

Japan's low unemployment: economic miracle or statistical artifact?

Japanese workers statistically move from employment to out of the labor force, bypassing unemployment; their rates are still low even when the data are adjusted using U.S. concepts of unemployment

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If official statistics on employment and unemployment are any guide to the degree of labor market efficiency, the performance of the Japanese labor market is almost miraculous.

In the late 1960's, the official unemployment rate averaged 1.1 percent. Even after the challenge of the OPEC oil embargo in 1973 which halved Japan's economic growth rate and brought about drastic structural changes, the unemployment rate has rarely risen above 2.5 percent. However, some people emphasize the *doubling* of the unemployment rate within a few years after 1973. In fact, during much of the 1950's when no one thought that Japan was in full employment, the official unemployment rate was similar to the rate after the OPEC embargo, slightly above 2 percent.

Today, people readily discount the problem of unemployment: thanks to the rise in individual incomes and the progress in social insurances, the same rate of unemployment today means much less hardship than before. But if the rate of unemployment indicates the degree to which an economy's labor force is underutilized, anyone who remembers the poor state of labor force underutilization during the 1950's would consider today's similar unemployment rate alarming. The mystery of Japan's unemployment sta-

tistics is that they do not seem to reflect this alarming situation.

In this article, we propose to shed some light on this mystery by examining the ways in which unemployment is defined and counted in Japan. Also included are brief discussions on male and female unemployment, unemployment by age, and labor redundancy.

In recent years, the Japanese have become increasingly aware of possible inadequacies in the measurement techniques that have produced the low, official unemployment rate. The monthly conventional labor force survey, although modeled after that of the United States, has acquired characteristics that seem to understate the extent of unemployment. The Japanese survey techniques are simpler than those of the United States and are almost deliberately blunted on the edges of questions that should be more direct for eliciting answers which serve as the basis for unemployment statistics. Workers "statistically" move between employment and out of the labor force, bypassing unemployment. Several recent studies in Japan have concluded that the statistically hidden unemployment of Japan would double the "official" unemployment rate to more than 4 percent.¹

The Japanese Government responded to the demand for more reliable statistics on employment and unemployment by initiating a new survey called the "Special Survey of

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the Labor Force Survey" (referred to as the Special Labor Force Survey hereafter), undertaken annually at the end of March since 1977.² Detailed questions in this survey yield information which can be used for recalculating Japan's unemployment rates by internationally comparable concepts. Unemployed workers may be found among the employed and the persons not in the labor force. At the same time, some of the unemployed may have to be excluded as "non-unemployed" (a concept we shall explore). The American labor force criteria and methods are used in conjunction with data from the Special Labor Force Survey. The conceptual gaps between the United States and Japan are discussed briefly by explaining attitudinal or cultural differences between the two countries. This experiment can be conducted only for 1977-80, because beginning in 1981, published survey data no longer contained the necessary information.

Distinct labor force concepts

Table 1 presents selected data from the Special Labor Force Survey. As will be seen in the following discussion, a few of the groups in the "employed" or "out of the labor force" categories should be included in the "unemployed" category, and some of the "unemployed" groups should be moved "out of the labor force."

Layoffs. Workers on layoff and self-employed business people who have temporarily closed down for economic reasons are considered employed and are categorized as "with a job but not at work." Although their number is very small, they represent the tip of a gigantic sociocultural iceberg. That these workers are not included in the unemployed is grounded in the Japanese philosophy of unemployment. Employment to the Japanese is a relationship between employer and employee; so long as that relationship is maintained, even though the employee does not report for work, he or she is considered employed. This concept is informal, not contractual. But sociologically, the maintenance of the employment relationship is so important to the Japanese, even when there is nothing to do but to wait at home, that the first public employment policy in the wake of the 1973 recession was that of subsidizing hard-pressed employers so they could keep paying their laid-off employees. This policy made it easier for declining or cyclically sensitive industries to unload redundant workers (those who are no longer needed because of a decrease in the demand for labor—defined more rigorously later) with a minimum of socially undesirable side effects, that is, avoiding the impression that they were throwing unwanted workers out on the street—a traditional image of unemployment much feared and hated everywhere. Furthermore, by calling the otherwise unemployed workers employed, statistics help prevent the status deprivation of the jobless. It is also in conformity with this line of social philosophy that some of the jobless who would be included in the unemployed in

other countries are statistically kept out of the labor force in Japan.

