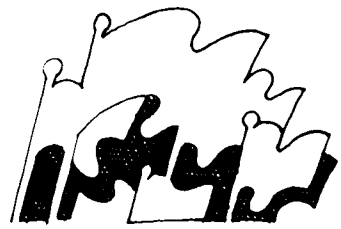
Foreign Labor Developments



Japanese unemployment: BLS updates its analysis

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In a 1984 article in the *Review*, we presented an analysis of Japan's labor force data and concluded that the official Japanese unemployment rates are only slightly understated in relation to U.S. concepts.[1] The data analyzed in the article were from the "Special Survey of the Labour Force Survey" (referred to as the special survey hereafter), conducted in Japan in March 1977 through 1980.

This report updates the article by analyzing data from the 1984 through 1986 special surveys which were conducted in February. Unlike the March surveys, the February surveys indicate that official Japanese unemployment rates are slightly overstated relative to U.S. concepts. In any event, the February results confirm the broad conclusion drawn from the earlier study: Japanese unemployment rates are virtually unchanged when U.S. concepts are applied.

Our article noted that it was difficult to draw firm conclusions from the March data because March is a very unusual month for the Japanese labor market. It is both the end of the fiscal year, when Japanese firms traditionally take on new workers to start April 1, and the end of the school year, when new graduates enter the labor market. Although February is also a month of higher than average unemployment for Japan, there is less seasonality associated with this month than with March, and the February results for 1984–86 provide new information about what may be expected in a more typical month.

The original BLS article was partially a response to a 1983 *Review* article by Koji Taira which also analyzed the March 1977–80 surveys.[2] In contrast to the BLS view of these surveys, Taira concluded that the Japanese jobless rate would be "nearly double the official unemployment rate" if U.S. concepts were used. Although both BLS and Taira found it necessary to make several adjustments to Japanese unemployment to bring it more in accord with U.S. concepts, BLS, by contrast, found Japanese unemployment to be only slightly understated.

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A 1984 article by Sadonari Nagayama, former director of the Japanese Statistics Bureau, also reached conclusions different from Taira's.[3] Nagayama argued that Taira's adjustments were too large, particularly the adjustment in which he classifies as unemployed more than 500,000 students who graduated in March and would start work in April. Information from the February 1984–86 surveys throws further light on this issue.

The special surveys of February 1984–86 were not available to Taira or BLS when the earlier articles were written. After reviewing the surveys, BLS believes they support the contention that the Japanese unemployment rate is only slightly changed when U.S. concepts are applied. This report presents an analysis of the February surveys, including a breakdown of the results by sex. In addition, unemployment rates using an expanded concept of unemployment are calculated and compared.

Japan's special survey

To supplement its monthly labor force survey, the Japanese Statistics Bureau conducts special surveys once or twice each year to investigate, in more detail, the labor force status of the population and provide data needed for making employment policies. The themes of the special surveys change according to the social and economic circumstances and data needs at the time of each survey.

The underlying purpose of the special surveys from 1977 through 1980 was to investigate, in detail, the rise in the unemployment rate which began after the first "oil crisis." Later surveys had other emphases. For example, the March 1981 survey highlighted the situation of part-time workers and the 1983 survey presented a current labor force status versus usual status comparison. The differing underlying themes necessarily influenced the whole structure of the survey questionnaires. Modifications in questions and wording were made, not without a sacrifice to the continuity of the time series. As a result, the special surveys of 1977–80 were useful in quantifying the differences between Japanese and U.S. unemployment concepts, while the 1981–83 surveys were unsuitable for that purpose.

The 1984–86 special surveys returned to a questionnaire format similar to that used in the 1977–80 surveys, again producing the kind of data needed for adjustment to U.S. concepts. Moreover, the 1984–86 surveys were taken in

February instead of March, thus eliminating at least some of the seasonality associated with the end of the fiscal and school years.

Adjustment to U.S. concepts

Several adjustments are made to the special survey data to bring them closer to U.S. concepts. Some persons counted as unemployed in the surveys should be excluded from the labor force, and some reported as not in the labor force should be included among the unemployed. The magnitude of each of the adjustments is significant, but, on balance, they tend to cancel each other out, leaving the Japanese unemployment rate virtually unchanged. Table 1 shows the 1984–86 adjustments for February along with the March 1980 figures, generally in the same format as table 4 in the 1984 article.

