

Japan's low unemployment: an in-depth analysis

A BLS analysis of Japan's labor force data concludes, in contrast to a private study, that Japanese unemployment rates are only slightly understated relative to U.S. concepts

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Japan's unemployment rates have long been among the lowest in the world. From 1960 through 1974, joblessness in Japan averaged 1.3 percent and never exceeded 1.7 percent, according to the Japanese labor force survey. Among the major industrial countries, only Germany had a better labor market performance. Japan's employment situation worsened after the 1973 world oil crisis and, since 1975, Japanese unemployment has been more than 2 percent, currently 2.6 percent. By contrast, unemployment rates in most Western industrial nations are now 3 to 5 times as high.

These relatively low Japanese unemployment rates, even in times of recession, suggest that the rates may be understated as compared with Western countries because of definitional or conceptual differences. Some recent articles or studies have come to this conclusion.

For example, a thoughtful article by Koji Taira in the July 1983 *Review* presented a timely analysis of Japan's low unemployment rate. Using data from Japan's special March labor force surveys and U.S. definitions of unemployment, Taira adjusted official Japanese rates to approximate U.S. concepts. He concluded that the Japanese jobless rate would be "nearly double the official unemployment rate" if U.S. concepts were used.¹

The BLS does not agree with Taira's conclusion. We argue that he does not give weight to the fact that March is a very unusual month for the Japanese labor market. March is the

end of the fiscal year, when firms there traditionally hire new workers, and the end of the school year, when graduates flood the labor market.

Taira's major adjustment to the Japanese unemployed is the addition of March school graduates who are waiting to start jobs within 30 days. Although he is aware that promises of employment to graduates in Japan are almost never withdrawn, Taira proceeds to abstract from this economic and cultural effect and treat the graduates waiting to start jobs as if they were in the United States where employment offers are nowhere near as firm. Moreover, normally no such large body of persons would be waiting to begin jobs in 30 days; hence, it is more realistic not to count them as part of the unemployed. Taking this and some other more minor differences with Taira into account, we find that Japanese unemployment rates are only slightly understated in relation to U.S. concepts.

Although we challenge Taira's conclusion that Japanese unemployment is considerably understated, we agree that the Japanese labor market is, in many ways, unique. Institutions, attitudes, and economic and social structures are certainly different in Japan than they are in the United States. Indeed, it is in these differences, rather than in statistical methods and definitions, where we find the real reasons for the low unemployment rates in Japan. These differences tend to push Japanese labor slack into underemployment and hidden unemployment. After a detailed analysis of Taira's work, this article presents expanded unemployment rates—incorporating several forms of labor underutilization—which

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draw the Japanese rate somewhat closer to U.S. levels. These expanded rates include several of Taira's adjustments according to what we believe is the more appropriate context.

Current BLS method

Since the early 1960's, the Bureau of Labor Statistics has prepared and published adjusted unemployment rates approximating U.S. concepts for major industrial countries, including Japan.² Table 1 shows the annual figures for 1970-82 as reported by Japan and as adjusted by BLS to approximate U.S. concepts.

The method of adjustment is explained in detail in a 1978 bulletin, *International Comparisons of Unemployment*.³ The bulletin outlines several differences between U.S. and Japanese unemployment concepts, but the Bureau made no adjustments because relevant data were not then available. It noted that Japan's method of computing unemployment "results in a slight understatement of Japanese unemployment under U.S. concepts."⁴

Since that bulletin was published, data from Japan's 1977-1980 special March surveys have become available, making it possible, to some extent, to quantify the differences between Japanese and U.S. unemployment concepts. However, the March survey results have not been incorporated into the BLS adjustment method. There are several reasons for this. First, the data are ambiguous in many respects and, therefore, subject to different interpretations. Second, the fact that they are for an atypical month of the year requires caution in their use. Third, the relevant data are available only for the period 1977 through 1980. Special March surveys were conducted before 1977 and after 1980, but these surveys used somewhat different questionnaires and the information required for adjustments was not collected. And finally, because the BLS analysis of the March surveys for 1977-80 shows that the Japanese unemployment rate is, at most, understated by only 0.1 to 0.4 percentage point, it

was decided that the official Japanese unemployment figures provided a good enough basis for international comparisons. The following tabulation shows the official Japanese unemployment rates as published by Japan and as adjusted by Taira and BLS to approximate U.S. concepts and rates for the United States, March 1977-80, including Armed Forces (the data are not seasonally adjusted):

Year	Official rates	Taira method	BLS method	United States
1977	2.4	4.2	2.8	7.8
1978	2.6	4.7	3.0	6.5
1979	2.5	4.5	2.7	6.0
1980	2.2	3.8	2.3	6.5

Whether the Japanese rate is 2.4 or 2.8 percent, it is still far lower than in most of the other industrial countries.

BLS makes two adjustments in the official Japanese labor force to put it on a U.S. basis: (1) unpaid family workers⁵ who worked fewer than 15 hours (about 500,000) are subtracted because such workers are excluded from the U.S. labor force; and (2) for comparisons of civilian unemployment rates, the National Defense Force (about 240,000) is subtracted from the Japanese labor force. These adjustments have very little effect, raising the official unemployment rate by only 0.1 percentage point in a few years.

U.S. and Japanese surveys compared

Until 1967, the Japanese survey closely paralleled the U.S. Current Population Survey. That year, the CPS was revised so that more specific questions on labor force status were asked, and a 4-week time period was specified for jobseeking activity on the part of unemployed persons.⁶ No such questions have been added to the regular Japanese survey.

In the United States, an enumerator visits a home during the survey week, asks a series of questions, and fills out the survey form. In contrast, the enumerator in Japan visits the sample household prior to the survey week and leaves the survey form for the respondent to complete. At the end of the survey week, the enumerator visits the household again and collects the questionnaire, checking over the entries at that time.