Family workers. In the conventional labor force statistics, unpaid family workers are counted as employed if they worked 1 hour or more during the survey week. Fortunately, in the Special Labor Force Survey, information is available on the family workers who worked fewer than 15 hours a week. Many of these under-employed family workers may be looking for work, and can conceptually be reclassified as unemployed. We excluded them from the employed category in the adjustment, and because of the lack of relevant information we did not attempt to reclassify them.

Workers with jobs to report to. Those who have jobs to report to at a later date are not in the labor force according to the conventional labor force survey. These include an interesting group: recent graduates. Japan's academic year ends in March, perhaps causing the total of persons in this category during March to be atypically high in contrast to other months. As table 1 shows, this group makes up roughly two-thirds of the total in March. By March 31, all students (barring a small number of failures) have earned their diplomas and have had their proper graduation ceremonies. Long before graduation, they were interviewing for jobs. During this time, the prospective graduates secured informal (and conditional) offers (*naitai*) from specified employers on jobs to report to after graduation. As a consequence, they are statistically "unemployed" on March 31 for our adjustment. They are neither keeping house nor going to school. They are interested in work and preparing for it, but not working yet. In the United States, future jobs are not so definite because there is always the possibility that those who think they have a job will find, when the time comes, that employers have changed their minds. It therefore seems justified to treat a future job as a present equivalent of joblessness. In Japan, informal promises may be much firmer than those in the United States, although withdrawn offers are not unknown.³ Especially after the OPEC embargo, there was a high risk that the promises could not be kept. In any case, the graduates with jobs to report to in the future are technically no different from the jobless who are waiting for the results of past jobseeking activities. However, Japan treats the former as not in the labor force, and the latter as unemployed.

Availability for work. Current availability for work distinguishes jobseekers who are unemployed from jobseekers who are not included in the unemployed. In the conventional labor force survey of Japan, availability was assumed for jobseekers, but no test was made for validity of this assumption. However, the Special Labor Force Survey makes the issue explicit. After "Do you want work?" is asked of those who were neither working nor looking for work during the survey week (and therefore are not in the conventional

Table 1. Selected data from the Japanese labor force survey, 1977-80

[Numbers in thousands]

Category	1977	1978	1979	1980
Total working-age population	85,870	86,790	87,790	88,480
Total labor force	53,430	54,240	54,770	55,370
Employed	52,160	52,830	53,420	54,130
With a job, but not at work	1,340	1,760	1,390	940
Layoff or closed down	100	140	140	(2)
For less than 1 month	60	60	60	(2)
For more than 1 month	40	80	80	(2)
Family workers ¹	400	580	490	760
Unemployed	1,270	1,410	1,350	1,240
Non-unemployed	330	420	370	310
Total not in labor force	32,190	32,250	32,800	33,110
With a job to report to	830	1,070	1,020	860
Within 1 month	740	880	880	740
(Recent graduates)	(2)	(520)	(560)	(550)
After 1 month	100	190	150	120
Job sought in March	1,060	1,080	1,090	960
Currently available	510	560	490	430
Not currently available	550	520	600	530
Did not job search in March	6,520	7,910	8,260	1,470
Discouraged ³	1,850	2,220	2,220	1,880
Currently available	490	610	610	560

¹Family workers working less than 15 hours a week.

²Not available.

³Those not in the labor force who do not look for work because they do not think they can find work.

NOTE: All numbers are rounded to the nearest 10,000; rounding errors exist at this level.

SOURCE: The Prime Minister's Office, Bureau of Statistics, *Rodoryoku chōsa tokubetsu chōsa hōkoku* (Report on the Special Survey of the Labour Force Survey), 1977-80.

labor force), the survey asks, "Do you intend to work immediately if a job is found?" One of three answers should be chosen: "immediately," "not immediately," or "do not know." Answers can be cross-classified with answers to the next question: "Why are you not seeking work now (meaning the reference week) despite your intention to work?" After this, another important question is asked: "For the purpose of finding work, have you, during March, visited the public employment service, applied for jobs somewhere, asked your friends to find work for you, or done other things of similar nature?" Those who answered this question "yes" and who also were currently (immediately) available for work (as the result of a previous question) can now be considered "unemployed," although they are not so considered in the conventional labor force survey. This leaves out those who looked for work during March but who did not say that they were immediately available. Why they should not be considered unemployed is a question of priority in the structure of judgment: that is, which is more important or overriding, jobseeking or current availability?⁴

