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UNEMPLOYMENT IN JAPAN^{1),2)}

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It is common knowledge throughout the industrial world that Japan's rate of employment has been miraculously low even during the world-wide economic slump following the second oil crisis. In the 1980's the unemployment ratio was in the 2% range. In western countries, including the U. S., it went up over 10%.

Many observers, including Japanese economists, explained the difference by blaming Japan for "exporting" unemployment, so to speak, by unfair economic and industrial policies. They connected unemployment with the great trade imbalance between Japan and the West. Japan exported far more than it imported. This had the effect, it is said, of putting western workers out of work.

What the author intend to demonstrate here are two major points. One deals with the differences between Japan and the West in their statistical methods for measuring unemployment. The other deals with the differences in the cultures and, in particular, the special role played by the Japanese family and its relation to the unemployment question.

On the statistical methodology question one must be aware that there are substantial differences in the way data are collected and calculated. To compare the Japanese figures with American figures is like trying to compare the height of one person with the weight of another. Or, as they would say in America, comparing apples and oranges. To use the same words, "Unemployment ratio" may sound statistically similar when, in fact, they are not the same thing.

But unfortunately regarding unemployment ratios, it is considered that the difference of statistical definition is so great between the U. S. and Japan enough to makes us skeptical in believing above rather popularised under-

1) The author is particularly thankful to Dr. R. Guest (Dartmouth College) for his valuable advice regarding materials and English expression, though the author takes whole responsibility of the article for himself.

2) "Nichibei-shitsugyoritsu-kakusa-no-jisso", which was appeared on "Kezai hyoron" Nov. 1984 written by the same author on the similar subject, has recently been translated into English on the recent issue of an American academic journal "Japan Economic Study". Although contents of two articles overlapps not a little, each of them has been written in quite a different way.

standing. Actually the official definition of unemployment used in Japanese government statistics is tremendously severe one which inevitably leads us to underestimate greatly the reality of Japanese unemployment comparing with other western countries, as I will illustrate later. Although such important fact relating to the difference of definition of unemployment is not so widely known even now, it is becoming a common understanding among some specialists in both countries. But what is very surprising and very strange is that when this important truth was first revealed by several economists of Mitsubishi bank, Japanese government of then, which was actually the government headed by the ex-prime minister Suzuki, criticized against those economists without any scientific proof, just for their telling truth which may upset a little the well-performed image of Japanese economy. But doubtlessly such disguising effort of Japanese government has worked to make their negotiating position more disadvantageous in trade friction issue between the U. S., rather than to contribute them to strengthen their political power in the nation as a whole, since Suzuki should have been taken over by Nakasone at least one for his getting on the deadlock regarding trade friction issue.

Anyhow, what are the main difference of statistical definition of unemployment between the U. S. and Japan, and what are the results of them. It could be explained first following Prof. K. Taira of Univ. of Illinois, who developed the analysis of Mitsubishi economists mentioned above. But before indicating the difference and the results, the similarity of the statistical definition between two countries regarding unemployment should be clarified first. As a matter of fact, in both countries, when they try to calculate unemployment ratio, they first divide whole workable population, which is population of them older than obligatory education end, into two parts; one is work force and the other is non-work force. Similarity of the statistical definition is also found regarding rough division of each of those two categories. Work force is divided into two parts; employed and unemployed, whereas non-work force comprises mainly three sub categories in both; those dealing in domestic matters, students and others. Remarkably important difference, however, is observed with regard to the definition of employed and unemployed. Generally speaking the Japanese are very loose in the way they define who are employed and very strict in their definition of unemployed. This leads to an underestimation of the unemployment ratio when we put the work force as the denominator and the unemployed as numerator.

Professor Taira in the distinguished publication, *Nippon, Keizai Shinbun*,³⁾ in January 12, 1982, took the position that two items should be

³⁾ Taira published another article of similar content on an American bulletin. See "Monthly Labor Review," Nov. 1983.

excluded from the Japanese employment figures if the U. S. and Japanese statistics are to be made comparable. One are family members in a family enterprise who work less than 15 hours per week. Presently the Japanese count them as employed, whereas in America such persons are included in "non-work force" instead of "employed". According to Taira such persons in Japan could also be moved from the work force to the non-work force.

