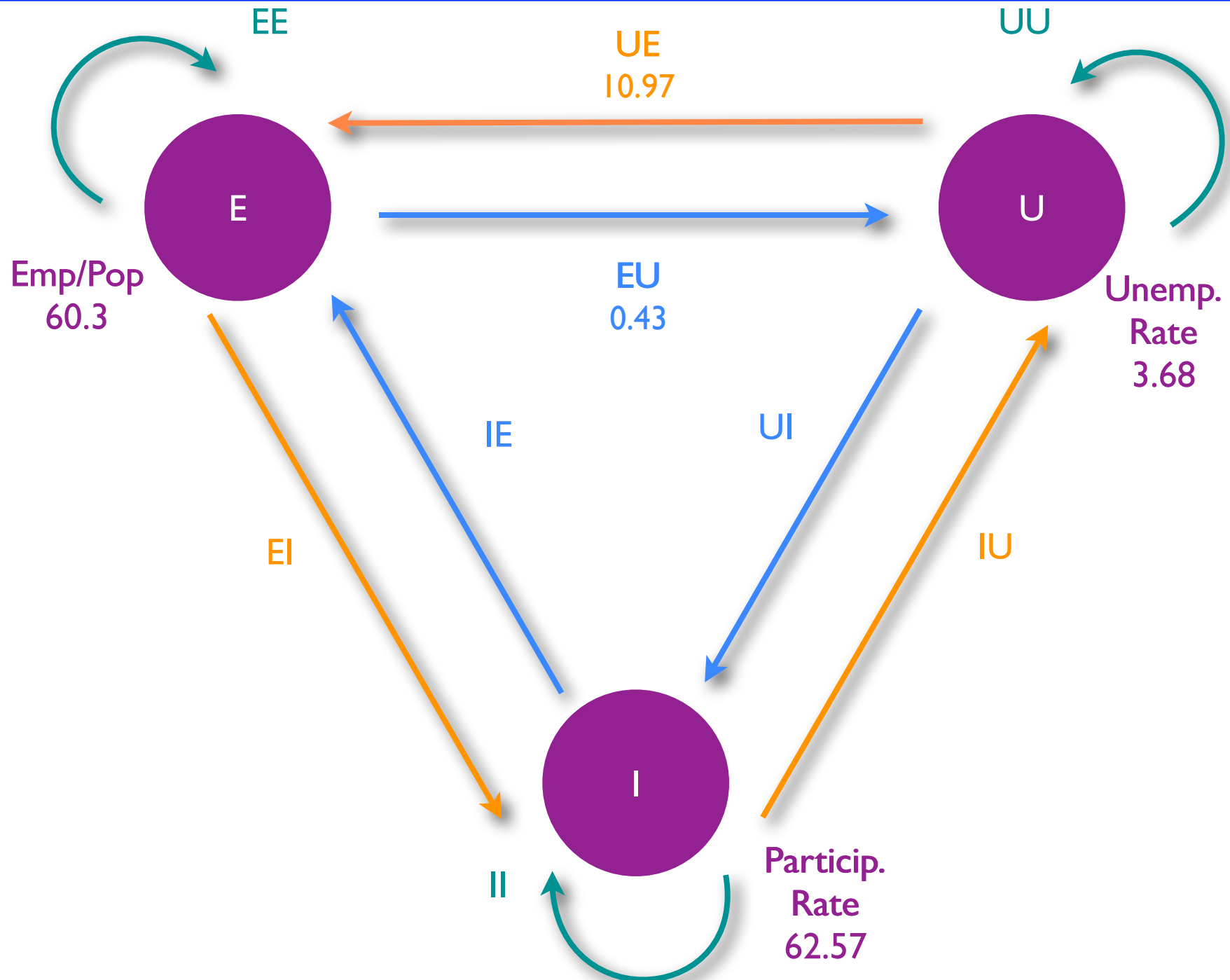
1. Did the Lost Decade change the labor market dynamics significantly?