In the U.S. labor force concepts, those who meet the criteria for being considered unemployed but who are not currently available for work because of "temporary illness" are still unemployed. In the Japanese Special Labor Force Survey, "temporary illness" is introduced at a different juncture. In the conventional labor force survey, the temporarily ill are considered "out of the labor force" because

they were not looking for work. In the Special Labor Force Survey, temporary illness is one of the answers to the question "why are you not looking for work . . . ?" Temporary illness is a legitimate reason for not looking for work during the reference week and, therefore, technically staying out of the labor force. Thus, there are those who looked for work in March, but not during the reference week because of temporary illness. This means that those who looked for work during March and are currently available for work (and so are considered "unemployed") may include some of those who were unable to look for work during the reference week because of temporary illness. Thus, in Japan, temporary illness is not an exception to the current availability rule. The Japanese cannot stand the thought that a person should suffer double misfortunes: unemployment and illness. By classifying the temporarily ill as not in the labor force, the Japanese spare them the shame of having to be designated as unemployed. The logic is that "unemployment" should be the last description of joblessness.

Discouraged workers. Persons not in the labor force who do not look for work believing that they cannot find work because of discouraging economic conditions are "discouraged" workers. According to table 1, there are large numbers of them, easily surpassing the conventional ranks of unemployed. But not all of them are "currently available" for work. In fact, most do not seem to be seriously interested in working. If they do not intend to work, it seems clear that they have decided either to withdraw from, or not participate in the labor force.

The Special Labor Force Survey has generated information on attitude toward work that indicates different types and degrees of interest in work. These attitudinal dimensions require expertise in Japanese social psychology for proper ordering and interpretation. For example, the "yes" answer to "do you want work?" can be either "yes, any kind of work" or "yes, if the terms are right." When these different yeses are cross-tabulated with information on "current (immediate) availability for work," it is a good question whether the reservation implied in "yes, if terms are right" may not overshadow "current availability" and actually turn it into "not currently available." Here one suffers from an *embarras de richesses* of information. Why people are discouraged from looking for work is also related to several situations such as local labor markets, seasons, business cycles, and so forth. It is again a good question whether a person who does not look for work believing that there is no job in the local labor market is just as "discouraged" as a person who does not look for work believing that the season is bad for jobseeking. These different perceptions and attitudes await further analysis.

Adjusted unemployment

The conventional Japanese philosophy of employment is disregarded for this experiment and the American criteria

are used to see how the Japanese unemployment rate is affected. In the adjustment, only the clearest cases are included in the unemployed: those laid off; those self-employed who have temporarily closed down; those having jobs to report to within 1 month; and, most importantly, those who looked for work in March (including recent graduates who are said to have obtained informal job offers⁵), but not during the reference week, and who were currently (immediately) available for work. These workers nearly double the official unemployment rate.

The adjusted unemployment in table 2 is the closest approximation one can make to the coverage of the unemployed used in the United States. Thus, from the standpoint of comparability in concepts and coverage, the results of this adjustment may be compared with the unemployment rates of the United States (noted at the bottom of table 2). The U.S. rates are still higher than the adjusted Japanese rates, but the difference is much smaller than that between the U.S. rates and the conventional Japanese rates.

A closer look at jobseekers

So far the discussion has focused on people who are not considered unemployed in Japan, but might be so considered by American criteria. But are those considered unemployed in Japan also considered unemployed in the United States? Before the publication of data from the Special Labor Force Survey, it was assumed that the unemployed in Japanese official statistics were just as unemployed as in American statistics and all that was needed to make the Japanese official unemployment statistics comparable to those in the United States was to add to them the groups in the categories "employed" or "not in the labor force" who would have been unemployed by American criteria. But, according to Japan's Labor Ministry, Japanese unemployment includes those who would not be considered unemployed by U.S. criteria.⁶ This is an interesting byproduct of the debate on the reliability of the conventional unemployment figures. We now recount the unemployed taking this view into account.