Unemployment. Most of the adjustments relate to the unemployed. The Japanese surveys report as unemployed a number of persons who did not actively seek work during the past month. The reasons for this relate to the wording of the survey questions (this is explained in our March 1984 article). "Inactive jobseekers" are subtracted from the reported unemployed for comparability with U.S. concepts. They amounted to 20 to 25 percent of the reported unemployed in the February surveys, compared with over 40 percent in the March surveys.

Table 1. Adjustment of Japanese unemployment and labor force data to approximate U.S. concepts, March 1980 and February 1984–86

[Numbers in thousands]

Category	March 1980	February 1984	February 1985	February 1986
Reported unemployed	1,240	1,710	1,640	1,640
Less inactive jobseekers	540	430	370	360
Plus jobseekers not in labor force who intended to start work immediately	430	130	130	120
Less those not available due to housework or school	80	10	10	10
Plus persons waiting to begin a new job within 1 month	740	1,340	1,130	1,300
Less students awaiting jobs after graduation[1]	550	1,170	960	1,100
Adjusted unemployed	1,240	1,570	1,560	1,590
Reported labor force	55,370	57,240	57,990	58,400
Less family workers working less than 15 hours	570	560	520	500
Less inactive jobseekers	540	430	370	360
Plus unemployed classified "not in labor force"[2]	540	290	290	310
Adjusted labor force	54,800	56,540	57,390	57,850
Unemployment rates:				
Reported	2.2	3.0	2.8	2.8
Adjusted to U.S. concepts	2.3	2.8	2.7	2.7

[1] In March 1980, these students had already graduated by the time of the survey. In the February surveys, they were still in school.

[2] Net sum of jobseekers not in labor force and persons waiting to begin a new job (less students).

SOURCE: Management and Coordination Agency, Japanese Statistics Bureau, *Report on the Special Survey of the Labour Force Survey*, March 1980, February 1984–86.

However, there are two groups of persons reported as not in the labor force who, upon further questioning, reveal that they should be counted as unemployed under U.S. concepts. Both groups are classified as not in the labor force in the Japanese survey because they initially respond that their status is housewife, student, or retired, rather than jobseeker. One group, responding to more probing questions later in the survey, stated that they had sought work in the past month and could have started work immediately if a job had been found. These persons amounted to 7 percent of adjusted unemployment in the February surveys and about 30 percent in the March surveys.

The other group from outside the labor force comprises persons who were waiting to begin a new job within 1 month and available for work. In March 1980, the following data were reported in the survey results:

	Workers (thousands)
Total waiting to begin a new job	860
Within 1 month	740
After graduation in March	550
Other	190
After 1 month	120

Taira's adjustment on this point was to add 740,000 persons—that is, all persons waiting to begin a new job within 1 month—to the Japanese unemployed. In contrast, the BLS adjustment added only the 190,000 persons who were not students to the unemployed figure, excluding those who were waiting to start jobs after graduation in March. BLS omitted school graduates rather than including them in the upward adjustment to the unemployed for three reasons: (1) although most had already attended graduation ceremonies, it was questionable whether they were 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 were waiting to start would disappear (the surveys were taken during the last week of March and new jobs traditionally begin the first week of April).

The availability of the graduates was open to question because graduation ceremonies usually take place in early March. The students were not asked whether they wanted to begin work sooner than April 1, but this was a possibility. However, we maintain that the compelling reason to exclude them is to put the March surveys on a more typical basis.

Taira's method has the effect of using the March surveys as representative of the Japanese labor market over the course of the year. He compares the March results for Japan with annual average data for the United States and other countries.

When we turn to an analysis of the February surveys, the situation becomes clearer. There is no longer any valid argument to include the students waiting to begin new jobs in the Japanese unemployed count. Because these surveys are taken in February, students are still in school and, there-

fore, not available to take up their new jobs until after graduation in March. U.S. concepts require that persons waiting to begin new jobs within 30 days must be available to start work during the survey's reference week in order to be classified as unemployed. We suggest that none of the Japanese students should be included in the unemployed in February even under Taira's conceptual framework.

The following results were reported in the February 1984–86 surveys:

	1984	*1985*	*1986*
	(thousands)		
Total waiting to begin a new job	1,640	1,460	1,640
Within 1 month	1,340	1,130	1,300
After graduation in March	1,170	960	1,100
Other	170	170	200
After 1 month	310	340	330

The 170,000 to 200,000 persons who were not students waiting to begin a new job within 1 month are added to the Japanese unemployed for comparability with U.S. concepts. This adjustment accounted for 10 to 12 percent of the adjusted unemployed. The BLS adjustment to the March surveys on this point represented 15 to 20 percent of the adjusted unemployed.