Unemployment. The unemployed in the monthly Japanese survey are defined as all persons 15 years of age or over who did not work at all in the reference week and who were seeking work or awaiting the results of previous employment applications.

The Japanese questionnaire lists the following answers to the question "Was this person engaged in work at all during the survey week?"

1. Engaged mainly in work
2. Engaged partly in work besides attending school
3. Engaged partly in work besides home duties, etc.
4. Had a job but did not work

Year	Official rates	Adjusted rates, based on	
		Total labor force	Civilian labor force
1970	1.1	1.2	1.2
1971	1.2	1.2	1.3
1972	1.4	1.4	1.4
1973	1.3	1.3	1.3
1974	1.4	1.4	1.4
1975	1.9	1.9	1.9
1976	2.0	2.0	2.0
1977	2.0	2.0	2.0
1978	2.2	2.3	2.3
1979	2.1	2.1	2.1
1980	2.0	2.0	2.0
1981	2.2	2.2	2.2
1982	2.4	2.4	2.4

NOTE: Official rates are on a total labor force basis (including Armed Forces).

5. Had no job but seeking one
6. Attending school
7. Engaged in home duties
8. Other

Persons checking response number 5—"had no job but seeking one"—are classified as unemployed. This response is defined in the survey explanatory notes: "Refers to the person who had no job but was actually seeking work by answering advertisements in the newspaper, applying at the Public Employment Security Office, etc. Also refers to the person who is waiting for an answer to an application and is able to take up a job immediately after he finds one."

The Japanese definition of unemployment appears to be more restrictive than the U.S. definition. Excluded from the unemployed in Japan, but included in the United States, are:

- Persons on layoff who were waiting to return to their jobs
- Temporarily ill jobseekers who were not in a condition to begin work immediately
- Persons who were actively seeking work in the past 4 weeks, but who took no active steps in the survey week and were not awaiting the results of a previous job application
- Persons without a job and waiting to report to a new job within 30 days. (In the United States, there is no direct question on this point, but those who volunteer the information that they are waiting to start a new job in 30 days are classified as unemployed).

However, there are persons classified as unemployed in Japan who would be considered "not in the labor force" in the United States. The Japanese definition does not require active workseeking within the past 4 weeks for classification as unemployed. Such active workseeking is required in the U.S. survey, except for persons on layoff who are awaiting recall and persons waiting to begin a new job. Because these latter two groups are not within the Japanese concept of unemployment, all of the reported Japanese unemployed would be subject to the "workseeking in the past 4 weeks" criterion for comparability with U.S. concepts.

Labor force. There are several differences between U.S. and Japanese concepts of the labor force. The Japanese labor force consists of all persons age 15 and over who worked, had a job but did not work, or were seeking work in the reference week. As noted, Japan includes and the United States excludes unpaid family workers who worked less than 15 hours in the survey week. The number of such persons is regularly reported in the Japanese survey. Persons with a paid job but not at work during the survey week are in the U.S. labor force whether or not they receive pay for the time off; in Japan, these workers must have received pay to be considered in the labor force (however, we do not adjust for this because Japanese employees normally receive pay when absent from work).

The Armed Forces are included in the U.S. definition of the labor force, effective beginning in January 1983. The Japanese labor force also includes military personnel. Japan includes and the United States excludes inmates of institutions in the survey universe. However, Japan classifies nearly all inmates as not in the labor force. Again, no adjustment is necessary. A number of unemployed persons officially classified as "not in the labor force"—such as those waiting to start a new job—should also be added to the Japanese labor force for comparability with U.S. concepts. However, some of the officially unemployed should be subtracted. The special March surveys provide these data.

The special March surveys

To supplement the regular monthly labor force survey, the Japanese conduct special surveys each March which probe deeper into the labor force status of the population than do the regular monthly surveys. These special surveys provide much greater detail concerning the conditions of unemployment and underemployment, reasons for unemployment, jobseeking activities, and time of last job search. Employed persons are questioned on their desire to change jobs, and short-time workers are asked about their desire for more work. The special surveys also delve into the job desires of persons classified as "not in the labor force."

Reference periods and definitions are identical in both the special surveys and the regular surveys. Both are self-enumerations. The sample size of the March surveys was half that of the regular surveys until 1980 when the size was increased to about seven-eighths that of the regular survey. The surveys refer to the week ending March 31.

Results of the special surveys for 1977 through 1980 can be used to analyze the magnitude of the differences between U.S. and Japanese unemployment concepts. However, the results do not allow for a complete and unambiguous adjustment of Japanese unemployment to U.S. concepts.

March: a most unusual month. March is a time of extensive churning in an ordinarily calm labor market. The Japanese fiscal year begins on April 1. New hiring of permanent staff by Japanese firms traditionally occurs in the month or two prior to the beginning of the fiscal year, to be effective April 1.⁷ In addition, graduation from junior and senior high schools and colleges occurs in the late February to early March period. The new school graduates receive and accept job offers several months before leaving school.⁸ This practice of job prearrangement is one of the reasons Japan maintains very low levels of youth unemployment compared with other countries where youth often do not prearrange their job before leaving school (when they would not be classified as unemployed because they are not currently available for work). With graduation generally occurring in early March, there is a period of a few weeks when the school graduates are waiting to begin their new jobs. This explains why the March surveys report a very large number of persons waiting

to begin new jobs—they are mainly new school graduates. The March figures also include other persons who have been hired to report at the beginning of the fiscal year. In no other month but March would a similar situation occur.