The questionnaire used for the Special Labor Force Survey asks "Did you do any work at all during the last week in March?" This divides the respondents broadly into those who worked, even an hour, and those who did not work at all during the survey week. The latter responses are then classified into (1) temporarily absent from work, (2) seeking a job, (3) keeping house or going to school, and (4) other. Those seeking a job are persons currently available for work and who are making specific efforts to find a job or waiting for the results of past jobseeking activity. In the conventional labor force survey, those who marked "seeking a job" are considered "unemployed." But the Special Labor Force Survey turns up an unusual group of jobseekers: persons who are classified as "jobseekers" under this definition, but who obviously did not seek a job during the survey week because they were waiting for the results of past jobseeking

Table 2. The Japanese labor force adjusted to approximate U.S. concepts of unemployment, 1977-80

[Numbers in thousands]				
Category	1977	1978	1979	1980
Labor force, adjusted	53,950	54,680	55,280	55,490
Employed (from table 1)	52,160	52,830	53,420	54,130
Layoffs, self employed but closed down excluded	100	140	140	(¹)
Family workers excluded ²	400	580	490	760
Employed, adjusted	51,660	52,110	52,790	53,390
Unemployed (from table 1)	1,270	1,410	1,350	1,240
Non-unemployed excluded	330	420	370	310
Layoffs, employed but closed down	100	140	140	(¹)
With a job to report to within 1 month	740	880	880	740
Job search in March and currently available for work	510	560	490	430
Unemployed, adjusted	2,290	2,570	2,490	2,100
Unemployment rates (in percent)				
Japan:				
Conventional	2.38	2.60	2.46	2.24
Adjustment	4.24	4.70	4.50	3.79
United States	7.1	6.1	5.8	7.1

¹Not available.

²Family workers working fewer than 15 hours a week.

SOURCE: The Prime Minister's Office, Bureau of Statistics, *Radoryoku chosa tokubetsu chōsa hōkoku* (Report on the Special Survey of the Survey), 1977-80.

activities undertaken more than a month earlier.⁷

In the Special Labor Force Survey, "jobseekers" are asked a number of questions about their job-search activities. The first is "what kind of methods are you taking for seeking a job?" Six answers are provided and the respondent is asked to circle any number of them and to circle the principal method twice. A subquestion asks "when did you do the last request or application?" (referring to the employment exchange service, the prospective employer's personnel department, or the school placement service). Three choices are offered: (1) during the last week of March (survey week), (2) during March, and (3) during February or earlier. For 1980, for example, more than 40 percent of the jobseekers chose "February or earlier." The Labor Ministry points out that these jobseekers would be considered "out of the labor force" in other countries and that they should be excluded from Japan's unemployment in the interest of better international comparability.⁸ It assumes that those who made their last request or application in February or earlier did not look for work during March. However, they could still be actively seeking work during the survey week or during March by "collecting (want) ads," "consulting with acquaintances," "preparing to start a business" (which cannot be neglected in Japan, where self-employment is fairly extensive), or in "other" ways.

The waiting game. The cross-tabulation of answers to the question on jobseeking methods and answers to the question on the timing of some of those methods, such as making a request or application, must be interpreted carefully. For example, if those who answered the question on jobseeking methods by saying that they applied for a job at the Public Employment Office also answered that they applied in Feb-

ruary or earlier, it may be legitimate to suspect (provided no other answers were given to the multiple choice question on jobseeking methods) that they may not have done anything during March except wait for the results. Although they were not looking for work during March or the survey week, they considered themselves as jobseekers, because the Japanese definition of jobseeking includes "waiting" without seeking. To say that one is doing something without actually doing it sounds inconsistent. But the fact that one can actually say so by defining "doing" as inclusive of "not doing" is one of the flexible properties of the Japanese language. While jobseeking is a prime test of unemployment, the U.S. labor force survey does count as unemployed some people who are not actively seeking a job. They are: "persons waiting to start a new job within 30 days, and workers waiting to be recalled from layoff."⁹ The first group of persons also exists in the Japanese labor force statistics as persons "not in the labor force." The second group would probably be considered as persons "with a job but not at work" and thus, included in the employed category.