Japanese unemployment was higher in 1984–86 than in the 1977–80 period. Nevertheless, all of the adjustments to unemployment were smaller in the February surveys than they were in the March 1977–80 surveys. There were fewer inactive job seekers to subtract and fewer unemployed from outside the labor force to add. These results are a reflection of the higher seasonality of March compared with February. Moreover, there are a greater number of inactive jobseekers to subtract in the February surveys than there are jobseekers not in the labor force to add. This is the reverse of the situation in March 1977–80 when jobseekers outside the labor force surpassed (1977–79) or balanced (1980) inactive jobseekers.

The earlier BLS study presented the adjustments based on the March surveys as "upper limits" because of the high seasonality of the March period. The February surveys support this view.

Labor force. The adjustments to the labor force for comparability with U.S. concepts are relatively small. Japan includes and the United States excludes unpaid family workers who worked less than 15 hours in the survey week. As indicated earlier, a number of unemployed persons officially classified as not in the labor force should be added to the Japanese labor force for comparability with U.S. concepts. However, some of the officially unemployed should be subtracted—the "inactive jobseekers." On balance, these adjustments reduce the reported labor force by 1 percent in both the February and the March surveys. (See table 1.)

Table 2. Adjustment of Japanese unemployment and labor force data to approximate U.S. concepts, by sex, February 1985

[Numbers in thousands]

Category	Men	Women
Reported unemployed	1,010	630
Less inactive jobseekers	250	120
Plus jobseekers not in labor force who intended to start work immediately	20	100
Less those not available due to housework or school	–	10
Plus persons waiting to begin new job within 1 month	590	540
Less students awaiting jobs after graduation	520	440
Adjusted unemployed	850	700
Reported labor force	35,320	22,670
Less family workers working less than 15 hours	40	480
Less inactive jobseekers	250	120
Plus unemployed classified "not in labor force"[1]	90	190
Adjusted labor force	35,120	22,260
Unemployment rates:		
Reported	2.9	2.8
Adjusted to U.S. concepts	2.4	3.1

[1] Net sum of jobseekers not in labor force and persons waiting to begin a new job (less students).

SOURCE: Management and Coordination Agency, Japanese Statistics Bureau, *Report on the Special Survey of the Labour Force Survey*, February 1985.

The outcome. Whereas the March 1980 and earlier surveys indicated that the reported Japanese unemployment rates needed to be increased slightly to be in accord with U.S. concepts, the later surveys of February 1984–86 indicate that the Japanese rates should be decreased slightly. The reported rate of 3 percent in February 1984 is reduced to 2.8 percent after adjustment; the data for 1985 and 1986 are reduced from 2.8 to 2.7 percent. (See table 1.)

Comparisons by sex

Although the overall Japanese unemployment rate is changed only slightly when the special survey data are adjusted to BLS concepts, there is a more noticeable difference in the adjusted rates for men and women. The conventional Japanese data by sex show virtually no difference between the unemployment rates for men and women. However, according to the BLS adjustments, there is a significant differential between the male and female rates which may have converged somewhat between the two periods under consideration. For instance, in March 1977–80, the female rates were about double the male rates, but in February 1984–86, the rates for women are about one-third higher than the rates for men. This convergence may be real, but it may also be attributed to higher sex differentials in March than in February. Without February and March data for the same years, it is impossible to tell. The following tabulation shows unemployment rates for men and women from the March and February surveys (based on civilian labor force):

Period	As published		Approximating U.S. concepts	
	Men	Women	Men	Women
March 1977	2.4	2.3	2.0	4.3
March 1978	2.7	2.4	2.2	4.3
March 1979	2.5	2.4	1.9	4.1
March 1980	2.2	2.3	1.7	3.3
February 1984	3.0	3.0	2.5	3.3
February 1985	2.9	2.8	2.4	3.1
February 1986	2.8	2.8	2.4	3.3

Thus, after adjustment, 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 adjustments are 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. (See table 2.)