Secondly, in Japan, if someone is laid off temporarily, he or she is not considered as unemployed.

Clearly if the above changes were made, as suggested by Taira, the unemployment ratio would be higher. Still Taira, as well as the author, suggest other items that should be included in making the statistics more comparable. First and most important, the American figures include persons who are out of work and have been seeking a job actively during the past month, whereas in Japan only those who have been looking for a job during the past week are included among the unemployed.

It is now too obvious that those who have been seeking a job during the past month up to a week ago should be added to Japanese unemployment so as to make the U. S. and Japanese statistics comparable. Prof. Taira, however, is modest enough in not including all of them in Japanese unemployment, because he considers that half of these would probably not be going to work immediately upon accepting a job.

Thus, Taira has come up with the following ratios for the years 1977 through 1980, through taking into consideration above adjustment.

TABLE 1.

	1977	1978	1979	1980
Official ratio of Japanese unemployment	2.4	2.6	2.5	2.2
Adjusted ratio of Japanese unemployment	4.8	5.1	4.9	4.3
American ratio of unemployment	7.1	6.1	5.8	7.1

It is easily seen that by using similar statistical standards the ratio for Japanese unemployment is actually doubled. The spread between the U. S. and Japan is greatly diminished. The author have tried to calculate the comparable adjustment figures for the more recent period in the 1980's. Unfortunately the government's questionnaire has been changed slightly, due in part perhaps, to Prof. Taira's criticism of the system. But the author was able to come up with an adjusted ratio of 5.3% unemployment for 1982 instead of the officially reported figure of 2.6%. The American ratio for this period was 9.5% for 1982. Again this shows that the difference between Japanese and American employment was not as great as the pub-

lished figures would indicate.⁴⁾

In Japan, or should we say the Japanese labour market, one must note the fact that there are much larger numbers of people who move between the two major categories; the workforce and the non-work force population as business conditions change. In Japan there are many who shift into the non-work force category in an economic slump even though they, in fact, have previously worked. So they are not counted in the workforce unemployment category. Fortunately we have good statistical data to make some comparisons between the two countries. The author draw upon a report from the Japanese Prime Minister's Office and that of the U. S. Department of Labor. The 1978 data is used to illustrate:

TABLE 2.

	Total Work force A	Unemployed among them a	Total Non-Work force B	(Unit: 10 thousand) Those not seeking jobs actually but hoping to get jobs among them. b
The U. S.	10,042 (100)	604 (6.0)	5,852 (100)	535 (9.1)
female				
Japan	5,424 (100)	141 (2.6)	3,225 (100)	900 (27.9)
female				245

4) Taira's argument has been recently criticised by several Japanese researchers as E. Shiroishi, S. Nagayama or K. Koike, particularly in the respect that Taira neglects in Japanese statistics those persons waiting response from employers regarding their seeking activity before a week ago. For example, Koike says as follows, "The question raised by Prof. Taira has been mostly solved. It is true that statistical definition differs in two countries in some point. For instance, whereas Japanese statistics include only those who have seeked a job during the last one week as unemployed, the U.S. statistics include those who have done it during past 4 weeks, though they are same in defining unemployed as those who are not working but actually seeking a job. But such difference could easily be offset, if we take into consideration that Japanese statistics include those who are waiting response of employers to their seeking activity done before one week ago." (Nippon Keizai Shinbun, May 1, 1984) It may be considered that Taira was a little careless in not arguing about those persons. But the author considers, Koike as well as Shiroishi or Nagayama, should be criticised as being more careless in not confirming that American figures also include those waiting response from employers to their seeking activity done before one month ago.

Actually the U.S. statistics defines unemployment as follows; "Unemployed persons are all civilians who had no employment during the survey week, were available for work, and (1) had made specific efforts to find employment sometime during the prior 4 weeks, or (2) were waiting to be recalled to a job from which they had been laid off, or (3) were waiting to report to a job within 30 days." (Handbook of Labor Statistics. U. S. Dept. of Labor. Bureau of Labor Statistics. Dec. 1980. Bulletin 2070)

It is apparent that the total American labour market is double that of Japan's. After all the U. S. has twice as many in the total population. Here we see that there is no significant difference in the ratio of work force to non-work force (58% for America and 59.4% for Japan). The official unemployment ratio is much greater in the U. S. But, as indicated in Table 2, Japan has twice as many persons who are not seeking jobs but are hoping for employment. Their percentage of the total non-work force is close to 30%. Females occupy a large part of this percentage.