In contrast to the American usage, the Japanese use of "waiting" occurs with respect to the results of past jobseeking activities. Why do some jobless persons perceive themselves as in the state of waiting? Are they waiting to be notified by their agencies or prospective employers? If so, do they have valid reasons to expect such notifications? Did they perhaps form favorable impressions about the chances for landing a job at the time of request or application? Waiting for notification on jobs in this way, is very close to waiting to be called in for work and, therefore, is very similar to the American concept of waiting as an exception to the jobseeking rule for unemployment.

How long should one wait in order to be counted as unemployed rather than "out of the labor force?" In the case of a job to report to, the waiting period is 30 days in the United States, and there is no specific limitation on the waiting period for a recall from layoff. Likewise, the Japanese idea of open-ended waiting for the results of jobseeking may be defensible. In Japan, in any area of life, more generous time is customarily allowed for responses to a request than in other countries. From this point of view, the Labor Ministry's unemployment suggestion seems unusually strict because it excludes all the jobless who were waiting for results of their last request or application made in February or earlier.

The structure and wording of the Japanese labor force questionnaire are unfortunately too ambiguous to permit a clearcut adjustment with respect to genuine waiting for the results of past jobseeking. The Labor Ministry restricts waiting during the survey week (the last week of March) to the results of jobseeking between March 1 and the survey week. But if the reference period for jobseeking is expanded to 1 month from the conventional 1 week, anyone who looked for work during March, regardless of whether they were waiting for the results of those activities during the last week

of March, would be categorized as unemployed. Thus, waiting becomes an unnecessary concept in this case. It is also a good question whether the expansion of the reference period for jobseeking to 1 month inevitably nullifies the need for the concept of waiting for the results of still earlier jobseeking activities (for example, waiting during March for the results of jobseeking undertaken in February or earlier). The use of waiting in the American labor force concepts seems to suggest that there may also be room for it in Japanese measurement of the labor force.

The "non-unemployed." The cross-tabulations of the answers to the question of jobseeking methods and the answers to the question on the last request or application suggest some way out of the waiting issue. Table 3 presents these cross-tabulations with special reference to the "February or earlier" answers. The first three items refer to persons whose principal methods of jobseeking involved some kind of request or application and who made their last request or application in February or earlier. From this, one may doubt that these persons were seeking a job seriously during March. The original data suggest that some of those who used "application at the Public Employment Office" as their principal jobseeking method also resorted to secondary methods which did not involve requests or applications. This blunts the factoring-out process, but we disregard that for now and assume that they fail the 30-day jobseeking test. Thus, they can be excluded from unemployed as "non-unemployed." By contrast, jobseekers who made their last request or application in February or earlier and whose principal job-search methods during the survey week were studying want ads or checking with friends, in no way discredit their status as jobseekers. Therefore, they are counted as unemployed. By similar reasoning, those preparing to start a business and all other jobseekers are also counted as unemployed.

Table 3. Japanese unemployed who made their last request or application for a job in February or earlier, 1977-80

[Numbers in thousands]

Category	1977	1978	1979	1980
Total	520	640	600	540
Principal jobseeking methods:				
Application at public employment office	180	230	210	150
Application at prospective employers	10	50	40	40
Request with schools or acquaintances	140	140	120	120
Studying want ads or consulting with acquaintances	140	160	190	170
Preparing to start a business	10	30	20	10
Other	40	30	1	30
Non-unemployed ²	330	420	370	310

¹Not available.

²Non-unemployed = jobseekers who left applications at Public Employment Office + applications at prospective employers + requests with schools or acquaintances.

SOURCE: The Special Labor Force Survey.

The women's problem

The conventional unemployment rates tend to be lower for women than for men, but this tendency is reversed after adjustment. For example, in 1977, the unemployment rates for men were 2.44 percent and for women, 2.26 percent. When adjusted, the unemployment rates rose to 2.95 percent for men and 6.25 percent for women. The lower reported unemployment rates for Japanese women appear rather peculiar in view of the widely observed fact that women usually suffer from higher unemployment rates than men (see U.S. figures in table 4). However, the expansion of the job-search period to 1 month and other adjustments made Japanese female unemployment rates higher than those of males. This may suggest that the labor market disadvantages of women are at least similar in nature among Japan and other countries. The failure of the conventional unemployment rates to reflect this universal tendency is another reason to suspect the deficiencies of the conventional labor force survey.