An expanded unemployment concept

Japan's unemployment rates, both on their official basis and adjusted to U.S. concepts, are well below U.S. rates. Annual U.S. jobless rates of 7.5 percent in 1984, 7.2 percent in 1985, and 7.0 percent in 1986 contrast with adjusted Japanese rates of 2.7–2.8 percent in February. These February rates for Japan were probably slightly higher than the annual averages because published February rates were 0.2 percentage points above the annual average. Other Western nations (Canada, France, the Netherlands, the United Kingdom) had rates in the 10- to 14-percent range during this period.[4] Is the efficiency of the Japanese labor market really 2 to 5 times better than that of the Western nations? A strict comparison of unemployment rates would arrive at that misleading conclusion. However, a substantial part of Japan's

Table 3. Expanded unemployment measures for the United States and Japan, 1980, 1984–86
(Numbers in thousands)

Category	United States				Japan			
	1980	1984	1985	1986	March 1980	February 1984	February 1985	February 1986
Unemployed								
Total, U.S. standard definition	7,637	8,538	8,312	8,237	1,240	1,570	1,560	1,590
Full-time jobseekers	6,269	7,057	6,793	6,708	[1]740	[1]1,170	[1]1,130	[1]1,180
Part-time jobseekers	1,369	1,481	1,519	1,529	[1]500	[1]400	[1]430	[1]410
Half	685	741	760	765	250	200	220	210
Part-time for economic reasons	4,321	5,744	5,590	5,588	1,920	2,070	2,120	2,350
Reduced hours	4,321	5,744	5,590	5,588	[2]1,790	[2]1,900	[2]1,960	[2]2,060
Half	2,161	2,872	2,795	2,794	900	950	980	1,030
Zero hours	[3]	[3]	[3]	[3]	[4]130	[4]170	[4]160	290
U-6 numerator[5]	9,115	10,669	10,348	10,267	2,020	2,490	2,490	2,710
Plus discouraged workers	994	1,283	1,204	1,121	—	—	—	—
Japan: Discouraged workers I[6]	—	—	—	—	1,620	1,830	2,240	2,340
Discouraged workers II[7]	—	—	—	—	2,620	3,250	4,020	4,190
U-7 numerator	10,109	11,952	11,552	11,388	—	—	—	—
Japan: I	—	—	—	—	3,640	4,320	4,730	5,050
Japan: II	—	—	—	—	4,640	5,740	6,510	6,900
Civilian labor force:								
Total, U.S. standard definition	106,940	113,544	115,461	117,834	54,560	56,300	57,150	57,620
Full-time labor force	91,296	97,632	99,178	101,085	46,740	49,770	50,210	51,030
Part-time labor force	15,644	15,912	16,283	16,750	7,820	6,530	6,940	6,590
Half	7,822	7,956	8,142	8,375	3,910	3,270	3,470	3,300
U-6 denominator[8]	99,118	105,588	107,319	109,459	50,650	53,040	53,680	54,320
U-7 denominator[9]	100,112	106,871	108,523	110,580	—	—	—	—
Japan: I	—	—	—	—	52,270	54,870	55,920	56,660
Japan: II	—	—	—	—	53,270	56,290	57,700	58,510
Unemployment rates (percent):								
U-5: U.S. standard definition (civilian basis)	7.1	7.5	7.2	7.0	2.3	2.8	2.7	2.8
U-6: Total full-time jobseekers plus 1/2 part-time jobseekers plus 1/2 total on part-time for economic reasons[10] as a percent of the civilian labor force less 1/2 of the part-time labor force	9.2	10.1	9.6	9.4	4.0	4.7	4.6	5.0
U-7: U-6 plus discouraged workers in numerator and denominator	10.1	11.2	10.6	10.3	[11]7.0–8.7	[11]7.9–10.2	[11]8.5–11.3	[11]8.9–11.8

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

[2] Includes reported number of persons usually working part time who want more work plus reported number of persons on reduced (but not zero) hours due to slack work or other business reasons.

[3] Included in U.S. standard definition.

[4] Not reported—. estimated as 10 percent of reported unemployment based upon March 1979 proportion.

[5] All 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.

[6] For Japan, all persons not in the labor force who reported that they desired a job but were not seeking work because there was no prospect of finding it excluded the following two groups: (1) those who had sought earlier in the month and were immediately available (reclassified by BLS as unemployed under U.S. concepts); and (2) persons who respond "no, or undecided" as to whether they could take up a job now. Discouraged Workers-I comes as close as possible to U.S. concepts.