- Yes

2. What types of workers were the most affected by the changes?

- Young and old
- Women
- Contingent workers

Stocks and Flows from LFS (1983-2008)

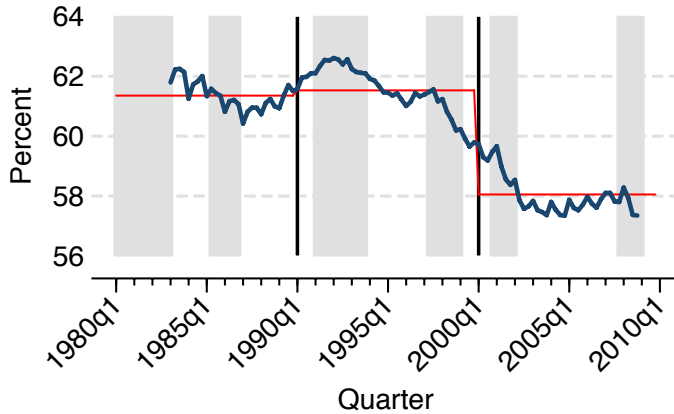


Stocks - Aggregate

Emp/Pop

60.28

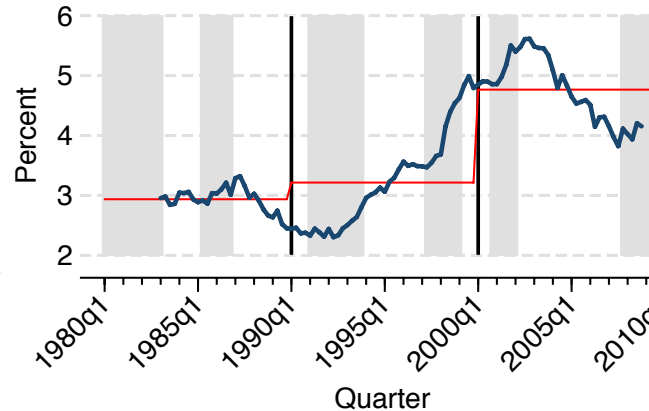
Employment/Population



Unemp. Rate

3.68

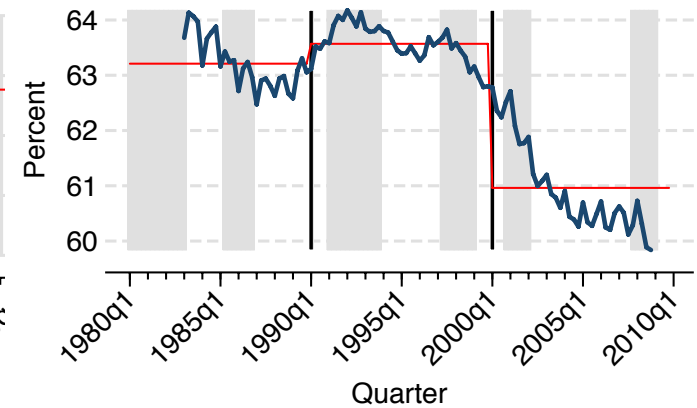
Unemployment Rate



Particip. Rate

62.57

Participation Rate



Emp/Pop

1980s	2000s	Change
61.53	58.05	-3.300***

Unemp. Rate

1980s	2000s	Change
2.94	4.77	1.829***

Particip. Rate