Labor turnover data by month for 1977 through 1980 show that both accessions and separations are at yearly highs in April—the accession rate is more than 3 times as high as the annual average; the separation rate is nearly twice as high. (See table 2.) Clearly, April is the month in which labor turnover peaks and March is the month when the number of persons waiting to begin a new job is the highest.

Also, Japanese monthly unemployment rates for 1977 through 1980 show March as the high month for unemployment. (See table 3.) Seasonal adjustment lowers the March figures by 0.3 to 0.4 percentage point—a larger seasonal adjustment than for any other month.

Because of the extensive hiring which occurs in March, the special surveys most likely record larger than usual numbers of persons who are classified as “not in the labor force” but who tested the job market that month. These persons report in the March surveys that they had looked for work earlier in the month, although not in the survey week (the week ending March 31), and that they are available for work. Many of them become discouraged and give up jobseeking by the time of the survey week. Because they sought work during the month and were available for work, they would be classified as unemployed under U.S. concepts. However, their numbers are probably at a seasonal high in March. They are attracted into the labor force by the prospect of hiring for the beginning of the fiscal year. In other months, when hiring falls to more normal levels, the number of such jobseekers would also fall.

Table 2. Labor turnover in Japan by month, annual averages, 1977–80

(Per 100 employees)

Month	1977		1978		1979		1980	
	Accessions	Separations	Accessions	Separations	Accessions	Separations	Accessions	Separations
January	1.0	1.8	1.0	1.7	.9	1.6	.9	1.7
February	1.2	1.5	1.1	1.5	1.0	1.4	1.3	1.4
March	1.9	1.8	1.7	1.8	1.7	1.7	1.8	1.8
April	5.4	3.0	5.1	3.0	5.1	2.8	5.7	3.1
May	1.4	1.7	1.3	1.7	1.6	1.7	1.5	1.7
June	1.2	1.4	1.1	1.3	1.3	1.4	1.2	1.3
July	1.1	1.4	1.1	1.3	1.2	1.4	1.2	1.3
August	1.0	1.5	.9	1.3	1.1	1.5	1.1	1.4
September	1.2	1.5	1.1	1.4	1.3	1.4	1.2	1.4
October	1.3	1.5	1.2	1.4	1.4	1.5	1.3	1.4
November	1.1	1.2	1.1	1.1	1.3	1.1	1.2	1.1
December	.9	1.3	.9	1.1	.9	1.2	.9	1.3
Annual average	1.6	1.6	1.5	1.6	1.6	1.6	1.6	1.6
April as percent of annual average	338	188	340	188	319	175	356	194

NOTE: Data are for establishments with 30 employees or more in the industrial and service sectors.

SOURCE: Japanese Ministry of Labour, *Yearbook of Labour Statistics*, 1977 through 1980 editions.

Table 3. Original and seasonally adjusted unemployment rates in Japan, annual averages, 1977–80

(In percent)

Month	1977		1978		1979		1980	
	Original	Seasonally adjusted	Original	Seasonally adjusted	Original	Seasonally adjusted	Original	Seasonally adjusted
January	2.2	1.9	2.4	2.1	2.3	2.1	2.1	1.9
February	2.3	2.0	2.5	2.2	2.2	2.0	2.0	1.9
March	2.4	2.0	2.6	2.2	2.5	2.1	2.2	1.9
April	1.9	1.9	2.2	2.2	2.2	2.2	2.1	2.0
May	2.0	2.1	2.2	2.3	2.0	2.0	1.9	2.0
June	2.0	2.1	2.2	2.3	1.9	2.1	1.8	2.0
July	1.9	2.1	2.1	2.2	2.0	2.2	1.9	2.1
August	1.9	2.0	2.2	2.3	2.1	2.1	2.0	2.1
September	1.9	2.0	2.2	2.4	1.9	2.0	1.9	2.0
October	1.8	1.9	2.1	2.2	2.0	2.1	2.0	2.1
November	1.9	2.0	2.1	2.2	2.0	2.1	2.1	2.2
December	2.1	2.1	2.1	2.2	1.9	2.0	2.1	2.2
Annual average	2.0	—	2.2	—	2.1	—	2.0	—

SOURCE: Prime Minister's Office, Statistics Bureau, *Annual Report on the Labour Force Survey*, 1980, p. 189.

It is difficult to draw conclusions from Japanese labor force data which are available only for March. (Unfortunately, the special surveys have not been conducted at any other time of the year.)⁹ Only inferences can be made about what the March special surveys would show in a more typical month or on an annual average basis. In the following section, BLS takes into account the timing of the special surveys and makes some estimates which put the results on a more typical basis. In several instances, however, results are presented as “upper limits” because relevant data are not available on a typical basis.

Adjustment to U.S. concepts

The BLS method of adjusting the special March surveys to U.S. concepts is compared with the Taira method in table 4. There are four adjustments with regard to Japanese unemployment. The first, “inactive jobseekers” (Taira calls them “non-unemployed”), are subtracted from the Japanese unemployed count by both BLS and Taira, but the BLS adjustment is larger. The second and third, “jobseekers not in the labor force” (termed “job search in March and currently available for work” by Taira) and “persons waiting to begin new jobs,” are added to the unemployed under both methods, but the BLS adjustments are smaller. The fourth adjustment, persons on temporary layoff (termed “layoffs, employed but closed down” by Taira) are added to the Japanese unemployed by Taira but not by BLS.

Both the BLS and Taira adjustments are presented on a “total labor force” basis which includes the Armed Forces. (The adjusted rates on a civilian basis are virtually the same as the rates using the total labor force concept because the Japanese National Defense Force is relatively small.)