[7] For Japan, this group may include some persons who would not be classified as discouraged under U.S. concepts. It includes the persons in Discouraged Workers-I plus: (1) persons who respond "no, or undecided" as to whether they could take up a job now; and (2) persons reported as unemployed in the Japanese survey, but who were not seeking work in the past month (reclassified by BLS as not in the labor force under U.S. concepts).

[8] Civilian labor force less one-half the part-time labor force.

[9] U-6 denominator plus discouraged workers.

[10] Japanese workers on "zero hours" are given full weight.

[11] Range reflects two different groups of discouraged workers (I and II).

labor underutilization falls into the realm of underemployment (workers on reduced hours) and discouragement, or labor force withdrawal. These forms of labor slack do not show up in the conventional unemployment rate.

The March 1984 article provided comparisons based upon expanded concepts of unemployment which exist in the United States within the unemployment measures designated as U-1 to U-7.[5] 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. Persons on part-time schedules for economic reasons are incorporated in U-6, and U-7 brings in discouraged workers, that is, persons who want a job but are not looking for work because they believe their search would be fruitless.

Table 3 updates the expanded concepts comparisons to 1984–86, and revises the U-7 calculation for 1980. Data from the February special surveys for Japan are compared with annual average data for the United States. The Japanese figures should be considered as only approximate indicators of U-6 and U-7.[6]

Since publication of the 1984 article, BLS has reassessed the Japanese data on discouraged workers and has concluded that they should more properly be expressed as a range. The Japanese survey questioning procedure differs substantially from the U.S. procedure, and it is difficult to make an exact fit to the U.S. concept. Discouraged workers are, by nature, a subjective phenomenon, and precise measurement in any country is an elusive proposition. An appendix to this article provides further information on the discouraged worker comparison between the United States and Japan.

In Table 3, the lower rate of the U-7 range includes persons who seem to fall strictly within the U.S. concept of discouraged workers; the upper rate of the range includes some who may not be counted under the U.S. definition, but they would fall under a broader concept of labor underutilization.

Comparisons of the U-6 and U-7 rates in relation to the conventionally defined rate (U-5) show that the Japanese "expanded" 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. The convergence was somewhat greater in 1984–86 than in 1980.

Under the conventional definition of unemployment (U-5), table 3 shows that the U.S. rate is 2.5 to 2.7 times the Japanese rate in 1984–86. Expanding the concept to include persons working part time for economic reasons (U-6), the U.S. rate is about twice the Japanese rate. When defining unemployment even more broadly to encompass discouraged workers (U-7), we find that the U.S. rate falls to only 1.2 to 1.4 times the Japanese rate at the low end of the U-7 range. At the higher end, the rates converge even more, to the point that the Japanese rate surpasses the U.S. rate in 1985 and 1986. But it should be emphasized that the upper Japanese U-7 includes some persons who might not be classified as discouraged under U.S. definitions.

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. Explanations for any remaining differential lie in such factors as the composition of the labor force, levels of frictional unemployment, and economic growth rates. □

FOOTNOTES

[1] Constance Sorrentino, "Japan's low unemployment: an-indepth analysis," *Monthly Labor Review*, March 1984, pp. 18–27.

[2] Koji Taira, "Japan's low unemployment: economic miracle or statistical artifact?" *Monthly Labor Review*, July 1983, pp. 3–10.

[3] The Nagayama article was originally published in Japanese in *Nihon Rodo Kyokai Zasshi*, March 1984. An English translation of the article appears in "Are Japan's Unemployment Statistics Too Low?" *Economic Eye* (Economic Affairs, Keizai Koho Center), June 1984, pp. 14–18. Copies are available from BLS upon request.

[4] For international unemployment rates approximating U.S. concepts, see tables 45 and 46 in the "Current Labor Statistics" section of the *Monthly Labor Review*.

[5] The U-1 to U-7 framework was introduced in Julius Shiskin, "Employment and unemployment; the doughnut or the hole?" *Monthly Labor Review*, February 1976, pp. 3–10.

[6] See Sorrentino, p. 26, for further discussion of measurement problems and estimating methods.

APPENDIX: A note on discouraged workers

Discouraged workers, as defined in the United States, are persons outside the labor force who want a job but are not seeking it because they believe their search would be futile. Measuring the number of such workers is a difficult task because it involves the measurement of subjective phenomena, specifically, one's desire for work and one's perceptions of his or her chances of finding a job. These are essentially "states of mind" rather than criteria which can be objectively determined.