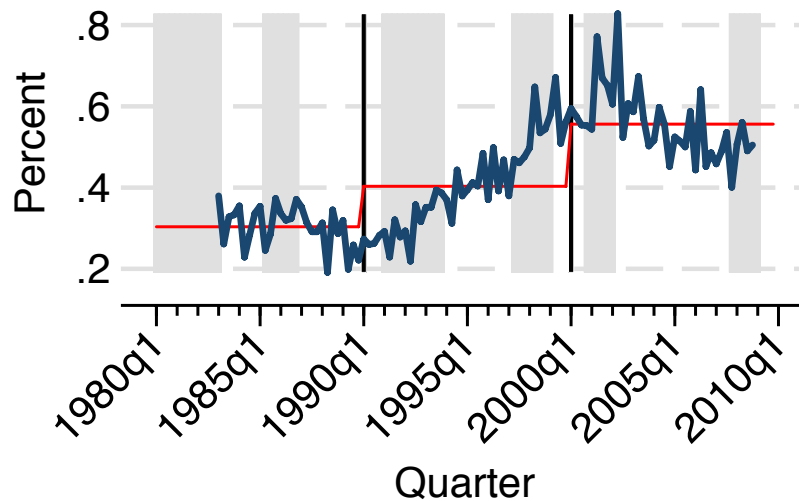
1980s	2000s	Change
63.21	60.96	-2.249***

- Significant change in the stocks
 - Decline in employment
 - Increase in the unemployment rate
 - Decrease in the participation rate

Flow Rates - UE and EU - Aggregate

Separation Rate

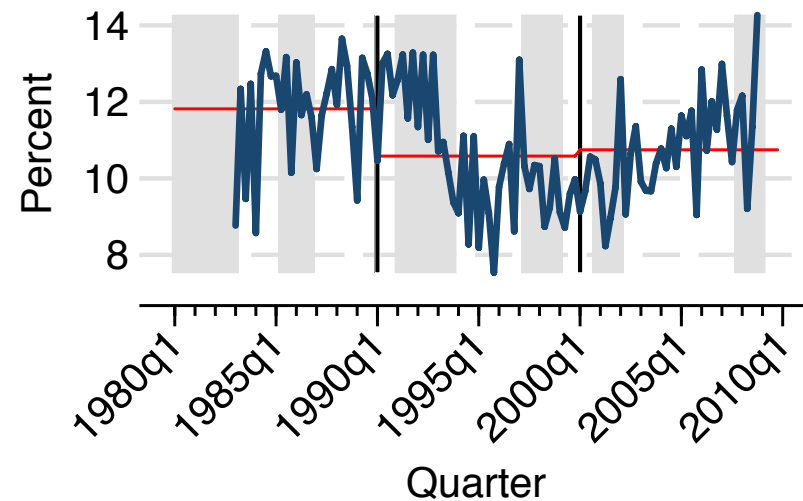
EU 0.43



1980s	2000s	Change
EU		
0.30	0.56	0.253***

Finding Rate

UE 10.97



1980s	2000s	Change
UE		
11.82	10.75	-1.070**

- Significant change in almost all the rates
 - Almost double separation rate (EU)
 - Decline in the finding rate (UE)