Quantitatively, the male-to-female differentials in unemployment rates are much greater in Japan than in the United States. Generally, this would be considered substantial evidence of labor market discrimination against women, though in Japan there is no active concept of discrimination in this sense—men and women simply accept their different roles in society and make no fuss about it. Why women's unemployment rates tend to be lower than men's in the official data owes much to the structure of questions in the survey questionnaire.¹⁰

A triennial employment survey

Although the unemployment rate based on the labor force survey is the one that Japan presents to the rest of the world, very few Japanese take the labor force survey seriously. It is viewed as based on alien concepts of work that they find hard to understand. Thus, the Japanese government conducts another employment survey every 3 years based on more popular concepts; that is, the Employment Status Survey. In this survey, a person 15 years or older is either "usually employed" (for pay or on own account) or "usually not-employed." Although no one can be "usually unemployed" (because they would sooner or later drop out of the labor force), the persons "usually not-employed" are

questioned about their interest in employment. Thus, they can be classified into those interested in work and those not interested. The interested persons are then asked whether they are looking (or have looked) for work, and if they are immediately available for work if work is found. Persons "usually not-employed" who are interested in work, looking for work, and can start working if work is found may be considered unemployed. Hence, this survey also minimizes use of the word "unemployed."

Naohiro Yashiro estimates "unemployment rates" for men and women from the Employment Status Survey of 1977.¹¹ He first identifies persons "usually not employed" who are interested in work and have looked or are looking for work as a percentage of the sum of these persons and those "usually employed." This yields 3.2 percent unemployed for men and 12.9 percent for women. But when the current availability condition is added, the male unemployment rate comes down to 2.0 percent and the female, 6.34 percent. The male unemployment rate from the Employment Status Survey is quite similar to that from the conventional labor force survey, but the female unemployment rate here is much larger.

Although the "usual unemployment rate" is not extraordinarily high, it suggests that Japan's "true" unemployment may be higher than the "official" rate announced to the rest of the world on the basis of the conventional labor force survey. It also indicates that Japan's unemployment is largely the women's problem. In Japan, however, "equal employment opportunity" has not yet arrived on the agenda for serious discussion.¹² It is also commonly admitted by men and women alike that Japanese women, if discriminated against in the labor market, enjoy compensating advantages in other areas of life, for example, the family and household where the wife, or mother is said to be an unchallenged ruler for whom the husband, or father is little more than a "working bee" (*hataraki bachi*, which can also be humorously rendered into "punishment at hard labor").

Unemployment among the young and old

Age is another personal factor that produces labor market disadvantages. In Japan, there is a greater willingness to admit the existence of age discrimination, which is partially indicated by higher unemployment rates among older persons. Table 5 shows male unemployment rates by age groups. These are "official" or conventional rates. As our recounting previously showed, the adjusted unemployment figures for men are not greatly different from the conventional ones. For example, in table 4, men's unemployment rose from conventional 2.44 percent to adjusted 2.95 percent for 1977, while women's rates rose markedly from conventional 2.26 percent to adjusted 6.25 percent. The modest difference between the male conventional and adjusted unemployment rates enables us to make use of the readily available "official" disaggregation of men's unemployment by age as shown in table 5, reasonably confident that the broad char-

Table 4. Japanese and American unemployment rates for men and women, 1977-80

Category	1977		1978		1979		1980	
	Men	Women	Men	Women	Men	Women	Men	Women
Japan:								
Conventional	2.44	2.26	2.74	2.44	2.50	2.40	2.19	2.32
Adjusted	2.95	6.25	3.57	6.58	3.26	8.86	2.75	5.20
United States	6.3	8.2	5.3	7.2	5.1	6.8	6.9	7.4

SOURCE: The Special Labor Force Survey.

Table 5. Unemployment rates among Japanese men by age, 1976-1980

[In percent]					
Age	1976	1977	1978	1979	1980
Average	2.2	2.1	2.4	2.2	2.0
15-19	5.5	5.6	6.8	5.4	5.5
20-24	3.2	3.6	3.8	3.2	3.6
25-29	2.3	2.1	2.4	2.4	2.0
30-34	1.5	1.5	1.7	1.6	1.7
35-39	1.5	1.4	1.6	1.3	1.3
40-44	1.5	1.3	1.7	1.2	1.0
45-49	1.5	1.3	1.6	1.3	1.3
50-54	1.8	1.6	1.9	1.8	1.5
55-59	3.3	3.3	3.5	3.7	3.1
60-64	4.4	4.6	5.3	5.4	4.6
65 and over	2.4	2.2	2.3	2.3	2.2

SOURCE: Ministry of Labor, *Rodo tokei yoran* [A Handbook of Labor Statistics], 1981, pp. 34-35.

acteristics would not change much after adjustment.