Japan has no concept of discouraged workers, either in its regular monthly survey or in the special surveys. However, the special surveys make the construction of a discouraged worker measure possible by providing detailed questions concerning job desires and prospects of persons outside the labor force.

Measurement problems are compounded when one attempts to make international comparisons of discouraged workers, particularly between the United States and Japan.

This note presents a summary description of some of the issues involved. A more detailed analysis is available upon request to the Bureau of Labor Statistics.

Comparison of methods

The U.S. and Japanese methods of questioning persons outside the labor force about their desire for work are different in several respects. The following points should be noted:

Method of enumeration. In the U.S. Current Population Survey (CPS), respondents are asked a series of questions by an enumerator. No "prompting" is allowed for the questions leading to classification as discouraged workers. Respondents are simply asked their reason(s) for not looking for work, and the enumerator records all reasons. In the Japanese survey, respondents fill out the questionnaires themselves. Thus, the respondent sees all the possible reasons for not looking for work, and he or she checks off the *main* reason. This is a form of "prompting" which could elicit results different from the U.S. procedure.

Wording of questions. The wording of the questions in the U.S. and Japanese surveys are different. In the CPS, two questions determine whether persons are classified as discouraged workers. The first U.S. question, put to all persons not in the labor force, is: "Does . . . want a regular job now, either full time or part time?" "Now" is defined as *this week,* and enumerators are instructed to emphasize "now" to stress the time period involved. Those answering "yes," or "maybe, it depends," are then asked the reasons they are not looking for work.

In Japan, three questions are asked. The first question put to persons not in the labor force is: "Did you wish to do any work for pay or profit?" The word "now" used in the first U.S. question is not conveyed in the Japanese question, but a subsequent question asks "If you find a job now, can you take it up?" In a strict sense, it would seem that only those answering with the response "Yes, immediately" should be potentially counted as discouraged workers under the U.S. concept. However, there are factors which argue for a more liberal approach which would also include "Yes, but later" responses: (1) the often tentative—"maybe, it depends" response to the first U.S. question and (2) the fact that a direct question is not asked in the U.S. survey as to whether a person can, in fact, take up a job now. The "no, or undecided" group of responses to the second Japanese question should probably be excluded from an estimate of discouraged workers comparable with U.S. procedures because of the emphasis on wanting a job "now" in the CPS procedure. However, a case can be made for including at least some on the grounds that "undecided" corresponds to "maybe" as an affirmative response to the first U.S. question. A third question in the Japanese survey asks why persons who want a job are not looking for work.

Reasons for discouragement. There are two issues involved here. First, the Japanese method allows only one response to the question on reason for not seeking, while multiple responses are encouraged in the CPS, with the final classification determined by a hierarchy of responses in which nondiscouragement outranks discouragement. In other words, a person responding in the CPS that he or she "believes no work is available" but also that he or she "can't arrange child care" is classified under the latter response, and, therefore, is not counted as discouraged. In Japan, the determination of the final classification is left up to the respondent because he or she is instructed to check off the "main reason."

A second issue is to decide which reasons for not looking for work in Japan correspond with discouragement in the United States. In the CPS, persons classified according to the five following reasons for not seeking work are considered to be discouraged workers: (1) Believes no work available in line of work or area; (2) Couldn't find any work; (3) Lacks necessary schooling, training, skills, experience; (4) Employer thinks he or she is too old or too young; and (5) Other personal handicap. In Japan, the category "No prospect of finding a job" corresponds closely to the five reasons allowed under the U.S. concept.

Inactive jobseekers. In adjusting the special survey unemployment data to U.S. concepts, one of the adjustments made was to subtract those persons who did not actively seek work in the past month. Because the Japanese initially classify them as unemployed, they are not asked the later questions on reasons for not seeking work. The "inactive jobseekers" are certainly a part of a concept of labor slack or labor underutilization, but they are not necessarily discouraged workers. They were treated as such in the comparison for 1980 shown in the March 1984 article, but here we have decided to treat them in a broader U-7 definition as an upper limit because we cannot definitely say that they all are discouraged.

Calculation of Japanese discouraged workers

Because of the many differences noted above, it was decided to express the number of discouraged workers in Japan as a range rather than as a precise level comparable with U.S. concepts. Table A-1 shows the composition of each grouping of discouraged workers.