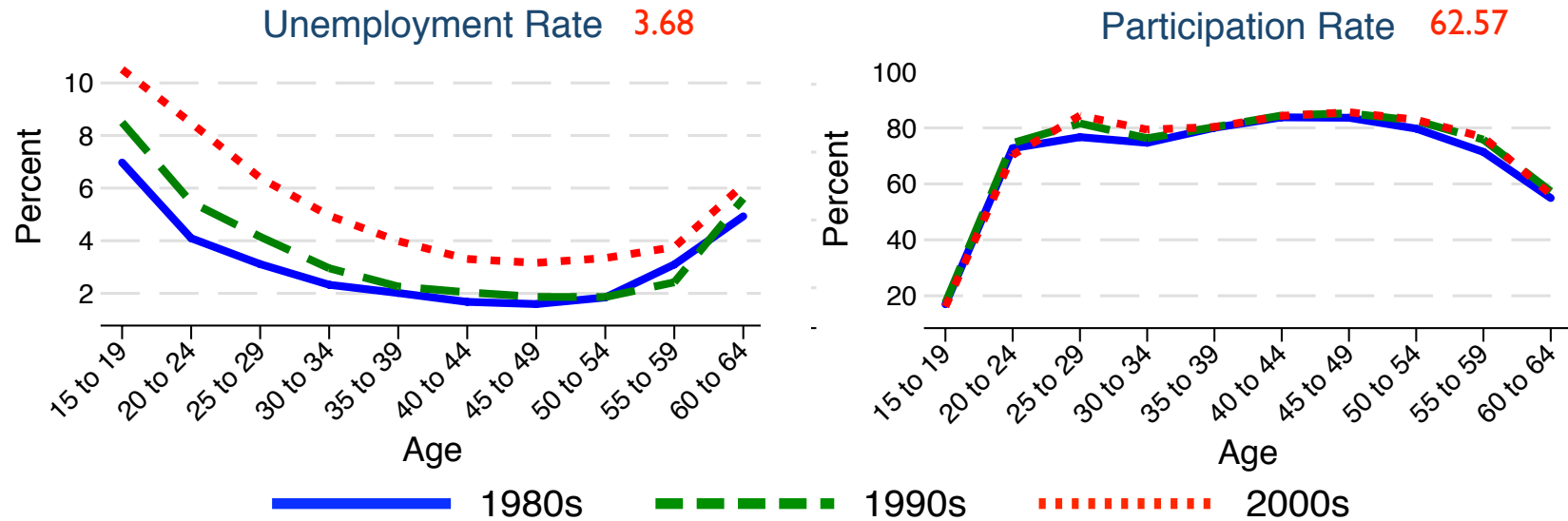
Aggregate - Summary

- Significant changes due to the Lost Decade:
 - Increase in the unemployment rate
 - Decrease in the participation rate
 - Increase in the separation rate
 - Decline in the finding rate

Disaggregation

- We now study if the previous facts hold for all types of workers, or only for the average.
- What types of workers were most affected the changes?
- Dissaggregation by:
 - Worker characteristics
 - Age
 - Gender
 - Region
 - Firm/Job characteristics
 - Sector
 - Firm size
 - Job type

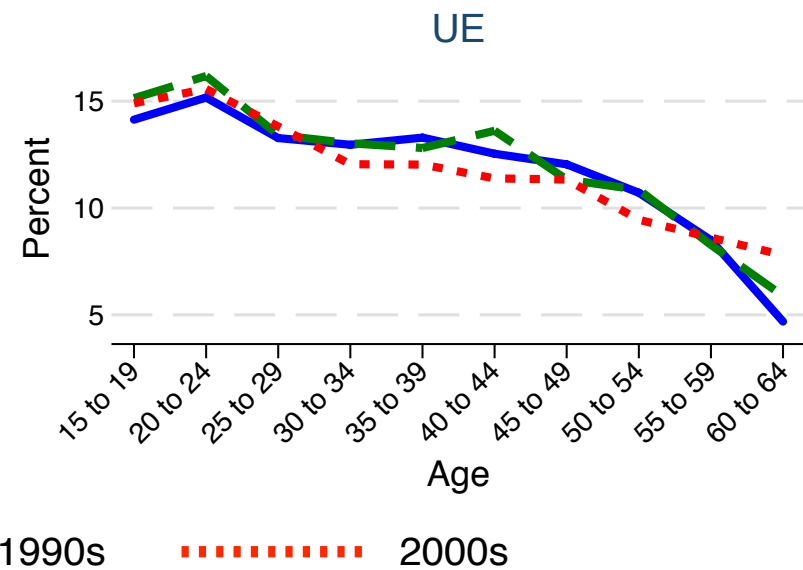
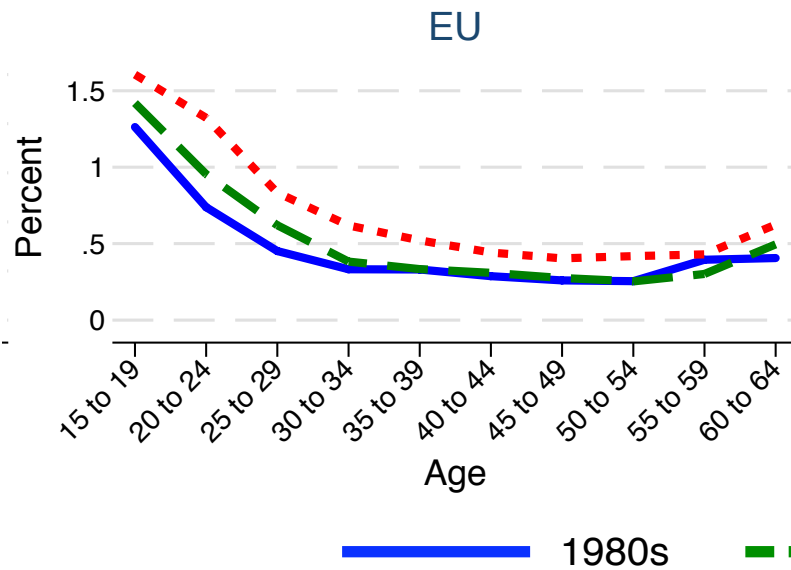
Stocks - by Age