Such a difference in comparisons stems partly from the fact that the figure in column *b* contains some who should be defined as unemployed if we use the American definitions. However, such a large figure which is more than those in column *a* (number of unemployed) can only be explained by factors other than mere statistical treatment. Professor A. Ono of Hitotsubashi University tried to explain this, and, incidentally was awarded the Economic Prize from *Mainichi News*.

Ono pointed out that the figure in column *b* contains a large number of females, which in turn is related to the fact that there are comparatively far more family enterprises and family members, mostly female, working in the small enterprises. Actually Japan has the highest ratio in the world of those working in family enterprises over 30%, whereas in Britain, the U. S., West Germany, and France the figures were 7.8%, 9.7%, 15.8%, and 19.1% respectively.

It is also easily supposed that these workers in family enterprises contains most of wives and daughters of the owners who went into domestic work during the slump and appear again in the work force during the boom period. Put it another way, they are not part of the statistic at one time and part of it at another time.

Prof. Ono put forward the following formula :

$$p_f = \bar{\alpha}_b + \alpha_1 Y + \alpha_2 Y_f + \alpha_3 E + \alpha_4 EU$$

Here p_f stands for the ratio of working female to total adult female. Y stands for real income per capita, Y_f for that of only female, E for the ratio of those working in family enterprises to total working people in each area (in his analysis Japan is being divided into 13 areas), and U for the ratio of supply of labour to demand in each area. Using data in three years, that are 1971, 74, and 77, in 13 localities, he got following results through regression analysis.

$$p_f = 34.983 - 0.521Y + 0.819Y_f + 0.597E - 0.052EU \quad \bar{R}^2 = 0.666$$

(2.74) (2.65) (2.62) (2.93) (2.38)

As given in quotations (), so-called t-value of coefficients are all more than 2. Judging from it and the value of \bar{R}^2 , we can say his way of explanation

is really plausible and useful. For example, from 1974 until 77 there was not a little change of U value, which was actually 0.91 change from 1.13 to 2.04. Putting the change into above formula we can get 1.55% decrease of p_f which is absolutely amount to 670 thousands. This figure, 670 thousands is really close to the actually reported figure of increasing number of female non-work force during that time.

Thus Prof. Ono's explanation concerning the large number of females actually in non-work force is plausible and useful. But one truth does not exclude another truth absolutely. We must look for other factors using other data and another sort of regression analysis.

The 9 million figure contains more than 6 million males according to the table shown earlier (Table 2). It also contains females other than those working in family enterprises. There are many females who work on part time contracts. This phenomenon has been increasing substantially during recent years (There has been an increases in America as well). Also included are older males who have been officially retired under Japan's mandatory retirement system. Thus, we can imagine another sort of floating state from the official work force to the non-work force. Add these to the females in family enterprises and we come up with another regression formula which the author has not worked out fully. But still it can be concluded that it is undeniable that the figure in column b in Japan is far larger than similar figure of the U. S. If we put these groups into column a and add them to column A we get another sort of unemployment ratio... upwards of 16.4% which is strikingly higher than the U. S. figure of 10.7%.

The author has tried to expose what we may now call "concealed unemployment" in Japan. The concealed should be treated similarly to the "revealed." This is more than a subtle distinction because it demolishes the commonly held notion in the West that Japan is enjoying a miraculously low rate of unemployment. We would still hold that the degree of social stability may be greater in Japan than in the U. S. And here we begin to make the transition between above discussion of statistical discrepancies and the Japanese culture. The misery of losing a job is a strong factor resulting in concealed statistics. And incidentally, the unemployment figures do not include many in the younger generation who feel especially desparate when they can not get jobs.