Both BLS and Taira exclude unpaid family workers who worked less than 15 hours. However, the figures differ somewhat because BLS's figures are based on “actual sta-

tus," while Taira's are based on "usual status." The "actual status" figures were used because they conform to the U.S. concept of employment. Furthermore, they are generally closer to the annual average number of unpaid family workers working less than 15 hours than the "usual status" figures. The size of the labor force is also affected by how many persons "not in the labor force" are reclassified as unemployed and how many unemployed are reclassified as "not in the labor force." (See table 4.)

Inactive jobseekers. These are persons who are reported as unemployed in Japan but who did not actively seek work during the month.

In the March special surveys, unemployed persons in Japan were asked the following question: "When did you last request or apply?" Accompanying this question are the instructions "include inquiring or demanding the result." There are three possible responses: (1) within this week; (2) in March; and (3) February or earlier. Thus, it is possible to determine the number of persons reported as unemployed in March whose last active search for work was prior to that month. There are a large number of such persons, amounting to more than 40 percent of the reported number of unemployed each March.

The explanation for the large number of inactive workseekers in Japan is that the survey questionnaire contains the instruction that unemployed persons may include those

awaiting answers to applications for employment. Thus, persons who made their last request or application for work over 1 month ago but are still awaiting the answer (and did not inquire about it) may count themselves as unemployed.

According to the March special surveys, nearly 30 percent of the "inactive workseekers" listed their major job search method as applying to the Public Employment Service. Another 30 percent applied to employers or made requests with schools or acquaintances. Taira and BLS agree that these two groups—accounting for 60 percent of the "inactive jobseekers"—should be excluded from the Japanese unemployment count on the grounds that they did not take active steps to find work in March. However, Taira does not exclude the remaining persons who responded that their main search method was to (1) study want ads or consult with acquaintances; (2) prepare to start a business; or (3) other.

BLS disagrees with Taira's inclusion of these remaining groups in the unemployed. These persons neither took an active step to find work nor checked on any previous applications during the month. U.S. concepts require *specific* jobseeking activity within the past 4 weeks. Studying want ads in the newspaper is not sufficient; the actual placement or answering of an ad is required to be counted as unemployed. Checking with friends or relatives is considered as active jobseeking in the U.S. survey if such checking was done in the past 4 weeks. Those Japanese who "consulted with acquaintances" should also be held to the "past 4

Table 4. Adjustments of Japanese unemployment and labor force data to approximate U.S. concepts, March 1977-80

(Numbers in thousands)

Category	1977		1978		1979		1980	
	Taira	BLS	Taira	BLS	Taira	BLS	Taira	BLS
Reported unemployed	1,270	1,270	1,410	1,410	1,350	1,350	1,240	1,240
Less inactive jobseekers ¹	330	520	420	640	370	600	310	540
Plus jobseekers not in labor force who intended to start work immediately ²	510	510	560	560	490	490	430	430
Less those not available due to housework or school	—	50	—	60	—	70	—	80
Plus persons waiting to begin a new job within 1 month	740	740	880	880	880	880	740	740
Less new school graduates	—	³ 440	—	520	—	560	—	550
Adjusted unemployed I	—	1,510	—	1,630	—	1,490	2,100	1,240
Plus layoffs ⁴	100	100	140	140	140	140	(⁵)	(⁵)
Adjusted unemployed II	2,290	1,610	2,570	1,770	2,490	1,630	(⁵)	(⁵)
Reported labor force	53,430	53,430	54,240	54,240	54,770	54,770	55,370	55,370
Less family workers working less than 15 hours ⁵	400	510	580	480	490	480	760	570
Less inactive jobseekers	330	520	420	640	370	600	310	540
Plus unemployed classified "not in labor force" ⁷	1,250	760	1,440	860	1,370	740	1,170	540
Adjusted labor force	53,950	53,160	54,680	53,980	55,280	54,430	55,470	54,800
Unemployment rates:								
Reported	2.4	2.4	2.6	2.6	2.5	2.5	2.2	2.2
Adjustment I	—	2.8	—	3.0	—	2.7	3.79	2.3
Adjustment II (including layoffs)	4.24	3.0	4.70	3.3	4.50	3.0	(⁵)	(⁵)

¹Taira terms them "non-unemployed."

²Or "jobsearch in March and currently available."

³Estimated by BLS based on March 1978 proportions.

⁴Or "layoffs, employed but closed down."

⁵Not available.

⁶Taira's data are "usual status;" BLS's data are "actual status."

⁷Sum of jobseekers not in labor force and persons waiting to begin a new job (BLS figures are net).

NOTE: Dashes indicate no adjustment.

SOURCE: Professor Taira's data appeared in Koji Taira, "Japan's low unemployment: economic miracle or statistical artifact?", *Monthly Labor Review*, July 1983, p. 6.

weeks" test.

Thus, the BLS adjustment to exclude "inactive work-seekers" is higher than Taira's: 540,000 in March 1980, compared with Taira's 310,000.

Jobseekers not in the labor force. These are persons reported as "not in the labor force" who after further questioning reveal that they have sought work in the past 4 weeks and intend to begin work immediately. The BLS adjustment for these jobseekers is smaller than Taira's because BLS excludes persons who said they intended to begin work immediately but who were not available during the survey week because of housekeeping or school.

In the March special surveys, persons not in the labor force are asked the following probing questions:

- a. Do you wish to do any work? (Question 8)
- b. Do you intend to take up a job immediately if you find one? (Question 8a)
- c. Why are you not now seeking a job despite your intention of taking up one? (Question 8b)
- d. Have you been to the Public Employment Security Office, applied to other organizations, or consulted with acquaintances for a job this month? (Question 8c)

Responses to these questions show that a substantial number of persons classified as "not in the labor force" were actively seeking work during the month and currently available for work. The reason for this is the wording of the survey questionnaire. Persons who regard themselves as mainly keeping house, going to school, or retired may check such responses rather than "seeking a job," even though they have also actively looked for work. This possibility is even more likely if the workseeking occurred earlier in the month rather than in the survey week, because the original question specifies "the survey week."