	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64
u	3.2 ***	4.04 ***	2.93 ***	2.28 ***	1.62 ***	1.28 ***	1.22 ***	1.15 ***	0.32	0.89 **
p	-0.94 *	-2.52 ***	7.58 ***	4.57 ***	0.13	0.43	1.84 ***	3.01 ***	5.15 ***	1.19 **

- Unemp. rate is U-shaped and part. rate is Inverted U (M)-shaped.
- Unemp. rate increased for all, but more for young.
- Participation rate decreased for youngest, but increased for other.

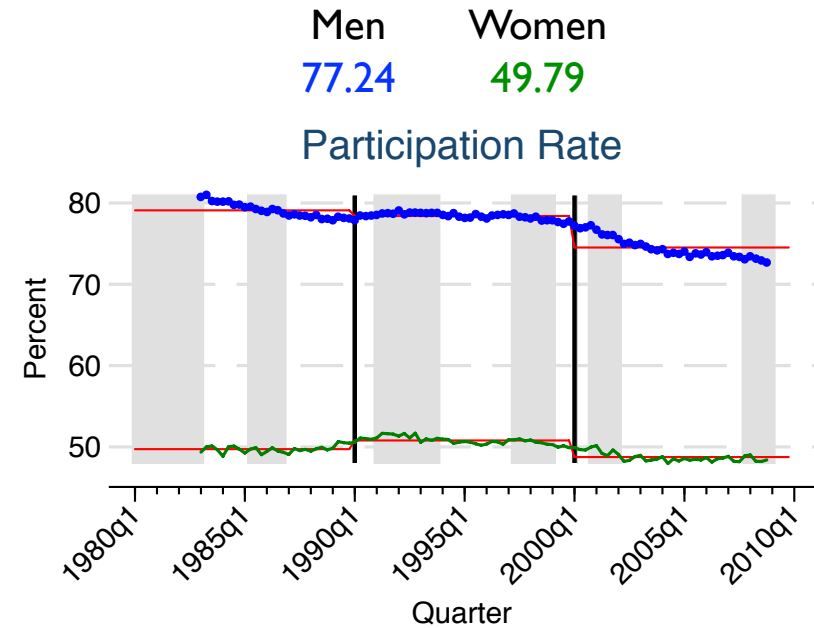
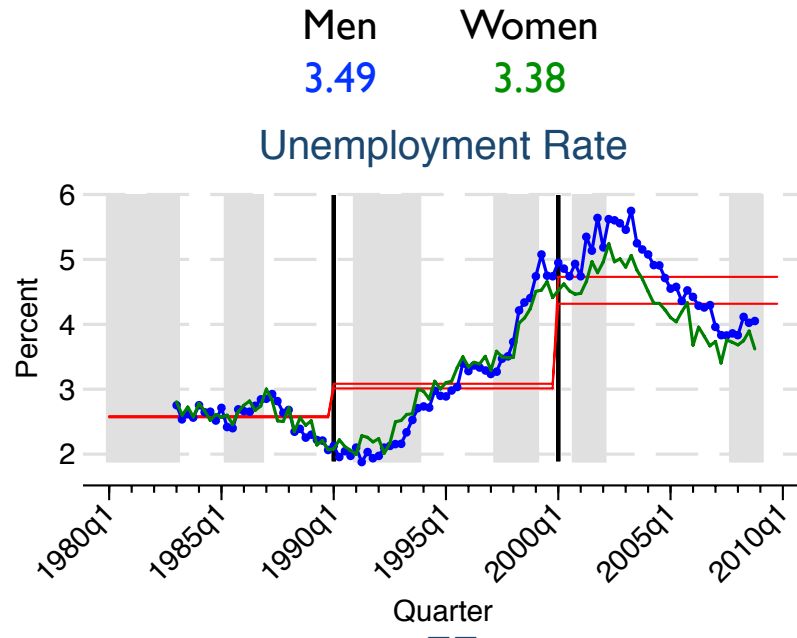
Flow Rates - by Age