Now let us turn to some further observations about the cultural factors which must be considered in addressing the unemployment question. We have discussed the matter of workers "floating" between the work force world and the non-work force world. And we have pointed out that a significant part of the floating takes place among female workers and officially retired older workers. But we have not explained the underlying reasons

as to why this shift into and out of the non-work force world is culturally acceptable. Only an hypothetical reasoning could be given here. The author does it not as a cultural anthropologist but as a Japanese economist observing the cultural scene and with input from his American friends.

The central issue is the special nature of Japanese family ties. In America, of course, they have family ties. But they also have a strong sense of individual independence. In Japan this sense of individual independence is weak enough to explain why the marginal female or older worker accepts the fact of resigning from a job and simply joining with the family for their support. In effect they depend on the income of other family members to support them. This is wholly acceptable to all parties concerned and with no social stigma attached. They show up in our column *b*. They may be hoping for a job but not seeking it actively.

The U. S. do have people who are living with the family and do not have jobs, but the situation is different. In the first place the American family member may have guilt feelings about "living off the family." There is their American expression of "sponging" on the family. In Japan they accept the phenomenon as simply a fact of life in the culture even though the unemployed family member may hope for a job even if not actively seeking one.

Then there are socio-economic factors. According to a U. S. Department of Labor report more than half of the American families with one or more in the family unemployed had a total income of more than \$19,000. This might not sound high for American but in Japan such earnings put a family very much in the upper middle class category. Such an unemployed member in such a family does not have to actively seek a job even though he may passively hope for one should a job show up.

The exception is among the younger males in all ranks of Japanese society who have graduated from school and cannot find work. This is both psychologically and economically serious for them and they feel a cultural stigma attached even though they know they have the protection of the immediate family. The others, wives, retired fathers, and even younger females passively accept the fact that there are times when they must depend upon the income from others in the family. And the family accepts this as a fact of Japanese life in hard times. It is still not uncommon today to find many older parents living with their sons and daughters who in turn may be running a household with children as well. Americans who have to live under these conditions would not like it. The Japanese do consider such living arrangements not ideal, but they accept it as part of a long cultural tradition. It might be added that there is a severe housing shortage also in Japan. It should also be reminded, that there is not that same

driving sense of independence in Japan which Americans have lived with since the time the country was founded and expanded across the American continent. And with respect to women and this sense of independence, it can only be observed that the women's liberation movement has yet to emerge in Japan on any large scale.

So the real differences between the two countries is not just a matter of re-calibrating the unemployment rate through statistical manipulation. Rather we must also consider the fundamental differences in social structure and accepted cultural behaviour. Then, too, it is a fact that Japan, ethnically speaking, is a very homogeneous society which re-inforces the strength of the cultural characteristics.

Nevertheless, there are differences between those fully employed permanently and those who have had a job and had to leave it. The mainstream of Japanese employment is the so-called guaranteed lifetime employment system among our large corporate employers. Most of these companies hire recent school graduates and do everything they can to keep them employed throughout their work lives. They enjoy a high degree of security. Although not too common there are those persons who leave their employer. It is very difficult for them to be hired again. For such persons the unemployment ratio is far higher than the overall ratio figure for unemployment.

Prof. Taira calculated this special unemployment ratio and compared it with blacks in the U. S. labour market. He found them quite similar. He also calculated it for those who were obliged to retire because of the special qualities of the Japanese obligatory retirement system with the following results:

These figures can be compared with the adjusted rate of unemployment which I showed earlier. They illustrate the point I made above, namely, that although we are homogeneous ethnically there is an element of discrimination in some sectors of the working population.

The final point also relate to another question about Japanese unemployment ratio, which concerns with seriousness of unemployed. As easily supposed, since it becomes harder to find a job once leaving from the mainstream of labour market, the ratio of unemployed for more than 6 months (while those unemployed can enjoy unemployment insurance system in both countries) to total unemployed naturally becomes higher in Japan than in the

TABLE 3.

	1977	1978	1979	1980
Unemployment ratio of those having experience to change employer (in Japan)	14.1	10.3	10.8	8.6 (17.4)*
Unemployment ratio of black Americans	13.1	11.9	11.3	13.1

* Unemployment ratio of those who were obliged to retire (in Japan)