This entire section of the special survey is ambiguous. The ambiguities involve subtleties of translation as well as interpretation by respondents. Among those who said they "intend to take up a job immediately" in answer to item *b* are a number who respond that they are "unable to take up a job due to housekeeping or school" in answer to item *c*. The apparent explanation is that these persons would like to take up a job even though they cannot do so in the survey week.¹⁰

For an adjustment to U.S. concepts, it appears that some persons classified as "not in the labor force" should be added to the Japanese unemployment count. Taira adds all of those who said they looked for work in the month and intended to take it up immediately. At the least, BLS believes that those who were "unable to take up a job due to housework or school" should be subtracted from this adjustment because they were not currently available during the survey week. Hence, BLS's adjustment for this category is lower than Taira's, but even this reduced figure may be overstated. Because March is the traditional hiring period for Japanese

firms, it is likely that a number of persons tested the job market in March and withdrew the following month after they found that there was no work available "near home" or "meeting their ability," and so forth. Thus, although these people were unemployed under U.S. concepts in March, they are probably not representative of the average number of such persons over the course of the year. Some further downward adjustment seems warranted, but none is made in table 4 because of the lack of relevant data.

Persons waiting to begin a new job. These are persons classified as "not in the labor force" who, after further questioning, say they expect to start work within 1 month. Taira adds all of these persons to the unemployed; BLS adds only a portion of them, adjusting for the overstatement which results from the end of Japan's school year.

Under Taira's adjustment, the number of persons waiting to begin a new job accounts for 35 percent of his adjusted unemployed. In relation to results for other countries, this proportion is unusually high. In the United States, Canada, and France such persons make up only about 2 to 5 percent of the unemployed.¹¹

In the U.S. survey, persons waiting to begin a new job within 30 days are classified as unemployed if they are available to begin work immediately. The reasoning behind this is that, in many cases, the anticipated job does not materialize, and the waiting period actually represents the beginning or continuation of a period of unemployment.

In the regular Japanese monthly survey, no mention is made of the labor force classification of persons waiting to begin a new job. They are most likely enumerated as not in the labor force.

The special surveys elicit information on such persons in the question "Do you wish to do any work?" which is asked of all persons classified as not in the labor force. The possible responses to this question are as follows:

- Yes, if there is any
- Yes, if conditions are favorable
- A job is already available
 - to start within one month:
 - after graduation in March
 - other
 - to start after one month

The March surveys record a substantial number of persons who respond that a job was available within 1 month. The great majority are young persons who check "after graduation in March." There is nothing in the survey to indicate that these school graduates wanted to begin work or were even available to begin work earlier than April 1. In general, new graduates are not interested in beginning work any sooner than April 1. They generally travel during their last school vacation. Although graduation ceremonies are over, they are formally registered as students at school until March 31. Moreover, it is highly unlikely that there would be any

of these school graduates in the "waiting to start a new job" category during any other month of the year.

The U.S. rationale for counting such persons as unemployed seems inapplicable to Japan, where, as Taira points out, job promises to school graduates are very firm, and cancellation of such promises is rare. Data on placement activities by Japanese employment offices indicate that in March 1977 through March 1980, there were virtually two job openings for every school-leaver applicant, and more than 99 percent of them were placed in jobs.¹²

Thus, it appears reasonable to omit the school graduates from the upward adjustment of the unemployed for three reasons: (1) they are probably not available for work prior to April 1; (2) they would not be included in the count in any month but March; and (3) there is hardly any chance that the jobs they are waiting to start will disappear.

Of the 740,000 persons "waiting to begin a new job within 1 month" in March 1980, 550,000 were school graduates. BLS has omitted the school graduates from the upward adjustment of Japanese unemployment. This leaves 190,000 persons who were not school leavers in March who were also waiting to begin new jobs. Such persons are probably slightly more open to the risk of their prospective jobs being canceled, although the risk would still be rather low. If included in the Japanese adjusted unemployed, they make up 15 to 20 percent of the total. As mentioned previously, such persons typically account for only 2 percent of U.S. unemployment.

The number of nonschool-leavers who are waiting to begin a new job in March is most likely inflated in terms of an annual average because April is the traditional hiring month in Japan. BLS includes all of them in the adjustment shown in table 4, with the reservation that they represent an upper limit for this adjustment.

Persons on layoff. Taira makes an adjustment to include persons on layoff in the Japanese unemployment count on the grounds that such persons are included in the U.S. concept of unemployment. Persons without work and awaiting recall to their former jobs are included in the U.S. unemployed, whether or not they were actively seeking work. However, the two countries' concepts and practices of "layoff" are so different that BLS believes no adjustment is warranted.¹³ The reason for this is the overriding difference in job attachment. Persons awaiting recall are appropriately counted as unemployed in the United States because they are "jobless"—they are no longer on the firm's payroll, many are actively seeking work, and most are collecting unemployment benefits. By contrast, in Japan persons on layoff have work contracts or otherwise strong informal commitments from their employers and continue to receive their pay (partly subsidized through government payments to the firm), they do not seek other work, and they answer surveys to the effect that they have a job.

The BLS exclusion of persons on layoff from the Japanese

unemployed is in accord with the recommendations of the International Labour Organization's 1982 Conference of Labour Statisticians.¹⁴ In its revised standard definitions of employment and unemployment, the ILO takes into consideration the question of formal job attachment. Under the ILO standards, persons on temporary layoff are classified as employed if they have a formal job attachment (as determined by receipt of wages or salary or other factors). Persons on layoff with no formal job attachment are classified as unemployed.