	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64
EU	0.42 ***	0.66 ***	0.45 ***	0.36 ***	0.26 ***	0.23 **	0.22 **	0.24 **	0.11	0.29 ***
UE	0.29	-0.07	0.06	-1.39	-1.74	-1.64	-1.19	-1.74	-0.36	2.63 *

- Sep. rate is U-Shaped and finding rate is declining in age.
- The separation rate increased for almost all age groups
- The finding rate decreased, but not significantly.

Stocks - by Gender



Unemp. Rate

	1980s	2000s	Change
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Men 2.57 4.73 1.988***

Women 2.59 4.32 1.555***

Particip. Rate

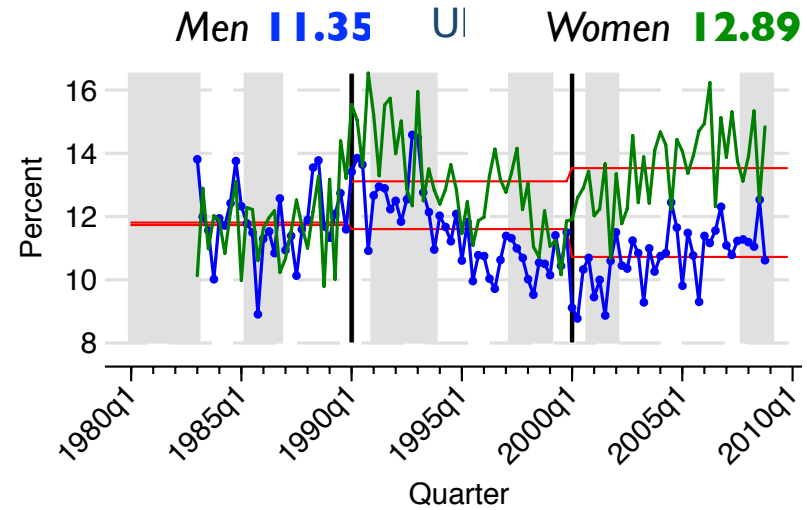
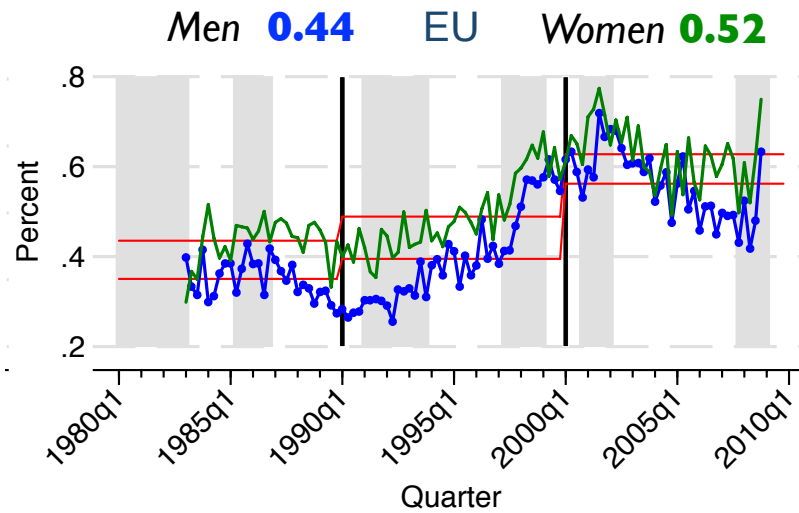
	1980s	2000s	Change
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Men 79.10 74.52 -5.537***