Discouraged workers I seems to fall strictly within U.S. concepts. These are all the Japanese who reported, "No prospect of finding a job" less (1) those who sought work in the past month and were immediately available (reclassified by BLS as unemployed under U.S. concepts), and (2) those who responded "No, or undecided" as to whether they could take up a job now (eliminated because of the CPS emphasis on wanting a job "now").

Discouraged workers II is a broader grouping which may include some persons who would not be classified as discouraged under U.S. concepts. It comprises the persons in

Table A-1. Japan: Calculation of discouraged workers, March 1984 and February 1984–86
[In thousands]

Category	March 1980	February 1984	February 1985	February 1986
Persons reporting no prospect of finding a job	2,350	2,880	3,740	3,920
Less those who sought work in the past month and were immediately available	270	60	90	90
Less those who respond "No, or undecided" as to whether they could take up a job now	460	990	1,410	1,490
Equals: Discouraged workers I	1,620	1,830	2,240	2,340
Plus those who respond "No, or undecided" as to whether they could take up a job now	460	990	1,410	1,490
Plus persons reported as unemployed but not seeking in past month	540	430	370	360
Equals: Discouraged workers II	2,620	3,250	4,020	4,190

SOURCE: Management and Coordination Agency, Japanese Statistics Bureau, *Report on the Special Survey of the Labour Force Survey*, March 1980, February 1984–86.

discouraged workers I plus: (1) those who responded "No, or undecided" as to whether they could take up a job now (because the CPS allows "maybe" as an answer to the question about wanting a job "now"); and (2) the "inactive jobseekers," those persons reported as unemployed in the Japanese survey, but who were not seeking work in the past month.

For further information on problems of measuring labor force discouragement, see Paul Flaim, "Discouraged workers and changes in unemployment," *Monthly Labor Review*, March 1973, pp. 8–16; and "Discouraged workers: how strong are their links to the job market?" *Monthly Labor Review*, August 1984, pp. 8–11.

OECD meeting calls for job growth, flexibility, and readjustment

MELVIN BRODSKY

In their first meeting since 1982, labor ministers of the Organization for Economic Cooperation and Development (OECD)[1] met in Paris to discuss job creation in a changing economy. The specific issues addressed were new sources of job growth; labor market flexibility; and education, training, and adjustment. The ministers met in November 1986 and some ministers plan to resume the dialogue in Washington in September 1987. Other topics will include demographic trends in the work force and small business development.

During the November meeting, the ministers recognized that no grand strategy for solving employment problems in the 24 OECD countries was possible. However, they agreed on some fundamental approaches to address the common problems of unemployed youth and dislocated workers (particularly older workers) and the need to promote education and training policies to help ensure a competent and adaptable work force.

The labor ministers face different employment problems. While Secretary of Labor William E. Brock noted specific U.S. problems related to youth unemployment, minority unemployment, and older dislocated workers, many of the European ministers reflected on Europe's lack of job creation. Over the decade from 1973, the gross national product in Europe grew almost as much as the gross national product in the United States—18 percent compared with 22 percent. Yet, the U.S. economy created 16 million net new jobs and Europe did not create any.[2] Long-term unemployment is another problem more characteristic of European labor markets, although the number of long-term unemployed has increased in the United States since the 1970's. For example, in 1985, those persons who were unemployed for more than a year accounted for 45.3 percent of total unemployment in Europe[3] but only for 9.5 percent in the United States.[4]

Job growth

Regarding new sources of job growth, many of the ministers favored market-oriented strategies instead of renewing calls for increased government intervention. The ministers emphasized reforming the tax system to encourage risk-taking among entrepreneurs; removing administrative disincentives to self-employment; providing training and advisory services for new businesses; providing access to credit and capital markets to new businesses; and encouraging local communities to become more involved in job creation activities. (Labor Secretary Brock noted that in the United States more than half of the net new jobs created were in companies less than 4 years old.) Also, the ministers identified the introduction of new technologies as another potential basis for employment growth. The ministers adopted a Declaration on the Social Aspects of Technological Change, which stressed the importance of cooperation among government, labor, and the business community in the process of technological change. Because of the ministers' interest in this area, they asked the OECD Secretary-General Jean Claude Paye to establish a group of experts to examine the implications of new technologies both for employment and for society.

All of the ministers agreed that economic growth was a prerequisite for higher rates of job creation and that wage moderation, investment in capital stock, flexible labor and capital markets, and free international trade were important contributors to such growth.

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