It is generally observed everywhere that the unemployment rates among young workers are higher than the national average. Japan should be an exception if the much touted lifetime employment hypothesis were true; young men would become employed immediately after graduation, giving them no time to be unemployed. However, table 5 implies that young men are vulnerable to fairly high unemployment upon entering the labor force or in the course of job changes. Japanese men begin to settle down with long-term jobs at around age 30 and stay with them until their 50's. After age 50, unemployment rises to rates far above the national average. The middle-age bulge in unemployment rates is widely regarded as extraordinary by international standards.¹³ It reflects the unique Japanese practice of *teinen*, which means termination of employment for reasons of age. The prevailing age was 55 until recently. The proportion of firms using 60 as *teinen* has since increased. At the same time, firms are increasingly encouraging their employees to retire (quit) early. Thus, the formal extension obviously encourages management to find ways to bypass the formal rules. The net effect is that Japan fails to offer job security to workers age 55 years or older. Although the unemployment rates among men below 30 are caused in large part by their attempts to enter the labor force and their voluntary job changes, the unemployment of workers 50 and over is due more to involuntary job terminations and subsequent difficulties in finding new jobs.

Age also affects earnings inversely. Men's regular base pay reaches its peak, on average, by age 45 to 49 and decreases to about 70 percent of the peak by 60 to 64 years, according to wage statistics for 1979.¹⁴ It appears that sharper decreases in wages are needed to prevent middle-aged unemployment from rising because it is during this life stage that unemployment among men is seen to rise. Also, if continued regular employment until age 65 is desired, earlier pay raises (before age 45) would have to be moderated to prevent wages from decreasing in later years (45-65). The

present pay system, linking increases with the length of service, (the so-called *nenko* wage system) was originally fashioned with the *teinen* of 55 in mind. Therefore, employers have for some time argued that raising this age limit would require a new (lower) earnings profile that will continue to increase over the longer employment period. This argument implies that men below age 50 would be worse off under an extended retirement age system than at present. Thus, a conflict of interest between generations is a powerful restraint on revising the retirement system.

Absorption of labor redundancy

In addition to the officially reported unemployment, the possibility of labor redundancies in Japanese firms was also a popular topic in the late 1970's.¹⁵ Labor redundancy is defined as the excess of actual employment over optimal employment which is estimated from the level of output and labor productivity. Various formulae with different degrees of sophistication are employed for the purpose. The estimated full-time equivalent redundancies for 1977 as percentages of the labor force ranged from a low of 4.4 percent to a high of 7.2 percent. Although the "official" unemployment rate for 1977 was slightly over 2 percent (our adjusted rate was somewhat above 4 percent), the Japanese economy was obviously holding a surprising amount of excess labor at the expense of productivity, but workers' apparent willingness to forgo wage increases or even to take wage cuts helped employers reduce the costs of labor redundancies.

To summarize, the underutilization of Japan's labor force after 1973 has been extensive. One might roundly put it at 10 percent or so for the late 1970's. But this was estimated at 6 percent for redundant employment and 4 percent for adjusted unemployment. The deficiencies of the conventional labor force survey also have helped soften the shock of discovery of the worsened labor market conditions by understating the extent of open unemployment. If the "true" unemployment rates can be said to be double the official rates, Japan's unemployment of the late 1970's was roughly comparable to Western Europe's, though somewhat lower than America's. Even so, the fact that the excess labor amounting to 10 percent of the labor force produced an open unemployment rate of 4 percent is an interesting economic phenomenon. As demonstrated elsewhere, large enterprises unloaded their redundant labor rather efficiently, and labor absorption occurred in smaller firms and in the service sector. The factor that made this possible was the collapse of worker militancy and the moderation of real wage increases. There even was a decrease in average real wages in 1980. Workers were cowed by a great fear of joblessness, it seems.¹⁶ In other words, high open unemployment was avoided by the willingness of chastened workers to take any jobs for any wages. All this of course indicates that Japanese labor markets worked with remarkable efficiency. □