Women 49.72 48.75 -1.939**

- Women have lower participation rate, but similar unemp. rate
- Unemp. and part. rate changed for both gender, but more for men

Flow Rates - by Gender



EU

	1980s	2000s	Change
Men	0.35	0.56	0.347***
Women	0.44	0.63	0.328***

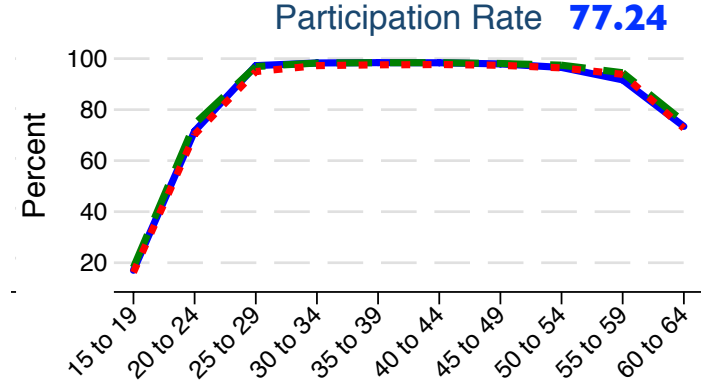
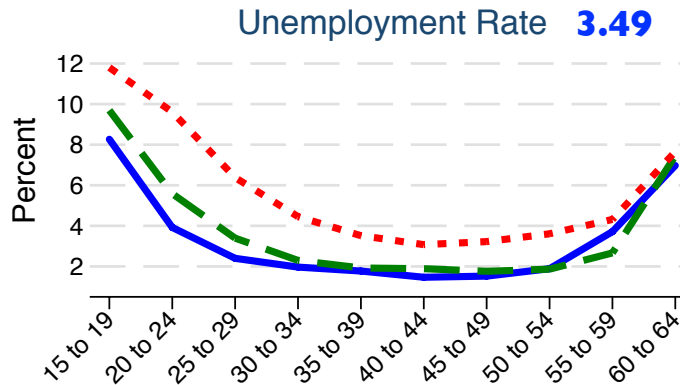
UE

	1980s	2000s	Change
Men	11.81	10.72	-1.115
Women	11.73	13.53	1.772

- The separation rate increased for men and women
- The finding rate change is not significant