BLS recognizes that persons on layoff represent a form of labor underutilization in all countries, whether they are classified as employed or unemployed. To enhance international comparisons of how labor markets are functioning, it would be desirable to measure and compare total labor slack—that is, unemployment, workers on layoff, workers on part time for economic reasons, and discouraged workers.

The special labor force surveys for March 1977 through March 1979 provide data on the number of Japanese classified as "employed, with a job but not at work" who were on temporary layoff. The category was dropped from the special surveys in 1980 on the grounds that it was inapplicable to the Japanese situation. Taira adds the persons on layoff to the Japanese unemployed count. Although BLS believes they should not be added, an alternative adjustment (II) is constructed in table 4 which includes these persons in the unemployed.

The outcome. The BLS adjusted rates are considerably lower than Taira's rates.¹⁵ The largest adjustments are for 1977 and 1978, when the published Japanese jobless rates are increased by 0.4 percentage point by BLS. In 1979, the increase is 0.2 and in 1980, 0.1. It should be emphasized that these include "upper limit" adjustments in two cases—persons waiting to begin a new job and jobseekers "not in the labor force." Inclusion of persons on layoff raises the Japanese rate by another 0.2 to 0.3 percentage point.

The BLS estimates are considerably below the levels estimated by Taira even if persons on layoff are included. This is mainly because BLS has made adjustments to put the March surveys on a more typical basis by excluding the new school graduates who were waiting to take up their jobs. Taira's method has the effect of using the March surveys as representative of the Japanese labor market over the course of the year. Such an approach would be similar to using unadjusted data from a seasonally high unemployment month for the United States—such as June when students flood the labor market—and presenting them as our typical labor market situation for comparison with average annual activities in other countries.

Unemployment rate double for women

Although the overall Japanese unemployment rate is changed only slightly in our view when the March survey

data are adjusted to U.S. concepts, there is a marked difference in the adjusted unemployment rates for men and women. The conventional Japanese data by sex show virtually no difference between the unemployment rates for men and women. According to the BLS method, the male-female differential is about the same as that obtained by Taira: the female rates are about double the male rates. The following tabulation shows unemployment rates for men and women, March 1977-80 (based on the civilian labor force, excluding layoffs):

Period	As published		Approximating U.S. concepts	
	Men	Women	Men	Women
1977	2.4	2.3	2.0	4.3
1978	2.7	2.4	2.2	4.3
1979	2.5	2.4	1.9	4.1
1980	2.2	2.3	1.7	3.3

Thus, the Japanese situation appears more like Western countries where women usually have higher unemployment rates than men.

The reason for the wide male-female differential for Japan after the adjustment is made is that women account for the great majority of jobseekers classified as not in the labor force, while men account for most of the reported unemployed who did not actively seek work in the month of the survey.

Why is Japanese unemployment low?

Japanese unemployment rates are very low whether U.S. or Japanese concepts are used. The low Japanese jobless rates reflect, in part, the fundamental differences between the Japanese economic system and culture and those of the industrialized Western nations. Difference in labor force mix are also significant.

Lifetime employment system. Under Japan's "lifetime employment system," regular, full-time workers (mostly men) are shielded from unemployment. During periods of economic difficulties, companies refrain as much as possible from laying off or dismissing their regular workers. For example, during the 1974-75 recession and the slow-growth years of the 1980's, hundreds of thousands of unneeded workers were kept on company payrolls, with subsidies provided by the government. These workers were often moved into jobs in different plants within the same firm or even lent to other firms.¹⁶

Japanese corporations, labor, and the government cooperate to an unusual degree. This cooperation is partly attributable to the broad social role assumed by Japanese corporations which provide a wide range of social services, including housing or financial help with mortgage payments, recreational facilities, and even wedding halls in which employees are married. Labor often accedes to wage and other

Table 5. Expanded unemployment measures for the United States and Japan, 1980

(Numbers in thousands)

Category	United States (1980)	Japan (March 1980)
Unemployed		
Total, U.S. standard definition	7,637	1,240
Full-time jobseekers	6,269	1,740
Part-time jobseekers	1,369	1,500
Half	685	250
Part-time for economic reasons	4,321	1,920
Reduced hours	4,321	21,790
Half	2,161	900
Zero hours	(³)	4130
U-6 numerator ⁵	9,115	2,020
Plus discouraged workers	994	1,100
U-7 numerator	10,109	3,120
Civilian labor force		
Total, U.S. standard definition	106,940	54,560
Full-time labor force	91,296	46,740
Part-time labor force	15,644	7,820
Half	7,822	3,910
U-6 denominator ⁶	99,118	50,650
U-7 denominator ⁷	100,112	51,750
Unemployment rates (percent)		
U-5: U.S. standard definition	7.1	2.3
U-6: Total full-time jobseekers plus ½ part-time jobseekers plus ½ total on part-time for economic reasons ⁸ as a percent of the civilian labor force less ½ of the part-time labor force	9.2	4.0
U-7: U-6 plus discouraged workers in numerator and denominator	10.1	6.0

¹Breakdown into full-time and part-time jobseekers partially estimated.

²Includes reported number of persons usually working part time who want more work (1,530,000) plus estimated number of persons usually working full-time who were on reduced (but not zero) hours (260,000).

³Included in U.S. standard definition.

⁴Not reported in March 1980 survey. Figure shown is estimated based on March 1979 proportion.

⁵All full-time jobseekers plus one-half part-time jobseekers plus one-half on reduced hours for economic reasons plus all on zero hours for economic reasons.

⁶Civilian labor force less one-half the part-time labor force.

⁷U-6 denominator plus discouraged workers.