—FOOTNOTES—

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¹ See *Special Research Report No. 22* (Mitsubishi Bank Research Institute, August 1981); Akira Ono, *Nihon no rodo shijo [Japanese Labor Markets]* (Tokyo, Tokyo Keizai Shinposha, 1981), Chapter 2. The Mitsubishi report generated a political minicrisis in the summer of 1981. The Cabinet Council of Ministers of State ordered a study of government statistics to dispel suspicions that the government was deceiving the nation by faulty statistics. In its wake, a spate of articles by government officials appeared in journals and newspapers in defense of the existing government statistics. See also Eiji Shiraishi, "International Comparison in Unemployment Conception," *Monthly Labour Statistics and Research Bulletin*, March 1982, pp. 13–20.

² Prime Minister's Office, Bureau of Statistics, *Rōdōryoku chōsa tokubetsu chōsa hōkoku [Report on the Special Survey of the Labour Force Survey]*, March 1977 onward.

³ There have even been litigations concerning the employer action revoking the "informal" offer of employment. See "Informal Offer of Employment," *Japan Labor Bulletin*, January 1983, pp. 5–8.

⁴ On this point, see *How the Government Measures Unemployment*, Report 418 (Washington, Bureau of Labor Statistics, 1973), pp. 6–7.

⁵ The Special Labor Force Survey does not describe how firm these informal offers are or how new graduates with informal offers differ from other workers with jobs to report to. At least, their respective numbers are known. Better information may enable us to differentiate them in terms of labor force status. At the present stage of information, we are satisfied with treating them as the Special Labor Force Survey does under the common heading of workers with jobs to report to.

⁶ Shiraishi, "International Comparison in Unemployment Conception."

⁷ For an earlier discussion of this issue, see Ryohei Magota and Hideshi Honda, *Koyō to chingin [Employment and Wages]* (Tokyo, Ichiryusha, 1974), Chapter 3.

⁸ Shiraishi, "International Comparison."

⁹ U.S. Bureau of Labor Statistics, *How the Government Measures Unemployment*, p. 4.

¹⁰ Yoko Sano, *Chingin to koyō no keizaigaku [Economics of Wages and Employment]* (Tokyo, Chuo Keizaisha, 1981), Chapter 5.

¹¹ Naohiro Yashiro, "Wagakuni ni okeru shitsugyō gainen no saikentō" [A Reexamination of Our Country's Concept of Unemployment], *Monthly Journal of the Japan Institute of Labour*, February 1981, pp. 15–25.

¹² Eiko Shinotsuka laments the absence of real debate on this issue in her *Nihon no joshi rōdō [Japanese Women Workers]* (Tokyo, Tōyō Keizai Shinposha, 1982), p. 72.

¹³ Haruo Shimada, "The Japanese Labor Market After the Oil Crisis: A Factual Report" (I and II), *Keio Economic Studies*, Vol. 14, Nos. 1, 2.

¹⁴ See, for example, Ministry of Labor, *Rōdō tōkei yōran [A Handbook of Labor Statistics]*, 1981, p. 104.

¹⁵ Several well-known banks and research institutes announced their estimates of labor redundancies in the Japanese economy. A few examples were picked up by the Ministry of Labor and published in its *Labor White Paper* (1978).

¹⁶ What is somewhat puzzling is why workers, if only for purposes of strategic maneuvers, did not seize upon the government's insistence on the good performances of the Japanese economy based in part on the low "official" unemployment rates and mount a strong offensive for wage increases appropriate to the advertised good economic conditions. One answer to this question is that workers are sympathetic toward the government's efforts for putting up a good "face" for the rest of the world, despite the really bad conditions at home.

Blue Pencil Awards

The *Monthly Labor Review's* special issue on earnings (April 1982) won first place among one-color technical magazines in the 1982 Blue Pencil Publications Contest of the National Association of Government Communicators. The Association's judges called the *Review* a "handsome publication that invites the reader to browse . . . offers the researcher excellent research sources . . . gives the impression that it is designed to inform (rather than impress)."

Another Bureau of Labor Statistics publication, the *Occupational Outlook Quarterly*, Spring 1982, won second place among two- and three-color technical magazines.

More than 400 publications of Federal, State, and local government organizations were entered in the contest.