Changes in Stocks - by Gender and Age

Men

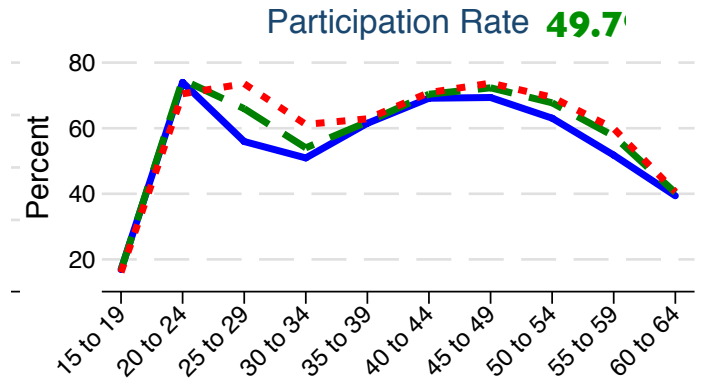
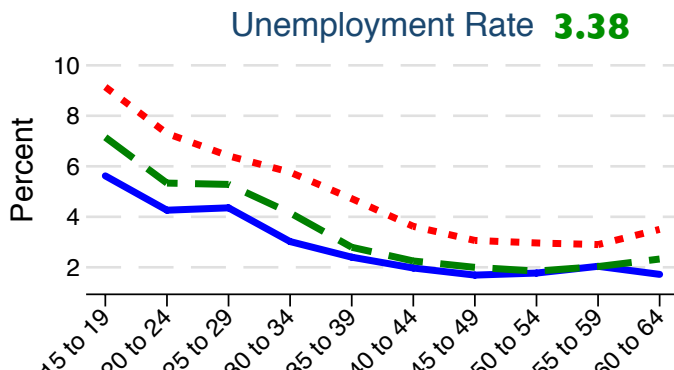


Unemp Rate

Particip. Rate

	<u>Men</u>	<u>Women</u>	<u>Men</u>	<u>Women</u>
15-19	3.041***	3.340***	-1.165**	-0.546
20-24	5.197***	2.858***	-1.697***	-3.194***
25-29	3.486***	1.877***	-2.680***	17.91***
30-34	1.992***	2.566***	-1.400***	10.53***
35-39	1.250**	2.136***	-1.247**	1.664**
40-44	1.115**	1.468***	-1.040**	1.992**
45-49	1.208**	1.189***	-0.896*	4.675***
50-54	1.229**	1.011***	-0.538	6.678***
55-59	0.112	0.678*	1.792***	8.417***
60-64	0.193	1.599***	-1.084**	1.500*
65 +	0.402	0.397	-6.959***	-2.371***

Women



Age and Gender Disaggregation - Summary

- **Young and older** workers have it tougher
 - Higher unemployment and separation rates (U-shaped)
 - Higher finding rate for young workers and low for older workers
- **Unemployment and separation** increased for all age groups
 - More noticeably for younger workers
- **Women** have lower participation rate, but similar unemp. rate
 - Unemp. and part. rate changed for both gender, but more for men
- **Participation** is M shaped for women
 - Participation rate increased for women at childbearing age from 1980s to 2000s

Dissaggregation by Firm/Job Type

- Switch the analysis from charac. of the worker to **charac. of the firm**
- Flows **out of** different types of jobs (EE, EU, EI)
 - What type of firm/job employees are less at risk?
- Flows **out of** different types of jobs (UE, IE)
 - What type of firm/job absorbs more unemployed and inactive workers?

Disagg. by Sector, Firm Size and Job Type

■ By Sector

- Public Sector jobs are the most stable
- Tertiary sector has highest separation and hiring rates
- From 1980s to 2000s
 - Separation rate increased for all sectors
 - Prob. of finding a tertiary sector job increased

■ By Firm Size

- The larger the firm, the more stable the job
- U and I workers move mostly into small and medium-sized firms
- Separation increased for all firm sizes from 1980s to 2000s

■ By Job Type

- Contingent employment is the least stable
- Flows from U and I into contingent employment have increased

Conclusions

- The Lost Decade changed the Japanese labor market.
 - Increase in unemployment and drop of participation
 - Increase in separation rate and decrease in finding rate

- The most affected workers by the Lost Decade were:
 - Young: Increase in unemployment and separation rates
 - Women: Participation behavior.
 - Changes are heterogenous across job types too.