⁸Japanese workers on "zero hours" are given full weight.

concessions during economic difficulties. In this social context, the Japanese responses to recession can be understood.

Nonregular workers. But what happens to employees who are not regular workers? There is a large segment of part-time, temporary, and seasonal workers—mostly women and "retired" older workers—who tend to bear the brunt of downturns because they do not come under "lifetime employment." These workers provide a degree of flexibility for Japanese firms, allowing them to accord more permanent status to their regular employees. As Taira points out, these "nonregular" workers tend to bypass unemployment status, moving from employment to "not in the labor force" when the economy slackens, and then back to employment when the economy improves. While they are out of the labor force, they are usually supported by their families. However, many do show up as unemployed—the jobseekers not in the labor force in the more probing March survey.

There is indirect evidence of this "hidden" type of em-

ployment in Japan's labor force data. For example, participation rates for women fell off sharply in 1974-75, but their unemployment rates rose only slightly. In the more recent slow growth period, however, female participation stabilized and even moved upward, as women joined the labor force to supplement family income (among other reasons).¹⁷ This was more in line with the U.S. situation, where women continue to flow into the labor market during recessions.

Labor force mix. Besides the social and cultural factors, other elements in Japan promote low unemployment rates *vis-a-vis* the United States. For instance, the higher proportion of workers in the agricultural sector in Japan means that a larger segment of the Japanese labor force is practically immune to unemployment. Agricultural workers may be underemployed but they are not as subject to unemployment as are industrial workers because they usually spend some hours at work each week. Also, the higher share of self-employed and unpaid family workers in the Japanese labor force has a similar effect. Furthermore, the share of youth in the labor force is much smaller in Japan than in the United States. (In all developed countries, including Japan, youth under the age of 25 have higher unemployment rates than adults.) Moreover, young workers in the United States tend to change jobs much more often than their Japanese counterparts, further increasing the unemployment differential between the two countries.

An expanded unemployment concept

International comparisons of conventionally defined unemployment rates should be understood for what they measure—they compare the proportion of the labor force in each country which is without work, available for work, and actively seeking work. As such, they measure an important part of labor market health. But they do not show the entire picture.

Is the efficiency of the Japanese labor market really 3 to 5 times better than that of the Western nations? A strict comparison of unemployment rates would arrive at that misleading conclusion. However, we have noted that a substantial part of Japan's labor underutilization falls into the realm of underemployment (workers on reduced hours, "temporary layoffs") and discouragement, or labor force withdrawal. These forms of labor slack do not show up in the conventional unemployment rate.

A useful international comparison to supplement comparisons of conventionally defined unemployment could be made if the unemployment concept were expanded to encompass these other types of labor underutilization. In the United States, such measures exist within the unemployment measures designated U-1 to U-7.¹⁸ These monthly measures include the official unemployment rate U-5. While U-1 to U-4 represent narrower measures of unemployment, U-6 and U-7 represent expanded concepts. U-6 incorporates persons

on part-time schedules for economic reasons and U-7 brings in discouraged workers as well.

Table 5 shows a comparison of U-6 and U-7 for the United States and Japan. Data from the March 1980 special survey are used for Japan; annual 1980 data are shown for the United States. The Japanese figures should be viewed as only approximate indicators of U-6 and U-7 because they are partly estimated. One problem is that the March survey does not give a comprehensive count of persons on part time for economic reasons. The survey reports that of all persons usually working fewer than 35 hours, 1.53 million wished to work more hours. This is a good indicator of the number of persons on part time for economic reasons who usually work part time. However, the number of persons usually working full time who were on part time for economic reasons is not fully available. The number on "zero hours," or with no work at all during the week is reported in the March 1977 through 1979 surveys, but not in the March 1980 survey. We can estimate the March 1980 figure at 130,000, based on the March 1979 proportion. There must be a considerable number of other normally full-time workers on reduced hours, but they are not enumerated in the survey. For purposes of this comparison, we have doubled the number on "zero hours," to 260,000 persons.¹⁹

In the March 1980 survey, respondents not in the labor force who desired work and were available, but who did not look for work during the month, were asked why they were not seeking jobs now. Those responding "not likely to find work" are close to the U.S. concept of discouraged workers. Also within this concept are the "inactive job-seekers" who were excluded from the Japanese unemployed under U.S. concepts. This group has been added to U-7.

A comparison of the U-6 and U-7 rates in relation to the conventionally defined rates shows that the Japanese "expanded concept" rates are increased to a greater degree than the U.S. U-6 and U-7 rates. In other words, there is a convergence in the "unemployment rates" for the two countries when the definition is broadened. Under the conventional definition, the U.S. rate is triple the Japanese rate. Expanding the concept to U-6, the U.S. rate is around 2.3 times the Japanese rate. Defining unemployment even more broadly to encompass discouraged workers (U-7), the U.S. rate falls to 1.7 times the Japanese rate similarly defined.

Miracle or artifact?

The answer to Taira's question—is Japan's low unemployment an economic miracle or a statistical artifact?—is that it is neither. Although the Japanese definition of unemployment is somewhat more restrictive than the U.S. definition, the regular monthly survey gives a close approximation of the rate of unemployment under U.S. concepts. Since the monthly survey understates some groups and overstates others, the differences tend to cancel out, with a slight upward adjustment remaining. However, the Japanese labor force survey is misleading when it comes to

measuring women's unemployment. Based on the March surveys, there is a wide differential between men's and women's unemployment which is not apparent from the regular monthly survey. But Japanese unemployment rates are still extremely low by Western standards, both for men and for women.

Then, are these low Japanese rates an economic miracle? The answer here is also "no." Jobless rates must be un-

derstood for what they are—only partial measures of total labor slack. Expanding the unemployment concept to include other elements of labor slack—economic part-time and discouraged workers—draws the Japanese rate closer to U.S. levels. The explanations for the remaining differential lie in such differences as the composition of the labor force, levels of frictional unemployment, and economic growth rates. □

—FOOTNOTES—

¹ Koji Taira, "Japan's low unemployment: economic miracle or statistical artifact?" *Monthly Labor Review*, July 1983, pp. 3–10. See also Henry Scott Stokes, "Jobless Rate Reaches a High for Japan," *New York Times*, March 9, 1983, p. D-9; Jon Woronoff, "There is Unemployment in Japan," *The Oriental Economist*, November 1981, pp. 40–43. See also Woronoff's book *Japan's Wasted Workers* (Totowa, N.J., Allenheld, Os-
mun and Co., 1983).

² For example, see Joyanna Moy, "Recent labor market developments in the U.S. and 9 other countries," *Monthly Labor Review*, January 1984, pp. 44–51.

³ *International Comparisons of Unemployment*, Bulletin 1979 (Bureau of Labor Statistics, 1978), pp. 80–85.

⁴ *International Comparisons of Unemployment*, p. 85.

⁵ In the Japanese survey definition of "family workers," the term "unpaid" was dropped in 1981. Now "family workers" are defined as "persons who work in an unincorporated enterprise operated by a member of the family." Because of Japanese tax laws which allow a family business or farm more favorable tax treatment if they report wages or salaries of family workers, most are reported as "paid" for tax purposes. However, Japanese statisticians believe that there is no significant difference between paid and unpaid family workers and no such distinction is made in the survey statistics. The tax deductions do not necessarily mean that compensation was in fact paid.

⁶ See Robert L. Stein, "New Definitions for Employment and Unemployment," *Employment and Earnings*, February 1967, pp. 3–13.

⁷ Based on a communication with the U.S. Embassy in Tokyo, February 1979.

⁸ *Youth Unemployment: An International Perspective*, Bulletin 2098 (Bureau of Labor Statistics, September 1981), p. 24.

⁹ Employment Status Surveys are conducted every 2 or 3 years in October, but they are not helpful here in that they show "usual status" rather than "actual status" and they obtain no information on persons without a job and desiring work.

¹⁰ Based on consultations with Japanese statisticians, the analysis of the U.S. Embassy in Tokyo concluded that the whole series of questions noted as items "a" through "d" in the text, suffers from some ambiguity with respect to the words "wish" and "intend." "Intent" is perceived within the overall context of a wish. Thus, if conditions consistent with a person's wish arise (as to time, place, type of employment, and so forth), he or she could respond "I intend to take up a job immediately if I can find the appropriate job; since I don't see anything consistent with my wish, I am now not seeking a job in spite of my intention."

¹¹ There is no direct question on waiting to begin a new job in 30 days in the U.S. survey. This information must be volunteered by the respon-

dent, which could result in some undercount of the number of persons in this category. Canada instituted a question on this point in 1976 and found the number of persons reporting that they were waiting to start a new job increased to about 5 percent of the unemployed, from around 2 percent previously.

¹² Japanese Ministry of Labour, *Yearbook of Labour Statistics*, 1977 through 1980 editions.

¹³ In an earlier article, BLS described in detail the international differences in the treatment of layoffs. See Joyanna Moy and Constance Sorrentino, "Unemployment, labor force trends, and layoff practices in 10 countries," *Monthly Labor Review*, December 1981, pp. 8–11.

¹⁴ International Labour Organization, Thirteenth International Conference of Labour Statisticians, *Report of the Conference*, Geneva, 18–29 October 1982.

¹⁵ In a recent article, Eiji Shiraishi of the Japanese Ministry of Labor analyzed Japanese unemployment rates on a U.S. concepts basis, using the special March surveys of 1978 and 1980. He adjusted Japanese unemployment rates to U.S. concepts, arriving at 3.1 percent in March 1978 and 2.4 percent in March 1980. Both of these figures were just 0.1 percentage point above the figures obtained in the foregoing BLS analysis. Like BLS, Shiraishi did not make an adjustment for layoffs because "there is no such practice in Japan." He also was in accord with the BLS exclusion of new school graduates from the adjustment for persons waiting to begin a new job. See Eiji Shiraishi, "International Comparison of Unemployment Concepts," *Monthly Labour Statistics and Research Bulletin*, March 1982, pp. 13–20. (English translation available from BLS).

¹⁶ For examples of Japanese employment practices see Haruo Shimada, *The Japanese Employment System*, Japanese Industrial Relations Series 6 (Tokyo, the Japan Institute of Labour, 1980); T. Shirai and others, *Contemporary Industrial Relations In Japan*, Japanese Industrial Relations Series 7 (Tokyo, the Japan Institute of Labour, 1980); Fujio John Tanaka, "Lifetime Employment in Japan," *Challenge*, July–August 1981; and Don Oberdorfer, "Japanese Soft Touch on Layoffs," *The Washington Post*, March 9, 1975, p. G-1.

¹⁷ See Constance Sorrentino, "International comparisons of labor force participation," *Monthly Labor Review*, February 1983, pp. 27–28.

¹⁸ See Julius Shiskin, "Employment and unemployment: the doughnut or the hole," *Monthly Labor Review*, February 1976, pp. 3–10.

¹⁹ This is somewhat higher than a comparable ratio for the United States. Using the 1980 U.S. ratio of persons on layoff to persons who usually work full time but who are on reduced hours, the Japanese figure would be estimated as 160,000 rather than the 260,000 used here. The Japanese figure has been increased because hours reductions for economic reasons are used more frequently in Japan than in the United States, where workers are more likely to be laid off.